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2007 ANNUAL REPORT

LORING DEVELOPMENT AUTHORITY OF MAINE





LORING COMMERCE CENTRE

To the Citizens of the State of Maine:

As set forth in our enabling legislation, the Loring Development Authority's (LDA) mission is to redevelop the Loring properties for the purpose of creating jobs and economic activity to replace the economic losses associated with Loring's closure. The Air Force left us with over three million square feet of building space in 150 major buildings ranging in size from 2,000 square feet to 194,000 square feet. Many of these buildings have gone back into use supporting new and different activities. As our development work began, the replacement of 1,100 civilian jobs lost when the Air Force left, became our first priority. Outlined below are examples of how former Air Force buildings have been reused in novel ways by businesses that together employ over 1,400 people.

The Former Base Hospital. This 145,000 square foot state-of-the-art building was constructed in 1988 at a cost of \$28 million and within months after Loring closed in 1994 it was occupied by the Defense Finance and Accounting Service (DFAS). DFAS is the newly-created centralized accounting and processing center for the Department of Defense. The center at Loring was renovated and today it houses about 540 civilian employees. Proceedings before the BRAC Commission in 2005 averted the Pentagon's attempt to close the DFAS center. Because of its proven track record for excellence, it remains in place with an employment target of 660.

The former "Commissary". This 48,000 square foot building was constructed in 1986 and served as the grocery store for military personnel at Loring. The building was substantially renovated in 1998 to accommodate Sitel Corporation, the world's largest third-party call agent. This center sells and services insurance products, and many of the 200 employees are licensed life and disability or property-casualty agents.

The former "Base Exchange or BX". This 42,000 square foot building was originally constructed in the early 1970's then substantially renovated and expanded in the 1980's. It served as the department store for military personnel with small shops, a beauty parlor, a small restaurant, a large open display floor and a loading dock and warehouse area. This building has been renovated to accommodate small businesses needing "production" suites ranging in size from 2,000 to 5,000 square feet. All tenants have access to a common corridor, office and conference facilities and loading dock area. The building is the home to a manufacturer of custom cabinets, a developer/manufacturer of a specialized energy device, and producers of specialty products like chocolate sauces.

The Arch Hangar. With its free-standing, monolithic, continuous-poured 92' high concrete arched roof, this building qualified at the time of its construction in 1949 as the largest free-standing structure in the world. Although designed for B-36's and B-52's, with minor modifications to door openings, it can accommodate Boeing 747's and other very large aircraft. A considerable investment has been made in this building because it is extremely

versatile for aviation uses, which makes Loring an attractive location for aviation services firms. The building is currently in use by Telford Aviation and Science Applications International Corporation who are engaged in a testing and development project for an unmanned, remotely-piloted airship to be used for surveillance in military and homeland security applications. The FAA recently granted an experimental permit for the flight testing of this unmanned aircraft and there is significant potential to further develop this aviation niche.

Building #7220 (Warehouse). This 120,000 square foot building is located on a rail spur and is one of three warehouses that received all incoming materials for the air base. Originally constructed in 1957, it has recently undergone major renovations. The many enhancements made it possible for a new employer, Pattison Sign Group, to locate a commercial sign manufacturing operation in a portion of this building. Pattison Sign Group makes large, illuminated, pylon-mounted signs and its customers include car dealerships and banks. The building is also one of nine buildings occupied by the Maine Military Authority vehicle refurbishment operation.

Central Heat Plant and Loring to Searsport pipeline. This 60,000 square foot, multi-level building contains five large coal-fired boilers and it supplied heat for 90% of the structures at Loring including 18 aircraft hangars. The Loring to Searsport pipeline transmitted jet fuel from the port facility in Searsport to a tank farm at Loring. A developer has acquired an option on these facilities and plans to construct a 55 megawatt power generation station fueled by natural gas which will come to Loring through the pipeline from Winterport, where it intersects the Maritimes Northeast Pipeline. This project, should it go forward, will make Loring a more attractive site for industrial development, offering natural gas, electricity and industrial steam to Loring-based operations.

Golf course and residential properties. Private developers now operate the golf course and the remaining residential properties. Two former residential areas were cleared and are now available for new commercial and industrial construction.

We are proud of what is being accomplished at Loring Commerce Centre, as it is converted from a military installation to a multifaceted business-industrial-aviation park and we look forward to working with our economic development partners throughout the State of Maine to secure more good projects and additional jobs for Aroostook County. Loring's closure was a huge setback for Aroostook County but perspectives have changed greatly over the past decade and now there is a sense of optimism. We believe that we've turned the corner and are poised for a more prosperous future.

Respectfully submitted,



Carl W. Flora
President & CEO

**Paragraph 13080-L
Fiscal Year 2007 Annual Report
July 1, 2006 through June 30, 2007**

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**Loring Development Authority of Maine
2007 Annual Report**

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

**Loring Development Authority of Maine
Fiscal Year 2007 Annual Report**

**Paragraph 1A: Description of the Authority's Operations and Status Report
July 1, 2006 through June 30, 2007**

Loring Development Authority (LDA) continues developing properties and supporting existing activity at Loring Commerce Centre. In addition to its business attraction and real estate development activity, LDA's daily operations include its responsibilities as general manager of a 3,700-acre business-commercial and industrial park including a 1,600-acre aviation complex. LDA is landlord for the leasehold tenants at Loring; the facilities manager for one million square feet of unoccupied building space and municipal service provider for 24 businesses, 1,439 employees and 488 residents at the Loring Commerce Centre – it operates a dam, water treatment plant and water distribution system; a wastewater plant and associated infrastructure; maintains and plows 26 miles of roadways; performs grounds maintenance on hundreds of acres of developed and developable property; and contracts for emergency and law enforcement services.

Employers at Loring represent industrial, manufacturing, agriculture, forestry, telecommunications, commercial, back-office, education, health care, recreation, conservation and aviation sectors. A profile of the employers at Loring, included in Addendum-4 at the end of this report, illustrates the significant level and diversity of economic activity generated by the reuse of facilities at Loring Commerce Centre.

FISCAL YEAR 2007 ACCOMPLISHMENTS

The following summarizes the LDA's accomplishments for fiscal year 2007, which support its primary mission of job creation and facility absorption on Loring Commerce Centre.

Airport development – flight testing of UAVs: LDA has been collaborating with Telford and its partner SAIC (Science Applications International Company) to position its airport for use in flight testing of aircraft, in particular, unmanned aircraft. Loring is attractive as an unmanned aerial vehicle (UAV) test center because its airspace and radiofrequency spectrum are not congested. UAV development and testing is a growing industry and the airships are only one part of the industry. SAIC is involved in a number of UAV projects with other types of unmanned aircraft such as drones and helicopters.

A major milestone was reached in developing Loring's 1,600 acre airfield when Telford Aviation received a Federal Aviation Administration (FAA) certification that allows Loring's runway to be used for flight testing UAVs. The new designation as a UAV test center allows UAV test flights within five miles of Loring's airport with altitudes up to 5,000 feet. Securing the designation was a considerable undertaking that included FAA's serious and thorough on-site review of the aviation facility and activity at Loring. Telford and SAIC are now testing an airship that they developed at Loring. The partners plan to develop a new larger airship for the Navy. UAVs can carry surveillance equipment for many uses including border and mass gathering surveillance and other homeland and military uses. Telford's 130-foot x 35-foot airship, which is remotely controlled, employs new technologies for surveillance and communications that could potentially support homeland security efforts and other uses. The State of Maine's Emergency

Management Agency has an interest in this UAV project; an ideal application would be border security or port security. Senator Collins has supported this project and for three years in a row she has been able to secure the federal funding that allowed this research and development project to move forward.

Loring's Arch hangar houses the airship project. Other facilities at Loring, such as the former air traffic control tower, may be used to support a test center. Telford, a tenant at Loring since 2002, renewed its lease for space in the arch hangar.

Airport development – aerospace firm: Bigelow Aerospace, a Las Vegas based company, has taken note of the extensive aviation infrastructure at Loring where it plans to construct a satellite tracking facility. A proposal for the sale of seven acres of land and a building has been approved. Bigelow will demolish the building and construct a domed-type building to house its equipment. The LDA would provide them with office space at Loring to support administrative and other functions. Bigelow is a recognized leader in making the space accessible to the commercial sector. The facility at Loring will be one of the essential pieces of ground-support for Bigelow's orbiting facilities.

Employment growth – DFAS expansion. The Defense Finance and Accounting Service Center (DFAS) expansion is on track with 543 employees in place two years after the Base Realignment and Closure (BRAC) Commission decided that the center should grow from 350 employees to not less than 660. BRAC Chair Anthony Principi, Governor John Baldacci, Senator Susan Collins, Representative Michael Michaud and DFAS Director, Zack Gaddy visited DFAS on the one-year anniversary of the BRAC announcement. They were able to address the hundreds of employees and see the progress being made with the expansion. DFAS expanded its parking lot to accommodate new employees and new work areas were built in the DFAS building.

Reinstatement of DFAS payment. Successful negotiations between LDA and DFAS led to DFAS reinstating a payment for support services provided by LDA. Maine's Congressional Delegation assisted with the negotiations. LDA is also making progress with its municipal service fee payment negotiations with Job Corps and is hopeful that again with the assistance of our Congressional Delegates the negotiations will be successful.

Collaborations with communities on services. Last year, the LDA and the Towns of Limestone and Fort Fairfield developed a model for local collaborations in fire protection services. Consolidation of municipal services in the Greater Limestone region remains a priority for LDA. Historically, the LDA supplied all municipal services at Loring through its own staff or contractors. Fire services are now provided through a contractual arrangement with the towns of Limestone and Fort Fairfield, and police protection is provided by the Limestone police department. The LDA sees this trend developing further with Limestone, particularly since Loring's redevelopment has begun to generate tax revenue for the Town of Limestone. Those revenues to Limestone have come in the form of personal property taxes, real estate taxes levied on property sold by the LDA to private sector businesses, and payments in lieu of taxes collected from U.S. Fish and Wildlife Service for the Aroostook National Wildlife refuge. The Town of Limestone has used that revenue to offset the cost of providing educational services to elementary and high school students residing at Loring and to cover part of the cost of police protection at Loring. LDA expects that as additional properties at Loring are sold and the

tax base in Limestone continues to expand, Limestone will have the ability to contribute financially to the provision of other municipal services at Loring such as road maintenance. When properly implemented, regional services provide communities with quality services and cost savings. A Limestone/Loring partnership, as well as collaborations with Ft. Fairfield, Caribou and other nearby communities, will increase the likelihood of future economic prosperity, enhancing the quality of life in the region.

TIF agreement. Loring Bioenergy continues to move forward with its plans to construct a 55-megawatt electricity and industrial steam cogeneration facility at Loring. The Town of Limestone awarded the project a TIF. An initial site design application has been submitted, but there are still a number of things that need to happen before a real estate closing takes place. When complete, the cogeneration facility will greatly enhance the industrial infrastructure at Loring by providing a source base load electricity and surplus thermal energy that can support other industrial and manufacturing processes on site.

