

MAINE STATE LEGISLATURE

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Capital Access Programs

*Innovative Financial Solutions
for Maine Businesses*



**Business & Education
at Work for Maine**



**Aegis Bicycles
Van Buren, Maine**



**Business & Education
at Work for Maine**

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FAME is an independent state agency that develops and administers programs related to the financing of both Higher Education and Business in the State of Maine. Our primary goal is to provide targeted financing tools, information and solutions that enable Maine citizens and businesses to take advantage of opportunities to further their education and grow Maine's economy.

Dear  Customer:

Our focus in the Business Assistance Division at FAME is to help businesses access capital to grow, expand and succeed; thus creating new employment opportunities that will benefit the people and communities of Maine. In addition to our FAME programs, there are a wide variety of other services available to businesses, both from the Maine Department of Economic and Community Development and various other state and local economic development entities. A number of useful publications are available at biz.growth@maine.gov or by calling the Office of Business Development at 207-624-9804.

FAME is continually developing new programs and services designed to support Maine companies in their efforts to start up, continue in operation, expand, or compete more effectively in the global marketplace. We are proud of the diverse products and services that we offer Maine businesses that are designed to help at every stage in their economic lives. The information contained in this publication is not all inclusive and rates and terms are subject to change. We have divided FAME's programs into four sections:

Credit Enhancements

The Loan Insurance Program, including the risk reduction programs, are designed to make a company more attractive to a lending institution or an investor in order to assist the company in meeting its capital needs by reducing the risk of loss. The Major Business Expansion Bond Program, another risk reduction program, is targeted for mature, high credit quality borrowers.

Rate reduction programs, including the Linked Investment Program for Agriculture and the Linked Investment Program for Commercial Enterprises are designed to reduce the cost of borrowing to a company.

Both the risk reduction and the rate reduction programs are accessed through a financial institution on behalf of the borrower and are tailored to meet the borrower's specific needs.

Direct Loans

These are revolving loan programs accessed directly or in conjunction with a financial institution. When a lender is involved, FAME works with the borrower's financial institution to provide higher risk loans in a subordinate position to the institution. The Economic Recovery Loan Program is an example of this type of loan.

A number of these programs are for specific uses such as agricultural businesses and energy conservation. Included in this category are loan funds and programs serviced by FAME for the Maine Department of Agriculture, the Maine Public Utilities Commission, and the Kim Wallace Adaptive Equipment Loan Program Fund (mPower) Board. These agencies are the initial point of contact as outlined in the description of the specific programs contained in this book.

Equity Capital

FAME supports businesses that are attempting to access seed money for their early stages of development, commercialization, growth, or expansion. This is accomplished primarily with the Maine Seed Capital Tax Credit Program and the Maine Economic Development Venture Capital Revolving Investment Program.

Another program designed to assist early-stage businesses is the Small Enterprise Growth Fund, also described in this book.


Cooperative Programs

FAME works in cooperation with various Regional Economic Development Agencies through its Regional Economic Development Revolving Loan Program to help provide funds for loans originated through these local agencies to assist businesses in specific communities. And, through the Municipal Securities Approval Program administered by FAME, creditworthy companies are given access to attractive financing in the tax-exempt bond market.

FAME does not replace typical financing offered in the private sector. Our programs are designed to step in during short-term, adverse conditions to help a financial institution mitigate risks presented by a project, or when a company is unable to access private capital. At the end of this book is a chart showing a continuum of the stages of a business's life cycle. Finding your business's stage on the continuum may assist you in determining what type of financing best suits your needs.

The FAME staff looks forward to working with you, and welcomes your questions and encourages you to contact us for more information by calling 1-800-228-3734, e-mailing us at info@famemaine.com, or by visiting our Web site at www.famemaine.com.

Sincerely,



John C. Witherspoon
Chief Executive Officer

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I.

**Credit
Enhancements**

Loan Insurance Program

The Loan Insurance Program insures a portion of a loan made by a financial institution. The program is designed to help businesses in Maine access commercial credit. This program is available for any prudent business activity (some restrictions apply).

Eligibility: Businesses located in the State of Maine

**Loan Amount/
Exposure:**

- Up to 90% of a lender's loan on a pro-rata basis or up to 25% on a leveraged basis. 100% insurance available for loans to veterans, oil storage facility projects, clean fuel vehicle projects, and waste oil disposal site clean up projects. FAME exposure to any one relationship may not exceed \$4,250,000.
- Additional restrictions apply to working capital loans.

Interest Rate: Determined by Lender

Loan Term: Consistent with the useful life of the assets being financed or provided as collateral

Security: Assets being financed and other business assets, as necessary

Guarantees: Unlimited personal guarantees of business principals, secured by personal real estate (where available), are generally required.

Fees:

| | |
|---------------------|--|
| <u>Application:</u> | 1% of the proposed exposure, if request is in excess of \$1,000,000, can be applied to commitment fee, if issued |
| <u>Commitment:</u> | 1%, except in the case of the renewal of a previously insured facility, in which case this fee is .5% |
| <u>Annual:</u> | 1.25% of the proposed exposure for pro-rata insurance and 4% of the proposed exposure for leveraged insurance |

Process: Lender must provide a complete FAME application together with a cover letter, executed commitment, and lender's analysis. Most financing decisions are made at the staff level; however, decisions on relationship exposures of \$1,000,000 or greater must be approved by the FAME Board of Directors.

