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"For a nation that is afraid to let its people judge the truth and falsehood in an open market is a nation that is afraid of its people."

President John F. Kennedy
(February 26, 1962)

January 6, 2026

To the Citizens of Nebraska:

Being honored to serve as Nebraska's Auditor of Public Accounts, I have striven to safeguard public funds at all levels of government, exposing countless incidents, large and small, of misuse or misappropriation (i.e., theft) of taxpayer dollars. This is the foremost of my office's many important responsibilities, and it is spurred by the certainty that every penny in a governmental treasury comes, one way or another, from the pocket of a hardworking citizen – someone who may be struggling to make ends meet in these uncertain economic times but must pay a plethora of State and local taxes nonetheless.

Dedicated to pursuing aggressively any indication of possible governmental waste, fraud, and abuse regardless of secondary considerations, I am presenting herein the details of a multimillion-dollar contract between the Nebraska Department of Economic Development (Department) and Global Sustainability Developers, LLC (GSD). That contract was awarded in 2024 pursuant to legislation passed merely a month earlier for the express purpose of assisting the State with growing its bioeconomy industry over the course of one year. In addition to falling within the purview of my office's audit of the Annual Comprehensive Financial Report (ACFR) for the State of Nebraska, the expenditure of public funds occasioned by the agreement has been the subject of serious concerns shared with me and my staff by citizens across the state.

The Nebraska Supreme Court has emphasized the importance of competitive bidding when awarding public contracts:

> *At the outset we acknowledge that competitive bidding, after public advertising, is **a fundamental, time-honored procedure** that assures the prudent expenditure of public money. . . . Competitive bid statutes exist to invite competition, **to guard against favoritism**, improvidence, extravagance, fraud, and corruption, and to secure the best work or supplies at the lowest possible price. Such statutes are enacted for the benefit of taxpayers.*[1]

(Emphasis added.) Aside from certain specific exceptions, all State contracts over $50,000 must be competitively bid. The Department had both full knowledge of this statutory requirement and ample time to comply with it. With a modicum of strategy and effort, moreover, the Department could have conducted a fair and open bidding process to select a winner in a lawfully transparent, yet still expeditious, manner. Instead, the Department claimed disingenuously that the GSD contract constituted an "emergency" – without complying with the legal requirement to specify the nature of the supposed exigency. Thus, a $2.5 million-dollar contract was awarded to GSD, a company handpicked rather than selected through the "time-honored" and legally required open, competitive process. Doing so resulted in the apparent exercise of "favoritism," barring any number of qualified applicants from being formally considered.

[1] *Anderson v. Peterson*, 221 Neb. 149, 153, 375 N.W.2d 901, 904 (1985) (internal citation omitted).

As explained in further detail below, the designation of the GSD contract as an "emergency" is unsupportable given both the circumstances and the amount of time that the Department had to search for a qualified service provider in compliance with statutory competitive bidding requirements.

I wish to bring attention also to one proposed project touted as a major victory of the initiative to grow the State's bioeconomy industry – a $5.5 billion sustainable aviation fuel (SAF) manufacturing facility planned for Phelps County, Nebraska, promoted by an East Coast company called DG Fuels. After examining this business entity's background, I have considerable doubts about the feasibility of the well-publicized venture – which appears not only to have made little, if any, significant progress since first being announced on August 7, 2024, but also exhibits disturbing similarities to numerous other evidently unfulfilled high-dollar projects promised by DG Fuels over the past decades.

This letter points to a heightened need for not only suitable restraint in authorizing emergency (no-bid) State contracts but also due diligence when identifying a suitable developer – as evidenced by a proven track record of successful project planning and execution – to help shape Nebraska's bioeconomy industry. Otherwise, an ongoing risk remains of, at the very least, both violating current law and falsely raising expectations of Nebraska communities with illusory assurances of local development.

Background Information

Legislative Bill (LB) 1412 (2024), which was introduced at the request of the Governor on January 18, 2024, became law on April 2, 2024. Section 106 of that legislation appropriated funds to the Department for "Program No. 603 - Industrial Recruitment," stating the following:

> *There is included in the appropriation to this program for FY2023-24* ***$2,500,000 General Funds to enter into a contract with an entity to assist the state, for a period of one year ending no later than June 30, 2025, with growing the state's bioeconomy industry*** *as defined by 88 Fed. Reg. 25711 (2023). The entity shall recommend and support strategies that secure federal grants for Nebraska and increase the state's real gross domestic product through bioeconomy development initiatives. The Department of Economic Development shall electronically provide the results of the bioeconomy development initiative to the Legislative Council on or before June 30, 2025.*

(Emphasis added.) Only one month after this legislative directive went into effect, the Department entered into a 14-month, $2.5 million service contract (Contract) with GSD – a business about which, as explained later herein, little appears to have been known – on an emergency (no-bid) basis.

The following brief timeline chronologizes significant events pertaining to the implementation of LB 1412 (2024) and the resulting multi-million-dollar bioeconomy Contract between GSD and the Department:

- **April 2, 2024** – LB 1412 (2024) went into effect.
- **April 29, 2024** – Former Department Director K.C. Belitz sent his former Deputy Director - Operations/Chief Legal Officer, Joseph Lauber, an email message that said, in part: "Here is the language for the bio-economy contract - already vetted thru Julie and the Governor, so I think it's ready to be plugged in. Let me know if there are other questions we need to answer."
- **April 30, 2024** – Former Deputy Director Lauber responded to former Director Belitz's email message containing language from the pending Contract, asking: "Do we know the business name of the entity we will contract with and how the payment schedule should be laid out? I think that is all we need to move forward."
- **April 30, 2024** – Former Deputy Director Lauber emailed the President and CEO of GSD, Julie Bushell, a draft of the pending Contract and requested an image of a voided GSD check.
- **May 1, 2024** – Ms. Bushell signed the Contract. Former Director Belitz signed the Contract the following day on May 2, 2024.
- **May 7, 2024** – Former Deputy Director Lauber signed an incomplete Procurement Exception/Deviation Form for an emergency contract. Not only was the form dated prior to when it was signed on this day, but also its entire second page, which contained questions regarding the reasons for designating the contract as an emergency, was left blank – meaning that, contrary to express statutory mandate, no Department

justification of the emergency was provided. See **Attachment A** hereto for an image of that incomplete form.