Museum Established. The Loring Military Heritage Center, a museum of Loring Air Force Base history, held its Grand Opening in June 2007. An impressive collection of memorabilia and artifacts in the museum illustrate Loring's legacy as a prominent Strategic Air Command base during the cold war. It also commemorates the service and sacrifices of U.S. military men and women who served at Loring. Museum directors have secured a KC-135 jet engine and they are working to secure other items including a missile and a decommissioned plane, representative of aircraft once stationed at Loring. The items would be placed on permanent static display at Loring. LDA is working with the Town of Limestone in its efforts to attract people to its community and the museum is an important part of that effort. Staffed by volunteers, the museum is now open on weekends and by appointment.

Residential development. Residential subdivisions being developed offer new residential opportunities at Loring for single family homes in two subdivisions near the Limestone Country Club and one subdivision at Malabeam Lake. Single-family homes and house lots in the Fox Wood Subdivision are being sold and house lots in the Links Subdivision are expected to be available for purchase this year. The third subdivision, Malabeam Lake Estates Subdivision, offers multiple lots of various sizes for residential construction around Malabeam Lake. New residential development is a goal of the Town of Limestone's Economic Development Committee.

Regional Wastewater project. Maine voters approved an environmental bond referendum that includes \$5 million for the first phase of the Greater Limestone Regional Wastewater Project; a top priority project for the Maine Department of Environmental Protection (MDEP). A portion of the bond funding will be used to continue to upgrade utilities infrastructure at Loring, helping to maintain water quality in central Aroostook County. Infrastructure improvement at Loring began with construction of a new sewer line that replaces about 3,000 feet of old line. Replacement of the old line and disconnection of unused manholes around Loring will greatly reduce the inflow and infiltration (I&I) of surface water into LDA's wastewater collection system and ultimately reduce the volume of discharge into the environment. The second phase of the regional project includes extending Loring's outfall pipe from the Little Madawaska River to the larger Aroostook River. This is an important regional environmental protection project, but it also supports economic development.

Restructuring of Leases with State and Military Authority. LDA, the Department of Administrative and Financial Services (DAFS) through the Bureau of General Services, and the Maine Military Authority (MMA) worked to define a new three-way lease relationship for the 440,000 square feet of facility space that MMA occupies at Loring. LDA depends on lease revenue from its tenants, including MMA as the largest tenant, to continue to operate the general infrastructure at Loring in order to maintain the property in a condition suitable for continued development.

After much dialogue, LDA accepted a proposal to lease the buildings used by MMA to DAFS for ten years with DAFS subleasing the buildings to MMA. Despite the loss of anticipated rent revenue of about \$220,000 per year, the new arrangement offers stability to the LDA by extending the lease term to 10 years and by securing some other non-economic benefits to the LDA. This transaction also secures financial and operational benefits for the MMA and to the State.

Lease renewals. Hydroblend, a food product manufacturer at Loring, entered into a new three-year lease agreement for the 40,000 square foot building that it has occupied since 1999. The primary product manufactured at Loring is dry food coating mix produced for customers such as McCain Foods. Hydroblend may also enter into negotiations with LDA for the purchase of the building. The roof on building 7210 was replaced this year.

Other. Two amenity businesses at Loring provide support for tenants and employees. Ernie Murphy, owner of The Flightline Café, renewed his lease for the deli-style restaurant he has operated on Development Drive at Loring since 2004. Mr. Murphy also hosts special functions, such as wedding receptions, at the NCO Club. The Loring Inn also remains open under a management agreement arrangement, providing lodging for people working or visiting in the area.

Canadian company expands US operations at Loring. Pattison Sign Group, a premier manufacturer of industrial electric signs headquartered in Toronto, Ontario, Canada, announced that the Pattison Sign plant at Loring, formerly employing about 32, will be the company's primary production center in the United States and as a result, its Loring operations will expand. Pattison is pleased with the location and with the employees' workmanship and is already recruiting the first 15 new workers. LDA continues to work with Pattison in support of its manufacturing operations.

Negotiations underway. Sitel, a global call center service provider, operates out of 145 locations in 28 countries. One of its locations is at Loring. Sitel's ten-year lease at Loring will soon expire and LDA is working with the company's new owners to develop a lease arrangement for its facility. As a global call center, the company supplies customer care and back office processing services to over 440 clients, routing more than 3,000,000 customer contacts per day. Sitel's clients represent a broad range of industries, such as financial services, government, healthcare and insurance to name a few. With 235 employees at Loring, Sitel is the largest private sector employer on the commerce center.

Other prospects. LDA continues to work with several prospects in various industries, identifying facilities that meet their real estate needs and when necessary assisting them in through the stages of business development. Loring's unique aviation facilities, and other available space continually attract local, national and international interest.

New leases, lease renewals and license agreements with are outlined in "Paragraph 1C: Property Transactions During Fiscal year 2007" and all Loring tenants are outlined in Addendum-4 at the end of this report.

Jobs Created and Facilities occupied. Successes to date have resulted in the expected creation of more than 1,700 jobs and the absorption of over 1.7 million square feet of facility space. Additional facility space and hundreds of acres of open land remains available for development, making Loring a valuable tool for continuing economic development efforts in Maine.

MARKETING EFFORTS

LDA aggressively marketed Loring Commerce Centre and created name brand recognition for Loring within many industries nationally and internationally. Having attracted over twenty tenants to Loring, who are operating successfully, LDA now uses their success stories to generate interest in its facilities. Industries being pursued include agriculture/food processing; forest products; information based companies; transportation & distribution; aircraft maintenance, repair & overhaul (MRO); air cargo operations and other niche markets.

LDA marketing efforts include the development of new spec sheets; development of an aviation facilities PowerPoint presentation; maintaining a website; distribution of a new brochure; networking with realtors; listing properties on MaineRealty.net and on the Aroostook Partnership for Progress and Caribou Chamber websites; partnering with local and statewide economic development organizations; purchasing select print ads; and taking advantage of public relations opportunities.

LDA's marketing efforts are largely funded through a State appropriation. Marketing efforts are instrumental to the successful establishment of various industries at Loring and to the creation of diverse employment opportunities in northern Maine. Businesses at Loring today represent the forestry, agriculture, manufacturing, commercial, recreation, health care, telecommunications, data management, finance, mechanics, education, conservation and aviation industries.

OTHER ACTIVITIES & EFFORTS

LDA continues to work with the Air Force as it strives to meet its obligation to provide a supply of potable water at Loring where groundwater contamination prevents the use of wells. Loring's water supply comes from the Little Madawaska River and is treated by LDA's water treatment plant. The plant is in need of upgrades and the Air Force is considering abandoning the plant and developing another source of water for Loring. A \$10,000 Capacity Development Grant from the State's Drinking Water Program, which requires a 50% match, allowed the investigation of an interconnection with the wells that supply the town of Limestone. A grant from the Maine Municipal Bond Bank for \$25,000 will allow the investigation of other water supply options including developing a well, replacing the water plant with an expandable micro-filtration system or upgrading the plant. Supplying the needs of a water intensive industry is of concern; a ground water source may not be adequate. The water treatment plant and the micro-filtration system could meet water supply needs today and the needs of water intensive industrial manufacturers in the future.

LDA is working with several partners to accomplish the restoration of the fishway on the Madawaska Dam. U.S. Department of Agriculture's (USDA) Natural Resource Conservation (NRC) office worked to secure a \$30,000 from the Wildlife Habitat Incentive Program and MDEP helped to secure an \$11,566 grant through its Supplemental Environmental Project program to match USDA funding. The initial plan for the fishway was to restore it to its original design last summer; however, experienced engineers and biologists with U.S. Fish and Wildlife (USFW) determined that a modified design would greatly enhance the functioning and maintenance of the fishway. USFW and USDA engineers completed the new design and construction on the fishway is scheduled to be completed next summer. Maine Department of Inland Fisheries and Wildlife (IFW) is also assisting with the project.

LDA continues to collaborate with state and local officials to identify resources for upgrading the 26 miles of active roadway infrastructure at Loring. LDA roads are currently classified as private roads by MDOT although they serve people from many communities. The private designation makes funding traditionally available to municipalities unavailable to LDA.

Carl W. Flora and Pat Zenzius participated in the Maine Public Broadcasting Network production of Hometown Economies, a television series that aired last fall. Each program highlighted a different community in Maine. The program about Limestone featured the ups and downs of the town's economy from before Loring AFB to its construction and closure and the new developments at Loring Commerce Centre today.

LDA staff participated in a Visioning Session with the town of Limestone. Community members, interested in a prosperous future for their town, identified Economic Development as their top priority. Support for the Community School and the Maine School of Science and Mathematics and new residential construction opportunities were also identified as critical community goals. Loring Commerce Centre activity supports two of the town's goals directly – economic development and residential development opportunities – and one goal indirectly – support for educational facilities. LDA staff members continue to be involved with the town's efforts to implement its strategic development plan.

LDA developed and adopted a new Code of Ethics and Conduct for LDA trustees and employees. The code supplements the LDA handbook and bylaws, which address many ethical issues.

The LDA Shoreland Zoning Ordinance, and the official Shoreland Zoning Map, were amended according to recommendations made by the Maine Department of Environmental Protection.

LDA and the City of Caribou have negotiated the terms of an arrangement whereby LDA will secure the services of Mr. Steve Wentworth, Code Enforcement Officer for Caribou, for the Loring Commerce Centre under the laws of the State of Maine and the land use and zoning ordinances of the Loring Development Authority

LDA Safety Officer worked with Aroostook County Emergency Management Agency (ACEMA) and offered a Pandemic Flu Training session for LDA staff and business tenants at Loring.

LDA's President & CEO participates in Public Advisory Committee (PAC) meetings for the Aroostook County north/south highway project, representing the transportation needs of the commerce center and its tenants.

LDA works with the Northern Maine Development Commission (NMDC) as it updates the Comprehensive Economic Development Strategy (CEDS) report for Aroostook County each year. Development and infrastructure projects at Loring are important to the regional economy. NMDC also oversees the federal Empowerment Zone and Maine's Pine Tree Development Zone programs for Aroostook County, both of which include property and facilities at Loring.

LDA staff participates in local and state development forums and trainings, keeping abreast of programs and other opportunities available to businesses.

LDA regularly takes advantage of opportunities to promote Loring and to keep local, state and federal partners informed of Loring's success, its assets and potential and its needs for moral and financial support. Staff members meet with congressional delegates and their staff, state and county delegates, members of local civic organizations and with local and statewide representatives in business, education and the media.

LDA FUNDING

State of Maine. In July 2006, the LDA received an appropriation from the State of Maine for \$282,890. This funding continues to be used for match funding for grants and for marketing and operating expenses. The State also provided \$26,500 for operating expenses at the Loring Applied Technology Center through fiscal year 2007.

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 2007 totaled \$766,526. These funds are used to fund municipal service costs, grant match costs and services that are no longer funded through the Caretaker Cooperative Agreement with the Air Force.

Property Sale, Lease, Municipal Services and Miscellaneous Revenues. During fiscal year 2007, the LDA received revenues from its tenants, from the sale of personal property and from miscellaneous revenues in the amount of \$1,802,584.