Contact:

| | | |
|------|----------------|-------------------|
| FAME | 207-623-3263 | FAX: 207-623-0095 |
| | 1-800-228-3734 | TTY: 207-626-2717 |

Major Business Expansion Bond Program

This program provides long-term, credit-enhanced financing up to \$25,000,000 at taxable bond rates for businesses creating or retaining 50 jobs and long-term, tax-exempt bond rates on bonds of up to \$10,000,000 that are used to finance manufacturing expansions.

Eligibility:

- ✦ Any business with the historical capacity to service the proposed bond debt
- ✦ A business must create or retain at least 50 jobs
- ✦ Bond proceeds may be used to acquire real estate, machinery, equipment or fixtures, or expand or rehabilitate a facility

**Loan Amount/
Exposure:** \$1,000,000 - \$25,000,000 taxable debt or \$1,000,000 - \$10,000,000 tax-exempt debt

Interest Rate:

- ✦ Determined by market at the time of bond sale or placement
- ✦ Contact FAME for latest market quotes

Loan Term: Determined by the useful life of the assets being financed

Security: First security interest in the assets being financed, plus other collateral and guarantees determined to be necessary by FAME

Fees: Contact FAME for current fee schedule.

**Additional
Information:** Borrowers may be required to fund a capital reserve account with bond proceeds or other funds.

Process: Borrowers considering applying under this program should contact FAME for advice on program requirements and applicability to the project.

Contact:

FAME 207-623-3263
 1-800-228-3734
 FAX: 207-623-0095
 TTY: 207-626-2717

Linked Investment Program for Agriculture

This program is to help reduce borrower interest rate expenses on operating loans. Loans will be approved and made by lenders according to their own policies. The Maine State Treasurer will make a compensating deposit with the originating lender to provide interest rate savings to the businesses on underlying loans.

Eligibility:

- ✦ Principal source of income must come from producing crops or raising livestock
- ✦ Must be applied to an agricultural operating loan (specifically for the purchase of seed, feed, fertilizer, chemicals, veterinary services, labor, production-related energy and other production inputs)
- ✦ Priority matrix is used to allocate investments

Loan Amount/ Exposure:

Maximum investment of \$200,000 (actual loan may be greater)

Interest Rate:

2% interest rate savings to borrower (Maine State Treasurer buys a CD from the bank at 2% below the current market rate. The bank's savings on cost of funds is then passed on to the borrower.)

Loan Term:

- ✦ Investment made for maximum of one year (loan term may be greater)
- ✦ Participation limited to two years (with some exceptions - see page 11)

Security:

Collateral requirements are at the lender's discretion. The State investment is not pledged in the event of loan default.

Fees:

\$100 reservation fee (potential exists for half to be returned)

Additional Information:

Loans approved and made by lenders according to their own policies. This investment does not constitute loan collateral. Loan does not need to be insured by FAME.

Contact:

FAME 207-623-3263
 1-800-228-3734
 FAX: 207-623-0095
 TTY: 207-626-2717

Linked Investment Program for Commercial Enterprises

This program is to help reduce borrower interest rate expenses. Loans will be approved and made by lenders according to their own policies. The Maine State Treasurer will make a compensating deposit with the originating lender to provide interest rate savings to the businesses on underlying loans.

Eligibility:

- Non-agricultural, for-profit businesses located in Maine
- 20 or fewer employees or annual sales of less than \$2,500,000
- Must be a manufacturer or have 70% of sales outside the state
- Loan proceeds for real property, fixed assets, research or working capital
- 50% owned by Maine residents
- Create or retain one job for each \$20,000 of deposited funds

Loan Amount/ Exposure:

- Maximum investment of \$200,000 (actual loan may be greater)
- Participation limited to 2 years (with some exceptions)

Interest Rate:

2% interest rate savings to borrower (Maine State Treasurer buys a CD from the bank at 2% below the current market rate. The bank's savings on cost of funds are then passed on to the borrower.)

Loan Term:

- Investment made for maximum of 1 year (loan term may be greater)
- Participation limited to 2 years

Security:

Collateral requirements are at the lender's discretion. The State investment is not pledged in the event of loan default.

Fees:

\$50 application fee

Additional Information:

Loans approved and made by lenders according to their own policies. This investment does not constitute loan collateral. Loan does not need to be insured by FAME.

Contact:

FAME 207-623-3263
 1-800-228-3734
 FAX: 207-623-0095
 TTY: 207-626-2717

II.

**Direct
Loans**

Economic Recovery Loan Program

This program provides subordinate (gap) financing to assist businesses in their efforts to remain viable and/or improve productivity.

Eligibility: Maine-based businesses that exhibit a reasonable ability to repay the loan and demonstrate that other sources of capital have been exhausted

Loan Amount:

- \$200,000 maximum loan amount
- Larger loans, up to \$1,000,000, may be possible if substantial public benefit is demonstrated

Interest Rate: Fixed rate; Prime plus 2%

Loan Term: Amortization to be based on the useful life of the assets being financed or additional collateral pledged. Balloons typically required.

