

# Maine Business

**BANGOR DAILY NEWS**

## Potential buyer of mills plans quick restart for ‘GNP’

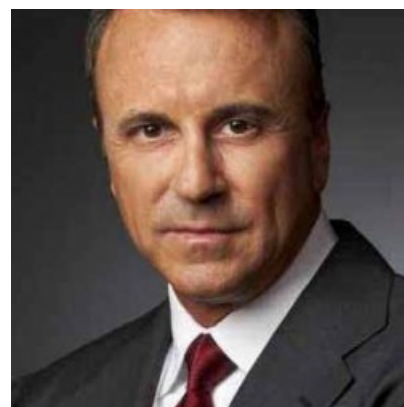


**The East Millinocket paper mill is seen in May.**

By [Nick Sambides Jr.](#), BDN Staff Last modified Sept. 01, 2011, at 7:43 p.m

EAST MILLINOCKET, Maine — A New Hampshire-based investor seeking to buy the two Katahdin region paper mills plans to call its mill-operating subsidiary “Great Northern Paper Co. LLC” — harking back to the mills’ origins — and invest \$20 million to \$25 million in the Main Street mill as soon as the deal is made, one of its leaders said Thursday.

If the deal occurs, and he stressed that several obstacles must be overcome by its mid- to late-September deadline, Cate Street Capital Senior Vice President Richard Cyr said the restart of the No. 6 papermaking machine in East Millinocket, and the hiring of as many as



200 workers, would happen fast.

“Once we close [the deal] it will restart in a matter of weeks,” Cyr said in a telephone interview on Thursday, calling the mill restart “our focus today.”

Cate Street Capital bears a superficial resemblance to its would-be predecessor, [Brookfield Asset Management](#), whose operation of the two mills — except when Serge Sorokin was the mills’ manager — was often criticized. Both are deep-pocket investors in energy who do not have papermaking among their “core competencies.”

The mills would be Cate Street’s first venture into paper manufacture. That doesn’t deter Cyr and shouldn’t raise doubts about his company’s commitment to the Katahdin mills, he said.

“We are a serious company. We would not have signed a purchase agreement, regardless of its contingencies, if we were not serious or convinced we could get to a closing,” he said. “We would not have signed if we weren’t committed to running that paper business.”

“The way we are doing that,” Cyr added, “is that we are bringing to the table people who understand the paper business, who are used to managing it, and we are looking to bring people back” to the mills who are intimately familiar with them.

“The wood [industry] business that is up there is clearly a sustainable industry,” Cyr said.

Millinocket Town Manager [Eugene Conlogue](#) briefly met the man Cate Street would have operate the mills. Conlogue said he likes what he has seen of the company.

“From what we know, which is limited, this is a successful-looking business plan,” Conlogue said Thursday. “We are still getting to know them, but this is a smart group of people, and I have every confidence that they know what they are doing and that they do it well, and because of that this will be a profitable venture for them and the area.”

Cate Street advertises itself as an investor in cutting-edge environmental technology, including torrefaction, which turns wood into biocoal, a pellet superior to fossil coal but similar enough to be interchangeable, according to [catecapital.com](#), the company’s website. The site is due to go live by Friday morning.

Cate Street’s current portfolio includes solar, biomass, water reclamation technology, environmentally conscious manufacturing processes and renewable food technologies, the site states.

“What we have seen over the years is that this company has an amazing ability to see new technologies and seize them and learn them very quickly and move forward with them very quickly,” Cate Street spokesman Scott Tranchemontagne said.

[Gov. Paul LePage's office announced on Tuesday that Cate Street had signed an asset purchase agreement](#) for the Millinocket and East Millinocket mills for an undisclosed price. The closure of the deal could come as early as mid-September, state officials said.

State officials hope that if all goes well, as many as 500 workers could be employed in East Millinocket and Millinocket in several months. [East Millinocket officials hope to meet on Tuesday morning to discuss a possible tax rate](#) with Cate Street and finalize that aspect of the deal by Sept. 9.

The original Great Northern began in 1897 when the Maine state Legislature granted a group of Bangor lumbermen and landowners a charter to develop water power on the Penobscot River in Millinocket, and Garret Schenck, general manager and part owner of the Rumford Falls Paper Co., built a paper mill in Millinocket in 1899 and began producing newsprint in 1900, a [University of Maine](#) history states.

Great Northern ran the Millinocket and East Millinocket mills until 1990, employing several thousand people in the Katahdin region, when a hostile takeover by Georgia-Pacific Corp. largely ended the GNP reign.

Today, “there are parts of the paper business that are dead and there are parts that are very healthy,” Cyr said. “There are a number of mills that are still [doing well]. It is in transition, and when the paper industry comes out the other side, it will be much smaller and much healthier and live for an indefinite period of time.”

The GNP name echoes Cate Street's desire to be a good corporate neighbor and contributor to the Katahdin region, Tranchemontagne said.

“We certainly don't want people to think that what we do with property will be exactly what Great Northern Paper did over the years,” Tranchemontagne said, adding that the “strong brand and good reputation” of the name were part of its attraction.

Cate Street and Brookfield have until late September to close the deal due to Cate Street's need “to close [the deal] and get up and running to meet the market opportunity,” Tranchemontagne said, “or we will miss it.”

Cyr and Tranchemontagne declined to describe their alternative energy or alternative energy technology plans for the mills. They said that among their reasons for seeking to buy the mills were the easy access to industrial electricity, the [Penobscot](#) River and all the wood available through the Golden Road, which is one of the North Woods' primary forest products industry conduits.

Cate Street is in the process of closing a deal and beginning to build a 75 megawatt biomass boiler at a former paper mill in Berlin, N.H., that would employ 40 people full-time plus many more logging industry workers who would supply the boiler with wood.

Cyr confirmed that Cate Street has orders in hand for the East Millinocket mill, but said the company must — among many other things — first set agreements for its industrial power and with its union

workers, and work with state officials to engineer the transfer of permits from Brookfield subsidiary Katahdin Paper Co. LLC to the new GNP — all big tasks.

Eight Cate Street employees are working on the deal almost around-the-clock, with assistance from several others, Cyr said.

The restart of Millinocket's mill might take several months and would be based on market conditions, Cyr said.

“We haven't gone into great detail about our plans because we are very focused on resolving the issues that need to be resolved in the next 30 days,” Tranchemontagne said. “We are excited about the prospects of the company to move forward [with the mills sale] but we want people to understand that there is an extremely large amount of work to be done.”

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