Capacity Development Grant. LDA received a \$10,000 Capacity Development Grant from the Department of Health and Human Services (DHHS) to investigate the feasibility of interconnecting the Limestone and Loring water systems. The DHHS grant requires a 50% match.

Maine Municipal Bond Bank Grant. LDA secured a \$25,000 grant from the Maine Municipal Bond Bank to investigate the feasibility of proposed alternatives for supplying drinking water to Loring Commerce Centre and identify which of the alternatives is the most practical and cost-effective.

Supplemental Environmental Project (SEP). The Maine Department of Environmental Protection (MDEP) granted LDA \$11,566.40 through its SEP program. The grant will be used to match a USDA grant awarded in FY06 to restore the fishway at the LDA's dam on the Little Madawaska River.

Katahdin Trust Company. The LDA secured a \$1,000,000 line of credit from Katahdin Trust Company to support development efforts. A \$200,000 debt was retired in July 2006.

**Loring Development Authority of Maine
2007 Annual Report**

Paragraph 1B: Audited Financial Statements

**Loring Development Authority of Maine
Fiscal Year 2007 Annual Report**

**Paragraph 1B: Audited Financial Statements for Fiscal Year 2007
July 1, 2006 through June 30, 2007**

The attached Independent Auditor's Report was reviewed by the Loring Development Authority Finance Committee on Monday, September 24, 2007. The committee will recommend that the LDA Board of Trustees approve the FY07 Audit Report as presented at its next meeting on November 14, 2007.

Financial Statements

LORING DEVELOPMENT AUTHORITY OF MAINE

as of

JUNE 30, 2007

together with

INDEPENDENT AUDITORS' REPORT

LORING DEVELOPMENT AUTHORITY OF MAINE

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of proprietary activities of the Loring Development Authority of Maine, a component unit of the State of Maine, as of and for the years ended June 30, 2007 and June 30, 2006, which collectively comprise the basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Loring Development Authority of Maine's management. Our responsibility is to express opinions on these financial statements based on our audit.

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. 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the proprietary activities of the Loring Development Authority of Maine as of June 30, 2007, and the respective changes in financial position for the year 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 24, 2007 on our consideration of the Loring Development Authority of Maine's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Loring Development Authority's basic financial statements. The schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

F.H. Conway LLC

August 24, 2007

Loring Development Authority of Maine

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007

UNAUDITED

The management of the Loring Development Authority of Maine (LDA) is providing the following discussion and analysis of the financial activities for the year ended June 30, 2007. The LDA is a component unit of the State of Maine with a mission to create jobs and positive economic growth by redevelopment of approximately 3,700 acres of the former Loring Air Force Base located in Limestone, Maine.

Report Layout

The management's discussion and analysis is intended to make reports more understandable, easier to read, comprehensible and explain significant change and financial positions between the current and prior year.

Financial Highlights

- Total net assets decreased by \$470,129. The total decrease was due to depreciation expense of which \$756,912 was for assets donated by the U.S. Air Force, while \$60,679 was related to purchased assets.
- Total revenues of \$3,004,952 are comprised of 50% from lease revenue, 38% from state assistance, 2% from federal grants and 10% from other LDA operations.
- Net jobs increased from 1,295 to 1,404 due to the contract workload of 2 major Commerce Centre tenants. One of these major tenants has ramped up from about 450 jobs at the beginning of fiscal year 2007 to about 530 at the end of the year. This tenant expects to reach 660 jobs by the fall of 2008. Other tenants have plans for more modest increases and the LDA continues to work with prospects that may bring additional employment.
- The annual Caretaker grant revenue for the maintenance and operation of essential services and facility maintenance ceased in September 2004. The LDA now relies on lease income, state assistance and other operations to support these operations. The LDA's cost for facility maintenance, operations of water and sewer plants distribution and collection systems, maintenance of a network of roads, parking lots, airfield pavements, together with services for fire, police and ambulance protection was \$1,972,551 in fiscal year 2007.

Basic Financial Statements

The LDA's financial reports are prepared using proprietary fund (enterprise fund) accounting which is the same basis as private-sector business enterprises and utilizes the accrual basis of accounting. The accrual basis of accounting records income as it is earned and costs as incurred. The basic financial statements include the following:

Statement of Net Assets

Statement of Revenues, Expenses and Changes in Net Assets

Statement of Cash Flows

Loring Development Authority of Maine

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007

UNAUDITED

The Statement of Net Assets exhibits the balance of current and capital assets less current liabilities and a net asset balance. As required by GASB 34, the LDA has included the estimated fair market value of net assets (structures, vehicles and equipment, aviation facilities, roads and accessory facilities, railroad facilities, special use structures and land) which were given to the LDA at no cost by the United States Air Force. The estimated net fair market value of total capital assets for the current year is \$67,704,443 as compared to a capital asset balance of \$68,286,823 for the prior year ending June 30, 2006.

Table 1 provides condensed data of the Statement of Net Assets for the fiscal years ending 2007 and 2006.

Table 1

Net Assets

	<u>2007</u>	<u>2006</u>
Current assets	\$ 1,670,856	\$ 1,721,236
Net capital assets	67,704,443	68,286,823
Notes receivable	1,113,709	1,133,829
Other assets	<u>285,268</u>	<u>228,421</u>
Total Assets	<u>70,774,276</u>	<u>71,370,309</u>
Current Liabilities	<u>1,105,394</u>	<u>1,231,298</u>
Total Net Assets	<u>\$69,668,882</u>	<u>\$70,139,011</u>

The Statement of Revenue, Expenses and Changes in Net Assets reports the federal and state assistance and operations revenue less operating costs in order to reflect the change in net asset value for the current year. The current year is combined with the prior year's net asset value to reflect the net asset balance as of June 30, 2007.

Loring Development Authority of Maine

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007

UNAUDITED

Table 2 shows the changes in net assets for the fiscal year 2007.

Table 2

Changes in Net Assets

	<u>2007</u>	<u>2006</u>
Revenues		
Program Revenues		
Federal and State Assistance	\$ 1,202,368	\$ 1,015,892
General Revenues		
Lease and Other	<u>1,629,352</u>	<u>1,410,227</u>
Total Operating Revenues	<u>2,831,720</u>	<u>2,426,119</u>
Operating Expenses:		
Salaries and Benefits	1,281,623	1,475,260
Travel	32,400	36,683
Contracted Services	234,881	154,097
Depreciation	817,591	808,422
Legal and Audit	22,299	21,321
Marketing	24,210	8,834
Supplies and Expenses	198,844	184,488
Maintenance	210,073	239,362
Utilities	511,458	473,730
Other General and Administrative	<u>141,702</u>	<u>85,753</u>
Total Operating Expenses	<u>3,475,081</u>	<u>3,487,950</u>
(Decrease) in net assets from operations	<u>(643,361)</u>	<u>(1,061,831)</u>
Other Revenues		
Other	<u>173,232</u>	<u>113,519</u>
(Decrease) in Net Assets	\$ <u>(470,129)</u>	\$ <u>(948,312)</u>

A Statement of Cash Flows is included, which discloses net cash provided by, or used for operating activities, non-capital financial activities, and from capital and related financing activities. From this statement, the reader can obtain comparative information on the sources and uses of cash for the year.

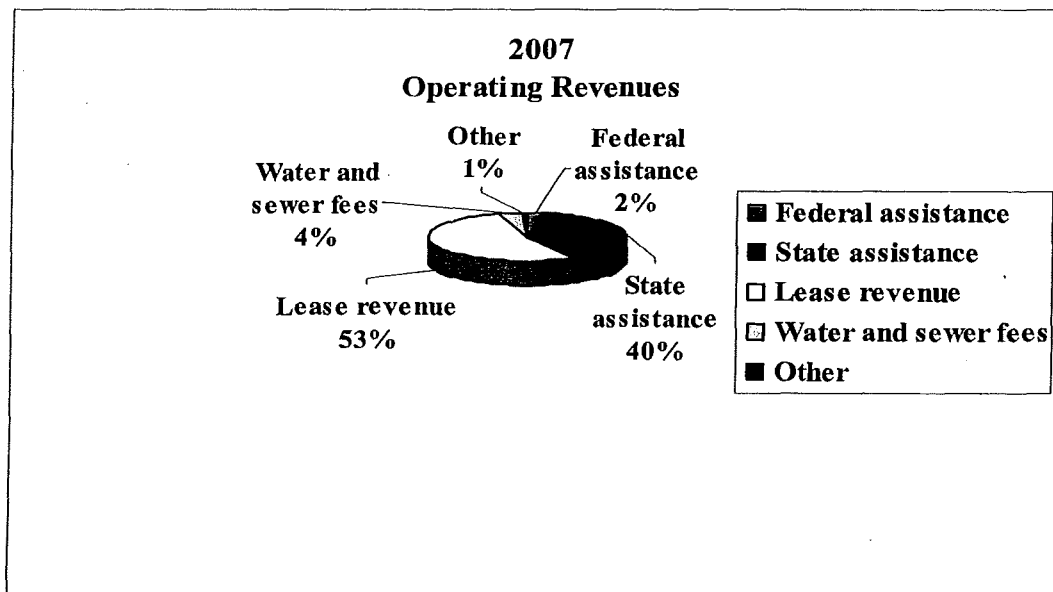
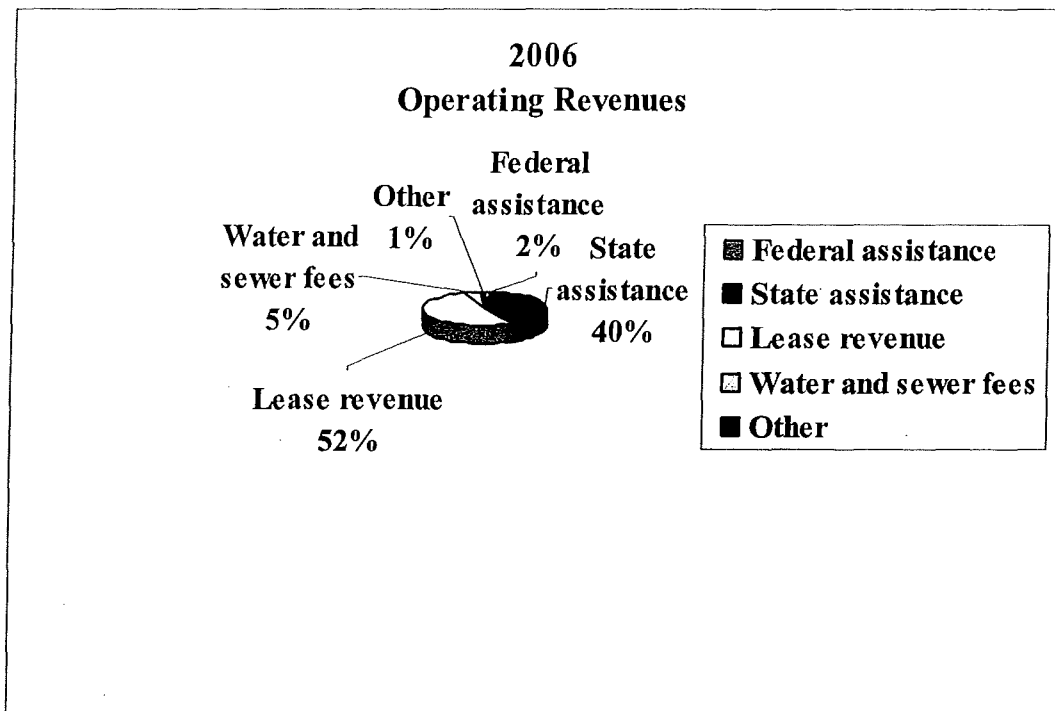
Loring Development Authority of Maine

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007

UNAUDITED

The Loring Development Authority's Funds

The Loring Development Authority's Funds are accounted for using the accrual basis of accounting. Total revenues and other sources amounted to \$3,004,952 in 2007 and \$2,539,638 in 2006. Operating revenues for the two years as represented in the tables below totaled \$2,831,720 in 2007 and \$2,426,119 in 2006. Grants and assistance amount to 42% and 41% of the LDA's revenues for the last two years.

