



STATE OF MAINE

DEPARTMENT OF ENVIRONMENTAL PROTECTION

ANGUS S. KING, JR.
GOVERNOR

EDWARD O. SULLIVAN
COMMISSIONER

DEPARTMENT ORDER

In the Matter of:

STATLER INDUSTRIES, INC.)
TREE-FREE FIBER COMPANY)
AUGUSTA AND VASSALBORO)
PULP & PAPER, SOLID WASTE,)
AND ASSOCIATED ACTIVITIES)
AND FACILITIES)

LICENSE AND APPLICATION
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Pursuant to the provisions of 38 M.R.S.A. Sections 413 *et seq.*, 581 *et seq.*, and 1301 *et seq.*, rules promulgated pursuant to these laws, 06-096 CMR 2.17, *Rules Concerning the Processing of Applications (August 1, 1994)*, and Section 401 of the Federal Water Pollution Control Act, the Department of Environmental Protection ("Department") has considered the application of Statler Industries, Inc. ("Statler") and Tree-Free Fiber Company ("Tree-Free"), with its supportive data, agency review comments, and other related materials on file and FINDS THE FOLLOWING FACTS:

1. APPLICATION SUMMARY

A. **Application.** Statler and Tree-Free, collectively referred to in this Order as the "Applicants," submitted an application to the Department on March 4, 1996, to transfer all active "licenses," as defined in 06-096 CMR 2.1(K), permits, approvals, permits-by-rule, registrations, variances, certifications and amendments thereto, and condition compliance orders for Statler projects, facilities, or activities that have been issued in the name of Statler or Statler Tissue Company by the Department, and applications pending with the Department for Statler projects, facilities, or activities in the name of Statler or Statler Tissue Company. A schedule of the permits and applications that are the subject of this Department Order is set forth in Appendix A.¹

B. History

(1) **Statler's Operations.** Statler owns and operates a deinking mill in Augusta. The mill pulp is derived from recycled paper. This recycled paper contains clay, glue, and ink that must be removed before the secondary fibers can be reprocessed into the household paper items that constitute Statler's product line.

¹ The intent of this Order is to transfer any and all operative Department licenses, permits, certificates, registrations, applications, and decisions relating to Statler's current and past operations at the Augusta facility. Any license, permit, certificate, registration, application, or decision not specifically listed in this Order or its Appendix A is incorporated herein by reference to the intent of the Applicants and Department that all such materials be transferred.

Serving Maine People & Protecting Their Environment

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1235 CENTRAL DRIVE, SKYWAY PARK
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- (2) **Tree-Free's Purchase of Statler.** On March 20, 1995, Statler voluntarily filed a Chapter 11 bankruptcy petition in the United States Bankruptcy Court for the Eastern District of Massachusetts, seeking to reorganize its business operations while being protected from creditors under the Bankruptcy Code. The Court granted bankruptcy protection shortly thereafter.

A group of investors, headed by Mr. Samuel Posner and Thermo Fibertek, Inc., formed Tree-Free under the laws of Maine to purchase the assets contained in Statler's Bankruptcy Estate that relate to the Augusta mill and operate a deinking mill in Augusta. On February 13, 1996, Tree-Free and Statler, a corporation organized under the laws of Massachusetts, entered into a Mill Purchase and Sale Agreement ("Agreement"). Under the terms and conditions of the Agreement, Tree-Free will acquire the principal manufacturing assets of Statler for \$10 million. On February 23, 1996, the Bankruptcy Court approved the Agreement.

The Agreement calls for closing the asset purchase on March 29, 1996, subject to certain provisions, including the transfer of all environmental licenses, permits, approvals, permits-by-rule, registrations, variances, certifications and amendments thereto, condition compliance orders, and applications pending with the Department that are necessary for the operation of Statler's Mill in Augusta.

- C. **Proposed Operations.** Tree-Free's intention is to re-open the existing Augusta mill as soon after the March 29, 1996, closing as feasible. Tree-Free's plan is to initiate mill operations within 8-10 weeks after the closing date. Tree-Free plans to begin operation of the mill by running the #3 paper machine with initial production at approximately 40 air dried tons per day (tpd). The economic feasibility of additional tissue production at the mill one to two years after the Tree-Free purchase is being evaluated. Addition production of this sort could result in an average production level of approximately 167 tpd (the level at which the mill operated prior to shutdown).

