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LORING DEVELOPMENT AUTHORITY OF MAINE

2003

ANNUAL REPORT



LORING COMMERCE CENTRE

Brian N. Hamel
President & CEO

October 29, 2003

The Honorable John E. Baldacci
Governor, State of Maine
State House Station #1
Augusta, ME 04333-0001

Dear Governor Baldacci:

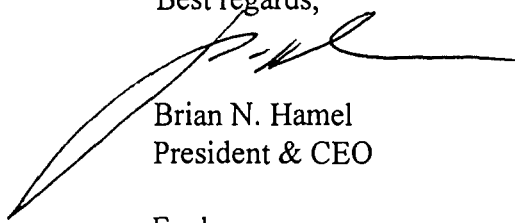
Pursuant to "Section 13080-L Annual Report" of the Loring Development Authority of Maine's (LDA) enabling legislation, enclosed please find a complete report on the activities of the LDA for the fiscal year ended June 30, 2003 and subsequent events through October 15, 2003.

As we have often times discussed, the successful development of the Loring Commerce Centre plays a vital role in the economic vibrancy of northern Maine. We are very proud of the fact that Loring's development has injected over \$450 million into Maine's economy since our inception and that we will soon have created 1,500 direct and 1,200 indirect jobs in our region. Without question, the Maine taxpayer has earned a substantial return on its investment at the Loring Commerce Centre and we look forward to replicating these successes in the years to come.

Although we are pleased with our progress, I would like to once again alert you to the fact that we will experience some significant infrastructure issues at Loring over the next few years that will require substantial investments on the part of the State. I look forward to having this discussion with you in the coming months and I know that your visionary thinking will recognize this commitment as an investment in northern Maine's future.

If you have any questions or need additional information, please call me.

Best regards,



Brian N. Hamel
President & CEO

Enclosure

cc: Senator Lynn Bromley - Business and Economic Development Committee Co-Chair
Representative Nancy Sullivan - Business and Economic Development Committee Co-Chair
LDA Board of Trustees



LORING COMMERCE CENTRE

Brian N. Hamel
President & CEO

To the Citizens of the State of Maine:

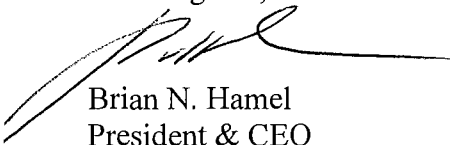
Last year I closed my remarks with this statement: *"Although it was difficult to understand the concept in 1994, it is being proven that with proper planning, patience, persistence, creativity, vision, community support and to some degree a sense of humor, a vibrant economy and a pristine quality of life can exist after base closure"*. This statement continues to be the cornerstone of our redevelopment efforts and is at the foundation of every success story.

The past year has proven once again to be a productive one:

- Our existing tenants continue to flourish on the Centre and in fact collectively they have announced job expansions totaling close to 300 employees.
- We were fortunate enough to attract a major Canadian manufacturer of large signs that expects to employ between 50 and 100 people.
- We have ventured into the back-up data storage market and were successful in attracting a Texas-based information company that expects to create 40 jobs.
- An agricultural food processing and a value added wood products manufacturer arrived at our newly created Loring Applied Technology Center.
- We continue to see a steady growth of aviation activity at the Loring International Airport as a direct result of very promising joint ventures amongst well-established aerospace private sector entities.
- We played host for the third time to a Phish festival whereby the band performed before 65,000 fans resulting in an infusion of \$25 million into Maine's economy.

I am often asked: "How has the Loring Development Authority continued to produce tangible results year-in and year-out despite the many negative perceptions and significant challenges that are associated with developing in rural America?" I believe the answer lies in leadership, community support, consistency and persistency. Leadership starts with the positive tone and attitude that was established on day one by a very diverse and talented LDA Board of Trustees. The LDA Board has charted a development course that makes sense for this region and it has empowered a very capable staff to implement its vision. Loring's success equals community success and we make a concerted effort to listen and react responsibly to citizen input. Although we may adjust our development strategy to react to changing circumstances, our development strategy has remained consistent and focused. Lastly, we very professionally, politely and persistently do not take "no" for an answer. These attributes have translated into a formula that has produced results that we are very proud of and that we plan on replicating for years to come.

Best Regards,



Brian N. Hamel
President & CEO

**Paragraph 13080-L
Fiscal Year 2003 Annual Report
July 1, 2002 through June 30, 2003**

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**Loring Development Authority of Maine
2003 Annual Report**

**Paragraph 1A: Description of the Authority's
Operations and Status Report**

Loring Development Authority of Maine
Fiscal Year 2003 Annual Report
Paragraph 1A: Description of the Authority's Operations and Status Report
July 1, 2002 through June 30, 2003

Since its establishment in 1993, the Loring Development Authority (LDA) and its many partners have worked together to support the creation of numerous employment opportunities on Loring Commerce Centre. Employers on Loring represent the industrial, manufacturing, agriculture, forestry, back-office, education, recreation and aviation sectors, thusly contributing to economic growth and diversification in Aroostook County. Accomplishments realized on Loring in fiscal year 2003 and through October 15th in fiscal year 2004 are presented in this report.

FISCAL YEAR 2003 GOALS AND ACCOMPLISHMENTS:

The following is a summary of the economic development related activity that the LDA accomplished in fiscal year 2003, as it strives toward its primary mission of job creation and facility absorption on Loring Commerce Centre.

- ◆ Telford Aviation of Bangor expanded its operations to Loring, bringing the first wide-body aircraft to Loring since the Air Force left in 1994 and making use of Loring's expansive aviation infrastructure. Arrival of the aircraft is an important milestone in both Loring's and Telford's development. Telford in partnership with Volvo Aero Services conducts aircraft storage, maintenance, disassembly and recycling and aviation parts warehousing and distribution operations on Loring.
- ◆ The Pattison Sign Group, of Edmundston, New Brunswick, Canada, will locate its first U.S. manufacturing facility in Building #7220 on Loring. Pattison designs and manufactures custom electric signs such as those used by automobile dealerships, banks and many other businesses. This new business will create approximately 50 new jobs initially, and intends to expand its capacity on Loring as it expands its market in the U.S.
- ◆ A \$1.5 million grant from the Maine Department of Transportation (MDOT) for the renovation of the Arch Hangar made it possible for Telford Aviation to occupy the hangar, create jobs and begin to create a cash flow for the LDA. An additional \$1 million of work is needed to complete renovations on the Arch and allow for further expansion of the aviation industry in Aroostook County. In June, the State Legislature approved a Transportation Bond Package that includes \$1 million for the Arch hangar renovation project. The bond will go before voters in November.
- ◆ The Economic Development Administration (EDA) awarded LDA a \$1.4 million grant for continued demolition of substandard structures and the renovation of a 120,000 square foot warehouse. The grant requires a 40% cash match for a total project cost of \$2,350,000.
- ◆ Demolition projects on Loring this year included the clearing of unoccupied housing units on Manser Drive, eight of fourteen nosedock hangars, the Damon School and Corey Child Care Center located at the west entrance and buildings #8820 and #8830. The demolition of substandard and excess buildings on Loring has created open space for new industrial and commercial developments. The projects have also helped to retain and attract businesses by preventing blight and keeping Loring an attractive place for business, recreational and residential activities.

- ◆ The Maine Department of Economic and Community Development awarded the LDA a \$400,000 Community Development Block Grant through the Town of Limestone. The grant will assist with the renovation of Building # 7220 and subsequently the creation of new jobs by Pattison Sign Group and Telford Aviation.
- ◆ LDA continues to work with FAA officials and technicians and has made significant progress toward establishing a new instrument approach to Loring's runway 01 using the Instrument Landing System (ILS). After being mothballed by the Air Force 8 years ago, a FAA technician reactivated the complex navigational equipment and found it to be in excellent condition. An initial flight check of the ILS system has confirmed that it is functioning properly. A non-directional beacon (NDB) has been installed at a site located about 6 miles south of Loring in Fort Fairfield. The airport currently operates under visual flight rules and the certification will allow flights to land in low visibility conditions using the ILS and instrument flight rules. An ILS approach is necessary for Loring International Airport to reach its fullest potential.
- ◆ Loring Bioenergy, Inc. (LBE) executed an option agreement for the lease/purchase of the former steam-heat plant and surrounding property, where it intends to operate a 65-megawatt electric generation and steam production facility. The project will supply electricity into the region's grid and provide steam to Loring based tenants. If the option is exercised, LBE will use the Searsport to Loring pipeline to bring natural gas to Loring to fuel the plant and may sell any excess gas.
- ◆ The Maine Lighthouse Corporation is exploring the possibility of establishing a therapeutic community model for drug and alcohol long-term rehabilitation programs on Loring. The program would be modeled after the successful Daytop model in Rhinebeck, New York and the size of the facility would be determined by the needs of the New England region. Maine Lighthouse Corporation is seeking funding for the project, which would provide an important service for many people and create quality jobs in Aroostook County. The LDA is currently conducting its due diligence to determine if the project is a viable one for Loring and its surrounding communities.
- ◆ LDA entered into a lease agreement with the U.S. Department of Labor (DOL) for Building #5007 where RS Information Systems, Inc. (RSIS) operates the National Job Corps Data Center, a data backup and customer support service center, for DOL's Job Corps Centers located nationwide. Loring was selected as the location for the data center in part because RSIS was impressed with the success of the Loring Job Corps Center (LJCC) and with the facilities and the telecommunication infrastructure on Loring. The data center currently employs 17 people and has the capacity to employ up to 40.
- ◆ The Defense Finance & Accounting Service Center (DFAS) on Loring will add approximately 100 new positions in the next year, which will bring their workforce to over 300. The Loring DFAS center is consistently ranked first in productivity and efficiency among all DFAS Centers.
- ◆ Having secured a large contract with Progeny Marketing Innovations, a \$12 billion company, Sitel announced the expansion of its operation on Loring. It added an inbound call center and 50 new positions.
- ◆ The LDA entered into a license agreement with the Defense Logistics Agency and a Subrogation Agreement with Jaycor for the use of Building #8200. The Defense Logistics Agency plans to use Building #8200 as a logistical command and disaster relief center in the event of a national emergency. The license agreement allows the LDA to continue marketing the facility.