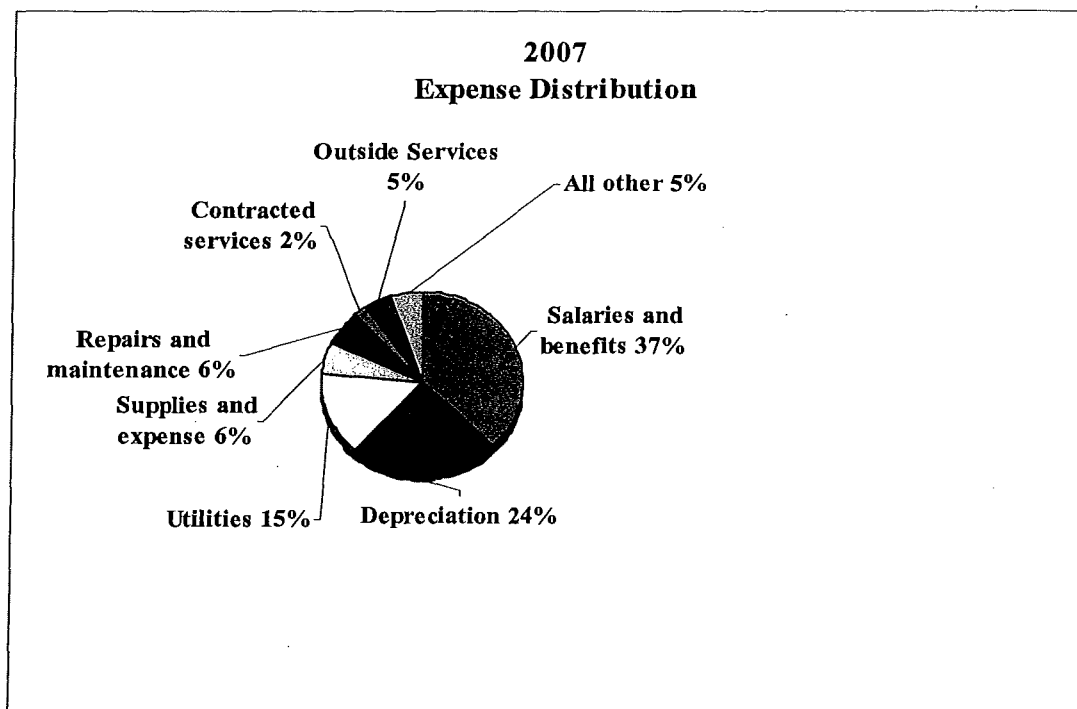
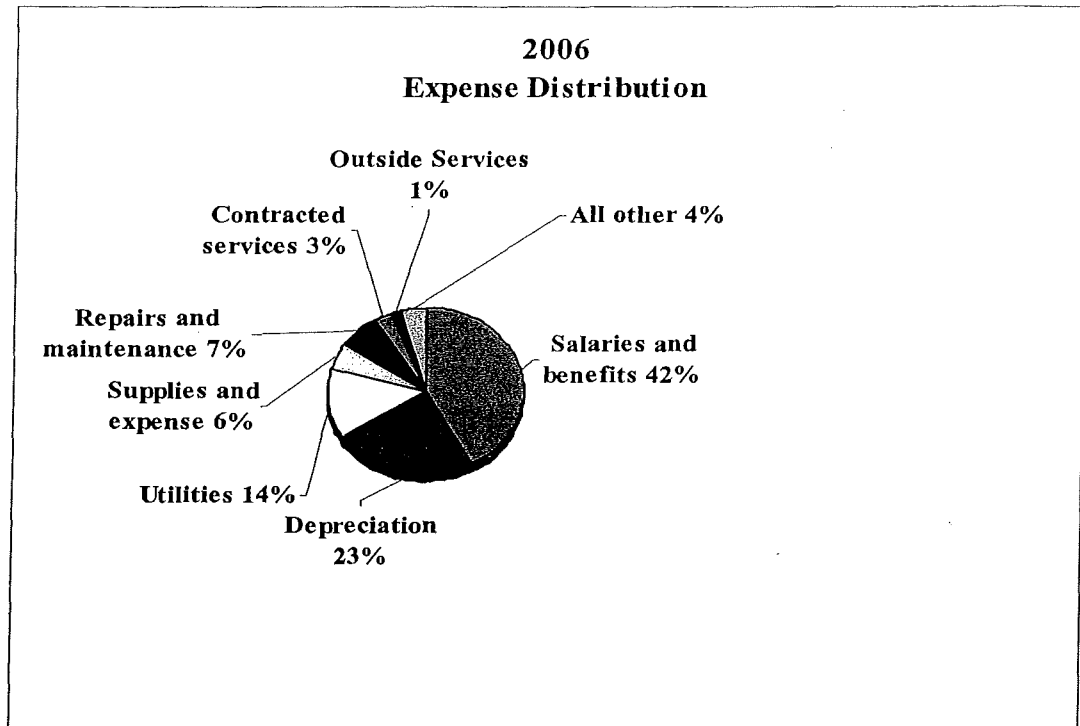


Loring Development Authority of Maine

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007

UNAUDITED

Expenses amounted to \$3,475,081 in 2007 and \$3,487,950 in 2006. The following charts reflect the expenditures for the fiscal years ended June 30, 2007 and 2006.



Loring Development Authority of Maine

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007

UNAUDITED

Capital Assets

At the end of fiscal year 2007, the Loring Development Authority had invested or received land, buildings, improvements, structures and facilities of \$75,871,925. Net of depreciation, these assets were recorded at \$67,704,443. Table 3 shows capital assets, net of accumulated depreciation.

Table 3

**Capital Assets at June 30
(Net of Depreciation)**

	<u>2007</u>	<u>2006</u>
Land	\$10,167,000	\$10,167,000
Buildings	25,938,896	26,444,756
Equipment and Improvements	586,419	411,887
Special Use Structures	9,916,545	10,167,597
Aviation Facilities	15,578,087	15,578,087
Roadways and Accessories	3,517,496	3,517,496
Pipeline	<u>2,000,000</u>	<u>2,000,000</u>
Total Net Capital Assets	<u>\$67,704,443</u>	<u>\$68,286,823</u>

Budgeting

The LDA provides an annual budget for control and internal purposes only. No legally adopted budget is maintained.

Debt

The Loring Development Authority had a Line of Credit debt of \$50,000 outstanding as of June 30, 2007 which was retired in July of 2007.

Future Developments

The LDA has taken steps during the last few fiscal years to compensate for the loss of the Caretaker grant revenue which represents a current annual reduction of approximately \$1.7 million per year to protect and maintain the Loring property and funds were available for maintenance of vacant facilities, fire, police, water and sewer, and roadways. The Caretaker grant expired in September 2004. In order to compensate for the loss of the Caretaker grant, the LDA has reduced staff, developed agreements with local communities to provide assistance with fire protection and other essential services, and has deferred maintenance and capital expenditures on some infrastructure. The LDA has developed collaborations with other economic development groups which have proven effective at identifying development prospects. Meanwhile, as development has continued and vacant buildings have been returned to productive uses, fewer facility-maintenance resources will be needed. Over the longer term, LDA's continued development will create more revenue from real estate operations that will be available to invest in repairing, replacing and upgrading infrastructure as well as further development efforts.

LORING DEVELOPMENT AUTHORITY OF MAINE

EXHIBIT A

STATEMENT OF NET ASSETS
JUNE 30, 2007 AND JUNE 30, 2006

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and temporary investments (Note 3)	\$ 745,867	\$ 799,282
Due from State of Maine	766,526	646,942
Accounts receivable, net (Note 11)	114,365	185,523
Current portion of notes receivable (Note 12)	-	34,868
Other current assets	44,098	54,621
Total current assets	<u>1,670,856</u>	<u>1,721,236</u>
NON-CURRENT ASSETS		
Capital assets (Note 13)	75,871,925	75,656,274
Less allowance for depreciation	(8,167,482)	(7,369,451)
Total noncurrent assets	<u>67,704,443</u>	<u>68,286,823</u>
OTHER ASSETS		
Construction-in-progress	285,268	228,421
Notes receivable, net of current portion (Note 12)	<u>1,113,709</u>	<u>1,133,829</u>
Total other assets	<u>1,398,977</u>	<u>1,362,250</u>
Total assets	<u>70,774,276</u>	<u>71,370,309</u>
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts payable	147,154	77,930
Accrued expenses	79,803	93,200
Deferred revenue	74,849	85,919
Advances from federal government	11,566	-
Advances other	27,290	2,670
Advances from State of Maine	714,732	771,579
Line of credit	<u>50,000</u>	<u>200,000</u>
Total liabilities	<u>1,105,394</u>	<u>1,231,298</u>
<u>NET ASSETS</u>		
Invested in capital assets (Note 13)	67,704,443	68,286,823
UNRESTRICTED	<u>1,964,439</u>	<u>1,852,188</u>
Total net assets	<u>\$ 69,668,882</u>	<u>\$ 70,139,011</u>

The accompanying notes are an integral part of this financial statement.

LORING DEVELOPMENT AUTHORITY OF MAINE

EXHIBIT B

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2007 AND JUNE 30, 2006

	<u>2007</u>	<u>2006</u>
Operating revenues		
Federal assistance (Note 9)	\$ 65,827	\$ 42,510
State assistance (Note 9)	1,136,541	973,382
Lease revenue	1,494,097	1,272,190
Water and sewer fees	115,134	116,553
Other	20,121	21,484
Total operating revenues	<u>2,831,720</u>	<u>2,426,119</u>
Operating expenses		
Salaries and benefits	1,281,623	1,475,260
Depreciation	817,591	808,422
Utilities	511,458	473,730
Supplies and expense	198,844	188,078
Repairs and maintenance	210,073	237,820
Contracted services	66,594	99,836
Outside services - Fire and Security	168,287	54,261
Legal and audit	22,299	21,322
Insurance	34,046	32,131
Communications	34,200	38,237
Travel	32,400	32,771
Interest expense	1,474	1,105
Marketing	24,210	8,834
Projects expense	53,928	762
Allowance for uncollectible accounts	18,054	15,381
Total operating expenses	<u>3,475,081</u>	<u>3,487,950</u>
Operating (loss)	<u>(643,361)</u>	<u>(1,061,831)</u>
Other financing sources		
Sales of surplus property	12,560	18,120
Sale of land	67,680	-
Interest income	92,992	95,399
Total other financing sources	<u>173,232</u>	<u>113,519</u>
Change in net assets	(470,129)	(948,312)
TOTAL NET ASSETS - JULY 1, 2006	<u>70,139,011</u>	<u>71,087,323</u>
TOTAL NET ASSETS - JUNE 30, 2007	<u>\$ 69,668,882</u>	<u>\$ 70,139,011</u>

The accompanying notes are an integral part of these financial statements.

