

# MAINE STATE LEGISLATURE

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# 2009 ANNUAL REPORT

## *LORING DEVELOPMENT AUTHORITY OF MAINE*





## LORING COMMERCE CENTRE

Letter to the Citizens of Maine:

In 1994, amid the devastating reality that the Air Force was discontinuing its military operations in Limestone, it was clear that Loring remained a key to the region's economic future. In 2009, fifteen years after the Air Force left, Loring Commerce Centre is showing the results of efforts made in 1994 by the Loring Development Authority of Maine (LDA) and its many partners to make something of significance out of Loring. A foundation was put in place at that time that facilitated and enabled everything that exists today including as yet unrealized potential for more growth and development in coming years. Here are a few things to consider:

1. Loring today has about 25 employers with approximately 1400 employees in diverse sectors of the economy – manufacturing, aviation, accounting, data storage and processing, education, research and development, government services, telecommunications-based contact services and recreation.

2. Loring's economic impact is important to the region and the state. The gross payroll of about \$50M annually is the tip of the iceberg – the direct and indirect impact of the activity at Loring is several times greater.

3. We are pursuing several promising new ventures of significant scale – from potato processing, to manufacturing projects, unmanned aircraft, fish farming, and energy projects – Loring's unique facilities and setting will continue to create new opportunities.

It is fitting, during this milestone year, to recognize the people whose early contributions have brought us so far. They are:

The initial Board of Trustees of the LDA – Arthur Thompson, Daniel LaPointe, Albert Watt, Brian Thibeau, David Dorsey, Paul Cariani, Donald Collins, Elizabeth Reuthe, Robert Umphrey, Lyndel Wishcamper, and Michael Aube; and LDA's first President & CEO, Brian Hamel, whose persistence and good business sense were absolutely key to Loring's successes. Together these people overcame much uncertainty and doubt to craft and implement a winning development strategy. Their energy and steadfast belief that Loring could once again become an economic engine for the region was the only reason they did not surrender in the face of countless obstacles.

The important decisions made fifteen years ago have shaped the lives of Aroostook County residents, employers, employees and the State of Maine at large. They set the stage for sustainable and enduring economic growth in northern Maine.

Respectfully submitted,



Carl W. Flora  
President & CEO

**Paragraph 13080-L  
Fiscal Year 2009 Annual Report  
July 1, 2008 – June 30, 2009**

	<b>PAGE</b>
<b>Paragraph 1A: Description of the Authority's Operations .....</b>	<b>3</b>
<b>Paragraph 1B: Authority's Audited Financial Statements for the Year Ended June 30, 2009 .....</b>	<b>13</b>
<b>Paragraph 1C: Property Transactions.....</b>	<b>14</b>
<b>Paragraph 1D: An accounting of all activities of any special utility district..... formed under Section 13080-G (None)</b>	<b>16</b>
<b>Paragraph 1E: A listing of any property acquired by eminent domain..... under Section 13080-G (None)</b>	<b>16</b>
<b>Paragraph 1F: A listing of any bonds issued (None) .....</b>	<b>16</b>
<b>Paragraph 1G: Subsequent Events and Proposed Activities.....</b>	<b>17</b>
<b>Paragraph 1H: Further Actions Suitable for Achieving the Purposes ..... of this Article</b>	<b>21</b>
<b>Addendums:</b>	
<b>1) Loring Development Authority Board of Trustees .....</b>	<b>23</b>
<b>2) Loring Development Authority Development &amp; Field Staff.....</b>	<b>24</b>
<b>3) Loring Commerce Centre Tenants .....</b>	<b>26</b>
<b>4) Monthly Employment/Tenant Status Report .....</b>	<b>29</b>

## **PARAGRAPH 1A: DESCRIPTION OF THE AUTHORITY'S OPERATIONS AND STATUS REPORT**

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 25 businesses, approximately 1,400 employees and 645 residents at the Loring Commerce Centre – it operates a dam, water treatment plant, water distribution system, and a wastewater collection system; maintains and plows 26 miles of roadways; performs grounds maintenance on hundreds of acres of developed and developable property; and contracts for emergency services, law enforcement services and wastewater treatment.