Security: Assets being financed and other collateral, as required

Guarantees: Unlimited personal guarantees of the business principals; secured by personal real estate (where available), are generally required.

Fees: 1% origination fee based upon the loan amount and all costs of closing, including in-house or outside counsel fees

Process: Submit a complete application to FAME. FAME will underwrite the request and make a final decision.

Contact:

FAME 207-623-3263
 1-800-228-3734
 FAX: 207-623-0095
 TTY: 207-626-2717

Intermediary Relending Program

This program is designed to assist small businesses by providing gap financing for any prudent business activity (some restrictions apply).

- Eligibility:**
- Most Maine-based businesses, except agriculture
 - Must be located outside urban areas (Portland, Auburn, Lewiston or Bangor)
 - Historical ability to service debt
 - Must show efforts made to access additional sources of capital
 - Must demonstrate their employment of low-income persons, farm families and displaced farm families.

**Loan Amount/
Exposure:** Not to exceed 75% of project cost up to a maximum loan amount of \$250,000

Interest Rate: Wall Street Journal Prime (fixed at commitment)

Loan Term:

- Real Estate - up to 20 years
- Machinery & Equipment - up to 10 years
- All other - up to 7 years

Security: Assets being financed and other collateral, as required

Fees:

- Commitment fee of .5%
- Closing fee of 1.5%
- Annual servicing fee
- Closing costs - including in-house or outside legal fees

Process: FAME underwrites the request and makes a recommendation to Rural Economic and Community Development (RECD), which makes the final decision.

Contact:

FAME 207-623-3263
 1-800-228-3734
 FAX: 207-623-0095
 TTY: 207-626-2717

Agricultural Marketing Loan Fund

Provided on behalf of the **Maine Department of Agriculture**, this program provides lower-cost financing to help eligible businesses employ new and innovative technologies and processes in order to improve, expand and enhance the manufacturing, marketability and production of Maine-made products.

Funds may be used for the design, construction or improvement of facilities such as commodity storage buildings, and packing and marketing facilities. Funds may also be used to purchase or retrofit machinery and equipment.

Eligibility: Any business engaged in growing or harvesting plants; raising animals; growing, obtaining or adding value to plant or animal by-products; or aquaculture; or engaged in producing, processing, storing, packaging or marketing a product derived from such a business

Loan Amount/Exposure:

- 90% of total project cost, if project cost is \$100,000 or less
- 75% of total project cost, if project cost is more than \$100,000 (In both cases, borrower must inject 5% in equity)
- Maximum loan amount is \$250,000, and acquisition costs for start-up enterprises is limited to \$100,000

Interest Rate: 5% fixed for the term of the loan

Loan Term: Determined by the useful life of the assets being financed

Security: Assets being financed and other collateral, as required or available

Fees:

- No administrative fee for loans of \$100,000 or less
- 1% administrative fee for loans greater than \$100,000
- Borrower is responsible for all costs of closing the loan

Contact: For project eligibility:
Maine Department of Agriculture, Food & Rural Resources
207-287-7620

For loan application:
FAME 207-623-3263
1-800-228-3734
FAX: 207-623-0095
TTY: 207-626-2717

Energy Conservation Loan Program

Provided on behalf of the **Maine Public Utilities Commission (MPUC)**, this program provides low-interest loans to improve energy efficiency in Maine workplaces.

| | |
|-----------------------------------|--|
| Eligibility: | Maine-based businesses whose projects are approved by the MPUC. Businesses must exhibit a reasonable ability to repay the loan. |
| Loan Amount/ Exposure: | 90% of project cost, up to a maximum loan amount of \$35,000 |
| Interest Rate: | 3% fixed for the term of the loan |
| Loan Term: | Usually 5 years. Longer terms may be negotiated depending on the useful life of the assets being financed or additional collateral pledged. |
| Security: | Assets being financed and other collateral, as required |
| Fees: | Application and all out-of-pocket closing fees |
| Process: | Contact MPUC to determine project eligibility. MPUC will submit complete application to FAME for underwriting. |
| Contact: | <div><div>MPUC</div><div>207-287-3318 FAX: 207-287-1039</div></div> <div><div>FAME</div><div>207-623-3263 1-800-228-3734 FAX: 207-623-0095 TTY: 207-626-2717</div></div> |

Kim Wallace Adaptive Equipment Loan Program Fund (mPower)

Provided on behalf of the **Kim Wallace Adaptive Equipment Loan Program Fund (mPower) Board**, this program provides assistance to individuals and businesses for the purchase, construction or installation of any product or equipment that allows an individual to become more independent within the community, promotes mobility and improves independence and quality of life. Businesses may use loan funds to facilitate compliance with the Americans with Disabilities Act (ADA).

Eligibility: Must be a Maine resident with a disability or a Maine-based business

Loan Amount: Up to \$100,000

Interest Rate: Rate based on an individual's ability to pay or a businesses' debt service coverage, not to exceed Prime Rate.

Loan Term: Up to 20 years, depending on the useful life of the collateral

Security: Assets being financed and other collateral, as required

Fees: Out-of-pocket closing costs

Process: Individuals: Application package and assistance completing the application will be provided by Alpha One.

Businesses: Submit completed application directly to FAME.