- ◆ A lease with WPS Energy Services, Inc. will allow WPS to operate the former diesel power plant, under a 15-year lease, for the generation of electrical power to meet WPS's reserve power requirements and to provide backup power to Loring's tenants.
- ◆ LaForest Wood Products, Inc. entered in a lease agreement for space at the Loring Applied Technology Center. The Canadian based wood-products manufacturer is beginning operations in the U.S. and will construct cabinets and furniture.
- ◆ Beauty Unlimited executed a two-year lease extension for Building #5005. The beauty salon opened for business on Loring in 1997.
- ◆ Hydroblend, Inc. of Nampa, Idaho exercised its option for the fourth year of its lease agreement for a 40,888 square foot former warehouse building at the Loring Commerce Centre. The privately owned company formulates and blends a variety of dry batter products in the food industry and also offers a line of dry mix products for resale.
- ◆ County Environmental entered into a one-year lease for Building #8413. The company assists the Air Force with its environmental cleanup efforts.
- ◆ The Maine Winter Sports Center (MWSC) entered into two lease agreements, one for office space in Buildings #5100 and another for Building #2510, where it stores and maintains equipment. The MWSC is making a tremendous positive impact on our community and the LDA Board has been supportive of its efforts.
- ◆ Maine Street Flour Company located in the Loring Applied Technology Center. The new company produces different types of stone-ground flour using grain grown locally. Milling operations began in January. The products will fill a niche market for the more wholesome flours that are produced by stone mills. Stone-ground "just add water" mixes for bread machines will also be made and organic products will be pursued as supported by market demand.
- ◆ LDA entered into a lease with Durepo & Durepo to occupy Building # 8622 for grain storage for one year with an option for one additional year. (Construction of a new facility for grain storage was proposed.) The agreement with Durepo & Durepo is separate from the Maine Street Flour incubator project, but it is related to it and will help to generate cash flow for Maine Street Flour.
- ◆ A contract with Great Northeast Productions, concert promoters for Phish, a music band, was executed. Loring Commerce Centre will be the site of a third Phish festival in August 2003. Loring hosted the 1997, Great Went, and 1998, Lemonwheel, Phish festivals. LDA had positive experiences with Phish in the past and is pleased that the aviation tenants on Loring are willing to allow the airfield to be used for the festival.
- ◆ Cyr Construction Company from Caribou, Maine was awarded a contract for \$1,365,620 for the renovation of Building #7220.
- ◆ Ontario Specialty Contracting, from Buffalo, New York, was awarded a contract for \$239,526 for demolishing eight nosedock hangars.

As LDA begins its 10th year of development work on Loring, it continues to attract new prospects, while supporting the existing Loring based business, which have created over 1,000 direct jobs and contributed to the creation of approximately 1,200 indirect jobs. There remains much potential for additional developments on site with approximately one million square feet of building space available and hundreds of acres of open land that are ready for new construction with municipal and utility infrastructures in place.

MARKETING EFFORTS

Business attraction and job creation efforts in the past year focused on the aviation and telecommunication industries. The sales and marketing activities listed below were largely funded through a State appropriation and were instrumental to the establishment of the aviation industry on Loring. Many people in Aroostook County have aviation-related skills due their previous employment with the Air Force and are currently underemployed. Aviation activity on Loring provides these people with an opportunity to apply their skills again; it also makes use of Loring's extensive aviation assets.

FY 2003 Trade Show List

September 4 – 7	Maintenance Repair & Overhaul Europe	Glasgow, UK
September 17 – 21	National Business Aviation Assoc.(rescheduled)	New Orleans, LA
October 15 – 18	Aero Expo	Los Angeles, CA
October 20 – 25	International Develop. Research Council	Dallas, TX
January 28 – 31	North American Pulp and Paper	Montreal, Canada
February 13 – 16	Canadian Lumbermen's Association	Montreal, Canada
March 27 – 30	Aviation Service Suppliers Supershow	Indianapolis, IA
April 8 – 11	Maintenance Repair & Overhaul	Phoenix, AZ
May 4 – 8	CoreNet Global Summit	Salt Lake City, UT
June 3 – 6	North Am. Econ. Summit	Montreal, Canada
June 10 14	American Helicopter Association	Montreal, Canada
June 17 – 21	Canadian Business Aviation Association	Montreal, Canada

Marketing efforts have resulted in "brand name recognition" for Loring nationally and internationally. LDA will capitalize on its positive image as it continues to pursue industries found suitable for Loring including agriculture/food processing; forest products; information based companies; large space users; transportation & distribution; aircraft maintenance, repair & overhaul (MRO); air cargo operations and other niche markets.

LDA also makes use of the internet to market Loring's assets. With the assistance of a telecommunication business site consultant, facilities conducive to telecommunication operations were posted on www.callcentersite.net. Additionally, the LDA's website, www.loring.org provides information about Loring, Aroostook County and the State of Maine.

LDA FUNDING

State of Maine: In July 2002, the LDA received an appropriation from the State of Maine for \$319,505. This funding continues to be used for match funding for grants from the Economic Development Administration and for sales and marketing and operating expenses. The State also provided \$40,000 for operating expenses at the Loring Applied Technology Center through fiscal year 2003.

Caretaker Cooperative Agreement Funding: On September 30, 2002, the Air Force Base Conversion Agency awarded the LDA Year 9 operational funding for the Caretaker Cooperative Agreement in the amount of \$1,668,000. An additional \$332,000 was awarded on December 30, 2002.

Economic Development Administration Funding: In September 2002 EDA awarded the LDA a \$1,410,000 grant, which requires a match of \$940,000. The grant will assist with continued demolition and building renovation.

Tax Increment Financing Fund: The Loring Tax Increment Financing (TIF) Program allows the LDA to receive 50% of the Maine State Income Tax withheld from incremental jobs created at the Loring Commerce Centre (hired subsequent to July 1, 1996) to fund municipal type services provided at Loring. Contributions to this fund for fiscal year 2002 totaled \$292,179. These funds are used to fund municipal service costs, grant match costs and services that are not funded through the Caretaker Cooperative Agreement with the Air Force.

Property Sale, Lease, Municipal Services and Miscellaneous Revenues: During fiscal year 2003, the LDA received revenues from its tenants, from the sale of personal property and from miscellaneous revenues in the amount of \$961,277.

Katahdin Trust Company: The LDA secured a \$1,000,000 line of credit from Katahdin Trust Company to support development efforts. To date no borrowing has been made on this line of credit.

TENANTS AT LORING

The following is a brief profile of the activity of Loring's major tenants.

The Telford Group, Inc.: The Telford Group in partnership with Volvo Aero Services expanded its aviation services operation to Loring where it occupies over 161,000 square feet of space and operates an aircraft storage, maintenance, disassembly, recycling and warehousing operation. Telford is making use of one of Loring's greatest assets, its 1,200-acre aviation complex. It employs 8 people on Loring and is exploring expansion possibilities.

Maine Winter Sports Center (MWSC): The concept for this Nordic Skiing, Biathlon and Alpine Skiing project started at the Loring Commerce Centre and has expanded significantly throughout Aroostook County. The Libra Foundation has committed over \$10 million to this project and the MWSC is making

great strides towards its goal of reestablishing skiing as a lifestyle in this region and developing a new economic development model for rural Maine. MWSC received international recognition this year when the International Biathlon Union (IBU) announced that the MWSC would host the 2004 Biathlon World Cup event at the 10th Mountain Division Center in Fort Kent, and the 2006 Biathlon World Junior Championship at the Nordic Heritage Center in Presque Isle.

RS Information Systems (RSIS): RSIS provides data management and support services for several federal and civilian agencies. The company occupies building #5007 on Loring where it operates a data management operation for the U.S. Department of Labor National Job Corps Centers and employs 17 people.

Maine Army National Guard Maine RS Maintenance Center (Center): After accepting a large contract for the refurbishment of army vehicles, the Center expanded its operations, adding a second shift and 112 new positions. Guard operations occupy approximately 383,000 square feet of space in eight buildings on Loring.

Defense Finance and Accounting Service (DFAS) Center: The DFAS center operates out of a first-class, 145,000 square foot facility where its employees have consistently performed with excellence. DFAS announced an expansion this year and it currently employs 333 people.

Hydroblend, Inc.: Hydroblend continues its successful operations on Loring. The company manufactures specialty blends of mixes for the food processing industry. Employment levels are expected to grow to 30 employees.

Loring Job Corps Center: The Loring Job Corps Center (LJCC), operated by the Training and Development Corporation (TDC) from Bucksport, Maine, continues to offer successful education and job training programs. This year LJCC ranked in the top 10 of 118 centers nationally and first in New England. LJCC has a student population to 393 and employs 144 people.

Sitel Insurance Services: Sitel Corporation expanded its operations on Loring, adding an inbound call center. Two shifts are operated daily, in order to serve its many clients and customers. Sitel employs 222 on site and there is little turnover in its staff.

Aroostook National Wildlife Refuge: The refuge is a part of the National Wildlife Refuge System, a network of lands set aside specifically for the protection of wildlife and its habitat. Wetland, grassland and northern forest habitats for migratory birds and endangered species are protected on the 4,700-acre refuge. The Friends of the Aroostook National Wildlife Refuge support its programs through education, fundraising and volunteer projects.