- **May 8, 2024 –** Ms. Bushell opened a GSD bank account with no initial deposit. She then ordered checks on the following May 29, causing the account balance to go negative. The account balance continued to be negative through early July, when the first State payment was deposited.
- **May 29, 2024 –** Ms. Bushell sent the Department a newly obtained cancelled check as well as the initial invoice and status report.
- **August 7, 2024 –** DG Fuels issued a press release to announce the planned construction in Phelps County, Nebraska, of the company's "first Midwest production facility" for synthetic aviation fuel (SAF).
- **August 9, 2024 –** Ms. Bushell gave a presentation (Nebraska BioEconomy Accelerator - "Good for Business, Good for the Planet") at the 2024 Nebraska Ag and Economic Development Summit in Kearney, Nebraska.
- **October 29, 2024 –** A three-page amendment to the Contract was signed to expand the language in both § 4.09 ("Conflict of Interest") and § 4.17 ("State of Nebraska Non-Liability/Hold Harmless") of the Contract, permitting GSD "to enter into separate agreements with third parties wherein the Contractor serves as a compensated service provider for the third party" and obligating the Department to hold GSD harmless from "any and all claims or demands" or "any loss or damage" resulting from such separate agreements, respectively. Requested by Ms. Bushell, the amendment was prepared and signed by former Deputy Director Lauber.
- **December 17, 2024 –** A town hall meeting was held at the Phelps County Ag Center in Holdrege, Nebraska. Hosted by members from the Phelps County Development Corporation, DG Fuels, Nebraska Public Power District, Southern Public Power District, and Ms. Bushell, the meeting provided a forum to explain the planned DG Fuels project for building a sustainable aviation fuel (SAF) plant in the county and answer questions from more than 300 attendees.
- **January 29, 2025 –** In response to a January 23, 2025, email inquiry by my office regarding, among other things, "why the statutory bidding requirements were not applicable" to the Contract, former Director Belitz stated the following: "The contract was submitted as an emergency contract to comply with the requirements of the bill and, specifically, to electronically provide the results of the bioeconomy development initiative to the Legislative Council on or before June 30, 2025."
- **February 28, 2025 –** The one-year Contract, with a monthly payment schedule spanning from the May 2, 2024, execution date through April 1, 2025, was amended to terminate approximately two months early on February 28, 2025.
- **March 5, 2025 –** During a public hearing before the Legislature's Appropriations Committee, former Director Belitz stated, "With the change in the Federal administration came an opportunity to amend the agreement with GSD to shorten the term." He added, "[W]e amended the contract to save the Nebraska taxpayers more than $400,000."
- **July 8, 2025 –** My staff and I met with former Director Belitz regarding the Contract and filings required under LB 1412 (2024). During this meeting, the former Director stated that he was unsure whether the final "Nebraska Bioeconomy Report" had been filed with the Legislative Council, and he could recall little about the Department's interactions with GSD prior to the Contract.
- **September 18, 2025 –** My staff and I met with Ms. Bushell to discuss the Contract and the work performed by GSD. During this meeting, Ms. Bushell explained the services provided by GSD pursuant to the Contract, including her role in securing Federal grants and loans for Nebraska businesses and governmental entities. In addition to expressing enthusiastic support for DG Fuels, she disclosed that she had begun providing consulting services for that company after the Contract ended. Ms. Bushell stated also that a major announcement about the DG Fuels project in Phelps County would be forthcoming.
- **December 17, 2025 –** During a brief telephone conversation that I had with him, Governor Jim Pillen acknowledged that his office "recommended" to the Department that the Contract be awarded to GSD, saying that such encouragement resulted in a "joint decision" between him and former Director Belitz, then head of that code agency.

Neb. Rev. Stat. § 73-807(2) (Cum. Supp. 2024) of the State Procurement Act (Act) – which is set out at §§ 73-801 to 73-819 (Cum. Supp. 2024, Supp. 2025) – requires State agency contracts in excess of $50,000 to "be bid by a competitive formal bidding process in the manner prescribed by the division procurement manual or a process approved by the Director of Administrative Services."

Neb. Rev. Stat. § 73-813 (Supp. 2025) allows "limited exceptions" to the Act's competitive bidding requirements for, among other things, "emergency contracts." For purposes of the Act, Neb. Rev. Stat. § 73-803(6) (Supp. 2025) defines "emergency" as follows:

> *Emergency means necessary to meet an* ***urgent or unexpected requirement*** *or when* ***health and public safety*** *or the* ***conservation of public resources*** *is at risk[.]*

(Emphasis added.) Additionally, Neb. Rev. Stat. § 73-815 (Cum. Supp. 2024) requires, as is relevant, the following:

> *In case of an emergency, contract approval by the state agency director or his or her designee is required. A copy of the contract and* ***state agency justification of the emergency*** *shall be provided to the Director of Administrative Services within three business days after contract approval. The state agency shall retain* ***a copy of the justification*** *with the contract in the state agency files.*

(Emphasis added.) In light of the above provisions of the Act, the only remotely plausible basis for designating the Contract as an "emergency" would have been to conserve "public resources" – in the form, presumably, of unclaimed Federal grant monies placed "at risk" absent immediate action to obtain them. Such a presumption is necessary because, as noted in the above timeline, the Department failed to comply with the requirement in § 73-815 that "agency justification of the emergency" be "provided to the Director of Administrative Services within three business days after contract approval." The only other allowable reasons for an emergency designation, per the definitional language in § 73-803(6), would have been to respond to either "an urgent or unexpected requirement" or a "health and public safety" concern. Clearly, neither of those alternatives were applicable to this situation.

There is no reason to believe, based on either the definitional language in § 73-803(6) or anything else of which I am aware, that the routine and longstanding practice of applying for Federal funding constitutes "the conservation of public resources is at risk." Likewise, as addressed at greater length below, no time constraint in LB 1412 (2024) gave rise to an "an urgent or unexpected requirement." It has never been a secret or surprise that many Federal administrations, representing both sides of the aisle, have lavished state and local governments with funding for a wide array of purposes – a practice that seems to have gained momentum during recent years. Many citizens are likely unaware, however, that well over one-third of all funds spent by State agencies is simply a reappropriation of Federal monies.

This expansive governmental spending has persisted for quite some time, making the pursuit of available Federal dollars over the past year hardly "urgent or unexpected," per § 73-803(6). It would ring hollow to suggest, therefore, that an "emergency" somehow arose suddenly, justifying a multi-million-dollar, no-bid contract for soliciting Federal funds – when, in fact, there was ample time to conduct a fair and open bidding process and execute the resultant agreement without inviting the specter of illicit favoritism.

As explained already, LB 1412 (2024) directed the Department to expend the appropriated $2,500,000 in General Funds "to enter into a contract with an entity to assist the state, for a period of one year ending no later than June 30, 2025, with growing the state's bioeconomy industry[.]" The Department had more than three months – from the April 2, 2024, effective date of LB 1412 (2024) to June 30, 2024, the latest that the mandatory one-year performance period could commence – to search for a qualified service provider in compliance with the competitive bidding requirements of the Act; however, barely a month passed between the effective date of the bill and the proffering of the Contract to GSD on April 30, 2024.

Worth recognizing also is that the Department is a code agency of State government subject to the Governor's immediate control and whose Director serves at gubernatorial pleasure. Such being the case, the Department's administration was undoubtedly aware that an appropriations bill, containing a specific provision for funding a bioeconomy contract, was being drafted for introduction at the request of the Governor. Had there been sincere interest in complying with statutory competitive bidding requirements, the Department had ample opportunity to do so by merely issuing a Request for Information (RFI) during the numerous months that the bill was being prepared and subsequently moving through the Unicameral. Immediately upon enactment of that legislation, the Department could have published a Request for Proposals (RFP) with sufficient time to make an award through a fair and open competitive process. Consequently, nothing either "urgent" or "unexpected" arose from LB 1412 (2024) sufficient to support an emergency designation for the Contract.

Furthermore, utilization of an RFI would not have been contingent upon passage of LB 1412 (2024) and resultant appropriation of the funds specified therein; however, it would have given interested parties notice of the potential bioeconomy contract – expediting the ensuing RFP process and allowing for timely completion of the 12-month bioeconomy development initiative specified in the bill.

Rather than following the well-known competitive bidding provisions of the law, the Department declared an "emergency" and awarded a highly lucrative $2.5 million contract to a handpicked "winner" on a no-bid basis. There can be little doubt that adherence to statutory bidding requirements would have attracted numerous highly qualified applicants who, due to the lack of such action, were locked out of the opportunity to compete for the contract.

As the Auditor of Public Accounts, duly elected by the people of Nebraska, I understand that I was not hired to look the other way when faced with allegations or evidence of suspect financial activity involving public funds.

When selected for the Contract, very little information about GSD, including its identity, appears to have been available to the Department, which suggests that the agency entered into a $2.5 million contract with an entity about which it knew virtually nothing. This is made evident by an April 30, 2024, email message, sent at 10:57 a.m., in which former Deputy Director Lauber asked, "Do we know the business name of the entity we will contract with and how the payment schedule should be laid out?" The previous day, on April 29, 2024, former Director Belitz had sent him the Contract language, explaining that it was "already vetted thru Julie and the Governor, so I think it's ready to be plugged in." After being provided with the payment terms and business name, the Department tendered the contract to GSD at 1:50 p.m. on April 30, 2024, slightly under three hours after former Deputy Director Lauber's initial email inquiry.

If the Department neglected to scrutinize the $2.5 million contract to GSD prior to approving it, former Director Belitz's April 29, 2024, email message to former Deputy Director Lauber, as quoted above, indicates that the Governor's office had assumed that "vetting" responsibility.