LORING DEVELOPMENT AUTHORITY OF MAINE

EXHIBIT C

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2007 AND JUNE 30, 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 1,669,319	\$ 1,458,715
Cash received from government assistance	1,082,784	975,346
Cash received from other income	20,121	21,484
Cash payments for salaries and benefits	(1,281,623)	(1,478,448)
Cash payments for contract services	(234,881)	(154,097)
Cash payments for goods and services	<u>(1,074,636)</u>	<u>(1,138,817)</u>
Net cash provided by (used in) operating activities	<u>181,084</u>	<u>(315,817)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Advances on line of credit, net of payments	(150,000)	200,000
Advances from other governments	(20,661)	(196,401)
Payments received on notes receivable	54,988	2,011
Interest income	<u>92,992</u>	<u>95,399</u>
Net cash provided by (used in) financing activities	<u>(22,681)</u>	<u>101,009</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments for capital acquisitions and construction	(292,058)	(114,283)
Sale of property	<u>80,240</u>	<u>18,120</u>
Net cash (used in) capital and related financing activities	<u>(211,818)</u>	<u>(96,163)</u>
Net (decrease) in cash and cash equivalents	(53,415)	(310,971)
Cash and cash equivalents - July 1, 2006	<u>799,282</u>	<u>1,110,253</u>
Cash and cash equivalents - June 30, 2007	<u>\$ 745,867</u>	<u>\$ 799,282</u>
Reconciliation of operating (loss) to net cash (used in) operating activities:		
Operating (loss)	\$ (643,361)	\$ (1,061,831)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:		
Depreciation	817,591	808,422
Changes in assets and liabilities:		
A decrease in accounts receivable	71,158	16,198
An (increase) in due from other governments	(119,584)	(40,546)
An (increase) decrease in other current assets	10,523	(23,367)
An increase (decrease) in accounts payable	69,224	(33,442)
An increase (decrease) in deferred revenue	(11,070)	53,774
A (decrease) in accrued expenses	<u>(13,397)</u>	<u>(35,025)</u>
Net cash provided by (used in) operating activities	<u>\$ 181,084</u>	<u>\$ (315,817)</u>

The accompanying notes are an integral part of these financial statements.

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007 AND JUNE 30, 2006

(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, 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 20, 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 two 12,100 foot runways, 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 3,700 acres of land, associated facilities, infrastructure and personal property to the LDA via the execution of the Economic Development Conveyance (EDC) and Lease in Furtherance of Conveyance documents. This EDC document, which is the 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 clearance from the Environmental Protection Agency. The conveyance documents also included a provision that provided the LDA with an average of \$2.7 million annually through September 30, 2004 to fund its municipal type operations including, but not limited to, fire and emergency services, police protection, water and waste water systems, electrical distribution, as well as maintenance of buildings, grounds, and roadways. This funding expired September 30, 2004. The lease given to the LDA in 1997 has been superseded in 2001 with a Quit Claim deed conveying a part of the property in fee title and in 2004 with the remainder of the property being conveyed by deed. The LDA also acquired a 185 mile pipeline in early 2005.

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 of which twelve (12) are confirmed by the Maine Senate. The Governor also designates a commissioner of the department of state government to be a voting, ex officio member of the Board of Trustees. No less than seven (7) of the Board of Trustees must be residents of Aroostook County and be nominated by one or more of the primary impacted communities, as defined in the enabling legislation. In addition, no less than four (4) 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 has 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.

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2007 AND JUNE 30, 2006

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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.

Measurement Focus

Proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the Statement of Net Assets. The Statement of Changes in Net Assets presents the increases (i.e. revenues) and decreases (i.e. expenses) in net total assets. The statement of cash flows provides information about how the Authority finances and meets the cash flow needs of its proprietary activities.

Use of Estimates

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 those reported revenues and expenses. Actual results could differ from those estimates.

Budgetary Information

GASB #34 requires that budgetary comparison schedules be presented only for the general fund and each major special revenue fund that has a legally adopted annual budget. The LDA currently does not legally adopt an annual budget and therefore has not presented one in these financial statements.

(3) CASH IN BANK

Deposits with financial institutions are subject to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority's investment policy is to invest in regional banks and federal securities and to insure the funds to as great a degree as possible. As of June 30, 2007 The Authority's deposits of \$777,086 were fully insured or collateralized with U.S. Governmental Agency securities held in the Authority's name.

(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 as of June 30, 2007 is \$33,654.

(5) PENSION PLAN

The LDA has instituted a Model Simplified Employee Pension Plan for all eligible LDA employees in accordance with Section 408K of the Internal Revenue Code. All LDA contributions to the employees individual retirement accounts become 100% vested to the employee upon contribution. Employees' contributions to the plan are discretionary, subject to the Internal Revenue Code limitations. Employer contributions to the plan, at 5% of gross wages totaled \$49,287.

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2007 AND JUNE 30, 2006

(6) RENTAL OF FACILITIES

The LDA had subleased land and buildings at Loring to various third parties under noncancellable operating leases requiring fixed payments through 2015. The leases provide for varying terms and conditions.

As of June 30, 2007, future minimum lease payments are as follows:

<u>Fiscal Year</u> <u>Ending</u>	<u>Amount</u>
2008	\$1,164,264
2009	909,061
2010	738,561
2011	63,141
2012	6,050
Thereafter	<u>15,000</u>
	<u>\$2,896,077</u>

(7) DEFERRED REVENUE

The LDA received advances of rents and some prepaid receipts which have been characterized as deferred revenue in the accompanying Statement of Net Assets.

(8) LINE OF CREDIT

The LDA has a variable rate operating line of credit payable at "Wall Street Prime" with a maximum limit of \$1,000,000. As of June 30, 2007, a balance of \$950,000 is available for use.

(9) PUBLIC SECTOR FUNDING

The LDA is currently funded through the following public sources:

- (A) State of Maine - The State appropriated \$282,890 for the fiscal year ending June 30, 2007. These funds are to be used to defray operating expenses, support development of the reuse strategy, and to use as matching funds to obtain federal and other grants.
- (B) 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 (20) 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 on 50% of the State income tax withheld from those 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 of \$766,526 for the fiscal year ending June 30, 2007.
- (C) Loring Applied Technology Center - The Maine Legislature also appropriated funding to subsidize the day-to-day operations of the LATC, of which \$26,500 was received during the fiscal year ending June 30, 2007.
- (D) State of Maine - The State of Maine Department of Transportation awarded the LDA a grant of \$1,000,000 for airport facility renovations. Total funding earned by the LDA through this grant for the fiscal year ending June 30, 2007 was \$56,847.

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2007 AND JUNE 30, 2006

(9) PUBLIC SECTOR FUNDING (Continued)

- (E) The United States Environmental Protection Agency - The LDA was awarded by the U.S. Environmental Protection Agency, a grant of \$216,500 with the LDA providing matching funds of \$177,136. The purpose of the grant is to improve the integrity of the sewer lines and reduce inflow and infiltration. During 2007, the Agency received \$46,563 and provided matching funds of \$38,095.
- (F) Federal Emergency Management Agency (FEMA) - The LDA was awarded a grant to cover the cost of ice and snow removal. The LDA realized revenue of \$19,264 for the fiscal year ending June 30, 2007.

(10) CONCENTRATION OF RISK

Federal and State Funding

The LDA received approximately 42% of its operating revenue from federal and state funding for the year ended June 30, 2007. The ability to continue its operations is dependent on continued funding.

Accounts Receivable

For the year ended June 30, 2007, approximately 75% of the LDA's accounts receivable was due from five customers.

(11) ALLOWANCE FOR DOUBTFUL ACCOUNTS

Accounts receivable are shown net of the allowance for doubtful accounts. The allowance for doubtful accounts was estimated at \$41,620 for the year ending June 30, 2007.

(12) NOTES RECEIVABLE

On May 9, 2001 the LDA sold 271.5 acres 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 originally financed the remaining \$1,280,000 in the form of a note payable in quarterly installments for a period of fifteen (15) years. Beginning in May 2002, the LDA began working with Tin Cup Land Company LLC, because of an unforeseen loss of tenants (DFAS had decided to eliminate military workers at its center). As a result, for the years ending June 30, 2007 and June 30, 2006, LDA received interest only payments with the exception of \$52,287 principal payments from sales of real estate. As of June 30, 2007 Tin Cup Land Company LLC is current with their interest payments. Management continues to work with Tin Cup Land Company LLC to develop a mutually agreeable repayment plan and to restructure the note. Accordingly, no amount is included in the current portion of notes receivable. As of the date of the financial statement, the outstanding balance of this note was \$1,107,650. In management's opinion, the note will be collected in full.

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 seven years. The balance of this loan as of the date of the financial statement is \$6,060. Management feels that this loan is collectible and, therefore, has not currently provided any provision for bad debts.

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2007 AND JUNE 30, 2006(13) CAPITAL ASSETS

With the exception of the assets acquired from the United States Air Force, (see below) all capital assets are stated at cost (or estimated historical cost) and updated for additions and retirements during the year. Assets acquired with grants are also stated at cost. The LDA maintains a capitalization threshold of \$5,000. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Assets such as land and some land improvements are considered inexhaustible and are not being depreciated.