Limestone Country Club: The owners of the country club, the Limestone Country Club Developers, successfully operate Loring's 9-hole golf course. They also own and rent out 158 housing units on Loring. The rental units consist of 8 individual houses and 150 townhouses. Long-range plans for the country club include the sale of house lots on the golf course.

Pattison Sign Group: Pattison Sign Group established its first U.S. manufacturing plant on Loring where it intends to manufacture custom designed electrical signs beginning in January 2004. Pattison is one of the world's largest electric sign companies and is a division of the Jim Pattison Group, one of Canada's largest privately held companies.

In addition, the LDA executed new leases, lease renewals and license agreements with private sector tenants, as outlined in "Paragraph 1C: Property Transactions During Fiscal year 2003."

ACTIVITY STATUS

As of June 30, 2003, 1,012 people were employed on Loring and 156 Commerce Centre employee dependents and 341 Job Corps students were living on Loring for a total of 1,509 people working and living on Loring. In addition, over 1.6 million square feet of facility space, 57% of the total space, and 4,283 acres of land, 49% of the total acreage, has been committed to, resulting in projected incremental jobs of over 1,400.

LDA BOARD OF TRUSTEES AND STAFFING

At the June 2003 Board of Trustees Annual Meeting, the following Board members were elected as officers for fiscal year 2004, for one-year terms: Philip St. Peter, Chair; James Donnelly, Vice Chair; Philip Cyr, Secretary; and Brian Thibeau, Treasurer. Due to legislatively imposed term limits, the LDA Board is in transition, with the terms of Anne Pringle and Dana Connors expiring in September 2003 and the terms of Arthur Thompson, Robert Umphrey and Elizabeth Reuthe expiring in November 2003. All of these Board members have served on the Board for at least eight years and their contribution helped form the foundation for the LDA's successful development efforts.

The LDA development staff includes: President & CEO; Vice President & General Counsel; Director of Finance & Administration; Manager, Property & Human Resources; Executive Assistant; and Office Clerk. The Loring Applied Technology Center is staffed with an Executive Director and an Executive Assistant. The LDA also employs a total of 33 individuals associated with municipal operations at Loring (fire protection, water & wastewater operations and caretaker operations). Administrative staff for these operations includes Caretaker Administration Manager; and Administrative Assistant.

OTHER ACTIVITIES

Arch Hangar. An engineering study of the structural integrity of the Arch Hangar determined that an initial \$1.5 million would be needed to perform renovations that will protect the facility including the installation of a new roof, a heating system, and making repairs to the electrical system. This work has been completed and an additional \$1 million is needed to complete all repairs to the expansive hangar and the attached shop areas.

Housing Demolition. Since demolition activity began in 1999, EDA investments supported the demolition of over 1,400 unoccupied housing units; 8 nosedock hangars and miscellaneous substandard structures on Loring. The South Wherry area is the site of a projected potato processing plant; North Wherry will be promoted as a 40 acre business park with communication and municipal infrastructures already in place; and the nose dock area is the site of a projected value added wood processing plant.

Forestry Program. The Maine Forest Service (MFS) and the LDA established a forest management program on Loring. Forestry activity on Loring includes the management of approximately 3,000 acres of community forests and 600 acres of traditional forests as well as tree harvest operations. Tree and wood

lot management workshops have been held and selective tree harvest operations have taken place. The MFS is also assisting the LDA with the implementation of a GIS mapping inventory of Loring's forests.

Shared Municipal Services and Shared Revenue. As property on Loring is transferred to local tax rolls, the LDA and the Town of Limestone continue to work on a shared municipal services proposal.

OTHER EFFORTS

Searsport to Loring Pipeline. The Loring Development Authority (LDA) Board of Trustees determined that the Searsport to Loring Pipeline is functionally interrelated with the Loring Commerce Centre and can play a critical role in its economic development and the achievement of the LDA's goals as set forth in law. In accordance with the LDA's statute, the Board of Trustees deemed the Pipeline, including the interests in real estate forming the continuous pipeline corridor, the pipeline itself and related infrastructure and improvements, to be part of Loring Air Force Base.

Aviation Assets. The land use and zoning designation for the property generally bounded on the north and the east by the Loring Commerce Road, on the south by the property boundary of the former Loring Air Force Base, and on the west by the Fuel Tank Farm (the area at the south end of the runway approach lights), was changed from "industrial" to "airport overlay" and the Codes Enforcement Officer will reflect this change on the official zoning map. It's a technical change that recognizes the area as part of the airport rather than an unrelated industrial area. If airport activities are ever abandoned, the airport overlay would be removed and the industrial district would remain.

Limestone Country Club Development. In support of the long-term development plan for the Limestone Country Club, the LDA's land use and zoning chart was changed to permit residential use in recreation districts. The change allows for the sale of house lots on the golf course.

Sale/Auction of Excess Personal Property. LDA posted a new link on its website, [Surplus Personal Property, Equipment & Vehicles for Sale & Auction](#), in an effort to reduce its inventory of excess personal property. Smaller items such as office furniture and equipment is being sold for a fixed price and larger items such as vehicles are being sold by bid.

Fire Department Award. The Loring Fire Department received a Life Safety Achievement Award for the year 2002. The award is given by the Residential Fire Safety Institute in recognition of fire prevention activities that contribute to reducing the number of lives lost in residential fires.

Fire Chief Award. Paul L. Barnes, Fire Chief for the Loring Fire Department, was presented with an award from the State of Maine for completing all the requirements of the Chief Fire Officer Level II Certification program.

Banking Service Contract. Katahdin Trust Company was awarded the LDA's Banking Services Contract. LDA requests proposals for banking services contracts every three years.

Empowerment Summit. Loring Development Authority staff participated in a two-day economic development seminar organized by the Northern Maine Development Commission and the University of Maine Presque Isle. The seminar brought economic development specialists from across the country together with community and business leaders in Aroostook County in an effort to identify how to best

build on our strengths and implement changes that will result in a strong sustainable economy in Aroostook County.

Tours of Loring. In continuing to educate the public about the developments on Loring and to raise awareness of the many opportunities it offers our citizens, LDA staff provides guided tours of Loring to groups and individuals. Several State and Federal government officials, business and media representatives, and private groups have visited and toured Loring each year and left with a new perspective. Seeing the entire complex with its ongoing activity and opportunities for new developments fosters an understanding of the magnitude of this economic development project in a way that words and pictures cannot convey.

Maine Community College System Chair. The Maine Community College System (MCCS) Board of Trustees elected LDA President & CEO, Brian N. Hamel, as the first Chairman of the newly created Maine Community College System. He is the first person from Aroostook County to lead the State's college system. Prior to being elected to his new position at the MCCS, Mr. Hamel served on the Maine Technical College System Board beginning in 1998. He served as Vice-Chair of the Board and Chair of its Finance and Facilities Committees.

Maine Winter Sports Center Chair (MWSC). In October 2001, Brian N. Hamel, LDA President & CEO was elected the first Chairman of the Board of the MWSC.

**Loring Development Authority of Maine
2003 Annual Report**

Paragraph 1B: Audited Financial Statements

LORING DEVELOPMENT AUTHORITY OF MAINE

FINANCIAL STATEMENTS

JUNE 30, 2003

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Chester M. Kearney

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Steve E. Bird, CPA
Herman Belanger, CPA
Paul J. Callnan, CPA

To the Board of Trustees of the
Loring Development Authority of Maine

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying general-purpose financial statements of the Loring Development Authority of Maine (LDA), a component unit of the State of Maine, as of and for the years ended June 30, 2003 and 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of LDA's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the LDA, as of June 30, 2003 and 2002, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2003, on our consideration of LDA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audits were performed for the purpose of forming an opinion on the general-purpose financial statements of the LDA, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. The remaining schedules are presented for purposes of additional analysis and are not a required part of the general-purpose financial statements. All such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, such information is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Chester M. Kearney

Presque Isle, Maine
August 20, 2003

LORING DEVELOPMENT AUTHORITY OF MAINE

BALANCE SHEETS

JUNE 30, 2003 AND 2002

ASSETS

	<u>2003</u>	<u>2002</u>
CURRENT ASSETS		
Cash (Note 3)	\$ 1,699,346	\$1,300,223
Due from Federal Government (Note 9)	801,302	1,123,947
Due from State of Maine (Note 9)	367,083	1,289,800
Accounts receivable	200,023	91,032
Other current assets	9,070	-
	<u>3,076,824</u>	<u>3,805,002</u>
FIXED ASSETS (Note 2)		
Equipment	188,874	179,094
Less accumulated depreciation	<u>(150,137)</u>	<u>(149,478)</u>
	<u>38,737</u>	<u>29,616</u>
OTHER ASSETS		
Notes receivable (Note 13)	<u>1,224,448</u>	<u>1,215,272</u>
TOTAL ASSETS	<u>\$ 4,340,009</u>	<u>\$5,049,890</u>

LIABILITIES AND RETAINED EARNINGS

CURRENT LIABILITIES		
Accounts payable	\$ 531,884	\$ 734,747
Accrued expenses (Notes 4, 5 & 12)	249,647	305,975
Deferred revenues (Notes 7 & 14)	303,159	5,135
Advances from Federal Government (Note 9)	1,049,343	1,381,343
Advances from State of Maine (Note 9)	2,414	32,360
	<u>2,136,447</u>	<u>2,459,560</u>
RETAINED EARNINGS	<u>2,203,562</u>	<u>2,590,330</u>
TOTAL LIABILITIES AND RETAINED EARNINGS	<u>\$ 4,340,009</u>	<u>\$ 5,049,890</u>