FAME underwrites all loan requests and makes a recommendation to the Kim Wallace Adaptive Equipment Loan Program Fund (mPower) Board. Requests and recommendations are reviewed by the Board at its monthly meeting. The Board makes the final decision; FAME prepares the loan closing for all approved loans. Loan requests of \$5,000 or less may receive faster response.

| | | | |
|-----------------|---------------------|----------------|--------------------------------|
| Contact: | <u>Individuals:</u> | Alpha One | |
| | | South Portland | 207-767-2189 or 1-800-640-7200 |
| | | Bangor | 207-941-6553 or 1-800-300-6016 |
| | | Presque Isle | 207-764-6466 or 1-800-974-6466 |
| | <u>Businesses:</u> | FAME | 207-623-3263 |
| | | | 1-800-228-3734 |
| | | | FAX: 207-623-0095 |
| | | | TTY: 207-626-2717 |

Nutrient Management Loan Program

This low-interest loan program was created to fund the construction and improvement of livestock manure and milk room waste containment/handling facilities, including associated costs of design and engineering of these facilities, as well as the cost of related equipment that meets the goal of the State's Nutrient Management Plan.

| | |
|-----------------------------------|---|
| Eligibility: | Any business or individual identified by the Maine Department of Agriculture, Food & Rural Resources, as required by law, to upgrade manure and milk room waste containment/handling facilities |
| Loan Amount/ Exposure: | 100% of an eligible project up to \$350,000 |
| Interest Rate: | 2% fixed |
| Loan Term: | Determined by the useful life of the assets being financed, not to exceed 20 years |
| Security: | Assets being financed and other collateral, as required or available |
| Fees: | <ul style="list-style-type: none">2% origination fee, one-half at closing, the other half within one year1% loan administration fee starting in the 13th month of the loanFees may not be financed with loan proceeds |
| Process: | Submit loan application package to FAME and a copy of the application (excluding financial information) to the Maine Department of Agriculture, Food & Rural Resources. Construction financing is available. |
| Contact: | Maine Department of Agriculture, Food & Rural Resources 207-287-1132 FAX: 207-287-7548 TTY: 207-287-4470 FAME 207-623-3263 1-800-228-3734 FAX: 207-623-0095 TTY: 207-626-2717 |

Oil Storage Facility or Tank Program

This program provides low-interest, fixed-rate financing for the removal, disposal and replacement of aboveground and underground commercial storage tanks as well as the purchase and installation of vapor recovery systems.

Eligibility:

- Borrower must be replacing a leaking tank, a tank located on an aquifer, a tank that is failing a statistical test or an abandoned tank; or have received notification from the Maine Department of Environmental Protection (DEP) that tank removal is required; be required to install a vapor recovery system; or be renovating an aboveground or underground oil tank or related equipment including piping.
- Net worth may not be greater than \$750,000
- Debt service coverage may not be greater than 3:1
- Propane facilities are excluded

Loan Amount/ Exposure:

- \$600,000 for tank removal and replacement
- \$35,000 for vapor recovery systems

Interest Rate:

Fixed and based on ability to repay (up to Prime)

Loan Term:

Up to 10 years

Security:

Business and personal assets; debt may be subordinated

Fees:

None. Borrower responsible for all legal and all out-of-pocket closing costs.

Process:

Submit a complete application to FAME. FAME will underwrite the request and make a final decision.

Additional Information:

Loan insurance option: 100% insurance to lender

Contact:

FAME 207-623-3263
 1-800-228-3734
 FAX: 207-623-0095
 TTY: 207-626-2717

Potato Marketing Improvement Fund

Provided on behalf of the **Maine Department of Agriculture**, this program provides low-cost financing to help potato growers and packers improve the quality and marketing of Maine potatoes. Funds may be used for new construction or improvements to storage and/or centralized packing facilities as well as for the acquisition of packing, sizing, washing and drying equipment.

Eligibility: Any person or business engaged in growing, processing or marketing potatoes in Maine. All potatoes stored or packed in Potato Marketing Improvement Fund financed facilities must be produced in Maine.

**Loan Amount/
Exposure:**

- 55% of total project cost for projects costing less than \$50,000
- 45% of total project cost for projects costing \$50,000 or more

Interest Rate: Fixed at 5% for the term of the loan

Loan Term: Determined by the useful life of the assets being financed. New construction may be funded for up to a 20-year term; retrofit and equipment loans may have up to 10-year terms.

Security: Assets being financed and other collateral, as required or available

Fees:

- No administrative fee for loans with project costs less than \$50,000
- 1% administrative fee for loans with project costs of \$50,000 or more
- Borrower is responsible for all costs of closing the loan

Contact: For project eligibility:

Maine Department of Agriculture, Food & Rural Resources, Presque Isle
207-764-2105

For loan application:

FAME 207-623-3263
1-800-228-3734
FAX: 207-623-0095
TTY: 207-626-2717

Regional Economic Development Revolving Loan Program For Day Care

This program provides quality childcare projects with loans for physical site improvements.