Capital assets are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	15-50 years
Equipment	3-5 years
Vehicles	3-5 years

Capital asset activity for the fiscal year ended June 30, 2007 was as follows:

CAPITAL ASSETS ACQUIRED BY LDA - (at historical cost)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retire- ments/ Reclassi- fications</u>	<u>Ending Balance</u>
<u>Capital Assets</u>				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Equipment and improvements	<u>588,530</u>	<u>233,245</u>	<u>17,593</u>	<u>804,182</u>
Totals at historical cost	<u>598,530</u>	<u>233,245</u>	<u>17,593</u>	<u>814,182</u>
<u>Less Accumulated Depreciation</u>				
Equipment and improvements	<u>265,643</u>	<u>60,679</u>	<u>19,559</u>	<u>306,763</u>
Total accumulated depreciation	<u>265,643</u>	<u>60,679</u>	<u>19,559</u>	<u>306,763</u>
Capital assets at historical cost, net	<u>\$ 332,887</u>	<u>\$ 172,566</u>	<u>\$ (1,966)</u>	<u>\$ 507,419</u>

CAPITAL ASSETS ACQUIRED FROM AIR FORCE

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retire- ments/ Reclassi- fications</u>	<u>Ending Balance</u>
<u>Capital Assets</u>				
Land	<u>\$10,157,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$10,157,000</u>
Buildings				
In use	<u>5,925,889</u>	<u>-</u>	<u>-</u>	<u>5,925,889</u>
Leased	<u>19,367,146</u>	<u>-</u>	<u>-</u>	<u>19,367,146</u>
Not in use	<u>5,728,037</u>	<u>-</u>	<u>-</u>	<u>5,728,037</u>
	<u>31,021,072</u>	<u>-</u>	<u>-</u>	<u>31,021,072</u>

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)

JUNE 30, 2007 AND JUNE 30, 2006

(13) CAPITAL ASSETS (Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retire- ments/ Reclassi- fications</u>	<u>Ending Balance</u>
Equipment				
In use	142,500	-	-	142,500
Not in use	<u>89,000</u>	<u>-</u>	<u>-</u>	<u>89,000</u>
	<u>231,500</u>	<u>-</u>	<u>-</u>	<u>231,500</u>
Special Use Structures				
Water plant and distribution	5,080,033	-	-	5,080,033
Sewer and waste water	<u>7,472,556</u>	<u>-</u>	<u>-</u>	<u>7,472,556</u>
Total Special Use Structures	<u>12,552,589</u>	<u>-</u>	<u>-</u>	<u>12,552,589</u>
Other Facilities and Improvements				
Aviation facilities				
Runways	9,472,226	-	-	9,472,226
Structures	6,105,861	-	-	6,105,861
Natural gas pipeline	<u>2,000,000</u>	<u>-</u>	<u>-</u>	<u>2,000,000</u>
Total Other Facilities	<u>17,578,087</u>	<u>-</u>	<u>-</u>	<u>17,578,087</u>
Roadways and accessories	<u>3,517,496</u>	<u>-</u>	<u>-</u>	<u>3,517,496</u>
Capital assets from United States Air Force	<u>75,057,744</u>	<u>-</u>	<u>-</u>	<u>75,057,744</u>
<u>Less Accumulated Depreciation</u>				
Buildings				
In use	1,125,608	118,518	-	1,244,126
Leased	<u>3,450,708</u>	<u>387,342</u>	<u>-</u>	<u>3,838,050</u>
	<u>4,576,316</u>	<u>505,860</u>	<u>-</u>	<u>5,082,176</u>
Equipment				
In use	<u>142,500</u>	<u>-</u>	<u>-</u>	<u>142,500</u>
Special Use Structures				
Water plant and distribution	965,207	101,601	-	1,066,808
Sewer and waste water	<u>1,419,785</u>	<u>149,451</u>	<u>-</u>	<u>1,569,236</u>
	<u>2,384,992</u>	<u>251,052</u>	<u>-</u>	<u>2,636,044</u>
Total accumulated depre- ciation	<u>7,103,808</u>	<u>756,912</u>	<u>-</u>	<u>7,860,720</u>
Capital assets acquired from Air Force, net	<u>67,953,936</u>	<u>(756,912)</u>	<u>-</u>	<u>67,197,024</u>
TOTAL CAPITAL ASSETS				
Capital assets	75,656,274	233,245	(17,593)	75,871,926
Less accumulated de- preciation	<u>(7,369,451)</u>	<u>(817,591)</u>	<u>19,559</u>	<u>(8,167,483)</u>
Total net capital assets	<u>\$68,286,823</u>	<u>\$ (584,346)</u>	<u>\$ 1,966</u>	<u>\$67,704,443</u>

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2007 AND JUNE 30, 2006

(13) CAPITAL ASSETS (Continued)

On April 4, 1997, the LDA received 3,700 acres of land, associated facilities, and personal property from the United States Air Force via a 55-year no-cost lease. In accordance with generally accepted accounting principles all assets associated with this lease were capitalized at estimated fair market value.

During fiscal year 2005, the United State Air Force transferred to the LDA additional property consisting of a natural gas pipeline extending from Searsport, Maine to Limestone, Maine. The pipeline was not in service at June 30, 2007, but is expected to be leased during a subsequent fiscal year.

During fiscal year 2005, the United State Air Force transferred to LDA the title to a building currently occupied by federal employees (DFAS). The transfer of the deed for the DFAS property to LDA was contingent upon LDA's promise to lease the property back to the United States at no cost. The 50-year lease may be renewed or extended by the U.S. Government at its option and there is no provision in the lease for LDA to decline an extension or renewal. The U.S. Government may also terminate the lease at any time, but LDA is not given the option to terminate the lease.

The U.S. Government may use the property for any government purpose and is not required to pay any taxes, assessments or similar charges. However, the U.S. Government is responsible for all costs and liabilities associated with the property as if it were the owner.

Accordingly, the DFAS center is not included as a capital asset on these financial statements.

Management feels that the value of these assets could fluctuate significantly in the event that the operational status of the LDA changes.

LORING DEVELOPMENT AUTHORITY OF MAINE

SCHEDULE 1

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

<u>Function</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contri- butions</u>	<u>Capital Grants/ Contri- butions</u>	<u>Total</u>
General operations	<u>\$ (3,421,153)</u>	<u>\$ 1,609,231</u>	<u>\$ 42,177</u>	<u>\$ 56,847</u>	<u>\$ (1,712,898)</u>
General revenues:					
State appropriations				282,890	
Loring Job Incremental Financing				766,526	
Interest income				92,992	
Sales of surplus property				80,240	
Other				20,121	
				<u>1,242,769</u>	
Change in net assets					(470,129)
Net assets, July 1, 2006					<u>70,139,011</u>
Net assets, June 30, 2007					<u>\$ 69,668,882</u>

FELCH & COMPANY, LLC

Certified Public Accountants

P.O. BOX 906
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the proprietary activities of Loring Development Authority (LDA) of Maine, a component unit of the State of Maine, as of and for the year ended June 30, 2007, which collectively comprise the LDA's basic financial statements and have issued our report thereon dated August 24, 2007. 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 of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the LDA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the LDA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the LDA's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the LDA's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the LDA's financial statements that is more than inconsequential will not be prevented or detected by the LDA's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the LDA's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the LDA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under Government Auditing Standards.

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.

Felt Company LLC

August 24, 2007

**Loring Development Authority of Maine
2007 Annual Report**

Paragraph 1C: Property Transactions

**Loring Development Authority of Maine
Fiscal Year 2007 Annual Report**

**Paragraph 1C: Property Transactions during Fiscal Year 2007
July 1, 2006 through June 30, 2007**

FISCAL YEAR 2007 PROPERTY TRANSACTIONS

Hydroblend, Inc., a manufacturer of specialty batters and coating mixes for food processors, extended its lease at Loring for three years with two optional one-year extensions and the option to purchase the building. The company has occupied the 40,888 square foot building 7210 since 1999 and anticipates expanding its Loring operations. Hydroblend is based out of Nampa, Idaho.

Telford Aviation, Inc. renewed its lease for the Arch hangar for a term of two years, beginning December 1, 2006. Telford will use the hangar and associated property for airship testing, research, development, and manufacturing operations and for other aviation operations. If the need for fueling, routine aircraft service and other functions typical of an airport "fixed base operator" become apparent, at Loring during the term of the lease, LDA will allow Telford to become the provider of these services utilizing the LDA's refueling and de-icing equipment.

Sitel Corporation was granted a six month extension on its lease for building 8700, which they have occupied since 1997. The company's new owner requested the extension to consider whether to exercise the option for an additional five years with the current lease or to explore other arrangements for its facility at Loring. The six-month extension expires in May 2008 with rates remaining the same.

Ernie Murphy, owner of The Flightline Café, extended his lease for the deli-style restaurant he has operated on Development Drive at Loring since 2004. Mr. Murphy also hosts special functions, such as wedding receptions, at the NCO Club.

The Loring Inn also remains open under a management agreement arrangement, which was renewed this year. The inn provides lodging for people working or visiting in the area.

Leases for the nine buildings occupied by the Maine Military Authority are being transferred to the Maine Bureau of General Services (BGS), who will then sublease the facilities to the National Guard. The new lease arrangement contemplates that BGS will maintain the facilities and to make capital investments in the facilities and related infrastructures.

LDA entered into a Development Agreement with Tin Cup Land Company for residential property in the newly created six-lot Links Subdivision located near the Limestone Country Club. LDA owns all of lot six and part of lot five in the subdivision. As Tin Cup develops lots five and six, LDA will transfer the property to Tin Cup. Tin Cup, as the developer is responsible for all expenses associated with the development and sale of the property. Proceeds from the sale of the lots will be evenly divided between LDA and Tin Cup.

LDA received a donation of 148 acres of undeveloped property in the Town of Limestone, in proximity to Loring. The property's development value is limited by conservation easements.

LDA issued short-term licenses to businesses and organizations in need of short-term use of various facilities at Loring.

**Loring Development Authority of Maine
2007 Annual Report**

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

NONE

**Loring Development Authority of Maine
2007 Annual Report**

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

NONE

**Loring Development Authority of Maine
2007 Annual Report**

Paragraph 1F: Listing of Bonds Issued

NONE

**Loring Development Authority of Maine
2007 Annual Report**

**Paragraph 1G: Subsequent Events and Proposed
Activities for Fiscal Year 2008**

**Loring Development Authority of Maine
Fiscal Year 2007 Annual Report**

**Paragraph 1G: Subsequent Events July 1, 2007 to October 15, 2007 and
Proposed Activities for Fiscal Year 2008
July 1, 2007 through June 30, 2008**

SUBSEQUENT EVENTS

Highlights of the activities on the Loring Commerce Centre between July 1, 2007 and October 15, 2007 are provided below.

MMA 10th Anniversary. The MMA celebrated its 10-year anniversary on August 16, 2007. Since its inception, the center has refurbished over 8,000 pieces of equipment for federal, state and local entities – 7,400 of these rebuilt units have been the well-known HUMVEE's. The accomplishments of the rebuilt center are a testament to a few visionary individuals who started operations at Loring in 1997 with 20 employees in two buildings and guided its expansion to include 380 employees and nine buildings. Also instrumental to the growing success of the rebuild center are its hundreds of skilled, dedicated and hard working employees. The LDA is pleased to continue to work with the MMA and support its operations.

Aerospace Support Facility. The sale of building 8721 to Bigelow Aerospace, with seven acres of surrounding property, nears completion. Bigelow will demolish the building and construct a satellite tracking station on the site. The site, at the north end of Loring's airfield, was chosen in part because of its elevation relative to surrounding terrain, since an unobstructed line-of-sight to the horizon optimizes the functionality of the tracking station. Bigelow will also lease an office at Loring to support its operations. The Bigelow project is compatible with proposed industrial use in the adjacent nose dock area and with aviation development.

Residential Development. Acquisition of building 2500 by Mojave Property Management, LLC was approved. The 30,000 square foot building formerly served as military officers' quarters. It will now be renovated to support about 45 one-bedroom and efficiency apartments, a rental category for which there is currently no supply at Loring.