A principal incentive for purchasing Statler's assets is using the Augusta facility as the host site for a deinking plant that would be constructed on the site of the tissue facilities. The deinking plant will be capable of producing approximately 247 tpd of printing and writing grade deinked market pulp from about 371 tons of sorted office wastepaper. The total cost of constructing a deinking plant at the Augusta facility is presently estimated to be \$50 million. Tree-Free anticipates that engineering and permitting for the deinking plant will begin immediately after the March 29, 1996, closing. Tree-Free's goal is to have all preliminary work and financing of the deinking plant completed by the end of 1996, with construction to begin as soon thereafter as possible. Startup for the deinking plant is planned for approximately 18-24 months after the start of construction. The total production after construction of the deinking plant could be approximately 414 tpd.

2. TRANSFER REQUIREMENTS

The Applicants submitted the following information in support of the transfer application:

- A. **Title, Right, or Interest.** The applicants have submitted a copy of the Mill Purchase and Sale Agreement entered into by Statler and Tree-Free on February 13, 1996. After completing the purchase and sale of assets at the closing on March 29, 1996, Tree-Free will have title, right, or interest in the properties that are the subject of the licenses and applications. Additionally, Statler

demonstrated its title, right, or interest in the properties which are the subject of the licenses, permits, approvals, permits-by-rule, registrations, variances, certifications and amendments thereto, condition compliance orders, and applications pending identified in Appendix A prior to submission of the transfer application.

As a result, the Department finds that the Applicants have provided sufficient evidence of title, right, or interest in the subject property to allow the transfer of Statler's licenses, permits, approvals, permits-by-rule, registrations, variances, certifications and amendments thereto, condition compliance orders, and applications pending to Tree-Free.

- B. **Financial Capacity and Intent.** Statler's assets are being purchased out of a bankruptcy estate for \$10 million. The principal investors in Tree-Free are: The Posner Group (at the time of application, consisting of Mr. Samuel Posner and ten (10) other individuals with greater than a 5% equity interest) and Thermo Fibertek, Inc; the Posner Group is investing \$4 million cash while Thermo Fibertek has entered into a Vendor Support Loan Agreement to provide \$6 million to fund the asset purchase. Tree-Free expects to assume \$1.4 million of Statler's indebtedness to the Small Business Administration for use as part of the \$10 million purchase price and to allow \$1.4 million to be retained as working capital.

Further, Tree-Free has submitted projected financial information ("Pro-Forma") for its first two (2) years of operation at the Augusta mill. The Pro-Forma indicates that Tree-Free's anticipated revenues are \$21.8 million with resulting cash flow of \$2.2 million. This level of revenue, if realized, should be more than sufficient to assure compliance with all Department licenses, permits, certificates, registrations, decisions, and applications, as well as any statutory and regulatory criteria applicable to the Augusta mill operations.

Since the revenue projections contained in Tree-Free's Pro-Forma are speculation regarding new operations at the Augusta mill, the Department has also considered information regarding the financial capacity and intent of Tree-Free's principal financing entity, Thermo Fibertek, Inc., in determining the adequacy of the financial capacity and intent of Tree-Free. The two most significant aspects of Thermo Fibertek, Inc's financial capacity and intent are: (1) that the entity holds consolidated working capital greater than \$54 million; and, (2) that the entity has justified its investment in financing the purchase of Statler's assets by virtue of Tree-Free's commitment to purchase \$50 million in new deinking equipment from Thermo Fibertek within the next two years. Although Thermo Fibertek will not be directly responsible for any of the ongoing obligations of Tree-Free, evidencing an expectation of participating in a \$50 million upgrade at the Augusta mill with a \$6 million dollar loan suggests a significant long-term commitment to operation of the mill by both Thermo Fibertek and Tree-Free.