| | |
|-----------------------------------|---|
| Eligibility: | Must be licensed childcare providers (or meet licensing standards) and utilize recognized quality indicators for childcare services as approved by the Maine Department of Human Services |
| Loan Amount/ Exposure: | Up to \$100,000 (if a portion of the project is for lead abatement, that amount may not exceed \$5,000) |
| Interest Rate: | Between 6% and Prime, depending on debt service coverage of the borrower |
| Loan Term: | Up to 20 years |
| Security: | Assets being financed and additional collateral, as required |
| Fees: | 1% commitment fee, plus all costs of closing |
| Process: | Contact FAME for application |
| Contact: | FAME 207-623-3263 1-800-228-3734 FAX: 207-623-0095 TTY: 207-626-2717 |

Wells and Plymouth Waste Oil Clean-up Program

This program provides financing for response costs incurred by eligible applicants for the investigation, removal and remediation of contamination at the Portland - Bangor Waste Oil Services sites in Wells and Plymouth, Maine. (Applications related to Wells are no longer being accepted. Applications related to Plymouth are currently closed, but may reopen.)

| | |
|-----------------------------------|---|
| Eligibility: | Must be deemed a "potentially responsible party" related to the waste oil contamination and other criteria |
| Loan Amount/ Exposure: | Maximum loan amount for a direct loan is dependent upon extent of applicant's liability and amounts available in fund. Loan insurance of up to 100% is also available. |
| Interest Rate: | 0% |
| Loan Term: | Up to 10 years. Payments currently deferred. |
| Security: | Collateral required |
| Fees: | <ul style="list-style-type: none">◆ FAME's expenses for closing, administering and collecting the loan◆ Insured loans carry 1% commitment fee and 1.25% annual fee |
| Process: | Contact FAME for an application |
| Contact: | FAME 207-623-3263 1-800-228-3734 FAX: 207-623-0095 TTY: 207-626-2717 |



Revenue Obligation Securities Program

(non-recourse)

This program provides manufacturing borrowers with State access to tax-exempt bond financing and is ideally suited when the borrower proposes to arrange its own credit enhancement.

| | |
|------------------------------------|---|
| Eligibility: | Any borrower proposing to use bond proceeds for the acquisition or construction of a manufacturing asset, or other projects allowed by tax code |
| Bond Issuer: | FAME |
| Loan Amount/ Exposure: | Determined by the provider of credit enhancement and tax code. Generally up to \$10,000,000 for for-profit enterprises and larger amounts for 501(c)(3) organizations and certain specialized projects. |
| Interest Rate: | Market tax-exempt rates determined by the market at the time of bond sale |
| Loan Term: | Structured with provider of credit enhancement |
| Security: | Assets being financed |
| Fees: | Contact FAME for current fee schedule |
| Additional Information: | Borrowers seeking financing must have a project that qualifies under the Internal Revenue Code. |
| Process: | Borrowers considering financing should contact FAME. |
| Contact: | FAME 207-623-3263 1-800-228-3734 FAX: 207-623-0095 TTY: 207-626-2717 |

Secondary Market Taxable (SMART) Bond Program (Credit Enhanced Taxable Bond)

This program provides long-term bond financing on loans for real estate and machinery and equipment acquisitions.

| | |
|-----------------------------------|--|
| Eligibility: | Any commercially viable borrower proposing to finance the acquisition or expansion of commercial or industrial assets |
| Loan Amount/ Exposure: | Up to 90% of the project debt. FAME exposure to any one relationship may not exceed \$4,250,000. |
| Interest Rate: | Pricing is determined by market conditions at the time of bond sale. |
| Loan Term: | Determined by the useful life of the assets being financed |
| Security: | First security interest in the assets being financed. FAME may require additional collateral or guarantees. |
| Fees: | <ul style="list-style-type: none">✦ Commitment Fee – 1%✦ Annual Credit Enhancement Fee – Not to exceed 2%, determined by risk✦ Borrower responsible for all costs of closing, including legal fees |
| Process: | Borrowers considering applying should contact FAME for advice on program requirements and applicability to the project. |
| Contact: | FAME 207-623-3263 1-800-228-3734 FAX: 207-623-0095 TTY: 207-626-2717 |

Secondary Market Tax-Exempt (SMART-E) Bond Program (Credit Enhanced Tax-Exempt Bond)

This program provides tax-exempt interest rate bond financing for manufacturing borrowers.

Eligibility: Any commercially viable borrower proposing to finance the acquisition or expansion of manufacturing assets

**Loan Amount/
Exposure:**

- Up to 90% of the project debt. FAME exposure to any one relationship may not exceed \$4,250,000.
- Due to limitations of the marketplace, small loans may not be feasible.

Interest Rate: Market tax-exempt rates. Pricing is determined by market conditions at the time of bond sale.

Loan Term: Determined by the useful life of the assets being financed

Fees:

- Commitment Fee – 1%
- Annual Credit Enhancement Fee – Not to exceed 2%, determined by risk
- Borrower responsible for all costs of closing, including legal fees

Process: Borrowers considering applying should contact FAME for advice on program requirements and applicability to the project.

Contact:

FAME 207-623-3263
 1-800-228-3734
 FAX: 207-623-0095
 TTY: 207-626-2717

III.

**Equity
Capital**

Maine Economic Development Venture Capital Revolving Investment Program

This program is designed to allow the State to invest as an equal partner with others in eligible private venture capital funds to support emerging and early-growth businesses in Maine. It is intended to utilize experienced professional fund managers to increase the probability of successful investments and the success of recipient companies.