Agricultural Activity. LDA and Kevric Farms reached an agreement for the occupancy of Nosedock #22 for storage and processing of hay and feed grains. Kevric Farms, LLC is owned and operated by two local people – a successful local businessman and a farmer with knowledge of cattle farming and experience in trucking. They have an expanding business for hay and straw for mulch, high-quality animal feeds, wood and straw-based animal bedding all catering to local cattle and horse operations.

Aviation Infrastructure Upgrade. The third phase of renovations on Loring's 146,000-square foot Arch hangar began in July, with a \$555,200 contract awarded to J.P. Martin and Sons Construction Corporation from Caribou. Extensive interior and exterior renovations and upgrades are included in the project, which supports aviation development. Given Loring's extensive aviation infrastructure, and recent FAA certification for airship testing the – the aviation industry holds much promise for Loring.

Business Incubator Services Reduced. The Loring Applied Technology Center (LATC), a business incubator in the State's Applied Technology Development Center System, will experience a reduction in staffing support this year due to lack of funding. The LATC building, which is designed to house multiple tenants, will continue to house the four businesses that currently operate there, and the LDA will seek tenants for the remaining spaces. The conference rooms in the LATC will also remain available for use by local organizations.

PROPOSED AND PROJECTED ACTIVITIES FOR FISCAL YEAR 2007

In addition to ensuring that our existing tenants remain viable business entities, the LDA intends to carry out the following activities in fiscal year 2008.

Complete the transfer of property to Bigelow Aerospace and support it as it moves forward with its satellite tracking station construction project.

Complete the transfer of property to Danny MacDonald, owner of MacDonald Enterprises at Loring. The transfer will include two buildings and land, which MacDonald is now leasing and an additional building and associated property that abuts the MacDonald property.

Continue to work with Gary Dernlan on his Malabeam Lake subdivision project and with the Limestone Country Club Developers on their residential subdivision projects that include the sale of existing homes and new home construction in the vicinity of the golf course.

Continue to discuss and implement the consolidation of municipal services with neighboring communities and work with MDOT and the Legislature to secure support for the maintenance of roadways at Loring.

Continue working with the Town of Limestone and the MDEP on a regional wastewater system project that will support the needs of both Limestone and Loring and will help ensure compliance with environmental regulations.

Continue working with the Air Force to ensure Loring has a dependable drinking water supply. This may result in investments made in the water treatment plant, the exploration for ground water resources and the construction of a high capacity well.

Continue to work with the FAA and the Maine DOT to position Loring to reach its fullest aviation potential. Loring's formidable infrastructure includes the longest runway in Maine, an instrument landing system, a refueling system, multiple large hangars, and ample ramp space – all in varying stages of readiness for reuse.

Support Telford Aviation's airship project and aggressively pursue additional aviation development at the Loring International Airport consistent with the niche markets identified by the community-based Aviation Task Force. Potential development includes aircraft maintenance, repair, manufacturing and overhaul, aircraft storage, cargo operations and activities that would support homeland security efforts.

Complete additional renovations of the Arch hangar with funding from a Maine Department of Transportation bond package, supporting the retention and creation of jobs in the aviation industry.

Complete the repair of the fish ladder at the LDA dam on the Little Madawaska River with the help of a USDA/NRCS grant. The grant will cover 75% of project costs and LDA is working to secure additional grant funding to cover the remaining 25% of costs.

Continue to work with the Aroostook County Emergency Management Agency as it develops its capacity to respond to threats and emergencies in the County.

Continue to support DFAS as it expands to a minimum of 660 jobs at Loring. LDA with Grow DFAS will also work with the communities to help meet the needs of families transferring in from closing DFAS centers.

Aggressively pursue businesses in the data transmissions, precision manufacturing industries and small space users. The significant telecommunications infrastructure upgrades made by Verizon at Loring support Sitel, the National Job Corps Data Center, DFAS and other businesses. LDA will continue to market this little recognized asset.

Continue to work with active prospects with interests in a variety of facilities including aviation facilities, office space, manufacturing facilities and open space for new construction.

Continue working with the Bureau of Indian Affairs (BIA) on the transfer of property on Loring to the BIA, to be held in trust for the benefit of the Aroostook Band of Micmacs, helping to ensure the compatibility of existing and future development on Loring.

Facilitate the due diligence process with Loring BioEnergy, LLC in support of their energy generation operation at Loring.

Facilitate the due diligence process with Maine Emergency Management Agency on a proposal to locate a Fire Training Academy at Loring that would be used to train firefighters from throughout New England.

Continue to work with Aroostook Partnership for Progress in its efforts to market the County including Loring and to attract new economic development projects to northern Maine.

Continue working to resolve the municipal service fees issue with Job Corps.

Continue to develop and enhance long-term funding strategies that will maximize LDA's ability to reach its development objectives.

Be prepared to move into a third phase of development, which includes building new facilities for large space users and other prospects. LDA has few large facilities available.

Continue demolishing substandard structures at Loring, increasing the Commerce Centre's marketability by creating open space for new construction and improving its aesthetic value.

Continue to garner local, regional and statewide support for development efforts, in part by hosting tours of Loring for legislators, local and statewide organizations and individuals; making presentations at meetings and events; and participating in interviews with media and private organizations.

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

**Loring Development Authority of Maine
2007 Annual Report**

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

**Loring Development Authority of Maine
Fiscal Year 2007 Annual Report**

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

Much has been accomplished at Loring Commerce Centre since LDA began its work in 1994 along with its many partners. Loring's well established brand name recognition within many industries and its compelling success stories have helped to position it for a vibrant, profitable future. In order to capitalize on past successes and on the forthcoming prosperity it's imperative that the financial resources needed to make essential capital investments at Loring are readily available. Otherwise, the property will deteriorate and along with it the potential to sustain and generate economic activity at Loring.

Substantial capital investments in the Loring properties are needed today, if it is to remain a viable center for business development. State bond funding for capital items such as replacing roofs and repairing roads should be considered. Bond funding would allow a paving schedule to be developed for the 26 miles of active roadways at Loring and building repairs that have been deferred could be completed. Bond funding for Loring should be part of a statewide bond package such as a Transportation or Economic Development bond.

LDA's operations are adequately funded by the existing sources combining State of Maine revenue and revenue from leases and real estate operations. However, long-term capital investments are not adequately funded.

Investments at Loring have produced valuable returns for families who rely on jobs at Loring and for our local and state economies. For more than four decades Aroostook County suffered from out migration and a contracting tax base, but in recent years that trend began to slow and is beginning to slowly turn around. New jobs are not only allowing more people to remain in the region but are also supporting people who want to return home, promoting an expanding tax base.

State bond funding and LDA's continued due diligence will ensure that Loring's infrastructure is properly maintained, protected and attractive to business prospects. With the appropriate level of investment, Loring can continue to support existing and new economic activity, and to be a decisive, positive influence in Maine's economy for many years.

Please also see Proposed Activities for Fiscal Year 2008 in Paragraph-G of this report.

**Loring Development Authority of Maine
2007 Annual Report**

ADDENDUMS

- 1.) Loring Applied Technology Center**
- 2.) Loring Development Authority
Board of Trustees**
- 3.) Loring Development Authority
Development and Field Staff**
- 4.) Loring Commerce Centre Tenants**
- 5.) Employment/Tenant Status Report**

LORING APPLIED TECHNOLOGY CENTER – ANNUAL REPORT 2006/07

The Loring Applied Technology Center (LATC) was created in 2000 to enhance the small business development efforts of the Loring Development Authority of Maine and to implement the mission of Maine's Applied Technology Center System.

The incubator provides low cost facility space, as well as training and assistance for companies to acquire the business acumen and management skills needed to successfully commercialize their products and/or services to their targeted markets.

Operations are located in a 42,075 square foot building at the business core of the Loring Commerce Centre in Limestone, Maine. The building was the former BX supply for military personnel and was remodeled in 2001 through a combination of State, CDGB and LDA funding. The building design incorporated elements from successful models throughout the county in order to accommodate incubator operations.

The result is over 18,000 sq. ft. of shared services areas, including equipment, and business and technical support for new businesses, a suite of turn-key ready office spaces and 7 tenant spaces ranging from 2,400 to 5,000 sq.ft. These tenant spaces are climate controlled, individually metered and offer unlimited uses to a diverse selection of clients. Current tenants occupy 15,000 sq. ft. leaving 9,000 sq.ft. of lease space available.

The staff at the Loring Applied Technology Center, Executive Director and Executive Assistant, are employees under the umbrella organization of the Loring Development Authority of Maine (LDA). As LDA employees the Director and Assistant are an integral part of the overall economic and business development plan of the LDA, whose mission of business development frequently overlaps with and complements the mission of the incubator. This model affords the LDA and the LATC the opportunity to best determine if a potential tenant requires lease space, business and financial advice and services and/or smaller start-up tenant space such as is available at the incubator.

There are four diverse tenants currently in the Center, the SW Collins Mill, and Shirley Goade are 'anchor' tenants, while Pneu-Hydro Energy and Robin's Chocolate Sauce are in differing levels of the R & D phase of product development. These four tenants occupy over 13,000 sq. ft. of lease space in the incubator.

Graphics design and in-house printing are a part of the services provided for tenants at the LATC as well the Loring Commerce Centre overall. Projects completed in 2006/07 include:

- Loring International Airport PowerPoint presentation and CD to provide to prospects interested in Loring's aviation complex.
- The Flightline Café new logo design and menu printing.
- Real Estate specification sheets with new building photos and line drawings for mailing electronically or as hard copy to prospects.
- Flyers and placemats for the Limestone Development Foundations July 4th activities
- Bangor Daily News Perspectives 2007 ad

This year the LATC hosted the following events: FEMA - NIM's Training workshop, EMA/LDA Employee Safety Training, Maine Rural Water seminar and SBA Workforce Development workshops.

Also in the past year LATC tenants and enrolled attendees have been provided with the following training workshops: Diversity training, Technical Documents Manufacturing Concepts, Reading/Writing for Manufacturing, Employability Skills training, Basic First Aid, Computer skills, power point presentation on Manufacturing, Digital photography, Hazardous Materials presentation, Welding/fabrication, Women Working in the Community, Financial Literacy, OSHA training, Penobscot Cultural Diversity training and Industrial Electronics.

LORING DEVELOPMENT AUTHORITY OF MAINE BOARD OF TRUSTEES

The Loring Development Authority is represented by a thirteen member volunteer Board of Trustees, twelve of whom are nominated by the Governor and confirmed by the State Senate and one is a Commissioner of State government designated by the Governor who 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, James O. Donnelly, resident of Brewer, is a Regional Vice President at Machias Savings Bank in Ellsworth. Mr. Donnelly has served on the LDA Board since 2000.

Vice Chair, Kathryn J. Rand, resident of Hallowell, is Managing Director at BSSN Resources, LLC, a subsidiary of the Bernstein, Shur, Sawyer & Nelson law firm. Ms. Rand has served on the LDA Board since 2003.