As a result, the Department finds that the applicants have demonstrated sufficient financial capacity to assure compliance with all Department licenses, permits, approvals, permits-by-rule, registrations, variances, certifications and amendments thereto, condition compliance orders, and applications pending as well as any statutory and regulatory criteria applicable to the Augusta mill operations.

- C. **Technical Capacity and Intent.** Tree-Free's purchase of Statler will not result in any significant change to the corps of employees who operate (or formerly operated prior to the mill's shutdown)

the equipment, facilities, and other activities at Statler's mill and other licensed projects. In general, the same experienced personnel who formerly or currently manage and operate the equipment and facilities will manage and operate the equipment and facilities for Tree-Free after the Mill Purchase and Sale Agreement is consummated. These environmental personnel are experienced in administering all types of environmental permits, including air, water, and solid waste, and in complying with a variety of State and federal environmental laws.

As a result, the Department finds that the information submitted in the application provides sufficient evidence that, after the transaction is consummated, Tree-Free will continue to have the technical capacity and intent to comply with all Department licenses, permits, approvals, permits-by-rule, registrations, variances, certifications and amendments thereto, condition compliance orders, and applications pending as well as any statutory and regulatory criteria applicable to the Augusta mill operations.

- D. **Solid Waste Facility Requirements.** In accordance with DEP Reg. 400.4(H)(1), Tree-Free has provided a disclosure statement regarding its criminal and civil environmental records. Neither Tree-Free nor its principal investors has an environmental violation within the last ten years.

As a result, the Department finds that Tree-Free's civil and criminal record shows satisfactory ability to comply with the licenses, permits, approvals, permits-by-rule, registrations, variances, certifications and amendments thereto, condition compliance orders, and applications pending as well as any statutory and regulatory criteria applicable to the Augusta mill operations.

BASED ON THE ABOVE FINDINGS OF FACT, the Department CONCLUDES that Tree-Free Fiber Company has demonstrated the technical and financial capacity and ability to comply with the conditions of all Department licenses, permits, approvals, permits-by-rule, registrations, variances, certifications and amendments thereto, and condition compliance orders associated with the facilities described in the Findings above, including specifically those licenses and applications listed in Appendix A, and to satisfy all applicable statutory and regulatory criteria.

THEREFORE the Department APPROVES the above-noted application of STATLER INDUSTRIES, INC. and TREE-FREE FIBER COMPANY SUBJECT TO THE FOLLOWING CONDITIONS and all applicable standards and regulations:

1. Tree-Free shall abide by the terms and conditions of all Department licenses associated with the facilities described in the Findings above, specifically including those listed in Appendix A.
2. The transfer of any licenses, permits, approvals, permits-by-rule, registrations, variances, certifications and amendments thereto, and condition compliance orders associated with the facilities described in the Findings above or contemplated for transfer in this Order shall not become effective until Tree-Free certifies in writing to the Department that the transaction contemplated by the Mill Purchase and Sale Agreement identified in Finding 1(B)(2) has occurred.
3. The transfer of any licenses, permits, approvals, permits-by-rule, registrations, variances, certifications and amendments thereto, and condition compliance orders associated with the facilities described in the Findings above or contemplated for transfer in this Order will not be effective until the Department

STATLER INDUSTRIES, INC. &)
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receives full satisfaction of \$37,778.00 due and owing for past due license fees associated with the Augusta mill.

4. The force, effect, and validity of this Order is contingent upon the completion of Tree-Free's purchase of assets related to the Augusta mill and satisfaction of Condition #3 contained in this Order. Failure to perform the conditions precedent that are required to transfer any licenses, permits, approvals, permits-by-rule, registrations, variances, certifications and amendments thereto, and condition compliance orders associated with the facilities described in the Findings above or contemplated for transfer in this Order automatically voids this Order and its provisions.

DONE AND DATED AT AUGUSTA, MAINE THIS 25th DAY OF MARCH 1996.