See notes to financial statements

-3-
Chester M. Kearney, Certified Public Accountants

LORING DEVELOPMENT AUTHORITY OF MAINE

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN RETAINED EARNINGS

YEARS ENDED JUNE 30, 2003 AND 2002

	2003	2002
OPERATING REVENUES		
Federal assistance (Note 9)	\$2,966,567	\$3,520,619
State assistance (Note 9)	1,197,911	1,723,883
Leases (Note 6)	718,321	392,564
Payments in lieu of taxes (Note 8)	409,466	394,980
Water and sewer fees	76,848	67,503
Other	242,956	220,174
	<u>5,612,069</u>	<u>6,319,723</u>
GENERAL REVENUES		
Sale of property and equipment (Note 11)		20,181
		<u>20,181</u>
TOTAL REVENUES	<u>5,612,069</u>	<u>6,339,904</u>
EXPENDITURES		
Salaries and benefits	747,916	711,647
Travel	33,233	40,677
Outside contracts and services	4,422	4,147
Housing demolition and construction	1,820,008	2,223,633
Legal and audit	49,888	27,380
Marketing	104,816	218,572
Maintenance and utilities - owned property	530,537	47,778
Administrative	201,908	146,949
Municipal - type operations and facilities maintenance (Note 9(B))	2,506,109	3,096,308
	<u>5,998,837</u>	<u>6,517,091</u>
NET LOSS	(386,768)	(177,187)
RETAINED EARNINGS - BEGINNING OF YEAR	<u>2,590,330</u>	<u>2,767,517</u>
RETAINED EARNINGS - END OF YEAR	<u><u>\$2,203,562</u></u>	<u><u>\$2,590,330</u></u>

See notes to financial statements

LORING DEVELOPMENT AUTHORITY OF MAINE

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2003 AND 2002

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (386,768)	\$ (177,187)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	19,599	25,700
Changes in assets and liabilities:		
Due from Federal Government	322,645	(215,353)
Due from State of Maine	922,717	(938,028)
Accounts receivable	(108,991)	64,114
Other current assets	(9,070)	-
Note receivable	(9,176)	64,728
Accounts payable	(202,863)	477,185
Accrued expenses	(56,328)	(189,814)
Deferred revenues	298,024	(112,682)
Advances from State of Maine	(29,946)	(58,044)
Advances from Federal Government	(332,000)	-
Total adjustments	814,611	(882,194)
Net cash provided by (used in) operating activities	427,843	(1,059,381)
CASH FLOWS FROM CAPITAL ACTIVITIES		
Purchase of equipment	(28,720)	(14,955)
Net cash used in capital activities	(28,720)	(14,955)
NET INCREASE (DECREASE) IN CASH	399,123	(1,074,336)
CASH - BEGINNING OF YEAR	1,300,223	2,374,559
CASH - END OF YEAR	\$ 1,699,346	\$ 1,300,223

See notes to financial statements

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS

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LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS

(1) HISTORY OF ORGANIZATION

On July 12, 1991, the President of the United States accepted the recommendation of the Base Closure and Realignment Commission to close Loring Air Force Base (Loring) located in the Town of Limestone, Maine, Town of Caswell, Maine, and the City of Caribou, Maine, as well as nine off-site locations used for housing, communications and water distribution. The effective date of closure was September 30, 1994. The Loring base property, which excludes any off-site locations, consists of approximately 8,700 acres of land, 3.1 million square feet of existing facility space and an aviation complex, which includes a 12,100 foot runway, related aviation facilities and operating systems.

On July 13, 1993, the Maine State Legislature enacted Public Law Chapter 474, establishing the Loring Development Authority of Maine (LDA), a public municipal corporation, as the successor to the Loring Readjustment Committee. The LDA is entrusted with investigating the acquisition, development and management of the properties within the geographical boundaries of Loring.

On April 4, 1997, the United States Air Force transferred approximately 3,600 acres of land, associated facilities, infrastructure and personal property to the LDA via the execution of Economic Development Conveyance (EDC) and Lease in Furtherance of Conveyance documents. This EDC document, which is a mechanism used by the Federal government to transfer former military installations to local reuse authorities for job creation and economic development purposes, transferred control of the Loring property to the LDA through a no-cost, 55-year lease, with commitments from the Air Force to transfer title to the property upon receiving environmental clearance from the Environmental Protection Agency. On April 19, 2001, title to 2,805 acres of the original 3,600 acres was transferred to LDA. It is expected that title to the remaining acreage will be transferred to the LDA over the next 5 years. The conveyance documents also include a provision that will provide the LDA with up to \$3 million annually through September 30, 2004 to fund its municipal type functions including, but not limited to, fire and emergency services, police protection, water and waste water systems, as well as maintenance of buildings, grounds and roadways. Funding beyond September 30, 2000, is contingent upon the LDA meeting the following performance based criteria:

- Continued State of Maine financial assistance through the appropriation process and the Loring Job Increment Financing Fund at a minimum annual level of \$250,000.
- Continuation of the positive job growth trend by creating 1,107 jobs by the year 2001, 1,174 by 2002, 1,240 by 2003, 1,307 by 2004, and 1,374 by 2005.
- Continuation of positive economic growth through the creation of jobs, awarding of contracts and purchases of goods and services.
- Continued funding of the marketing implementation plan, which will demonstrate that the LDA is reaching its target markets through advertising, public relations, direct mail campaigns, trade shows, site visits, etc.

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(1) HISTORY OF ORGANIZATION (cont'd.)

- Continued execution of leases and/or sales transactions from the Federal fiscal year ended September 30, 2000 to 2004, by leasing an average 50,000 square feet of facility space per year.

The above noted performance criteria will be evaluated in their entirety as a tool to measure the LDA's progress in its development efforts. The LDA's failure to meet any one specific performance criteria in and of itself will not necessarily result in the elimination and/or reduction of the above referenced funding. To date, the LDA has met all of the performance criteria.

Consistent with the LDA's enabling legislation, as amended, the Board of Trustees is comprised of thirteen (13) voting members, which are nominated by the Governor of the State of Maine and of which twelve (12) are confirmed by the Maine Senate. The Governor also designates a commissioner of a department of state government to be a voting, ex-officio member of the Board of Trustees. No less than seven of the Board of Trustees must be residents of Aroostook County and be nominated by one of the primary impacted communities, as defined in the enabling legislation. In addition, no less than four of the Board of Trustees must live outside of Aroostook County. The enabling legislation also imposes term limits on the Board of Trustees of two consecutive four-year terms. The Board of Trustees have elected a Chair, Vice-Chair, Secretary and Treasurer to serve terms of one year. The fiscal year for the LDA runs from July 1 through June 30. The financial information of the LDA is reported as a component unit as part of the financial statements of the State of Maine.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The LDA prepares its financial statements on the accrual basis of accounting. Under the accrual basis of accounting, revenue is recognized when earned and measurable and expenses are recognized when incurred and measurable.

The 3,600 acres of land, associated facilities, infrastructure and personal property received from the United States Air Force via a 55-year no-cost lease in furtherance of conveyance are not depreciated. On April 19, 2001, title to 2,805 acres of the original 3,600 acres was transferred to LDA. These assets were received at no cost and their fair market value is not readily determinable. In addition to the assets that were transferred to the LDA by the Air Force at no cost, the LDA has cumulatively invested approximately \$2.9 million in facility improvements in various facilities throughout the complex and \$4.9 million in demolition projects to prepare land for future new construction projects. Given the fact that the improvements were completed with grant proceeds, the costs have been reflected in the statements of revenues, expenditures and changes in retained earnings and not the balance sheets. Vehicles and office equipment are stated at cost in the accompanying financial statements. Depreciation is provided by the straight-line method to amortize the original cost of the assets over their estimated useful lives of three years.

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(3) CASH

The LDA's checking deposits at year-end were covered by Federal Depository Insurance Corporation (FDIC) or by collateral held by the LDA's agent in the LDA's name.

The LDA's cash balances in the financial statements are \$1,699,346 and \$1,300,223 as of June 30, 2003 and June 30, 2002, respectively.

The LDA's cash is categorized to give an indication of the level of risk assumed by the LDA at year-end. These categories are defined as follows:

- Category #1 - Insured or collateralized with securities held by the LDA or by its agency in the LDA's name.
- Category #2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the LDA's name.
- Category #3 - Uncollateralized, which includes any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the LDA's name.

The LDA's bank balances at June 30, 2003 and June 30, 2002 were \$1,819,767 and \$1,371,952 respectively. The entire balances are classified as Category 1.

(4) COMPENSATED ABSENCES

LDA employees are granted vacation and sick leave in varying amounts. Upon termination, an employee is paid the full amount of accumulated vacation days not taken. Sick leave is not payable upon termination.

The LDA's financial liability for accrued vacations at June 30, 2003 and June 30, 2002 is \$51,490 and \$48,877, respectively.

(5) PENSION PLAN

The LDA has instituted a Model Simplified Employee Pension Plan for all eligible LDA employees in accordance with Section 408(K) of the Internal Revenue Code. All LDA contributions to the employee's individual retirement account is 100% vested to the employee on the date of the contribution. Employee contributions to the plan are discretionary, subject to Internal Revenue Code limitations. Employer contributions to the plan, at 5% of regular gross wages, totaled \$73,038 and \$76,835 for the years ended June 30, 2003 and June 30, 2002, respectively.

(6) RENTAL OF FACILITIES

The LDA has subleased land and buildings at Loring to various third parties for the use of such property with varying terms and conditions.

(7) DEFERRED REVENUE

The LDA received advances of payments in lieu of taxes (PILOT) and rent, which have been characterized as deferred revenue in the accompanying balance sheets.