Looking into its background, GSD filed a Certificate of Organization, as a domestic limited liability corporation, with the Nebraska Secretary of State on September 24, 2021. On April 6, 2023, a Notice of Revocation letter was sent to GSD for failing to file its biennial report. The biennial report was later filed by GSD on April 18, 2023, and the company is still active and in good standing as of early December 2025. On July 8, 2025, moreover, I met with former Director Belitz, who proved unable to recall anything of significance about the history or qualifications of GSD, including how long it had operated before being selected for the Contract. Former Director Belitz was similarly incapable of remembering if any other vendors had been considered to carry out the services authorized by LB 1412 (2024).

Under the Contract, the Department paid GSD a flat fee of approximately $208,333 a month, with the express intent of spending the entire $2.5 million appropriated by LB 1412 (2024), to accomplish the goal of that legislation.

The following table is found under Part III ("Services & Payment Schedule") of the Contract:

SERVICES & PAYMENT SCHEDULE		
SOURCE OF FUNDING→ LB 1412 (2024)		
Services	**Payment Date**	**Payment Amount**
Bio Economy Consulting	Upon Execution	$208,333.37
Bio Economy Consulting	June 1, 2024	$208,333.33
Bio Economy Consulting	July 1, 2024	$208,333.33
Bio Economy Consulting	August 1, 2024	$208,333.33
Bio Economy Consulting	September 1, 2024	$208,333.33
Bio Economy Consulting	October 1, 2024	$208,333.33
Bio Economy Consulting	November 1, 2024	$208,333.33
Bio Economy Consulting	December 1, 2024	$208,333.33
Bio Economy Consulting	January 1, 2025	$208,333.33
Bio Economy Consulting	February 1, 2025	$208,333.33
Bio Economy Consulting	March 1, 2025	$208,333.33
Bio Economy Consulting	April 1, 2025	$208,333.33
TOTAL	12 Months	**$2,500,000.00**

As noted in the background timeline (pgs. 2-3) herein, the original 14-month-long term of the Contract – with an initial 12-month payment schedule spanning from the May 2, 2024, execution date through April 1, 2025 – was cut short by an amendment adopted on February 28, 2025, which ended the agreement as of that date. Accordingly, the total payment to GSD was reduced from the original $2,500,000 to $2,083,333.34. That three-page amendment provides the following revised pay schedule:

SERVICES & PAYMENT SCHEDULE		
SOURCE OF FUNDING→ LB 1412 (2024)		
Services	**Payment Date**	**Payment Amount**
Bio Economy Consulting	Upon Execution	$208,333.37
Bio Economy Consulting	June 1, 2024	$208,333.33
Bio Economy Consulting	July 1, 2024	$208,333.33
Bio Economy Consulting	August 1, 2024	$208,333.33
Bio Economy Consulting	September 1, 2024	$208,333.33
Bio Economy Consulting	October 1, 2024	$208,333.33
Bio Economy Consulting	November 1, 2024	$208,333.33
Bio Economy Consulting	December 1, 2024	$208,333.33
Bio Economy Consulting	January 1, 2025	$208,333.33
Bio Economy Consulting	February 1, 2025	$208,333.33
~~Bio Economy Consulting~~	~~March 1, 2025~~	~~$208,333.33~~
~~Bio Economy Consulting~~	~~April 1, 2025~~	~~$208,333.33~~
TOTAL	~~12 Months~~ 10 Months	~~**$2,500,000.00**~~ **$2,083,333.34**

Per § 1.01 ("Services Performed by the Contractor") of the Contract, GSD was to provide the following services:

- *Support Nebraska Bio-economy by making connections between Bioeconomy companies within Nebraska and connecting Nebraska Bioeconomy companies to Federal grant/loan opportunities.*

- *Develop a 5 year "Roadmap to Nebraska Bio-Economy Success", including strategies and tactics to grow capital investment and jobs, that is approved by the Governor by August 1, 2024.*

- *Support Bioeconomy industry business and talent recruitment efforts.*

- *Coordinate the submission of at least **four (4)** Federal Grant or Loan Applications per quarter from Bioeconomy companies operating in Nebraska or other Nebraska entities (e.g. utilities, public entities, or other infrastructure providers).*

- *Coordinate at least **two (2)** Federal loans annually to Bioeconomy companies operating in Nebraska or other Nebraska entities (e.g. utilities, public entities, or other infrastructure providers).*

- *Provide monthly reports, concurrent with invoices, that detail the progress towards the stated goals of LB 1412 to assist the state with growing the state's bioeconomy industry and to recommend and support strategies that secure federal grants for Nebraska and increase the state's real gross domestic product through bioeconomy development initiatives.*

GSD Role in Securing Federal Funding

The State of Nebraska has long been the recipient of considerable Federal funding. In fiscal year 2024 alone, State agencies spent $5.7 billion in Federal monies. Obtaining these grants and other disbursements requires significant effort on the part of State personnel. Under LB 1412 (2024), the service contractor selected was to "recommend and support strategies that secure federal grants for Nebraska." Per § 1.01 ("Services Performed by the Contractor") the Contract, moreover, GSD was directed to do the following:

> *Support Nebraska Bio-economy by making connections between Bioeconomy companies within Nebraska and connecting Nebraska Bioeconomy companies to Federal grant/loan opportunities.*

There appears to be little room to dispute that GSD fulfilled that contractual obligation. My office analyzed the Federal bioeconomy grants and loans attributed to GSD's assistance by the reports accompanying the monthly invoices that the company submitted to the Department. It is difficult to evaluate, however, the significance of the role that GSD played in securing that Federal funding – especially since other states received comparable amounts of the same grant and loan monies, presumably without any involvement by GSD. This leads to questions as to whether similar funding might have been obtained through the help of a different contractor or State personnel alone. It is also true that, in some cases, promised Federal funds were never received.

The U.S. Environmental Protection Agency (EPA) awarded a $307 million Climate Pollution Reduction Implementation Grant to the State of Nebraska – through the Nebraska Department of Water, Energy, and Environment (NDWEE) – on October 9, 2024. According to the NDWEE's own webpage, "The success of Nebraska's application was made possible by the extensive public input from a broad range of partners and stakeholders across the state, including state and local government departments, public power districts, agricultural stakeholders, subject matter experts, and Nebraska citizens."[2] In a subsequent email message to my office, a NDWEE employee added, "GSD was involved [in the grant application and award process] through its coordination efforts with several federal agencies, both locally and in Washington, D.C., that were part of the grant award process." However, this Climate Pollution Reduction Implementation Grant was not awarded exclusively to Nebraska, as 24 other states obtained that same funding. Those states included Illinois (awarded $430 million), Pennsylvania (awarded $396 million), a coalition of Connecticut, Maine, Massachusetts, New Hampshire, and Rhode Island (awarded $450 million), and a coalition of North Carolina, South Carolina, Maryland, and Virginia (awarded $421 million).

Similarly illustrative are two renewable energy companies in Nebraska for which GSD has been credited as having helped to obtain Federal loans. Bluestem Energy Solutions was awarded $3.6 million from the USDA's Powering Affordable Clean Energy Program on June 26, 2024, and Sandhills Energy was awarded $29.4 million from the same program on August 8, 2024. These two entities were among 50 others spread across 27 states and a U.S. territory, however, to receive a combined amount of over $1.4 billion in loans through the program. In Nebraska, for instance, three other entities received program funding without GSD's assistance: Loup Valleys Rural Public Power District ($7 million); Midwest Electric Coop Corp ($16.9 million); and the Village of Emerson ($1 million). Elsewhere, funding recipients included the Golden Valley Electric Association in Alaska ($100 million); TPI – Natural, LLC, in Arkansas ($47.7 million); Sierra Southwest Electric Cooperative in Arizona ($55.2 million); Delta-Montrose Electric Association in Colorado ($72.2 million); West Grand Ridge Solar, LLC, in Florida ($81 million); and KPP Energy in Kansas ($35 million).