DEPARTMENT OF ENVIRONMENTAL PROTECTION

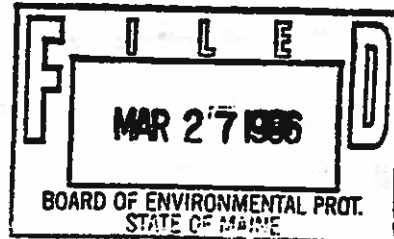
By 
Edward O. Sullivan, Commissioner

PLEASE NOTE ATTACHED SHEET FOR GUIDANCE ON APPEAL PROCEDURES

Date of initial receipt of application 3/04/96

Date application accepted for processing 3/04/96

Date filed with the Board of Environmental Protection



Appendix A:
LICENSES AND APPLICATIONS TO BE TRANSFERRED

WASTEWATER LICENSES					
License Number	ATS ID No.	Licensee	Description	Date Issued	Expires
W-000247-44-B-R	15628	Statler Industries	Waste Discharge License	04/20/90	04/20/95
W-000247-44-B-R		Statler Tissue Company (applicant)	Renewal Application	03/29/95 (date submitted)	

AIR LICENSES					
License Number	ATS ID Number	Licensee	Description	Date Issued	Expires
A-000195-71-D-R	647	Statler Industries, Inc.	Boilers @ 75,64 & 95 Mmbtu/Hr	06/16/95	06/16/00
A-000195-71-D-A	25159	Statler Tissue Company	Amend License to Incorporate Nitrogen Oxides RACT	06/16/95	06/16/00

SOLID WASTE LICENSES					
License Number	ATS ID Number	Licensee	Description	Date Issued	Expires
S-004892-WD-C-A	13072	Statler Tissue Company	Septage Site Amendment Under Old System		
S-004892-WD-E-M	13073	Statler Tissue Company	Septage Site Minor Revision New Press		
S-004892-WY-J-R	13074	Statler Tissue Company	300 Foot Variance Renewal		
S-004892-WD-I-R	13076	Statler Tissue Company	East Augusta Landfill Renewal		
S-004892-WD-K-M	13077	Statler Tissue Company	Landfill Minor Revision Leachate Storage Pond		
004892	26796	Statler Tissue Company	Condition Compliance Cond. #2 S-004892-Wd-N-M		
S-002815-WD-ZZ-N	12897	Statler Industries, Inc.	Sludge Disposal Landfill (Vassalboro)	06/09/76	
00-4892-11020	26302	Statler Industries, Inc.	East Augusta Landfill license	06/27/79	
00-4892-11020		Statler Industries, Inc.	Removal of Condition 14	06/27/79	
00-4892-11020		Statler Industries, Inc.	Removal of Condition 12	07/20/79	

STATLER INDUSTRIES, INC. &
TREE FREE FIBER COMPANY

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SOLID WASTE LICENSES					
License Number	ATS ID Number	Licensee	Description	Date Issued	Expires
00-4892-11020		Statler Industries, Inc.	Denial of Petitions for Reconsideration and Stay of the Board's Order	07/25/79	
00-4892-11020		Statler Industries, Inc.	Removal of Conditions 13, 15 and 5	08/01/79	
00-4892-11020		Statler Industries, Inc.	Removal of Condition 2	08/01/79	
00-4892-11020		Statler Industries, Inc.	Removal of Condition 4	08/08/79	
00-4892-11020		Statler Industries, Inc.	300-foot variance	08/08/79	08/08/81
		Statler Industries, Inc.	Vassalboro Sludge Disposal Area -- Consent Agreement	06/16/80	
00-4892-11020		Statler Industries, Inc.	300-foot variance	08/26/81	08/26/83
00-4892-11020		Statler Industries, Inc.	East Augusta Landfill license for beginning work on Phase II	09/08/82	
00-4892-11020		Statler Industries, Inc.	Compliance with Conditions 2 and 5 of 9/8/82 Order	05/16/83	
00-4892-11020		Statler Industries, Inc.	Compliance with Conditions 3 and 4 of 9/8/82 Order	07/01/83	
00-4892-11020		Statler Industries, Inc.	300-foot variance	08/24/83	08/24/85
L-004892-00-A-M		Statler Industries, Inc.	Modification of 6/27/79 Order	07/27/84	
S-004892-WD-A-M	2645	Statler Tissue Company	Clay Grit	07/27/84	
L-004892-00-D-M		Statler Industries, Inc.	Dike construction modification	12/23/85	
S-004892-WD-D-M	2646	Statler Tissue Company	Sludge Treatment Facility	12/23/85	12/23/87
S-004892-WY-B-R	2647	Statler Tissue Company	Renewal 300' Variance -- Written into License #S-004892-WD-F-R	07/01/88	07/01/90
S-004892-WY-F-R	2648	Statler Tissue Company	300-foot renewal	07/01/88	07/01/90
L-004892-17-F-R		Statler Industries, Inc.	300-foot renewal	07/01/88	07/01/90
S-004892-WU-G-N (S-4892-7D-G-N)	13078	Statler Tissue Company	S.W. Pulp Prep Screenings - Cor Copy 8/18/89	06/28/89	06/28/94