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(8) PAYMENTS IN LIEU OF TAXES

The LDA assesses PILOT fees to entities that occupy facilities at Loring. This PILOT fee, which is currently based on an annual rate of \$.50 per square foot of occupied facility space, is assessed to offset the LDA's cost of providing fire and emergency service protection, police protection, and general roadway maintenance. Total PILOT fees assessed for the years ending June 30, 2003 and June 30, 2002 were \$409,466 and \$394,980, respectively.

(9) PUBLIC SECTOR FUNDING

The LDA is currently funded through the following public sources:

- (A) State of Maine - The State approved appropriations of \$319,505 for fiscal year ended June 30, 2003, and \$326,026 for fiscal year ended June 30, 2002. These funds are to be used to defray operating expenses, to support development of the reuse strategy and to use as match funds to obtain federal and other grants.

Tax Increment Financing - On July 5, 1996, the State Legislature enacted LD 1741 establishing the Loring Job Increment Financing Fund (Fund). The Fund, which has a term of twenty years, was created to establish a supplemental source of funding to subsidize future municipal service costs. This Fund will receive state income tax withholding revenues which can be attributed to incremental jobs created at Loring and will be based upon 50% of the State income tax withholding from these incremental jobs. State contributions to the Fund will be made on an annual basis and are payable by July 31 of each year. The LDA has realized revenues for the years ending June 30, 2003 and June 30, 2002 in the amount of \$292,179 and \$235,177, respectively.

Loring Applied Technology Center - During the fiscal year ended June 30, 2001, the Maine Legislature appropriated \$550,000 to complete the renovation project on the 42,000 square foot Loring Applied Technology Center (LATC), a business incubator focusing primarily on the forest products and agricultural industries, of which \$58,056 was expended during the fiscal year ended June 30, 2002 and \$29,946 during the fiscal year ended June 30, 2003. The remaining appropriated balance of \$2,414 remains unspent and will be used for specific tenant fit-up costs in the future. In addition, the Maine Legislature also appropriated funding to subsidize the day-to-day operations of the LATC, of which \$50,000 was received during the fiscal year ended June 30, 2002 and \$40,000 during the year ended June 30, 2003.

Maine Department of Transportation - In November 2001, Maine voters approved a transportation bond package that included, among other things, funding to perform renovations to the Arch Hangar in the amount of \$1,500,000, with no cash match required from the LDA. As of June 30, 2003 and June 30, 2002, the LDA had expended \$445,377 and \$1,054,623, respectively, in renovation costs and these amounts were reflected as Revenues under "State assistance" in the accompanying STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN RETAINED EARNINGS. Also, as of June 30, 2002, \$1,054,623 was reflected as a Current Asset under "Due from State of Maine" in the accompanying BALANCE SHEETS. In addition to securing funding to renovate the Arch Hangar, the transportation bond approved by the voters of Maine also included \$800,000 of funding to renovate and extend the rail lines leading to and located on the Loring Commerce Centre. This portion of the transportation bond

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(9) PUBLIC SECTOR FUNDING (cont'd.)

required the LDA to provide a cash match of \$800,000 to complete the estimated \$1,600,000 rail line project. To date, the LDA has not secured the required cash match and has deferred this project.

Northern Maine Development Commission (NMDC) – On June 27, 2003, the LDA was awarded a \$7,234 grant to cover marketing expenses. As of June 30, 2003, the LDA realized revenue of \$7,234.

(B) Air Force Base Conversion Agency (AFBCA) - Pursuant to the terms of the EDC property transfer on April 4, 1997, the LDA will continue to receive protection and maintenance funding from AFBCA through September 30, 2004 of up to \$3 million per year, which is negotiated annually. This funding is for, among other things, the operation of the water and sewer systems, fire, emergency and police protection, and protection and maintenance of the buildings, grounds, and roadway systems. Total funding for the periods ending June 30, 2003 and June 30, 2002 was \$2,069,469 and \$2,680,078, respectively.

(C) Economic Development Administration (EDA) - On July 14, 2000, the LDA was awarded a \$1,300,000 grant to cover demolition costs for the three (3) year period of July 14, 2000 to July 14, 2003. The LDA must match this grant with \$575,000 of demolition and marketing related funding for a total project cost of \$1,875,000. As of June 30, 2002, the LDA realized the remaining revenue of \$622,211.

On May 14, 2001, the LDA was awarded a \$1,500,000 grant to cover additional demolition costs. The LDA must match this grant with \$643,000 of demolition and related funding for a total project cost of \$2,143,000. As of June 30, 2003 and June 30, 2002, the LDA realized revenues of \$717,009 and \$201,522, respectively.

On October 17, 2002, the LDA was awarded a \$1,410,000 grant to renovate a 119,000 square foot facility (building 7220) for reuse in manufacturing, assembly and distribution operations, and to demolish substandard structures. The LDA must match this grant with \$940,000 for a total project cost of \$2,350,000. The LDA received a State of Maine Community Development Block Grant from the Town of Limestone for \$400,000 to use towards the \$940,000 matching requirement. As of June 30, 2003, the LDA realized revenues of \$176,320 and \$70,905 from the EDA grant and the Town of Limestone grant, respectively.

(D) Federal Emergency Management Agency (FEMA) - On September 17, 2001, the LDA was awarded a \$16,808 grant to cover the purchase of fire fighting equipment. The LDA had to match this grant with \$1,868 of related funding for a total project cost of \$18,676. As of June 30, 2002, the LDA realized revenue of \$16,808.

On May 2, 2003, the LDA was awarded a \$3,769 grant to cover the costs incurred as a result of the severe snow storm of March 2-4, 2003. As of June 30, 2003, the LDA realized revenue of \$3,769.

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(10) CONCENTRATION OF RISK - FEDERAL/STATE FUNDING

The LDA received over 74% and 83% of its operating revenue from federal and state funding for the years ended June 30, 2003 and June 30, 2002, respectively. The ability to continue its operations is dependent on continued funding.

(11) SALE OF PROPERTY AND EQUIPMENT

On January 11, 2002, the LDA sold the building and associated land at 24 New Mexico Road to Impac Auto for a sale price of \$20,181.

(12) PURCHASE OPTIONS

As of June 30, 2003, the LDA had entered into an agreement with a third party that granted a purchase option to this entity for the purpose of owning and operating an energy generation facility. The purchase option was due to expire on April 19, 2003, however a nine-month extension was granted. The LDA received a deposit of \$25,000 that was refundable to this entity under certain circumstances. This deposit is reflected as an accrued expense in the accompanying balance sheets.

(13) NOTES RECEIVABLE

On May 9, 2001, the LDA sold 5 parcels of land to Tin Cup Land Company, LLC for \$1,600,000, less \$1,912 in closing costs, resulting in a net sale price of \$1,598,088. The LDA received \$318,088 in cash and financed the remaining \$1,280,000 in the form of a note, payable in quarterly installments for a period of 15 years. As of June 30, 2003 and June 30, 2002, the outstanding balance on this note was \$1,210,378 and \$1,215,722, respectively.

On December 12, 2002, the LDA provided a \$15,000 note, secured by equipment, to Maine Street Flour Company, payable in quarterly installments for a period of 7 years. As of June 30, 2003, the outstanding balance on this note was \$14,070.

(14) SUBSEQUENT EVENT

On March 21, 2003, the LDA entered into an agreement with Great Northeast Productions (GNP) to host a Phish festival at the Loring Commerce Centre in August 2003. As a condition of the agreement, Great Northeast Productions agreed to pay the LDA \$500,000. As of June 30, 2003, \$250,000 had already been received and is reflected as deferred revenue on the accompanying balance sheets. Subsequently, the LDA has received the remaining \$250,000 of revenue from GNP and the entire \$500,000 of revenue will be recognized as revenue during the year ending June 30, 2004.

ADDITIONAL REPORTS



Chester M. Kearney

Certified Public Accountants

12 Dyer Street, Presque Isle, Maine 04769-1550
207-764-3171

Steve E. Bird, CPA
Herman Belanger, CPA
Paul J. Callnan, CPA

To the Board of Trustees of the
Loring Development Authority of Maine

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF GENERAL-
PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of Loring Development Authority (LDA) of Maine, a component unit of the State of Maine, as of and for the year ended June 30, 2003, and have issued our report thereon dated August 20, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether LDA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered LDA's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the LDA Board of Trustees, LDA management, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Chester M. Kearney

Presque Isle, Maine
August 20, 2003



Chester M. Kearney

Certified Public Accountants

12 Dyer Street, Presque Isle, Maine 04769-1550
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Steve E. Bird, CPA
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Paul J. Callnan, CPA

To the Board of Trustees of the
Loring Development Authority of Maine

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133

Compliance

We have audited the compliance of Loring Development Authority (LDA) of Maine, a component unit of the State of Maine, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. Loring Development Authority of Maine's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of LDA's management. Our responsibility is to express an opinion on LDA's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about LDA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of LDA's compliance with those requirements.