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 2009 ACCOMPLISHMENTS**

The following summarizes the LDA's accomplishments for fiscal year 2009, which support its primary mission of job creation and facility absorption on Loring Commerce Centre.

**GREATER LIMESTONE WASTEWATER TREATMENT FACILITY (GLWTF) PROJECT.** On March 1, 2009, the LDA turned the operational responsibility of the wastewater treatment plant over to the Limestone Water and Sewer District (LWSD). The plant's operations are overseen by the GLWTF Board, authorized by LD 275, enacted as an emergency measure during the first session of the current Legislature. The transition went smoothly; plant operations continued without a problem. The project also includes the construction of a new wastewater transmission line from Limestone to Loring and the upgrades of the treatment plant, which began this summer. As part of the funding package for this project, the LWSD is obligated to repay about \$1.24 million in new debt. The LDA, although not directly obligated on the debt, committed to pay 80% of these debt service costs and the plant's fixed operating costs. In exchange, the LDA is guaranteed an allocation of 80% of the licensed capacity of the plant – current capacity is 1.25 mgd of which 1.0 mgd is reserved to LDA.

**INFLOW AND INFILTRATION (I&I) REDUCTION AT LORING COMMERCE CENTRE.** Reduction of the I&I of ground and surface water in the Limestone and Loring wastewater collection systems is an essential part of the GLWTF project. With the combined facilities, approximately 70 to 75% of the wastewater coming into the treatment plant will be I&I from Loring. The significant level of I&I means that, until the I&I is reduced, the plant will operate near its licensed capacity of 1.25 million gallons per day, placing constraints on economic growth particularly with industries that use and discharge any significant quantity of water. The estimated cost to reduce Loring's I & I by 80% is \$5 million. Reduction of I&I will result in additional capacity for new rate-paying wastewater customers including industrial users such as the Loring Bioenergy co-generation energy plant. A portion of the I&I work at Loring was completed in-house. A second phase, which will replace the collection system serving Loring's residential area is to be completed by 2010. The \$ 2,150,000 project was funded by a \$960,000 grant and a \$330,000 loan from Rural Development (\$1,290,000 total from Rural Development); and a \$405,280 grant and a \$454,720 loan from the American Reinvestment & Recovery Act (\$860,00 total from the Recovery Act) through the Maine Department of Environmental Protection and the Maine Municipal Bond Bank.

**GREATER LIMESTONE WASTEWATER TREATMENT BOARD.** LD 275 entitled "An Act to Amend the Charter of the Limestone Water and Sewer District" created the GLWTF with an expanded board of trustees to include, the three existing elected members of the LWSD, a member designated by the Limestone Board of Selectpeople, and a member designated by the Loring Development Authority Board of Trustees. The five-member board considers and votes on matters related to the operation and maintenance of the treatment plant. The LDA and the town of Limestone remain independently responsible for their collection and transmission systems, and for rates charged to their respective customers. The Limestone Water & Sewer District User Agreement was signed on December 19th in the LDA office. Representatives from LDA, Limestone, MDEP and USDA commemorated the milestone event.

**AIR FORCE MOA AND WATER SYSTEM UPGRADES COMPLETED.** After an extended period of negotiation, the LDA and Air Force signed a Memorandum of Agreement, which included an award of \$1.5 million for future upgrades to the water treatment plant and distribution system. The Air Force also completed the first phase of the treatment plant upgrades. Options for further upgrades including restoring the plant to its full design capacity output of 2.3 million gallons per day are being considered. Also being considered is the replacement of various equipment and the installation of new monitoring and communications equipment for automated coordination of activities at the treatment plant and the booster station.