Eligibility:

Available only to established venture capital funds that have a strategy for the creation and retention of jobs in Maine through:

- Investments in Maine high-growth businesses
- A marketing and technical assistance plan
- Appropriate monitoring of its investments
- A technical assistance program to assist the businesses in which it invests
- A process for complying with proposed measurement and goals

Investment Amount:

Originally will not exceed \$1,000,000

Contact:

FAME 207-623-3263
1-800-228-3734
FAX: 207-623-0095
TTY: 207-626-2717

Participating Venture Capital Firms:

The Borealis Fund, L.P.
10 Allen Street
Hanover, NH 03755
(603) 643-1500
www.borealisventures.com

Brook Venture Fund II
301 Edgewater Place
Wakefield, MA 01880
(781) 295-4000
www.brookventure.com

CEI Community Ventures, LLC
(division of CEI)
36 Water Street
PO Box 268
Wiscasset, ME 04578-0268
(207) 882-7552
www.ceiventures.com

Coastal Ventures II, LLC
(division of CEI)
Two Portland Fish Pier
Suite 201
Portland, ME 04101
(207) 772-5356
www.ceiventures.com

Masthead Venture Partners
Capital, L.P.
3 Canal Plaza
Portland, ME 04101
(207) 780-0905
www.mvpartners.com

Maine Seed Capital Tax Credit Program

This program is designed to encourage equity and near equity investments in young business ventures, directly and through private venture capital funds. FAME may authorize State income tax credits to investors for up to 60% of the cash equity they provide to eligible Maine businesses. Investments may be used on fixed assets, research or working capital.

Eligibility:

- Businesses located in Maine
- Investors must own less than an aggregate of 50% of the business
- Principal owners and their immediate relatives are not eligible
- Annual gross sales of less than \$3 million
- Business must either: 1) be a manufacturer; 2) provide goods or services with 60% of sales derived from outside the State or to out-of-state residents; 3) develop or apply advanced technologies; or 4) bring significant permanent capital into the State
- Must be the professional, full-time activity of at least one of the principal owners

Basic Terms:

- Tax credits equal up to 40% of investment - 60% for investments made in businesses located in high unemployment areas (contact FAME for a current list of eligible areas)
- An investor may provide up to \$500,000 per business
- Aggregate investment limit per business is \$5 million for which tax credit may be received
- Investment at risk for 5 years
- Credits must be taken in increments of 25% (of the credit) per year for the 4 years following the investment. Credits used cannot exceed 50% of the total tax due by the investor for that taxable year before application of the tax credit. To the extent this limitation requires the taxpayer to take the credit over more than 4 years, unused credits may be carried forward no more than 15 years.

Special Rules for Venture Capital Funds:

- Investors may provide up to \$1,000,000 per venture capital fund in any consecutive 3-year period.
- Investors in any one venture capital fund cannot receive more than \$5,000,000 in credits, but may invest more without credit.
- Investors in certain qualifying venture capital funds may receive one half of this credit (up to 20%) at the time of investment.

- The remaining amount of an investor's tax credit will be awarded when and if the venture capital fund invests sufficient monies in an eligible Maine business. Credits will be revoked if not substantiated within 3 years.
- Investment into venture capital funds must be at risk and principal may not be paid without FAME consent for 5 years. Dividends, royalties, interest, stock options or warrants and other forms of return, which are not in the nature of return of principal, are allowed.

Reporting

Requirements: Businesses receiving investments for which credits are issued, must file annual reports with information on the total investments received, number of employees and jobs created/retained, annual payroll and total sales revenue. Failure to file reports will result in ineligibility and possible revocation of credits issued in the reporting period (the prior year).

Fees:

- \$250 per business (one time fee)
- \$100 per investor, per investment
- \$250 per venture capital fund

Contact:

FAME 207-623-3263
1-800-228-3734
FAX: 207-623-0095
TTY: 207-626-2717

Small Enterprise Growth Fund

Provided on behalf of the **Small Enterprise Growth Fund Board**, this program provides up to \$500,000 in patient capital to promising companies that demonstrate a potential for high growth and public benefit. The qualifying small business must be engaged in or involved in at least one of the following:

- Marine Sciences
- Biotechnology
- Manufacturing
- Software Development
- Out-of-State Exporters
- Environmental Services
- Financial/Insurance Services
- Natural Resources
- Other companies that further the intent of the program

Eligibility:

- Demonstrate high potential for growth and public benefit
- 50 or fewer employees or less than \$5,000,000 in sales (within the last 12 months)
- Commitment of principal's resources
- A need for financial assistance from the Fund

Investment Amount/ Exposure:

- \$500,000
- Funds must be matched in cash and matching funds must be at risk for 5 years

Rate of Return: Adjusted based on risk; may be an equity investment

Term: Adjusted based on risk

Fees: \$250 upon acceptance of term sheet, and closing costs in excess of \$1,750

Process: A two-stage process. The application may be rejected at Stage I or moved to Stage II. If an application is approved after more intensive due diligence during Stage II, a term sheet is offered.

Contact: FAME 207-623-3263
1-800-228-3734
FAX: 207-623-0095
TTY: 207-626-2717

IV.