In our opinion, LDA complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

The management of LDA is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered LDA's internal control over compliance with requirements that could have a direct and material effect on each major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the LDA Board of Trustees, LDA management, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Chester M. Kearney

Presque Isle, Maine
August 20, 2003

SUPPLEMENTARY INFORMATION

LORING DEVELOPMENT AUTHORITY OF MAINE

SCHEDULE OF MUNICIPAL-TYPE OPERATIONS AND FACILITIES MAINTENANCE

YEARS ENDED JUNE 30, 2003 AND 2002

	<u>2003</u>	<u>2002</u>
Utilities	\$ 739,419	\$ 1,214,311
Emergency Response	506,397	600,281
Public Works	211,652	267,725
Facility Maintenance	725,467	682,282
Administrative Support	214,963	221,695
Safety & Environment	18,776	23,535
Insurance	<u>89,435</u>	<u>86,479</u>
	<u>\$2,506,109</u>	<u>\$3,096,308</u>

See notes to financial statements

LORING DEVELOPMENT AUTHORITY OF MAINE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2003

FEDERAL GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL AWARD AMOUNT	REVENUE RECOGNIZED	EXPENDITURES
U.S. DEPARTMENT OF DEFENSE				
Air Force Base Conversion Agency				
Base Caretaker Cooperative Annual Grant #8	12.	\$ 2,677,000	\$ 208,774	\$ 208,774
Base Caretaker Cooperative Annual Grant #9	12.	2,000,000 *	<u>1,860,695</u>	<u>1,860,695</u>
TOTAL U.S. DEPARTMENT OF DEFENSE			<u>2,069,469</u>	<u>2,069,469</u>
FEDERAL EMERGENCY MANAGEMENT AGENCY				
Disaster #3174				
# EM-ME-003-UES7K-100	83.554	3,769	<u>3,769</u>	<u>3,769</u>
U.S. DEPARTMENT OF COMMERCE				
Economic Development Administration				
Economic Adjustment Assistance Grant				
# 01-49-07467	11.307	1,500,000 *	717,009	717,009
Economic Adjustment Assistance Grant				
# 01-49-07786	11.300	1,410,000	<u>176,320</u>	<u>176,320</u>
TOTAL U.S. DEPARTMENT OF COMMERCE			<u>\$ 893,329</u>	<u>\$ 893,329</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u><u>\$ 2,966,567</u></u>

* Major Program

See notes to financial statements

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2003

BASIS OF PRESENTATION

The schedule of expenditures of federal awards includes the federal grant activity of Loring Development Authority of Maine and is presented on the accrual basis. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

LORING DEVELOPMENT AUTHORITY OF MAINE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2003

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified
Internal control over financial reporting:

- Material weaknesses identified? None
- Reportable conditions identified that are not considered to be material weaknesses?
None
- Noncompliance material to financial statements noted? None

Federal Awards

Internal control over major programs:

- Material weaknesses identified? None
- Reportable conditions identified that are not considered to be material weaknesses?
None

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? None

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
12.unknown	Base Caretaker Cooperative Grant U.S. Department of Defense
11.307	Economic Adjustment Assistance Grant U.S. Department of Commerce

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Audit qualified as low-risk audit? Yes

SECTION II - FINANCIAL STATEMENT FINDINGS AND

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no audit findings reported for the year ended June 30, 2002 that required follow-up in the June 30, 2003 report. There are no audit findings for the year ended June 30, 2003.

**Loring Development Authority of Maine
2003 Annual Report**

Paragraph 1C: Property Transactions

Loring Development Authority of Maine
Fiscal Year 2003 Annual Report
Paragraph 1C: Property Transactions during Fiscal Year 2003
July 1, 2002 through June 30, 2003

The following property transactions took place during Fiscal year 2003:

- ◆ The Pattison Sign Group, of Edmundston, New Brunswick, Canada entered into in a lease agreement for 40,000 square feet of space in Building #7220, with an option to lease an adjacent 40,000 square feet for future expansions. Pattison designs and manufactures custom electric signs such as those used by automobile dealerships, banks and many other businesses.
- ◆ Loring Bioenergy, Inc. (LBE) executed an option agreement for lease/purchase of the former steam-heat plant and surrounding property, where it intends to operate a 65-megawatt electric generation and steam production facility.
- ◆ The U.S. Department of Labor (DOL) entered into a lease agreement for Building #5007, a 7,800 square foot facility, where RS Information Systems, Inc. (RSIS) operates the National Job Corps Data Center, a data backup and customer support service center, for DOL's Job Corps Centers located nationwide.
- ◆ The LDA entered into a license agreement with the Defense Logistics Agency and a Subrogation Agreement with Jaycor for the use of Building #8200. The Defense Logistics Agency would like to use Building #8200 as a logistical command and disaster relief center in the event of a national emergency. The proposed license agreement allows the LDA to continue marketing the facility.
- ◆ A lease with WPS Energy Services, Inc. will allow WPS to operate the former diesel power plant, under a 15-year lease, for the generation of electrical power to meet WPS's reserve power requirements and to provide backup power to Loring's tenants.
- ◆ County Environmental entered into a one-year lease for Building #8413. The company assists the Air Force with the environmental cleanup efforts required by the Economic Development Conveyance for Loring.
- ◆ The Maine Winter Sports Center (MWSC) entered into lease agreements for office space in Buildings #5100 and for Building #2510, where it stores and maintains equipment.
- ◆ Maine Street Flour Company entered into a lease agreement for space in the Loring Applied Technology Center. The new company produces different types of stone-ground flour using locally grown grain. It began milling in January.
- ◆ LDA entered into a lease with Durepo & Durepo to occupy Building # 8622 for grain storage for one year with an option for one additional year. The proposed agreement with Durepo & Durepo is separate from the Maine Street Flour incubator project, but it is related to it and will help to generate cash flow for Maine Street Flour.
- ◆ Beauty Unlimited executed two-year lease extension for Building #5005.

- ◆ Hydroblend, Inc. of Nampa, Idaho exercised its option for the fourth year of its lease agreement for a 40,888 square foot former warehouse building at the Loring Commerce Centre. The privately owned company formulates and blends a variety of dry batter products in the food industry and also offers a line of dry mix products for resale.
- ◆ LDA purchased 8.9 acres of property in Fort Fairfield, where it installed a non-directional beacon (NDB) as part of the instrument landing system for Loring's airfield.
- ◆ Maine Army National Guard units frequently use Loring's facilities on a short-term basis for training and other activities.
- ◆ Individuals and community organizations made use of the Malabeam Lake Campgrounds and other facilities on Loring on a short-term basis.

**Loring Development Authority of Maine
2003 Annual Report**

**Paragraph 1D: Activities of any Special Utility District
Formed Under Section 13080-G**

NONE

**Loring Development Authority of Maine
2003 Annual Report**

**Paragraph 1E: Listing of Property Acquired By
Eminent Domain Under
Section 13080-G**

NONE

**Loring Development Authority of Maine
2003 Annual Report**

Paragraph 1F: Listing of Bonds Issued

NONE

**Loring Development Authority of Maine
2003 Annual Report**

**Paragraph 1G: Subsequent Events and Proposed
Activities for Fiscal Year 2004**

**Loring Development Authority of Maine
Fiscal Year 2003 Annual Report
Paragraph 1G: Subsequent Events (Through October 15, 2003)
and Proposed Activities for Fiscal Year 2004
July 1, 2003 through June 30, 2004**

Subsequent Events (July 1, 2003 through October 15, 2003)

A summary of the activities on the Loring Commerce Centre between July 1, 2003 and October 15, 2003 is provided below:

- ◆ LDA hosted the year-end Phish festival, “IT”, this summer. Fans began to arrive on Loring on Friday, August 1st and departed on Monday, August 4th. Approximately 65,000 people attended the four-day event, making it a huge success. Two previous Phish concerts held on Loring in 1997 and 1998 each contributed an estimated \$25 million in the Maine economy and it’s expected that the 2003 festival had a similar impact.
- ◆ Great Northeast Productions, concert promoters for Phish entered in short term lease agreements for facilities on Loring, for use during the Phish festival production operations.
- ◆ A lease agreement for the bowling center was executed with a new operator. The bowling center opened in October 2003 and will host recreational bowling, as well as leagues. It is the only 10-pin bowling center in northern Maine.
- ◆ MWH Americas, Inc. entered into a lease for the use of two 2000 square foot buildings. MWH is an environmental contractor working for the Air Force on Loring.
- ◆ Hydroblend, Inc. of Nampa, Idaho exercised its option for the fifth year of its lease agreement for a 40,888 square foot former warehouse building at the Loring Commerce Centre.
- ◆ All demolition projects to date have been completed and the LDA landfill has been closed. A few buildings that have been identified as demolition candidates remain on site.

Marketing Activities

The LDA continues to take advantage of the effective network of site location consultants, corporate real estate executives and state and local economic development entities in its efforts to market the Loring Commerce Centre.

Fiscal Year 2004 Funding

LDA Operational Funding: In July 2003, the LDA received an appropriation from the State of Maine for \$297,779. This funding continues to be used for match funding for Federal grants and for sales, marketing and operating expenses.

Caretaker Cooperative Agreement Funding: On September 30, 2003, the Air Force Base Conversion Agency (AFBCA) awarded the LDA Year 10 operational funding for the Caretaker Cooperative Agreement in the amount of \$1,817,500. Additionally, in September 2003, the AFBCA awarded the LDA an additional \$220,000 of funding under the fiscal year 2003 budget.

Proposed and Projected Activities for Fiscal Year 2004

In addition to ensuring that our existing 20 tenants remain viable business entities, the LDA intends to carry out the following activities in fiscal year 2004:

- ◆ Continue to work with the FAA to secure an instrument certification for the Loring International Airport. The certification is necessary for Loring's airport to reach its fullest potential.
- ◆ Aggressively pursue aviation development at the Loring International Airport consistent with the niche markets identified by the community-based Aviation Task Force (i.e.: aircraft maintenance, repair, manufacturing and overhaul, aircraft storage and cargo operations).
- ◆ Facilitate the due diligence process with Maine Lighthouse Corporation in support of their proposed long-term rehabilitation project.
- ◆ Facilitate the due diligence process with Loring BioEnergy, LLC in support of their proposed energy generation operation on Loring.
- ◆ Complete the renovation of Building #7220 in support of the Pattison Sign manufacturing project and the Telford/Volvo warehousing operations.
- ◆ Take full advantage of the Loring Applied Technology Center, marketing the facility and services to start-up businesses and entrepreneurs.
- ◆ Continue to respond to inquiries from private sector companies in the targeted market areas of aviation, telecommunications, value-added forest products manufacturing, food processing and industrial manufacturing.
- ◆ Complete the demolition of substandard structures on Loring, increasing the Commerce Centre's marketability by creating open space for new construction and improving its aesthetic value.
- ◆ Continue to develop and enhance long-term funding strategies that will maximize our ability to reach our development objectives.
- ◆ Begin moving into a third phase of development, which includes building new facilities for large space users and other prospects. With the leasing of Building #7220, the last large warehouse on Loring, the LDA is quickly running out of large facilities.
- ◆ Continue to garner local, regional and statewide support for development efforts.
- ◆ Touch basis periodically with Irving Forest Products, Inc., in support of the contemplated construction of the value-added forest products manufacturing complex, when the market allows for expansion.

