

STATE OF MAINE
BOARD OF ENVIRONMENTAL PROTECTION

DOWNEAST LNG, INC. AND	)	
DOWNEAST PIPELINE, LLC	)	Applications for: Air Emission,
Robbinston, Calais, Baring Plantation	)	Site Location of Development,
Baileysville, Princeton	)	Natural Res. Protection Act
	)	and Water Quality Certification
Washington County, Maine	)	
	)	
# A-000960-71-A-N	)	
# L-23432-26-A-N	)	
# L-23432-TG-B-N	)	

AFFIDAVIT OF JEROLD LEVEY

I, Jerold Levey, being properly sworn, state the following:

1. I possess twenty years experience as an energy finance professional. For the past two years I built the environmental fund at RNK Capital. RNK Capital is a fund that invests in renewable energy technologies and trades in environmental attributes. At present RNK is valued at \$600 MM. The fund would invest in renewable energy projects from \$5MM to \$20MM. I left RNK in October of 2006 and am now a professional energy finance consultant and a principal in a biodiesel business. In my capacity as an investment professional at RNK, I reviewed investments for a wide variety of energy technologies. Many of those investments were in the form of project finance or private equity for renewable energy technologies. My work included review of letters of intent or commitment. Prior to RNK Capital I spent four years at Societe Generale in the Energy Risk Group. In my capacity as a marketer, I structured hedge programs to manage cash flow risk of project financings the bank undertook.

2. I reviewed DeLNG's financial capacity statement including the letter dated December 2, 2006, from Mr. Paul Vermeylen of Kestrel Energy Partners submitted

as "Financial Commitment Letter," and DeLNG Site Law Application, Section 3, Appendix A. I also reviewed Maine DEP Rule Ch. 373(1) (A) and (B) (Financial Capacity Standard of the Site Location Law).

3. The Kestrel letter states that it will commit to finance the permitting of the Downeast LNG receiving terminal and to "arrange" the necessary financing to complete the project once permitted.

4. The energy finance profession would not consider the Kestrel letter as a "financial commitment letter" or "letter of 'intent to fund'" construction, operation and maintenance of the proposed facility. The Kestrel letter is limited to only "arrange" financing and the letter does not address the several contingencies involved in the future arrangement of financing.

5. A project such as an LNG receiving terminal is not, in my experience, fully financed by equity. Such projects negotiate for both debt (bank) and equity financings in order to facilitate the project. All financial institutions have a list of conditions precedent to be satisfied in order to be approved for financing. These conditions precedent stipulate that all proper permitting be acquired to facilitate the daily operations of the plant. Contingencies also include market conditions at the time the financing is to be arranged, the creditworthiness of investors, and several other factors beyond federal, state and local permits, "approvals," or similar authorizations. In the case of Downeast LNG, it would also include the right of ships to gain access to the facility.

6. Effectively, financing the permitting, but agreeing only to arrange financing in the future for construction and operation, creates an option that Kestrel and

its partners could exercise at its discretion and based on the investment climate at that time. Such an "option" is not an intent to finance construction, operation and maintenance.

7. I also note that Yorktown and other investors have financed Kestrel for \$38MM. Yorktown is the fund valued at \$730MM and Yorktown's General Partner has placed \$2.9BN in investments, not Kestrel. If the DeLNG project is \$514MM and the debt-equity ratio offered by banks is 80% debt to 20% equity (as is customary for these projects) there would be an equity requirement \$102.8MM which is far in excess of the current funds (\$38MM) available to Kestrel according to its letter. Even under an unusual 90/10 debt equity ratio, Kestrel still would not have sufficient equity funding. There is a burden on Kestrel for to show proof of bank commitment with a stated debt-equity ratio.

8. I have reviewed the February 14, 2007 letter from Canadian Ambassador Michael Wilson to Federal Energy Regulatory Commission Chair Joseph Kelliher.

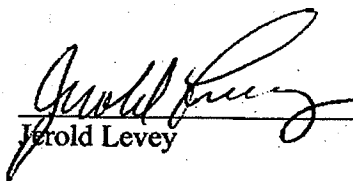
9. The Canadian government will not allow LNG tankers through Head Harbor Passage. This would preclude the project from receiving bank financing if the tankers could not approach Downeast's facilities through any other approved waterway. Lack of approved ingress and egress would restrict the project from engaging in daily operations and therefore, be a fatal flaw to the project. As explained above, bank financing is normally a critical component of any financing for construction, operation and maintenance of an LNG import facility. Until and unless the Canadian stance is finally and fully resolved in DeLNG's favor, no bank financing would be available under the particular circumstances here.

10. Further, resolution of this issue may take several years. It is thus highly unlikely that a commitment to finance would presently issue. In short this highly unusual if not peculiar situation, namely Canada's stance, and the volatility of the gas and LNG market, creates enormous uncertainty. Uncertainty affects financing, particularly debt or bank financing. In summary the term "arrange" does not demonstrate financial capacity, commitment, or an intent to fund to construction, operation, and maintenance of the proposed DeLNG facility. Kestrel should have firm commitment letters from qualified financial institutions for both the debt (bank) and equity components of the financing. Such letters are not presented.

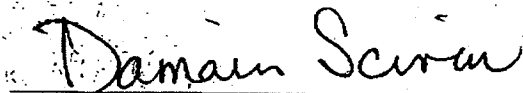
11. Further complicating matters, without the cooperation of the Canadian government to allow LNG tankers through Head Harbor Passage bank financing would be unavailable. Any commitment letters pursuant to a future effort to "arrange" financing would be contingent on the host of factors mentioned above. Many of these factors are well beyond the common understanding of the term "approvals" (federal, state, and local permits and authorizations) as used in my profession.

12. As stated, this is a unique situation. Other proposed LNG facilities would be able to secure actual letters of "intent to fund" as opposed to letters of "intent to arrange." Downeast LNG has not met that standard, and cannot do so given the Canadian situation.

13. I have also looked at the itemized costs listed by DeLNG in its financial capacity statement. It states a total cost of \$514 million – the same sum that Kestrel may “arrange.” The itemized costs and attempting to add them is confusing and not clear, and depending on how the numbers are added, the sum of costs ranges from \$514MM to \$701MM to 863MM. A clearer statement is needed.


Jerold Levey

Signed and sworn to before me on March 26, 2007



Notary Public

DAMARIS SCRIVEN
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires 11/19/2007