Cooperative Programs

Regional Economic Development Revolving Loan Program

This program is designed to make loans through Regional Economic Development Agencies for the purpose of creating or retaining jobs. FAME makes disbursements to the Regional Economic Development Agencies and they make loans to eligible borrowers.

Eligibility: Businesses that have sales under \$5,000,000 or employ 50 or fewer employees, conducting business in the following categories:

- Advanced manufacturing technologies
- Advanced information systems
- Advanced biological/natural resource technologies
- Conversion from defense industry
- Significant export involvement (goods or services)
- Significant research and development
- Micro-businesses (under 5 employees)
- Quality childcare projects (administered by FAME - see page 22)

**Loan Amount/
Exposure:**

1/3 of total project cost, up to a maximum loan amount of \$200,000; 1/2 of total project cost, up to a maximum loan amount of \$50,000.

Interest Rate: Negotiated with regional lender, usually below market

Loan Term: Up to 20 years depending on assets being financed

Security: Assets being financed and other collateral, as required

Fees: Set by each agency

Process: Funding is provided through the following Regional Economic Development Agencies (see pages 35 & 36).

Contact: FAME 207-623-3263
1-800-228-3734
FAX: 207-623-0095
TTY: 207-626-2717

Regional Economic Development Revolving Loan Program (REDRLP) Contractors

Androscoggin Valley Council of Governments
125 Manley Road
Auburn, ME 04210
783-9186
www.avcog.org

Bangor Airport Civic Development Corp.
73 Harlow Street
Bangor, ME 04401
947-4842
www.bangormaine.gov

Biddeford/Saco Area Economic
Development Corp.
110 Main Street, Suite 1202
Saco, ME 04072
282-1748
www.bsaedc.org

Caribou Chamber of Commerce & Industry
24 Sweden Street, Suite 101
Caribou, ME 04736
493-4233
www.cariboumaine.net

City of Portland
389 Congress Street
Portland, ME 04101
874-8683
www.portlandmaine.gov

City of Presque Isle
12 Second Street
Presque Isle, ME 04769-2459
764-2503
www.presqueisleme.us

Coastal Enterprises, Inc.
36 Water Street
P.O. Box 268
Wiscasset, ME 04578-0268
882-7552
www.ceimaine.org

Community Concepts, Inc.
P.O. Box 278
South Paris, ME 04281
743-1520
www.community-concepts.org

Eastern Maine Development Corporation
One Cumberland Place, Suite 300
P.O. Box 2579
Bangor, ME 04402-2579
942-6389
www.emdc.org

Greater Portland Council of Governments
68 Marginal Way
Portland, ME 04101
774-9891
www.gpcog.org

Katahdin Regional Development Corp.
c/o Eastern Maine Development Corp.
P.O. Box 2579
Bangor, ME 04402-2579
942-6389
www.emdc.org

Kennebec Valley Council of Governments
17 Main Street
Fairfield, ME 04937
453-4258
www.kvcog.org

Lewiston/Auburn Economic Growth Council
P.O. Box 1188
Lewiston, ME 04243
784-0161
www.economicgrowth.org

Limestone Development Corporation
93 Main Street
Limestone, ME 04750
325-4025
www.limestonemaine.org

Regional Economic Development Revolving Loan Program (REDRLP) Contractors (continued)

Mid Coast Council for Business Development
7 Park Street
Bath, ME 04530
443-5790
www.mcbdp.org

Town of Lisbon
300 Lisbon Street
Lisbon, ME 04252
353-3000
www.lisbonme.org

Northern Maine Development Commission
11 West Presque Isle Road
P.O. Box 779
Caribou, ME 04736
498-8736
www.nmdc.org

Town of Lubec
40 School Street
Lubec, ME 04652
733-2341

Washington-Hancock Community Agency
2 Maple Street
P.O. Box 280
Milbridge, ME 04658
546-7544
www.whcacap.org

Western Maine Finance
150 Main Street, Suite 2
South Paris, ME 04281
743-8830
www.enterprisemaine.com

Penquis Community Action Program
262 Harlow Street
P.O. Box 1162
Bangor, ME 04402-1162
973-3500
www.penquiscap.org

River Valley Growth Council
60 Lowell Street
Rumford, ME 04276
369-0396
www.rvgc.org

Southern Aroostook Growth Council, Inc.
c/o Northern Maine Development Commission
11 West Presque Isle Road
P.O. Box 779
Caribou, ME 04736
498-8736
www.nmdc.org

Town of Fort Kent
416 West Main Street
Fort Kent, ME 04743
834-3507
www.fortkent.org

Municipal Securities Approval Program

(non-recourse)

This program provides manufacturing borrowers with local access to tax-exempt bond financing and is ideally suited when the borrower proposes to arrange its own credit enhancement.