STATLER INDUSTRIES, INC. &
TREE FREE FIBER COMPANY

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License Number	ATS ID Number	Licensee	Description	Date Issued	Expires
S-4892-7D-G-N		Statler Tissue Company	Pulp prep screenings/paper mill sludge landfill site	08/18/89	
		Statler Industries. Inc.	Sludge Disposal Landfill license renewal application	3/30/90 (date submitted)	
S-004892-WD-H-M (S-4892-7A-H-M)	13075	Statler Tissue Company	Landfill - Minor Revision	04/13/90	04/13/95
S-004892-WD-L-M	12080	Statler Tissue Company	Excavation of Clay Soil 1.5 Acre Site for Slope Stabilization	06/12/92	
S-004892-WD-M-C	13081	Statler Tissue Company	Cc#14 of 00-4892 Dated 6/27/92	06/17/92	
S-004892-WD-G-A	13079	Statler Tissue Company	Landfill Special Waste - Biomass Ash for Final Cover	10/14/93	
S-004892-WD-N-M	23723	Statler Tissue Company	Use Biomass Ash to Provide Stable Base to Landfill	01/27/94	
S-004892-WD-O-C (S-004892-WD-G-A)	23834	Statler Tissue Company	As Built Drawing of Piping Installed in Phase II South	02/25/94	
S-004892-WD-P-C (S-04892-WD-PC)	24068	Statler Tissue Company	Use 200 Tons of Biomass Ash from Forster Inc. to Bulk Sludge to Stabilize the Phase II North Area	04/21/94	
S-004892-WD-Q-M	24114	Statler Tissue Company	Dispose of Demo & Landclearing Debris/Inert Fill/Ash/Sandblast Grit	05/04/94	
S-004892-WD-R-M	24175	Statler Tissue Company	Use Clean Demo Wood Chips & Bark to Stabilize the Base of Phase II North	05/04/94	
S-004892-WD-S-C	24179	Statler Tissue Company	Use Greenville Steam Company Ash to Bulk Sludge to Stabilize the Phase II North Area of Landfill	05/04/94	
S-004892-WD-S-C		Statler Tissue Company	Compliance of Condition 2 of Order #S-4892-WD-N-M	05/04/94	
S-004892-WD-T-M	24221	Statler Tissue Company	Use Construction/Demo Debris to Stabilize Base of Sludge Landfill	05/19/94	
S-004892-WD-V-C	24822	Statler Tissue Company	Woodash Used to Bulk Sludge to Stabilize Phase II	10/06/94	
S-004892-WD-U-M	24220	Statler Tissue Company	Operational and Closing Plan Sequence	10/17/94	

STATLER INDUSTRIES, INC. &
TREE FREE FIBER COMPANY

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License Number	ATS ID Number	Licensee	Description	Date Issued	Expires
S-004892-WD-W-M	24972	Statler Tissue Company	Minor Revision	12/08/94	
S-004892-WD-N-M		Statler Tissue Company	Compliance of Special Condition 2 of Order S-4892-WD-N-M	08/21/95	
S-004892-WD-X-C	26211	Statler Tissue Company	Condition Compliance 2 S-004892-Wd-X-M	09/05/95	



STATE OF MAINE

DEPARTMENT OF ENVIRONMENTAL PROTECTION

ANGUS S. KING, JR.
GOVERNOR

EDWARD O. SULLIVAN
COMMISSIONER

27 March, 1996

Mr. Matthew D. Manahan, Esq.
Pierce, Arwood, Scribner, Allen, Smith & Lancaster
One Monument Square
Portland, Maine 04101-1110