- ◆ Touch basis periodically with Lamb Weston in support of the contemplated construction of a value-added potato processing facility when the market allows for expansion.

Employment/Tenant Summary

As of September 30, 2003, 1,011 people were employed on Loring and 189 Commerce Centre employee dependents and 393 Job Corps students were living on Loring for a total of 1,593 people working and living on Loring.

**Loring Development Authority of Maine
2003 Annual Report**

**Paragraph 1H: Further Actions Suitable for Achieving
the Purposes of this Article**

**Loring Development Authority of Maine
Fiscal Year 2003 Annual Report
Paragraph 1H: Further Actions Suitable for Achieving Purposes of this Article
July 1, 2003 through June 30, 2004**

Please see Proposed Activities for Fiscal Year 2004, page XXI.

Loring Development Authority of Maine 2003 Annual Report

Attachments:

- ◆ **Loring Applied Technology Center**
- ◆ **Loring Development Authority Board of Trustees**
- ◆ **Loring Development Authority Development Staff**
- ◆ **Loring Commerce Centre Tenants**
- ◆ **Employment/Tenant Status Report**

Loring Applied Technology Center Summary of Activities 2003

The Loring Applied Technology Center continues to provide clients the following core business services as required under the ATDC Rules.

- Reception and telephone answering service
- Clerical support
- Storage, warehousing, shipping and receiving facilities
- Photocopying and fax service
- High speed internet connections and computer lab facilities
- Technology consulting appropriate to the Center's focus
- Specific business support and on-going training services
- Shared conference room services
- Assistance in obtaining loans, grants and other financing
- Assistance with the development of business plans
- Assistance with legal and financial management
- Kitchen and restroom facilities
- Space for tenants
- Shared office supplies ordering
- Janitorial services
- Adequate parking

Tenant's performance and prospects

The Loring Applied Technology Center has provided services for six tenants since its inception. Two of the original tenants, Sleek Physique Foods and Max the Moose Furniture Co. have exited the incubator after six months of occupation and two are Incubator Without Walls tenants. Although these companies are no longer operational, the services provided by the incubator served a valuable purpose in providing the opportunity for these companies to determine whether their products had sufficient commercialization potential.

• Maine Street Flour Co.

Chris Durepo, owner of Maine Street Flour continues to implement his business plan, methodically working through packaging issues with his products and building brand recognition with local growers. Chris has received a small grant from MEP through the Northern Maine Development Commission for funding the purchase of bags for his milled products. In addition he has submitted a seed grant application to MTI for the final phase of research needed to complete the transition to commercialization.

• LaForest Wood Products, Inc.

This Canadian company has determined that locating their new US operations branch in the incubator will aid them in achieving their goals. The company anticipates further growth of their product line and sales in the US and has formed a new subsidiary corporation with product origination and manufacturing established on this side of the border. The company occupies the 5,000 square foot space formerly utilized by Max the Moose Furniture, taking advantage of the state-of-the-art wood shop and paint booth in that space. LaForest commenced operations in August 2003.

Center's annual operating plan and updated five-year operational plan

Funding for operations and staffing of the facility is provided through State sources under the umbrella organization of the LDA. In July 2002 the LDA received \$40,000 for FY 2002 in Grant 19A-09292826401. These funds are designated for reimbursement of staff and associated managerial expenses for the Loring Applied Technology Center (LATC). Funds received have been applied against the cumulative salaries and benefits costs associated with staffing the LATC in accordance with grant guidelines. The LATC operational plan, both current and over the next five years is therefore based upon the LDA's dependency upon State legislative appropriations and federal grant sources. This project is not expected to generate substantive income in the foreseeable future; however, it is the goal of the LATC to collect sufficient fees obtained from leased space within the facility to offset some of the expense of the building.

Training programs and frequency

Training programs that have been offered at the LATC for the past year can be found in a listing at the end of this report. Frequency of the program offerings has been based upon requests for use of space and availability.

Events and training programs - August 2002 - June 2003

Maine Rural Water Association – Training Program
Limestone Development Annual Meeting
Maine Development Foundation Legislative Tour
Aroostook County Public Works Assoc. - Training program
Soil & Water District Assoc. Annual Meeting
Forestry Seminar
Maine Water utilities Districts – Training Program
Technology Center Advisory Board meetings - quarterly

Loring Development Authority of Maine Board of Trustees

The Loring Development Authority is represented by a thirteen member volunteer Board of Trustees, twelve of which are nominated by the Governor and confirmed by the State Senate and one is a commissioner of State government designated by the Governor and serves as a voting, ex-officio member. Seven of the appointees confirmed are required to be from Aroostook County and must be nominated by the primary impacted communities surrounding Loring, while four of the appointees are required to live outside of Aroostook County and one member can reside anywhere in Maine.

Chair Philip J. St. Peter is a resident of Caribou and is actively involved in real estate, contracting and banking ventures within the community. Mr. St. Peter has served on the LDA Board since 1997.

Vice Chair James O. Donnelly is a resident of Brewer and is a Regional Vice President at Machias Savings Bank in Ellsworth. Mr. Donnelly has served on the LDA Board since 2000.

Treasurer Brian E. Thibeu is a resident of Hermon and is the Chief Operating Officer for the Penquis County Action Program. Mr. Thibeu has served on the LDA Board since 1993.

Secretary Philip A. Cyr is a resident of Caribou and the Owner/Administrator of several area nursing homes. Mr. Cyr has served on the LDA Board since 1999.

Arthur H. Thompson is a resident of Limestone and proprietor of Thompson Associates, a full service financial planning company located in Presque Isle. Mr. Thompson has served on the LDA Board since 1993.

Anne B. Pringle is a resident of Portland, a former banking executive of Maine Savings Bank and a former mayor and city councilor of the City of Portland. Ms. Pringle has served on the LDA Board since 1995.

Robert D. Umphrey is a resident of Presque Isle and President of Northeast Packaging Company, a manufacturer of paper and polyethylene packaging products. Mr. Umphrey has served on the LDA Board since 1993.

Elizabeth B. Reuthe is a resident of Vassalboro and sole proprietor of Elizabeth B. Reuthe Associates, a private consulting firm. Ms. Reuthe has served on the LDA Board since 1993.

Dana F. Connors is a resident of East Winthrop and President of the Maine Chamber and Business Alliance. Mr. Connors has served on the LDA Board since 1995.

Rob A. Langner is a resident of Fort Fairfield and a Case Management Officer for the Maine District Court in Aroostook and Washington Counties. Mr. Langner has served on the LDA Board since 2002.

Linda M. Page is a resident of Limestone and is actively involved in several community support organizations. Ms. Page has served on the LDA Board since 2002.

Philip P. Parent is a resident of Van Buren and an Attorney in private practice, concentrating in real estate, commercial law, probate and estate planning. Mr. Parent has served on the LDA Board since 2002.

Jack Cashman is a resident of Old Town and Commissioner of the State Department of Economic and Community Development. Commissioner Cashman has served on the LDA Board since 2003.

Loring Development Authority of Maine Development Staff

President & CEO, Brian N. Hamel, provides executive oversight for the Authority's operations including, but not limited to, sales & marketing, finance & administration, property management, municipal functions (i.e.: police, fire, water/sewer, electrical distribution, ground and building maintenance), and government, public, tenant, and community relations. He serves at the pleasure of the LDA Board of Trustees. Mr. Hamel has been employed at the LDA since June 13, 1994.

Vice President & General Counsel, Carl W. Flora, serves as second-in-command and is responsible for the day-to-day operations of the LDA. Mr. Flora also serves as the LDA's in-house legal counsel and is responsible for securing necessary representation from LDA external legal counsel. Mr. Flora has been employed at the LDA since November 15, 1995.

Director of Finance and Administration, Frank F. Goade, is responsible for the development and administration of the LDA's operations and municipal-type computerized accounting controls and financial reporting systems, as well as all administrative functions. Mr. Goade has been employed at the LDA since September 19, 1994.

Manager of Real Property and Human Resources, Patricia M. Zenzius, works part-time and is responsible for the administration and management of real and personal property, as well as all aspects of the LDA's human resources. Ms. Zenzius has been employed at the LDA since January 31, 1994.

Executive Assistant, Donna M. Sturzl, is responsible for coordinating and administering the activities of and providing comprehensive support to the LDA's President & CEO and Vice President & General Counsel. Ms. Sturzl has been employed at the LDA since September 12, 2000.

Office Clerk, Tammy L. Hartley, is the first point of contact for the public and carries out both Reception and Administrative Assistant responsibilities including greeting visitors, directing telephone calls, answering inquiries from the general public and providing support for the LDA staff. Ms. Hartley has been employed at the LDA since April 10, 2001.

Executive Director, Loring Applied Technology Center (LATC), Edwin E. Nickerson, manages all components of the LATC including small business attraction, development and support; financial administration; and participation on local and State boards. Mr. Nickerson has been employed at the LDA since February 13, 2001.