| | |
|------------------------------------|---|
| Eligibility: | Any borrower proposing to use bond proceeds for the acquisition or construction of a manufacturing asset and other limited purposes allowed by tax code |
| Bond Issuer: | Municipality |
| Loan Amount/ Exposure: | Determined by the provider of credit enhancement and tax code. Generally up to \$10,000,000 for for-profit enterprises and larger amounts for 501(c)(3) organizations and certain specialized projects. |
| Interest Rate: | Market tax-exempt rates. Pricing is determined by market conditions at the time of bond sale |
| Loan Term: | Structured with provider of credit enhancement |
| Security: | Assets being financed |
| Fees: | <ul style="list-style-type: none">✦ Transaction fees not imposed by FAME are usually determined by the borrower's investment bankers✦ Contact FAME for current FAME fee schedule |
| Additional Information: | Borrowers seeking financing must have a manufacturing project that qualifies under the Internal Revenue Code |
| Process: | Borrowers considering financing should contact FAME |
| Contact: | FAME 207-623-3263 1-800-228-3734 FAX: 207-623-0095 TTY: 207-626-2717 |



The *Business Life* Continuum

The chart on the following page depicts the stages of a company's financial progress. It shows the array of FAME's financing programs based on the risk associated with that stage in a company's life.

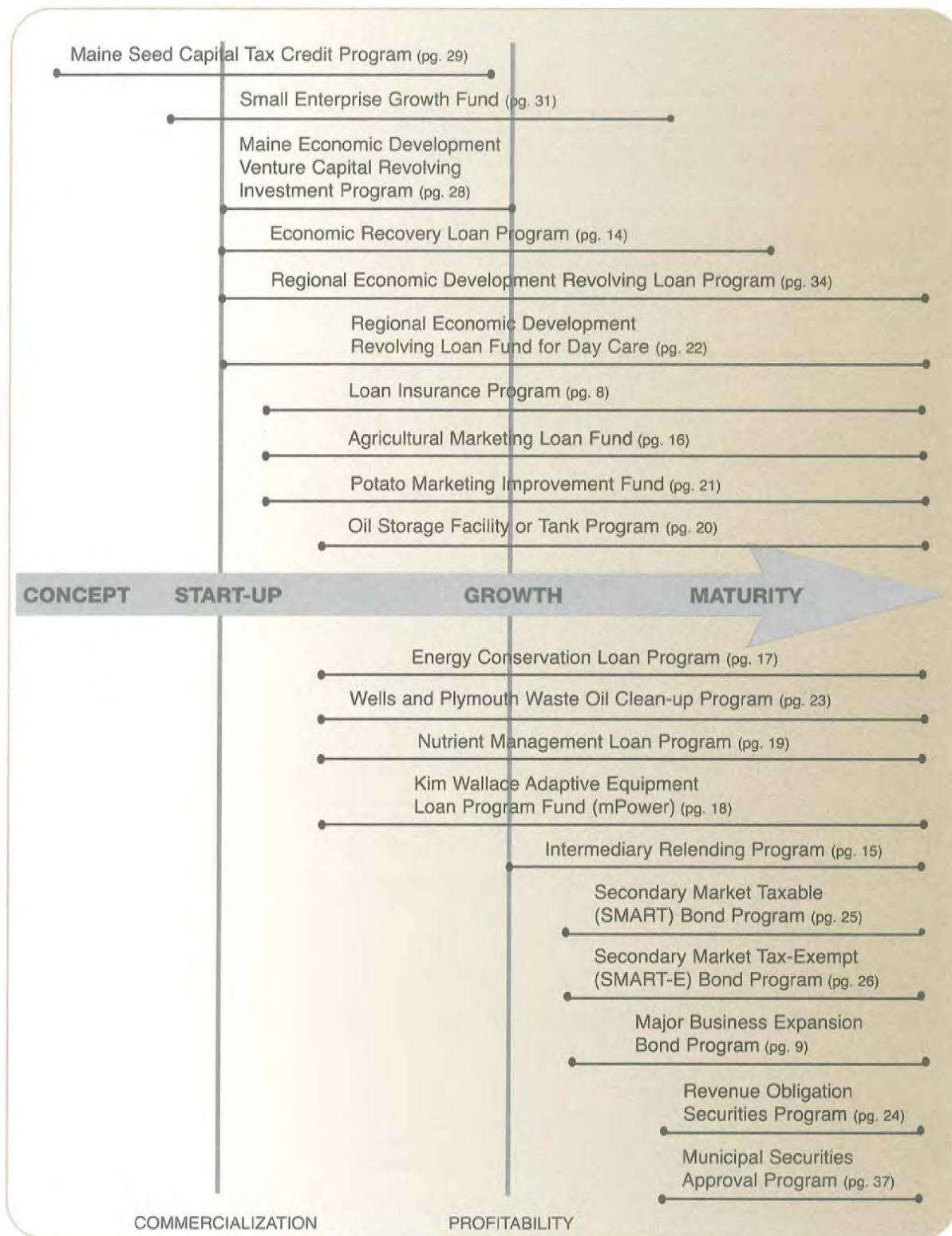
At one end of the continuum, the programs support early-stage, high-risk companies with little or no sales. At the other end of the continuum, our low-interest debt programs work well for established companies with good track records for generating sales and income.

The Business Life Continuum

Risk

High

Low



BUSINESS & EDUCATION

at Work for Maine



**Business & Education
at Work for Maine**

5 Community Drive
P.O. Box 949
Augusta, Maine 04332-0949
www.famemaine.com

207-623-3263
1-800-228-3734
FAX: 207-623-0095
TTY: 207-626-2717

Questions? Call 1-800-228-3734