**TELFORD/SAIC.** Telford Aviation and SAIC (Science Applications International Corporation) have developed the SKYBUS lighter-than-air unmanned aerial vehicles (UAV). Two SKYBUS airships have been built, the SKYBUS 30K, with a 30,000 cubic foot volume, and the SKYBUS 80K, with an 80,000 cubic foot volume. The SKYBUS 80K is in the initial phases of testing at Loring. The LDA is hopeful that the SKYBUS platform will meet the required performance specifications and that the program will evolve into a manufacturing program. The UAV project holds potential for collaboration with the University of Maine (UM). The UM engineering school has done work on chemical sensors, which is a type of sensor that could be mounted on UAVs. The project would also create a demand for information technology professionals and aeronautical

engineers. Telford announced a new unmanned aircraft project involving an unmanned glider, to be carried out at Loring.

There is a significant potential role in the UAV project for the LDA, which would be to issue COA's (certificates of authorization), permitting the flight testing of unmanned aircraft. At this time companies interested in testing UAVs at Loring need to go through the very lengthy FAA experimental certification process. If LDA, in partnership with a government entity that is capable of evaluating the airworthiness of UAVs, could issue COAs, the FAA certification process would not be necessary. It would be an attractive asset for the UAV industry.

**MAINE NATIONAL GUARD CONSTRUCTION PROJECT.** The Maine National Guard is moving forward with its proposal to lease a 27-acre parcel of land at Loring, where it intends to construct a 10,000 square foot controlled humidity storage facility. This is the first phase of a potentially larger project which could eventually create ten to twenty full-time jobs while assisting the Maine Guard in realizing its mission in the defense of our country. Future development may support a maintenance shop and potentially an armory/readiness center. Now configured as an engineering unit, the local unit, when possible would accommodate requests for assistance with various earthwork or other engineering projects which are consistent with their mission and resources.

**AMERICAN SALMON COMPANY.** American Salmon is working to reestablish salmon farming in the United States using new technology that will allow the salmon to be grown indoors in fresh water. The company's plan is to initially produce 2,000 tons of salmon per year at Loring for distribution throughout the northeast. The operation would include raising, processing, packaging and transporting the fish and would employ approximately 25 people, including veterinarians and technicians. American Salmon sees a major opportunity emerging over the next few years for the growth of farm-raised salmon in the US markets. Recent technological advances have enhanced the economic feasibility of land-based salmon production while minimizing environmental impacts. American Salmon is working with the Conservation Fund – the project will be environmentally friendly. Economic advantages of locating at Loring include the availability of water, land, a workforce and veterinarians who are trained in aquaculture.

**LORING BIOENERGY (LBE).** The LBE project, importing natural gas to Loring via the Loring-Searsport pipeline and using gas, diesel and biodiesel to produce 55MW of electricity, could help stabilize the supply of wind energy generated in the county. The cogeneration plant proposed by LBE is not yet underway, and although significant progress has been made on several key milestones, other challenges remain including transmission constraints. The recently shelved Maine Power Connection project would have helped to provide access to markets for LBE's excess power. The LBE project is a cogeneration project – in addition to electricity the project would provide industrial steam to Loring businesses for industrial processing and heat, making Loring much more attractive as an industrial park.

**MING INTERNATIONAL ENERGY GROUP LIMITED.** LDA hosted representatives of Ming International Energy Group Ltd. (Ming) from Beijing, China and JAC Group, LLC (JAC Group), a US-based company with a large stake in Ming. While at Loring, the delegation also met with local economic development, education, and community leaders and were particularly interested in the wind technology program offered at Northern Maine

Community College. Ming designs and manufactures state-of-the-art equipment for hydropower stations, transformer substations and wind power generation plants. The company also acts as an EPC (engineering, procurement and construction) contractor on large energy projects in various countries. Ming is interested in setting up manufacturing operations at Loring to better serve its customers in North and South America. JAC Group proposed the establishment of a manufacturing facility and an EPC business unit at Loring to design and supply construction services in connection with energy generation projects. A manufacturing and EPC presence at Loring would enable JAC Group/Ming to supply the growing demand for wind and mini-hydro generation equipment and EPC services in North and South America including Maine and New Brunswick, Canada where a variety of energy projects have been proposed. The JAC Group project has the potential to create hundreds of new manufacturing jobs at Loring while furthering the wind energy industry in northern Maine.