Executive Assistant, Loring Applied Technology Center, Diane M. Martin, is responsible for assisting with the administration of the LATC including the policy development, tenant support, public relations and marketing. Ms. Martin has been employed at the LDA since September 12, 1994.

Businesses on Loring

- **Defense Finance and Accounting Service Center (DFAS)**

The **Department of Defense DFAS Limestone** Operating Location officially opened for business in May 1995. Located in a 145,000 square foot state-of-the-art office building, the Center currently employs approximately 270 associates out of an expected 325, with over 70% hired locally.



- **Loring Job Corps Center (LJCC)**

The **Loring Job Corps Center**, part of the **Job Corps New England Region** and the **National Job Corps** system, offers unique advanced training for youth ages 16-24. The Center welcomed its first 380 students in January 1997 and provides training in recreation and outdoor wilderness trades, culinary arts, certified nurse's aid (CNA) program, accounting, medical office training, business/clerical, computer service repair, Web page design, electrical, carpentry, cement masonry, painting, diesel and automotive mechanics and commercial driver's license (CDL). Operated by the Training & Development Corporation of Bucksport, the LJCC employs over 140 people.

- **Maine Readiness Sustainment Maintenance Center**

The **Maine Army National Guard (MRSMC)** established a military vehicle refurbishment center at Loring in September 1997. It has since grown to over 200 civilian employees and is expected to continue to expand. The Center performs complete refurbishment of the High Mobility Multipurpose Wheeled Vehicles (HMMWV), 5-Ton Trucks, and Mobile Kitchen Trailers (MKT) for the National Guard Bureau to meet equipment shortages in the Army National Guard. The Center also has a Controlled Humidity Storage Program for M109 Howitzers and Engineer Equipment. The Center is presently using 8 buildings at Loring with the administrative offices at 32 Connecticut Road in building 8713.

- **U.S. Fish & Wildlife National Wildlife Refuge**

In 1998, the **U.S. Fish & Wildlife Service** received 4,700 acres of the former base to establish the Aroostook National Wildlife Refuge. The refuge is a part of the National Wildlife Refuge System, a network of lands set aside specifically for the protection of wildlife and its habitat. Wetland, grassland, and northern forest habitats for migratory birds and endangered species are protected on the refuge. The Friends of the Aroostook National Wildlife Refuge support the refuge's programs through education, fundraising and volunteer projects.

- **SITEL Corporation**

The global leader in outsourced telephone-based customer service, **SITEL** expanded its Insurance Sales and Services division call center operations in early 1998 in the 48,000 square foot Fortune Building at the Loring Commerce Centre. Sitel employs over 280 people, with expansion possibilities to well beyond 500 people.



- **Hydroblend, Inc.**

Hydroblend, Inc. of Nampa, Idaho occupies a 40,888 square foot former warehouse building at the Loring Commerce Centre. The privately owned company formulates and blends a variety of dry batter products in the food industry and also offers a line of dry mix products for resale.

- **MacDonald Enterprises**

Loring's first manufacturing tenant, MacDonald Enterprises, expanded its operations to the Loring

Commerce Centre in the summer of 1996. This value-added wood products manufacturer makes quality wood products for distribution to retailers, as well as via mail order and currently employs six people. An on-site retail outlet features their products. The business also offers a full line of machining, fabrication, sheet metal and welding capabilities on all types of steel.

- **Impac Auto, Inc.**

As a wholesale distributor of specialty heavy equipment parts, **Impac Auto, Inc.** operates its business in a 4,800 square foot building at Loring and employs five people.

- **Evergreen Family Recreational & Bowling Center**

This 22-lane, 10-pin bowling center is open to the public and offers league bowling, birthday parties and special events throughout the year. The bowling center also has tennis courts and horseshoes pits available.

- **The Maine Winter Sports Center (MWSC)**

The **MWSC** is a newly formed non-profit corporation that has established first-class Nordic Skiing, Biathlon and Alpine Skiing facilities and programs in central and northern Aroostook County. MWSC is initially focusing its efforts on raising awareness of the three sports and stimulating the aspirations of Maine youth with a by-product of producing world-class athletes and hosting major international competitions.

- **Limestone Country Club and Townhouses**

Limestone Country Club is open year round offering nine-hole golfing, cross-country skiing and snowmobile trails. In connection with their four-season operation, the proprietors of the Country Club also operate long and short-term rental units for use by Aroostook County residents, visitors and tourists.

- **The Haven Inn**

This hotel facility offers first class accommodations for the general public, persons doing business with the Loring Development Authority and to those affiliated with or doing business with entities located at Loring. **The Haven Inn** has 18 suites and 6 single rooms and serves a continental breakfast daily.

- **Beauty Unlimited**

This full service beauty salon commenced operations in June 1997 and offers its services for Loring's tenants and the surrounding communities. Beauty Unlimited is open six days a week.

- **Loring Health Center**

Operated by Pines Health Services, The Loring Health Center provides convenient outpatient health care and weight management program services for Loring's employees and area residents.

- **Loring Fitness Center**

The Loring Fitness Center is operated by the Loring Development Authority and is housed in a 15,000 square foot complex. The facility offers a multi-purpose gymnasium, three racquetball courts, two exercise rooms with Nautilus and aerobic equipment and free weights, as well as a golf simulator, locker rooms and office space. The pool in the fitness center is not open at this time.

- **Pioneer Wireless Network**

Pioneer Wireless Network has created a wireless internet service network that spans Aroostook County from Sherman to Madawaska. The company leases space on one of Loring's facilities where it placed antennae needed to complete the network.

- **The Telford Group, Inc.**

The Telford Group is a multi-faceted aviation service company operating in partnership with Volvo Aero Services, is operating an aircraft maintenance and recycling operation at Loring and occupies over 247,000 square feet of hangar and warehouse space. Telford has been awarded a Maintenance Repair Facility Certificate and recently started its first overhaul shop. The company also opened an

aircraft parts storage and distribution center, for both regional airlines and commercial Boeing aircraft, utilizing 80,000 square feet of available warehouse space.

- **National Job Corps Data Center**

Operated by RS Information Systems, Inc., the National Job Corps Data Center provides data backup and customer support service to Job Corps Centers located nationwide.

- **WPS Energy Services, Inc.**

WPS energy Services operates the power plant on Loring, generating electrical power to help meet reserve power requirements and to provide back up power for businesses on Loring.

- **Loring Applied Technology Center**

The **Loring Applied Technology Center** (LATC) is one of seven business incubators in the State of Maine's Applied Technology Development Center System providing start-up businesses with low-cost space, use of office equipment and financial, legal, and technical services.

- **Maine Street Flour Company**

This startup company produces a variety of stone-ground flours and creates new combinations of flour mixes.

- **La Forest Wood Products, Inc.**

La Forest, a Canadian based wood-products manufacturer is beginning operations in the U.S. The company will construct cabinets and furniture.

- **Pattison Sign Group**

Pattison Sign Group established its first U.S. manufacturnig plant on Loring where it will soon manufacture custom designed electrical signs. Pattison is one of the world's largest electric sign companies and is a division of the Jim Pattison Group, one of Canada's largest privately held companies.

**LORING DEVELOPMENT AUTHORITY
MONTHLY EMPLOYMENT/TENANT ACTIVITY REPORT
30-Sep-03**

DEVELOPMENT ACTIVITIES

REUSE ACTIVITY	TYPE	JOBS/RESIDENTS			PROPERTY ABSORBED	
		Prior Month	Current	Projected	Bldg SF	Acreage
PRIVATE SECTOR						
Beauty Unlimited	Service	2	2	3	1,900	1
Haven Inn	Hotel	4	4	11	21,995	3
Hydroblend, Inc.	Manufacturing	13	13	30	40,888	2
International Sourcing Inc	Commercial	5	5	5	4,824	1
Limestone Country Club	Recreation/Residential	12	10	20	326,685	270
Loring Applied Technology Ctr	Commercial	2	2	3	42,075	3
Maine Street Flour Company	Manufacturing	6	7	6		
Missy's Sandwich Shop	Service	3	0	0	1,500	1
LaForest Custom Cabinets	Manufacturing	0	2	10		
Loring Health Center (Cary)	Health Care	2	2	7	2,000	1
MacDonald Enterprises	Manufacturing	5	4	12	16,900	2
Maine Winter Sports Center	Recreation	15	15	15	6,408	1
Sitel Insurance Services	Call Center	234	222	352	47,783	12
Telford Group	Aircraft Disassembly	8	8	30	161,114	8
TOTAL:		311	296	504	674,072	305

PUBLIC SECTOR

Aroostook County EMA	Service	3	3	4	3,184	1
Dept of Labor RS Info Systems	Data Management	17	17	40	7,835	4.5
DFAS	Office	333	333	350	142,400	15
Maine Army National Guard	Vehicle Refurbishment	176	176	400	382,926	23
TDC (Loring Job Corps Center)	Educational/Office	143	144	148	270,222	42
US Fish & Wildlife	Wildlife Refuge	1	1	5	8,600	3,886

TOTAL:		673	674	947	815,167	3971.5
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LDA-Caretaker	Development	41	41	41	96,544	10
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TOTAL EMPLOYMENT:		1025	1011	1492	1,585,783	4286.5
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RESIDENTIAL

DFAS/SITEL/LJC/NG	Dependents	177	189	200		
Job Corps	Students	374	393	400		
TOTAL RESIDENTIAL:		551	582	600		

GRAND TOTAL		1,576	1,593	2,092	1,585,783	4,287
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Total Available Space:					2,797,713	8,702
% Committed					57%	49%

NOTE: Above figures do not include the people employed by various agencies involved in the Air Force's environmental cleanup and property transfer at Loring.