GSD is credited also with having aided 55 individual Nebraska farmers and businesses receive a combined $10.3 million in grants and loans from the USDA through the Rural Energy for America Program on January 10, 2025. In fact, Nebraska was one of 42 states and 3 U.S. territories to obtain a combined 586 awards, totaling $179.9 million in loans and grants through the program. Several other surrounding states also secured grant and loan awards, including: Iowa (51 awards totaling $7.9 million); Missouri (26 awards totaling $1.1 million); Kansas (60 awards totaling $8.2 million); Colorado (7 awards totaling $505,000); and South Dakota (17 awards totaling $2.7 million).

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[2] https://dee.nebraska.gov/aid/one-red-opportunity-nebraska-reducing-emissions-decarbonization/one-red-implementation-grant.

As mentioned already, some of the Nebraska grants attributed to GSD's assistance have yet to materialize. For example, Nebraska Electric G&T (NEG&T) was awarded a $200 million New ERA Program grant from the United States Department of Agriculture (USDA) on December 19, 2024. Representatives from NEG&T informed my office that GSD had extensive involvement in the grant application and award process, including several in-person meetings with State and Federal officials. NEG&T was one of 10 entities that received a combined $4.37 billion in loans and grants to electric cooperatives based in seven states, including: Connexus Energy in Minnesota ($170 million); CORE Electric Cooperative in Colorado ($225 million); Georgia Transmission Corporation ($325 million); Oglethorpe Power Corporation in Georgia ($331.5 million); San Miguel Electric Cooperative, Inc. in Texas ($1.4 billion); Seminole Electric Cooperative, Inc. in Florida ($1.3 billion); Trico Electric Cooperative Inc. in Arizona ($43 million); United Power in Colorado ($262 million); and Yampa Valley Electric Association in Colorado ($50 million). Nevertheless, as of August 26, 2025, almost a year after the grant was awarded, NEG&T had not received any of those funds.

Summary of DG Fuels and Michael Darcy, Chairman and CEO

In the "Nebraska Bioeconomy Report" (Report) – which, per LB 1412 (2024), the Department was required to "electronically provide . . . to the Legislative Council on or before June 30, 2025" – GSD is noted as having arranged for DG Fuels, a self-proclaimed "emerging leader in renewable hydrogen and biogenic based, synthetic low emissions aviation and diesel fuel" based in Washington, D.C., to pledge construction of a sustainable aviation fuel (SAF) processing plant in Phelps County. The prospect of this unprecedented $5.5 billion project in Nebraska was much publicized, raising the expectations of many with fanciful promises of an ensuing regional economic boom.

To illustrate, an August 7, 2024, press release issued by DG Fuels claimed that the planned Phelps County project would "provide 650 quality careers, offset aquifer demand by transporting water required for production via rail, offer a local community coordinator, and include a comprehensive multi-million-dollar community benefits package that will directly enhance the County's infrastructure, quality of life, and local strategic plan." According to a November 14, 2024, Phelps County Development Corporation press release included in the Report, moreover, the DG Fuels plant would "majorily [sic] impact the local economy, boosting retail and agricultural sales and creating hundreds of jobs." The project would accomplish, the press release continued, the following for Phelps County:

> *Once the plant is operational, the projected annual payroll for 640 permanent DG Fuels employees will reach $54 million and create an additional 313 secondary jobs such as doctors, teachers, restaurant workers, etc. That secondary employment is expected to generate more than $16 million annually. . . . [T]he community could expect to see a 15.7 percent increase ($6.3 million) in retail sales annually once the project is complete.*
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> * * * *
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> *DG Fuels will purchase an estimated 1.2 million tons of corn stover annually adding $144 million into the pockets of farmers in the South Central Nebraska region with no negative impacts on supplies for cattle feed or nutrient replenishment in the fields.*

The proposed project is headed by Michael Darcy, the Chairman and CEO of DG Fuels – a company that has gone through various names, including the D'Arcinoff Group. Mr. Darcy's entrepreneurial history for almost a quarter of a century has included the promotion of numerous extravagant business ventures. Most recently, he has proposed multibillion-dollar sustainable energy projects in Nebraska and other locations. Aside from being built upon breathtaking visions resembling that predicted for Phelps County, those big-budget undertakings, whether domestic or overseas, appear to share one important commonality: They rarely, if ever, come to fruition.

Recently, I spoke with former Congressman Collin Peterson of Minnesota regarding DG Fuels' declared plan in 2024 to construct a sustainable aviation fuel (SAF) processing plant in the northwest of that state – a project quite similar to the one proposed by the company for Phelps County, Nebraska. As well as working for years as a Certified Public Accountant, former Congressman Peterson was elected to a staggering 15 terms in the U.S. House of Representatives, serving the district where the hypothetical DG Fuels plant would supposedly be sited.

During much of his time in Congress, Peterson chaired the House Committee on Agriculture and is no stranger to, among other things, various agricultural special interests pitching uneconomic and unrealistic projects in the hope of receiving Federal funds and loan guarantees.

Being familiar specifically with DG Fuels and its proposals, former Congressman Peterson offered the following unabashed evaluation of that company's promise to build an SAF processing plant:

> ***"In my opinion, there is no way in hell that thing is ever going to be built. DG Fuels put out their press release without any meaningful input from the local community to be impacted. I am concerned for those who might make decisions or assumptions based on press releases."***

Despite an apparently uninterrupted history of nonperformance and unfulfilled assurances by Mr. Darcy, his company's recent promise to build a $5.5 billion SAF manufacturing facility in Phelps County – a proposal that, lacking any tangible framework or even definite funding source, resembles numerous unrealized forerunners – was trumpeted by GSD as a notable achievement in "growing the state's bioeconomy industry," per LB 1412 (2024).

Interestingly, between 2008 and 2023, Mr. Darcy appears to have been the defendant in various warrant in debt and garnishment actions in Virginia. Brought by plaintiffs such as credit card companies and a homeowners association, these civil suits sought to recover debts ranging from less than $2,000 to little over $13,000. Mr. Darcy is listed also as a defendant in a Federal tax lien case involving $6,746. Being taken to court for such relatively insignificant amounts seems rather incongruous for someone claiming responsibility for multi-billion-dollar bioenergy projects now being pitched in various states, including Nebraska.

The table below details numerous unaccomplished projects promoted by Mr. Darcy. There may be others, but these were the most readily accessible. Despite my best efforts, moreover, I was unable to find any successful sustainable energy projects of note undertaken by Mr. Darcy or DG Fuels.

Location	Year	Projected Cost	Project Implemented Fully?	Description
Maryland	2002	$1,640,000,000.00	No	This project planned to use the Sparrow's Point shipyard in Baltimore, Maryland, to build three cruise ships. The project reportedly needed $1.64 billion in government-backed loans; however, the loans do not appear to have been acquired, and the project remains presumably incomplete.
New York	2009	$10,000,000,000.00	No	This project was aimed at converting auto part manufacturing plants, including the New Process Gear (a.k.a., New Venture Gear) plant in Syracuse, New York, into factories to produce wind turbine parts. The project needed over $10 billion in Federal tax credits. However, the tax credits do not appear to have been granted, and the project remains presumably incomplete.
Indiana	2009	Unknown	No	This project planned to establish a manufacturing facility in Henry County, Indiana, to produce wind turbine and heliostat parts. The plan was estimated to create up to 20,000 jobs and utilize closed automotive plants. One facility was expected to start operations in 2012. However, the project appears never to have become operational.
Texas	2013	$4,600,000,000.00	No	This project (a.k.a., The West Texas Renewable and Gas Monetization Project) planned to develop a synthetic biofuel processing plant on an over-190,000-acre swath of land in Hudspeth County, Texas. The initial cost was projected at approximately $4.6 billion. GE Aviation signed a 10-year agreement with D'Arcinoff Group in 2013 to purchase synthetic biofuel from the plant starting in 2016. However, no further progress on the project appears to have been made.
Indiana	2014	Unknown	No	This project planned to construct a synthetic biofuel facility capable of producing 30,000 barrels of fuel per day on 3,000 acres in an undisclosed location in central or southern Indiana. No further information could be found about the project.