Treasurer, Edmond Therrien, resident of Presque Isle, is a Producer at Hayden Perry Insurance Agency. Mr. Therrien has served on the LDA Board since 2005.

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

Philip P. Parent, resident of Van Buren, is 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.

Rob A. Langner, resident of Fort Fairfield, is 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, resident of Limestone, is actively involved in several community support organizations. Ms. Page has served on the LDA Board since 2002.

Douglas F. Beaulieu, resident of Madawaska, is the County Administrator for the County of Aroostook. Mr. Beaulieu has served on the LDA Board since 2004.

Patrick C. St.Peter, resident of Limestone, is a former President & CEO of the County Federal Credit Union. Mr. St.Peter has served on the LDA Board since 2004.

Mary E. Leblanc, resident of Portland, is a former Assistant to the Director for the Maine Community College System's Center for Career Development. Ms. Leblanc has served on the LDA Board since 2004.

Terence Harrigan, resident of Bangor, is an Attorney with the Vafiades, Brontas & Kominsky law firm. Mr. Harrigan has served on the LDA Board since 2005.

Maynard D. St. Peter, resident of Caribou, is retired and remains actively involved in community affairs. Mr. St. Peter has served on the LDA Board since 2006.

John Richardson, resident of Brunswick, is the Commissioner of the State Department of Economic and Community Development. Commissioner Richardson has served on the LDA Board since 2006.

LORING DEVELOPMENT AUTHORITY OF MAINE EMPLOYEES

DEVELOPMENT STAFF

President & CEO, Carl W. Flora, provides executive oversight for the Authority's operations as well as management of day-to-day operations including, but not limited to, 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. 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 accounting controls and financial reporting systems, as well as all administrative functions, including administration of daily municipal and maintenance operations. Mr. Goade has been employed at the LDA since September 19, 1994.

Executive Assistant, Donna M. Sturzl, is responsible for providing comprehensive support to the LDA's President & CEO, grant research, writing and reporting and carrying out a variety of projects. Ms. Sturzl has been employed at the LDA since September 21, 2000.

Facilities Manager, Neal R. Haines, coordinates and oversees the day-to-day municipal maintenance type operations of the facility which include buildings, roads, grounds, water and wastewater plant operations and vehicle maintenance with section foreman. He also monitors all purchases and payment processing, oversees the computer network system, and general administrative duties including human resources. Mr. Haines has been employed at the LDA since September 26, 1994.

Administrative Assistant, Mary E. Saunders, is assistant to the Facilities Manager. She is responsible for environmental reporting as well as clerical support and reporting for Loring Utilities. Ms. Saunders has been employed at the LDA since January 17, 1994.

Director of Business Development, Edwin E. Nickerson, manages new business development and assistance efforts including 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.

Marketing and Public Information Manager, Diane M. Martin, is responsible for seeking new business relationships and facilities sales and marketing, tenant support, and public information. Ms. Martin has been employed at the LDA since September 12, 1994.

LDA FIELD STAFF

Paul L. Barnes, Public Safety Officer

Charles R. Bernard, Roads and Grounds Maintenance Worker

Raymond A. Bernier, Maintenance Superintendent

Ulyesse J. Bernier, Water Plant Operator

Charles L. Cyr, Roads and Grounds Maintenance Worker
Charles R. Cyr, Waste Water Plant Operator
Mark A. Descoteaux, Waste Water Plant Operator
Robert G. Doucette, Water and Wastewater Collection & Distribution Systems Worker
Steven C. Gagnon, Water Plant Operator
Robert J. Johnston, Roads & Grounds Maintenance Worker Leader
Alan L. Lightbown, Fuels Distribution System Mechanic
James E. Marquis, Water and Wastewater Collection & Distribution Systems Foreman
Wayne W. Pryor, Electrician

The LDA occasionally employs temporary employees as needed to accomplish projects or address workload issues.

LORING COMMERCE CENTRE TENANTS

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 since 1995. The center is responsible for finance and accounting for several bases and Air National Guard units across the U.S. and in foreign countries. As the DFAS system is reorganized, the DFAS Limestone center will grow from the 530 jobs it now supports to no less than 660.

Maine Military Authority. The Maine Military Authority (MMA) operates the Army National Guard's Maine RS Maintenance Center where an array of military and municipal vehicles are refurbished. In November 1997 the operation began in two buildings with 20 employees and a \$4 million budget. Today, MMA occupies nine buildings, employs 381 people, has a budget of over \$40 million and is ISO certified. Being organized as MMA allowed the center to serve customers other than the National Guard Bureau such as the various military branches, and state and local governments.

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 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.

National Job Corps Data Center. The National Job Corps Data Center, operated by RS Information Systems (RSIS), provides data backup services for the U.S. Department of Labor National Job Corps Centers. The remarkable success of the Loring Job Corps Center and Loring's advanced telecommunications infrastructure were principal factors in the decision to locate the data center on site, where sixteen people are employed.

Sitel Corporation. Sitel, the global leader in outsourced telephone-based customer service, began operations at Loring in 1998. The operation includes both outbound and inbound call centers. Two shifts are operated daily, in order to serve its many clients and customers. Sitel employs 225 people.

Pattison Sign Group. Pattison Sign Group is part of The Jim Pattison Industries Ltd., based in Vancouver B.C. and is one of Canada's largest privately held companies. The company custom designs and manufactures illuminated signs such as those used by banks, new car dealerships and many other businesses. Pattison established its first U.S. manufacturing plant at Loring, beginning operations in April 2004. This manufacturing operation employs 50 people and it is now the company's primary manufacturing facility in the United States.

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. It employs fifteen people.

Telford Aviation Services, Inc. Telford Aviation and its partners are making use of one of Loring's greatest assets, its 1,200-acre aviation complex. Telford expanded its aviation services operation to Loring where it is working with its partner, SAIC (Science Applications International Company), to establish a UAV (unmanned aerial vehicle) project at Loring. The project, which includes the development and testing of unmanned aircraft such as blimps or airships, is being expanded. Telford employs eight people and more jobs are expected as the operations expand.

Aroostook National Wildlife Refuge. The 4,700-acre refuge belongs to 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 at Loring. Friends of the Aroostook National Wildlife Refuge support its programs through education, fundraising, recreational and volunteer projects.

Limestone Country Club. The owners of the country club, the Limestone Country Club Developers, successfully operate Loring's nine-hole golf course. They also own and manage the rental of 150 housing units and are selling houses and house lots in a newly created subdivision.

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.

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. Five people are employed by Pines at Loring.

S.W. Collins Company. S.W. Collins Company, a hardware and building materials supplier, located its new commercial line operation in the Loring Applied Technology Center. The line features custom-built products for commercial customers, offering a wide range of highly refined wood products including custom-built cabinetry and cases.

Loring Military Heritage Center. The Loring Military Heritage Center (LMHC), a museum of Loring Air Force Base history, was created by a group of enthusiastic and dedicated volunteers. LMHC has an impressive collection of Loring memorabilia and artifacts housed in their 1,900 square foot facility.

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.

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.

MacDonald Enterprises. MacDonald Enterprises is a wood and metal products manufacturer operating in approximately 20,000 square feet of space in two buildings.

Robin's Chocolate Sauce. Robin's Chocolate Sauce owners have developed a variety of chocolate sauces and are successfully producing and marketing their products.

Pneu-Hydro Energy. Pneu-Hydro Energy is part of a New York corporation that will be conducting research and development of potential manufacture and commercialization of a hybrid energy source.

Mary Kay. Leasing office space at Loring allowed a Mary Kay consultant to expand her home based business and better serve her clients.

URS. URS, an environmental engineering firm working for the Air Force Base Real Property Agency, works out of a building by Loring's airfield.

The Flightline Café & Catering. Located at 170 Development Drive, The Flightline Café & Catering is a deli style restaurant. The business also caters special events of all sizes and can host events at Loring's NCO Club.

The Loring Inn. This hotel facility once accommodated visiting Air Force officers. It now offers first class accommodations to the public with 18 suites and 6 single rooms.

Kevric Farms, LLC. is now operating a new business at Loring. The company stores and processes feed grain and hay for local customers. It supplies the demand for hay and straw for mulch, high-quality animal feeds, and wood and straw-based animal bedding.

Majove Property Management, LLC. Majove Properties will soon offer one-bedroom and efficiency apartments at Loring in a building that it is purchasing. This project fills the need for small residential rental units in the area.

LORING DEVELOPMENT AUTHORITY
MONTHLY EMPLOYMENT / TENANT ACTIVITY REPORT
30-Sep-07

DEVELOPMENT ACTIVITIES

<u>REUSE ACTIVITY</u>	<u>TYPE</u>	<u>JOBS/RESIDENTS</u>			<u>PROPERTY ABSORBED</u>	
		<u>Prior Month</u>	<u>Current</u>	<u>Projected</u>	<u>Bldg SF</u>	<u>Acreage</u>
<u>PRIVATE SECTOR</u>						
Flightline Café	Service	3	3	3	1,500	0.5
Loring Inn	Hotel	2	2	2	21,995	3
Hydroblend, Inc.	Manufacturing	15	15	30	40,888	2
International Sourcing Inc	Commercial	4	4	5	4,824	1
Limestone Country Club	Recreation/Residential	10	11	20	326,685	270
Loring Applied Technology Ctr	Commercial	2	2	3	42,075	3
Robin's Chocolate Sauce	Manufacturing	2	2	2		
Pneu-Hydro Energy	R&D	1	1	1		
S.W. Collins	Manufacturing	5	5	7		
May Kay Consultant	Office	1	1	1		
Loring Health Center (Cary)	Health Care	5	5	7	2,000	1
Loring Military Heritage Center	Museum	0	0	1	1,900	1
MacDonald Enterprises	Manufacturing	4	4	12	19,762	2
MB&A	Aviation Asset Mgmt	1	1	1	41,114	
URS	Commercial	0	0	1	3,950	1
Pattison Sign Group	Manufacturing	52	53	50	39,115	1
Sitel Insurance Services	Call Center	235	223	352	47,783	12
WPS	Commercial	0	0	0	28,838	5
Telford Group	Aircraft MRO	8	8	30	126,303	4
TOTAL PRIVATE SECTOR:		350	340	528	748,732	306.5

PUBLIC SECTOR

Dept of Labor RS Info Systems	Data Management	17	16	40	7,835	4.5
DFAS	Office	530	543	662	142,400	15
Maine Army National Guard	Vehicle Refurbishment	370	382	525	378,910	23
TDC (Loring Job Corps Center)	Educational/Office	140	137	147	270,022	42
US Fish & Wildlife	Wildlife Refuge	1	2	5	8,600	3,886
TOTAL PUBLIC SECTOR:		1058	1079	1379	807,767	3970.5

LDA	Development	23	23	23	94,996	10
TOTAL EMPLOYMENT:		1428	1439	1927	1,651,495	4287

RESIDENTIAL

Residential	Dependents	170	175	250		
Job Corps	Students	306	313	400		
TOTAL RESIDENTIAL:		476	488	650		
GRAND TOTAL		1,904	1,927	2,577	1,651,495	4,287

Total Available Space:	2,795,587	8,702
% Committed	59%	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.