Re: Statler Industries -- Tree-Free Fiber Company License Transfer Order

Dear Matt:

Thank you for your work in preparing the Statler--Tree-Free transfer application and your responsiveness to each of the Department's supplemental information requests. Enclosed is a copy of the original Transfer Order, signed by Commissioner Sullivan on Monday, March 25, 1996. This Transfer Order has been issued in conformance with the provisions of 38 M.R.S.A. Sections 413 *et seq.*, 581 *et seq.*, and 1301 *et seq.*, rules promulgated pursuant to these laws, 06-096 CMR 2.17, *Rules Concerning the Processing of Applications (August 1, 1994)*, and Section 401 of the Federal Water Pollution Control Act.

I filed the Order with the Board today, March 27, 1996. Pursuant to 06-096 CMR 2.21(B) of the Department's *Rules Concerning the Processing of Applications*, filing this Transfer Order with the Board opens a 30-day appeal period for aggrieved persons regarding the Commissioner's issuance of the Order.

As you are well aware, the transfer of licenses under the provisions of this Transfer Order is not effective until Tree-Free satisfies the conditions set forth in the Order. In this regard, I look forward to Tree-Free completing the purchase of Statler's primary manufacturing assets this Friday, March 29, 1996, and the Department receiving payment of \$37,778.00 in past due fees.

If I can be of any additional assistance to you, please contact me by writing to the mailing address listed for Augusta or telephoning me directly at (207) 287-8662.

Sincerely,



James E. Dusch

cc: Bill Butler, BRWM
Stephanie Carver, BAQC
Gregg Wood, BLWQ

Serving Maine People & Protecting Their Environment

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17 STATE HOUSE STATION
AUGUSTA, MAINE 04333-0017
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PIERCE, ATWOOD, SCRIBNER,
ALLEN, SMITH & LANCASTER

ATTORNEYS AT LAW
ONE MONUMENT SQUARE PORTLAND, MAINE 04101-1110
207/773-6411 - FAX 207/773-3419

April 12, 1996

James E. Dusch, Esq.
Office of the Commissioner
Department of Environmental Protection
State House Station 17
Augusta, ME 04333-0017

Re: Statler/Tree-Free

Dear Jim:

On behalf of Tree-Free Fiber Co., L.L.C. and in compliance with Condition 2 of the Department's March 25, 1996 License and Application Transfers Order, I write to certify that the transaction contemplated by the Mill Purchase and Sale Agreement occurred on April 10, 1996. As I stated in my April 2, 1996 letter, the actual name of the entity to which Statler's DEP's permits and applications should be transferred pursuant to the Department's March 25 Order is Tree-Free Fiber Co., Limited Liability Company. Tree-Free's address is 54 Maple Street, P.O. Box 898, Augusta, ME 04332-0898. Its new phone number is 622-8733.

Thanks again for your efforts to help make this transaction proceed smoothly. Please call me if you have any questions.

Sincerely,



Matthew D. Manahan

MDM/dcu

cc: Brooke Barnes, DEP
William V. Walentine, DEP
Edward Vigneault, DEP
Stephanie L. Carver, DEP
Gregg Wood, DEP
William Butler, DEP
City of Augusta Fire Department

ENV: 24828

PIERCE, ATWOOD, SCRIBNER,
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MATTHEW D. MANAHAN

DIRECT DIAL NUMBER
207/791-1189

April 23, 1996

James E. Dusch, Esq.
Office of the Commissioner
Department of Environmental Protection
State House Station 17
Augusta, ME 04333-0017

Re: Statler/Tree-Free

Dear Jim:

On behalf of Tree-Free Fiber Co., L.L.C. and in compliance with Condition 3 of the Department's March 25, 1996 License and Application Transfers Order, the Department is hereby authorized to deposit the check for \$37,778 that was included with the application submitted to the Department on March 4, 1996.

Thank you for your continued assistance.

Sincerely,



Matthew D. Manahan

MDM/dcu

cc: Brooke Barnes, Esq.

ENV: 25336