Location	Year	Projected Cost	Project Implemented Fully?	Description
Tennessee	2014	Unknown	No	This project planned to construct a synthetic biofuel facility capable of producing 30,000 barrels of fuel per day on 3,000 acres in an undisclosed location in eastern Tennessee. No further information could be found about the project.
California	2014	Unknown	No	This project planned to construct a synthetic biofuel facility capable of producing 60,000 barrels of fuel per day on 25,000 acres in an undisclosed location in southern California. No further information could be found about the project.
Maine	2022	$4,130,000,000.00	No	This project involves the construction of a $4.13 billion sustainable aviation fuel (SAF) manufacturing facility at the former Loring Air Force Base near Limestone, Maine. The ground is expected to be broken at the site in 2026, and construction is slated to take approximately five years. The project is to be funded through the U.S. Department of Energy and commercial equity.
Louisiana	2024	$4,000,000,000.00	No	This project involves the construction of a $4 billion SAF fuel manufacturing facility in St. James Parish, Louisiana. Production of fuel is expected to begin in 2028, and a final investment decision should be made in 2026.
Nebraska	2024	$5,500,000,000.00	No	This project involves the construction of a $5.5 billion SAF manufacturing facility in Phelps County, Nebraska. In April 2025, the total investment costs were reported to have increased to $7 billion. The final investment decision is expected to be made in 2025 or 2026. Neither lands nor any Federal grants or loans appear to have been acquired as of August 2025.
Minnesota	2024	$5,000,000,000.00	No	This project involves the construction of a $5 billion sustainable aviation fuel manufacturing facility in Moorhead, Minnesota. Fuel production is expected to begin prior to 2030. The Minnesota Legislature authorized a tax credit of $1.50 for every gallon of fuel produced and sold in that state as a development incentive.

Not one of the above 11 projects pitched by Mr. Darcy or DG Fuels appears to have materialized.

Included in **Attachments B** through **D** hereto are copies of press releases and news articles pertaining to some of these proposed DG Fuels projects.

Finally, it is worth noting that, upon conclusion of the Contract with the Department, GSD began working in an advisory capacity for DG Fuels. Though permitted by an amendment to the Contract, such an arrangement could give rise to concerns regarding possible lack of independence by, or even undue influence upon, GSD while promoting the DG Fuels project – one of the supposed triumphs for which Nebraska paid GSD $203,333.33 a month under the Contract.

It should be noted that my office contacted Mr. Darcy by email on December 2, 2025, in an effort to arrange a conference call to discuss the information herein – as well as possibly other matters – relating to not only him and DG Fuels but also the status of his company's proposed project in Phelps County. Mr. Darcy replied to that initial communication by requesting an agenda for the anticipated telephone meeting and suggesting that it take place sometime after December 15, 2025. After providing him immediately with the information sought and proposing a date that conformed to his stated schedule, my office received no further response from Mr. Darcy – despite repeated attempts on our part at further correspondence. Consequently, my office's best efforts to arrange it notwithstanding, the desired conference call with Mr. Darcy failed to transpire.

Legislative Considerations

Only a small fraction of one percent of the more than 8,400 State contracts executed over the past two fiscal years (2023-2024 and 2024-2025) have been designated as emergencies. Moreover, the agreement with GSD was the Department's only emergency (no-bid) contract during that period.

Though exceedingly rare, any use of the emergency exemption under the Act is significant and deserving of scrutiny. This is because an improper emergency designation would both negate the underlying purposes of the Act – which, per Neb. Rev. Stat. § 73-802 (Cum. Supp. 2024), are "to establish a standardized, open, and fair process for selection of contracts and to create an accurate reporting of expended funds for such contracts" – and place at risk valuable tax dollars. The Department's emergency designation and the resulting award of the $2.5 million Contract to an entity about which that awarding agency was admittedly ignorant is emblematic of this concern. I encourage the Legislature to consider, therefore, ways of curtailing such questionable designations in the future.

One possibility might be requiring all emergency contracts to be filed with the Auditor of Public Accounts (APA). Neb. Rev. Stat. § 73-815 (Cum. Supp. 2024) of the Act currently states, in relevant part, the following:

> *In case of an emergency, contract approval by the state agency director or his or her designee is required. A copy of the contract and state agency justification of the emergency shall be provided to the Director of Administrative Services within three business days after contract approval.*

A simple legislative solution could take the following form:

> *In case of an emergency, contract approval by the state agency director or his or her designee is required. A copy of the contract and state agency justification of the emergency shall be provided to **both** the Director of Administrative Services **and the Auditor of Public Accounts** within three business days after contract approval.*

Notifying the APA, along with the Director of Administrative Services, of emergency contracts would provide, if nothing else, a second level of oversight aimed at helping to prevent abuse, intentional or otherwise, of the emergency exemption to the Act's competitive bidding requirements. The APA has no enforcement authority and, like the Director of Administrative Services now, would not be empowered to reject any emergency contract submitted. Nevertheless, realization that the APA would be reviewing and, as necessary, reporting upon such contracts could help encourage agencies to adhere more scrupulously to the provisions of the Act – including the required submission of the agency's "justification of the emergency," which, as mentioned previously herein, was glaringly omitted from the GSD contract's emergency designation approval by the Department's former Director.

Regardless of whether through a statutory amendment similar to that shown above or some other measure, directing the APA to be notified promptly of any new emergency contracts would help to safeguard public funds by enabling my staff, as well as those of future Nebraska State Auditors, to be more immediately effective at what they do best – namely, reviewing documents pertaining to the expenditure of public funds and sounding an alarm when potentially problematic activity, such as that detailed herein, is identified.

* * * * * *

It is my wholehearted desire that this letter will both prove informative and honor the words chiseled into the wall above the north entrance to our State Capitol building: "The Salvation of the State is watchfulness in the citizen."

Sincerely,

Mike Foley
Nebraska Auditor of Public Accounts
Room 2303, State Capitol
Lincoln, NE 68509
Phone (402) 471-2111
Mike.Foley@nebraska.gov

Attachment A

Procurement Exception/Deviation Form

Agency: 72- Economic Development

Date: May 1, 2024

Requisition Number: 24-01-494

Good or Service To Be Provided:

Bio Economy Consulting

Reason for Exception/Deviation:

- ☐ 1. Sole Source – Sole availability at location
- ☐ 2. Sole Source – Uniqueness of service
- ☐ 3. Restrictive – (Competitively bid but restricted to particular brand)
- ☑ 4. Emergency
- ☐ 5. Competitively Bid - Under 15 calendar days
- ☐ 6. Other Circumstances

Funding: (Indicate Percentage)

Federal %
State 100 %

Estimated Dollar Amount of Contract or Purchase Order: $ 2,500,000.00

Attachments:

- ☐ 1. Completed Justification
- ☑ 2. Copy of Contract*
- ☐ 3. Proof of Need (Contracts > $15,000,000.00)

*Sole Source: Proposed Contract
*Emergency: Executed Contract

By signing below, the procuring agency is asserting that the information on this page and on any accompanying material, including the information provided on the justification form is complete and accurate to the best of the procuring agency's knowledge. The procuring agency is solely responsible for the information provided to the Materiel Division and understands and acknowledges that the Materiel Division will rely on this information to consider process the documentation.

EMERGENCIES: This form and the executed contract must be signed by the agency director or his or her designee.

Signature of Procuring Agency Lauber, Joseph Digitally signed by Lauber, Joseph Date: 2024.05.07 10:55:40 -05'00'

Title: Deputy Director

SPB Form GS-1
Revised 11/02/2023
Page 1 of 2

1) Explain why the procurement cannot be competitively bid (N/A to Restrictive Bids).
Sole Source Service Note: The agency must describe how the contractor is clearly and justifiably the only practicable source to provide the service based on either uniqueness of the service or sole availability at the location required.

2) What other options were researched?

3) Why will other options (if any), such as those listed in 2, not meet the agency's need?

4) Can the agency expand or be flexible with its requirements to expand competition? If no, why not?

5) What are the agency's plans for the next time the agency needs to procure the goods or services?

MATERIEL DIVISION USE ONLY BELOW
(non-emergencies)

Exception Approved

Exception Denied

Materiel Administrator Signature

Comments (if applicable):

SPB Form GS-1
Revised 11/02/2023
Page 2 of 2

Phelps County Selected for DG Fuels' First Midwest Synthetic Aviation Fuel Plant

by Dan Brown | Aug 7, 2024 | Featured, Press

Innovative Plant to Transform Agricultural By-products into High-Value Synthetic Aviation Fuel

Lincoln, Nebraska – DG Fuels, a U.S.-owned synthetic aviation fuel (SAF) company, in cooperation with the Nebraska BioEconomy, has selected Phelps County, Nebraska, for its first Midwest production facility. The plant will produce 193 million gallons of zero or low CO2 lifecycle emissions SAF per year and meet ASTM fuel standards. Production is expected to begin in 2030.

DG Fuels' manufacturing process uses cellulosic biomass, in the form of lower-value agricultural by-products such as corn stover, as its carbon feedstock. It also incorporates various forms of clean hydrogen feedstock to produce near-zero carbon fuel. "DG Fuels' baseline process differs from other systems by having little or no environmental emissions either to the atmosphere or waters while at the same time providing significant economic value to the agricultural communities and farmers that we partner with," said Michael C. Darcy, Chief Executive Officer of DG Fuels.

The Phelps County, Nebraska region, known for its consistently productive farmland and abundant yields, stands to generate millions of dollars per year in additional on-farm income by converting corn stover into high-value SAF. The partnership will provide 650 quality careers, offset aquifer demand by transporting water required for production via rail, offer a local community coordinator, and include a comprehensive multi-million-dollar community benefits package that will directly enhance the County's infrastructure, quality of life, and local strategic plan. "Adding value to our region's farm economy is a top priority and fits perfectly within Phelps County's wheelhouse," said Ron Tillery, Executive Director of the Phelps County Development Corporation (PCDC).

"The Nebraska BioEconomy strategic plan focuses on delivering value at every level to Nebraskans, our aquifer, and the next seven generations who will call our great state home. This project is expected to deliver nearly $55 billion of economic impact across the State over the next 30 years," stated Governor Jim Pillen. "This project sets the tone for the types of partnerships Nebraska can and will continue to pursue," continued Julie Bushell, who leads the Nebraska BioEconomy initiative.

"Our relationship with DG Fuels fully aligns with PCDC's targeted industry strategy while protecting our County's most valuable resources: the next generation of family farmers and our aquifer," said Shane Westcott, President of the Phelps County Development Corporation. "DG Fuels' willingness to listen and address our most critical interests exemplifies the quality of activity we hope to attract to our region. We're open for business."

NOVEMBER 14, 2024

FOR IMMEDIATE RELEASE

For more information: Ron Tillery, ron@phelpscountyne.com or (308) 991-4148

Weblink: https://www.phelpscountyne.com/in-the-news/p/item/60356/dg-fuels-set-to-transform-phelps-county-economy

DG Fuels Set to Transform Phelps County Economy

HOLDREGE – The new DG Fuels sustainable aviation fuel plant planned in Phelps County will majorly impact the local economy, boosting retail and agricultural sales and creating hundreds of jobs.

A new study commissioned by the Phelps County Development Corporation estimated the project will boost the Phelps County economy by hundreds of millions of dollars annually when it becomes operational. Prepared by NPPD economist Melissa Trueblood, PhD., the study estimates that during the construction phase of the project capital expenditures will top $4.2 billion, and the project will generate new taxes on production and imports (TPI) exceeding $5 million.

“These figures could change, even increase, as we move through this process, but it’s clear that DG Fuels is a transformational project for our region,” PCDC Executive Director Ron Tillery said. “And the benefits will extend across every sector of the economy.”

Once the plant is operational, the projected annual payroll for 640 permanent DG Fuels employees will reach $54 million and create an additional 313 secondary jobs such as doctors, teachers, restaurant workers, etc. That secondary employment is expected to generate more than $16 million annually. The report showed that the community could expect to see a 15.7 percent increase ($6.3 million) in retail sales annually once the project is complete.

“This project truly is the definition of economic development,” PCDC Board President Shane Westcott said. “The millions of dollars it will inject into the economy will have a tremendous effect on generations well into the future. Even without the additional on-farm revenue included, this project will have a positive economic impact for everyone in Phelps County. The jobs will allow young people to stay in Phelps County and raise their families.”

DG Fuels will purchase an estimated 1.2 million tons of corn stover annually adding $144 million into the pockets of farmers in the South Central Nebraska region with no negative impacts on supplies for cattle feed or nutrient replenishment in the fields.

Westcott, who is also a Phelps County farmer, said the project is truly value added for local ag producers.

"Farmers will have the opportunity to sell a product they are already producing - stover," Westcott said. "It's an income stream that can be tapped into relatively easily. All farmers in the area will have equal opportunity to sell the product to DG Fuels. The residual impact on things like implement dealers, ag input sales, etc., will have a long-standing effect on profitability for those operations. These positive effects for the ag sector are phenomenal."

Gov. Jim Pillen has said that bioeconomy projects like the DG Fuels project will be Nebraska's "Silicon Valley" opportunity. Pillen said these projects will boost the state's rural economy and revitalize the job market.

Julie Bushell, head of the Nebraska BioEconomy initiative, said Nebraska is well-positioned to lead the emerging economy.

"We've got everything we need right here – people, water crops, livestock," Bushell said. "We're at the forefront of sustainable agriculture, and now is the time to leverage that. Our state's longstanding leadership in water management and agricultural practices positions us to deliver what the global economy is demanding."

In a video posted to News Channel Nebraska, Bushell said farmers will not be required to conform with the SAF tax credit, which means that all farmers can equally participate using their current farming practices.

A team of local ag experts and farmers has worked closely with Bushell to finalize details of grower agreements for the project.

"Our understanding today is that the contracts will be rolled out to farmers in public meetings giving all farmers an equal opportunity to contract with DG Fuels," Westcott said. "The goal is to have transparent, detailed communications with farmers."

Initially, the focus will be on farmers in an eight-county region surrounding Phelps County. Meetings with farmers could take place as early as December.

(end)

The Baltimore Sun:

Shipping visionary is short on deeds

Originally Published: June 16, 2002 at 12:00 AM EDT

UPDATED: October 1, 2021 at 1:47 AM EDT

Michael C. Darcy has a grand and complicated plan for restoring the glory to Baltimore's doddering old shipyard in Sparrows Point.

He has persuaded the former yard of Bethlehem Steel to retool its entire business and dedicate six full years to building cruise ships.

He has some of the best engines, thrusters and naval architects in the world lined up and a powerful maritime union lobbying for him in Washington.

What Darcy doesn't have is the $1.64 billion he needs, or the congressional blessing he wants, or any history of closing deals this immensely complex. His fledgling company, Voyager Holdings, doesn't have its own office – or a phone, a staff or any money-making business. And throughout the shipbuilding and ship-operating industries, people wonder whether Darcy has the credibility to pull off so ambitious an enterprise.

"If you figure that out, would you let me know?" said John Avis, president of Kvaerner Masa Marine, an Annapolis naval architecture firm that has agreed to design Voyager's new vessels. "We've been talking with him for three years or so, and we're still waiting to see."

Darcy unveiled a plan two weeks ago to construct three 1,000-foot cruise vessels at Baltimore Marine Industries in Sparrows Point. Two of the ships, using an untested tri-hull design, would be capable of reaching 45 knots using water-jet propulsion.

He also announced agreements with such industry stalwarts as Kvaerner, General Electric and Rolls-Royce, and claimed private commitments for the first $230 million in expenses.

For the balance of the project's costs – $1.64 billion – he applied for a government-backed loan. The whole deal hinges on the U.S. Maritime Administration's decision whether to guarantee that loan.

It was a bold proposal even for Darcy, who has a long history of proposing spectacular plans and expensive ideas. But it was a major step in a plan that he has pursued at least since 1985, when Darcy – then in his early 20s – is known to have first floated his vision for a new American passenger line called Voyager Cruises.

His goal is to operate the ships in the Hawaiian islands and Alaska, and perhaps to offer high-speed cruises from the Northeast to the Caribbean. As a selling point to Congress, the ships would be equipped with strengthened decks and removable cabins for conversion into military transport vessels in wartime.

"He's really pulled all the pieces together," said Mike Horner, project manager for the marine engine unit at General Electric Aircraft Engines, which is to build gas-turbine engines for the ships. "Programs of this nature are difficult to bring to fruition, but he's stuck with it and really put together something worthwhile. We're enthusiastic."

Darcy left college in 1979, after only a year, to work for his family business of stripping and salvaging old passenger ships. Since leaving the business in the late 1980s, he has been one of the maritime industry's most ubiquitous deal-seekers.

Fueled by his childhood passion for ships, he has toured the industry for more than 10 years in search of any opportunity that would give him a stake in the shipping trades.

His odyssey is being financed by money from the now-defunct family business and backed by the lawyers and lobbyists for the International Organization of Masters, Mates and Pilots.

In the mid-1990s, Darcy formed a company called D'Arcinoff Group – his old family name – and continued his quest to "exploit innovative business opportunities" in the maritime industry.

Rare is the shipping executive who does not know of him. Darcy's name is well-known in the backrooms where maritime policy is made and in the boardrooms where shipping deals are negotiated.

"I grew up with passenger ships – it's what I know and what I love," said Darcy, now 40 and living in Northern Virginia. "And while I haven't run a cruise line, my strength is the ability to put together complicated transactions."

But Darcy has built a reputation based largely on what he has not accomplished, rather than what he has.

Over the last decade or more, he has proposed or been associated with numerous buyouts or financial transactions that didn't materialize when it came time for money and ships to change hands.

A former official with Norwegian Cruise Lines said Darcy negotiated a deal in the early 1990s to become a "major investor" in the company, even traveling to the headquarters in Oslo to nail down the details. The arrangement fell apart because he couldn't produce the money.

The biography on his company Web site says Darcy was "active in various financings and acquisitions, including … the leveraged buyout of Dolphin Cruise Lines, which closed in late 1990."

But Paris Katsoufis, president of Dolphin Cruise Lines at the time, remembers Darcy's role differently.

"Mr. Darcy was trying to buy Dolphin Cruise Lines, but at the end of the day he did not have any money," said Katsoufis, now president of Topaz International Cruises. "He appears every so often, somewhere else in the cruise industry with some other plan, but as far as I know he has never gotten far."

Darcy has also been associated with discussions to purchase distressed shipyards and cargo lines around the country, but the cruise industry is clearly his greatest fancy.

Among a dozen cruise-ship executives contacted by The Sun, all but one said they recalled at least casual contact with Darcy concerning his desire to buy or invest in the industry. None could remember a deal that took place.

"Was he trying to broker a deal with us? That depends what you mean," said Philip C. Calian, the chief executive officer of American Classic Voyages, a U.S.-flagged cruise line that went bankrupt last year. "There's sending a random letter, and then there's actually showing up with some money."

Darcy dismisses the failed deals as simply missed opportunities in his enduring process of creating a new American cruise line.

"I pursue a lot of things, and they don't always come together," Darcy said. "How many deals has Morgan Stanley gone into and looked into and then not been able to close? It happens all the time. But I'm persistent."

Darcy's critics – and he has many in the shipbuilding industry because of his long quest for congressional permission to bring foreign-built ships into American trade – say that his more conspicuous failures aren't just the result of failed negotiations, however. Sometimes there is little negotiation at all, merely Darcy's unfounded boast that a deal is afoot.

The Kvaerner Philadelphia Shipyard, a unit of the same company that is designing Darcy's new vessels, sent him a letter late last year threatening legal action if he didn't stop claiming to have struck some kind of deal with the yard.

A year ago, the Journal of Commerce reported that a memorandum was circulating purporting to be an agreement for D'Arcinoff Group to purchase CSX Lines, the domestic remains of the once-mighty American shipping line Sea-Land Service Inc. The memo was bogus.

CSX Lines' President Charles G. Raymond declined to discuss the memo, and when asked to talk about Darcy would offer only: "He has very little credibility."

"It seems like every couple of months I get a call from some member of Congress or some staffer telling me that Mike Darcy has this big deal put together," said Ande Abbott, legislative director for the International Brotherhood of Boilermakers, whose members work in shipyards around the country.

"But it never pans out. He's supposedly had a deal with almost every shipyard in the country. And the worst part is, he's got a lot of good people who are going along with him."

Again, Darcy is unmoved by the criticism. He has never made a public statement or issued a press release about any deal except his current pursuit of Project Voyager, he said. "And we would not have gone public if we didn't have it all nailed down."

Still, his history has left a trail of skeptics, who say Project Voyager is another in a long list of flimsy dreams from Darcy – and perhaps his most absurd to date.

The last cruise ship construction underwritten by the federal government, for American Classic Voyages, took place at the Ingalls Shipbuilding yard in Pascagoula, Miss., one of the top commercial yards in North America.

The financing came from renowned investor Samuel Zell, who spent $300 million of his own money. A partially completed hull and the material for a second are now sitting dormant in the shipyard, the company bankrupt and largely dissolved.

"If Sam Zell couldn't do it at Ingalls, what makes anyone think that Michael Darcy can pull it off in Baltimore?" asked Morten Arntzen, chief executive officer of American Marine Advisors Inc., a consulting firm in New York. "He doesn't have the financial backing or access to capital, he has no experience, no viable operations, and he's proposing a deal that's quite a bit larger. Does that seem reasonable?"

Yet big ideas are not unusual in the cruise industry, where plans for floating convention centers and round-the-world condominiums have gotten serious consideration. Nor are aborted deals uncommon. A list of failed shipping ventures could mark a course from Miami to St. Maarten.

And so Darcy has his supporters. Building a ship or buying a cruise line is often a matter of bringing together the right people and selling them on a plan, some industry watchers say. In that sense, the only thing keeping Mike Darcy from becoming Commodore Darcy might well be a handshake.

When he went to Oslo in the early 1990s to negotiate with Norwegian Cruise Lines, for instance, he took along a representative of Donaldson, Lufkin & Genrette, a financial services firm that was interested in backing him.

"If DLJ had signed off on the deal, it would have gotten done," said Blandin J. Wright, a Miami-based broker who worked with Darcy on the proposal. "They decided not to participate so it didn't happen, but it was close."

Darcy has been lobbying Congress for legislation that would allow him to operate foreign-built ships in Hawaii, giving him a foothold in the industry while he builds new ships.

And he has signed a deal with Alaska's Glacier Bay Cruiseline, which would allow him to gradually take over part of the business.

Joseph M. Beedle, the former chief executive of Glacier Bay's parent company, first saw the plans for Project Voyager in 1999, during a visit to Darcy's makeshift headquarters at a union office in Washington.

"It wasn't that crazy," said Beedle, now the vice president for finance at the University of Alaska. "I wasn't overly impressed with him personally, but when you listened to him and when you combined it all, he had a vision that was at least worth listening to."

Beedle's successor, Gary Droubay, has continued the negotiations and signed a firm agreement with D'Arcinoff Group.

"We think their business plan is viable, we think it's a great idea, and obviously we're comfortable being part of it," Droubay said.

Droubay said he investigated Darcy's finances before signing an agreement and determined that Darcy has several million dollars of his own money, ostensibly from his family's business.

Droubay also saw commitment letters from potential investors in Project Voyager, spoke with Darcy's financing consultant at Morgan Stanley and determined that the cruise ship project has "at least half a billion dollars in committed equity" available if the federal government agrees to back the plan.

"They've proven to us that they have the financing," Droubay said. "It appears to us that there is no doubt they have the backing to do this."

Darcy's partners in Project Voyager also are convinced his plan is legitimate and realistic. All of them said they knew of D'Arcinoff's history in the industry, but determined that his latest proposal was a good one.

"That's always one of our concerns," said Horner of General Electric, which along with building engines has agreed to provide some financing for Project Voyager.

"Does it pass the ethics test? Or the newspaper test? If all the facts were spelled out in the newspaper, would it be something we'd be proud of and something we'd like to be associated with? In this case, the answer is yes."

Said David Cassidy, president of Baltimore Marine Industries: "You look at the players that he has around him – GE, Rolls-Royce, Kvaener, Morgan Stanley – they're not going to associate with something that isn't credible. They've done their homework."

The final judge will be the federal government. All of Darcy's Project Voyager deals are contingent on a U.S. Maritime Administration pledge to guarantee his loans.

And so the biggest hurdle might still be before him. The Bush administration is trying to eliminate shipyard construction guarantees, and the Maritime Administration is still stinging from the collapse of American Classic Voyages.

Other would-be cruise operators have withdrawn their requests for construction loan guarantees, saying the political and economic climate makes them unrealistic.

David Turner, head of a budding cruise ship project called SeaAmerica who admits he "didn't like Darcy personally" when he met him recently, thinks he is foolish for pursuing the project now. And yet he is rooting for him.

"He really has been a visionary, and he absolutely has the drive, the foresight and the stamina to develop an American cruise ship line," Turner said. "But cruise ships in Baltimore? It'll never happen."

"In this business, we're all entrepreneurs, we're all dreamers reaching for the stars. But if he's dreaming about those big ships, it's a wasted effort. I hope he doesn't waste his whole life dreaming about them, but I wish him well."

Originally Published: June 16, 2002 at 12:00 AM EDT

The Baltimore Sun

Shipyard plan is on course for confusion

Originally Published: September 15, 2002 at 12:00 AM EDT
UPDATED: October 1, 2021 at 12:56 AM EDT

The improbable plan to convert Baltimore's aging Sparrows Point shipyard into a booming factory for modern cruise vessels has taken an uncertain turn — perhaps toward a new height of plausibility, or maybe a swift and certain death.

The head of the shipyard, while allowing that the deal might be revived, says he has abandoned the plan to build cruise ships in the former Bethlehem Steel yard. "We've basically determined that it's not going to work out," said David Cassidy, president of Baltimore Marine Industries. "We are no longer involved."

Yet the man behind the ambitious construction project insists that Cassidy is mistaken — and claims to have $1.87 billion lined up to prove it.

"When everything falls into place the shipyard will be right there, with a firm contract," said Michael C. Darcy, head of the company proposing to build three 1,000-foot vessels in Sparrows Point. "We want to build these ships in Baltimore, and they want the business. Right now, they're just laying low."

It is a story, shipping industry analysts say, that typifies the complex and furtive churnings involved whenever businesses collaborate to make steel float. Either that, or it's all just a starry-eyed waste of time, from one of the industry's most enduring dreamers — Mike Darcy.

"Shipbuilding is a complicated business, and this project is quite a bit more complicated than most because of its ambitious size," said Tim Colton, a maritime consultant in Biloxi, Miss.

"But there is one essential ingredient to a shipbuilding project, and that's a shipbuilder," Colton added. "He's not going to get it done without one of those, is he?"

When Darcy unveiled his plan in June to create a new American cruise line called Voyager Cruises, it met with a swarm of skeptics. At $1.87 billion, it ranked among the most expensive passenger vessel construction plans ever proposed. And in Baltimore Marine Industries he selected a shipyard that hadn't built a ship in nearly 20 years, a decision that invited still more disbelief.

But other partners in the Voyager project include some of the pacesetters of the American shipbuilding industry — General Electric Co. to build the engines, Rolls Royce to make the thrusters and Annapolis-based Kvaerner Masa Marine to create the design.

In the company of those partners, participation made sense, Cassidy said. And besides, the deal would be a boon for Baltimore and the Sparrows Point yard, employing 1,200 or more people for six years and reinvigorating a storied local business that was once among the world's shipbuilding elite. Baltimore Marine Industries makes no secret that it is for sale — a prospect that the yard agreed not to pursue while Darcy pieced together his cruise ship project.

Cassidy said he withdrew from the shipbuilding project last month after Darcy failed to meet a deadline for getting the federal government to guarantee a $1.64 billion construction loan. That guarantee is at the heart of the Voyager Cruises business plan. Without it, the ships cannot be built.

By withdrawing from the Voyager deal, the shipyard can continue to search for a buyer, Cassidy said. And it can pursue more repair work without the threat of a major shipyard conversion hanging over it.

"We had no reservations about the project," Cassidy said. "Rolls-Royce was involved, General Electric, Kvaerner. But he had a lot of people he needed to convince, and I guess he just wasn't able to do that."

But Darcy insists the deal is not dead. He is still pursuing his loan guarantee, and his application with the U.S. Maritime Administration still lists Baltimore Marine Industries as his chosen shipyard.

'We'd still be interested'

Cassidy won't rule out rejoining the project if it progresses. "We haven't slammed the door on him," he said. "We had to pursue other opportunities, but if they were to eventually come up with the funding, we'd still be interested."

If not for the sudden absence of a shipyard, the Voyager Cruises project might seem to be thriving. Kvaerner Masa Marine said last week that it has begun advanced design and engineering work, with a commitment of nearly $500,000.

Darcy is proposing to build three 1,000-foot vessels, two of them using an untested tri-hull design that would be capable of cruising at 45 knots or more. Besides offering high-speed pleasure cruises, the vessels could also be used by the military to transport troops and supplies in wartime.

A research group at California State University, Long Beach, financed by the Department of Defense, is paying for Kvaerner to turn the concept into a buildable plan, which Darcy could then take to the shipyard.

"The project has taken the next step — a significant one," said John Avis, president of Kvaerner Masa Marine.

Also last week, Voyager announced a new financing deal with General Electric. The arrangement, confirmed by a GE spokesman, means Voyager will need a government guarantee for only 65 percent of its construction costs instead of 87.5 percent — $1.2 billion, instead of $1.64 billion.

"I can't come up with 100 percent equity, so I have to get a government-supported loan, which is complicated and takes time," said Darcy. "But we're pulling it together, and we are coming to the table with a lot more than anyone expected."

Or not, Darcy's critics maintain. In the 17 years that Darcy has shopped around the maritime industry trying to enter the business — sometimes to buy shipyards or freight lines, other times to buy or build cruise ships — he has earned a reputation for proposing big deals, but not closing them.

While many industry officials recall deals he negotiated, they also recall the deals collapsing by the time money was supposed to change hands. Last December, a Philadelphia shipyard accused him of promoting a deal with the yard that didn't exist, and threatened legal action if he didn't stop.

"Apparently he's got a silver tongue and can talk up a storm, but his plans are just ludicrous," said Ande Abbott, legislative director for the International Brotherhood of Boilermakers. The union, with members who work in American shipyards, has opposed Darcy because of his attempts to bring foreign-built ships into domestic routes.

'Never had the money'

"You can't fly without wings, and you can't build ships without money," Abbott said. "He's never had the money, and he won't get it for this."

A spokeswoman for the Maritime Administration would not comment on Darcy's application for a loan guarantee, except to say that it is still pending and that the agency was "awaiting additional information from the applicant." She also said that no loan guarantees can be issued by the federal government unless the project has a signed contract with a shipyard.

And none of that deters Darcy, who said he plans to meet this week with administration officials to lay out his new financing plan.

"We're asking a government agency to sign off on a plan, which is never easy, but now we're coming in with a much larger block of equity, which really minimizes the government's risk," Darcy said. "And is the yard there to do it? Of course they are. They want the business. And we want them to build our ships."

Originally Published: September 15, 2002 at 12:00 AM EDT