**MAINE RENEWABLE ENERGY CONSORTIUM (MREC).** LDA adopted a resolution supporting the efforts of MREC. The company proposes to commercialize bio-butanol processing in Maine. MREC will seek grant funding and asked LDA to indicate its support for the project. Butanol has certain properties that make it a good blending component for liquid fuels including gasoline, diesel, and kerosene. The proprietary process would enable butanol to be produced at a price competitive with traditional transportation fuels. If successful in demonstrating its technology and its ability to commercialize the process, the next step would be to construct commercial scale plants in two to three years, with the first plant to be located at Loring. Loring's infrastructure, including roads, railroads, the Searsport pipeline corridor, electricity and water/wastewater services, make it an ideal location. Projected local benefits include an investment of up to \$100 million, 100 new jobs, a demand for cash crops in the county and the production of 50 million gallons of bio-fuel annually. MREC will seek grant funding and has asked LDA to indicate its support for the proposed project.

**SITEL.** Repair work at the Sitel building completed this year includes the installation of a new generator, a new roof and several other exterior and interior upgrades. LDA secured funding from the Northern Maine Development Commission for the upgrades. A \$200,000 loan allowed for the installation of new roof membrane and a line of credit for up to \$500,000 will be used to fund tenant improvements such as carpets, workstations, lighting, and wall coverings. The tenant will repay the outstanding balance of the line of credit over the term of the lease. Since 1998, Sitel has employed about 220 to 250 people, providing them with important benefits such as health insurance. Many Sitel employees are licensed as life and disability and property and casualty agents by the State's Bureau of Insurance.

**COMPOSTING FACILITIES PROPOSAL –PINELAND FARMS NATURAL MEATS.** Pineland Farms Natural Meats, Inc. operates a beef cattle feedlot in Fort Fairfield about eight miles from Loring. The LDA provided space at the north end of the nosedock area for Pineland to conduct composting of waste material. This composting operation has been carried out very professionally and successfully. Observations are that no odor is noticeable except in the immediate vicinity of the compost. A trial composting operation inside a large hangar during the winter months met with limited success; however, outdoor composting will continue as weather permits.



**AROOSTOOK BAND OF MICMACS.** Property at Loring reserved for the Aroostook Band of Micmacs (ABM) since the closure of the base was transferred this year from the Air Force to the Bureau of Indian Affairs in trust for ABM. LDA and ABM have since continued discussions regarding collaborating on economic development opportunities at Loring, considering how the parties may achieve their common goals.

**LAMB WESTON VISIT.** LDA met with Lamb Weston representatives again this year. Lamb Weston, a division of Con Agra, once held an option on a 165 acre site at Loring for the potential construction of a potato processing plant. That option was allowed to lapse due to market conditions, but the company maintains an interest in establishing a presence in our area; it still has a need for an east coast facility.

**JOB CORPS DATA CENTER LEASE RENEWAL.** The U.S. Department of Labor renewed its lease for a 7,835 square foot building where it has operated the National Job Corps Data Center since 2002. Loring was selected as the location for a backup data center after a nationwide search for facilities. The LDA was able to provide a building perfectly suited for the task, co-located with an existing Job Corps center, with more-than-adequate telecommunications capacity and bandwidth availability. The Data Center employs about fifteen people in computer technology and customer service functions.

**TRANSPORTATION INFRASTRUCTURE.** LDA continues its effort to secure funding for upgrading the 26 miles of roadways at Loring. The unusual legal status of Loring roadways makes them ineligible for any of the traditional assistance available for state, county or municipal roads, although the roads support a very significant amount of commerce including access to over 1,400 jobs. Legislation submitted by Representative Bernard Ayotte proposed to allow LDA to participate in the Department of Transportation's Urban Rural Initiative Program (URIP) for municipalities, which would provide LDA with about \$30,000 per year for roadway maintenance. At a work session for the bill, an argument was made that if LDA were allowed to participate in the program, it would not open the door for other entities such as university campuses or state parks to participate because LDA is unlike other entities in that it also functions as a municipality. The bill was ultimately defeated, however the process did established a concern for Loring roads as public assets that support many jobs and a substantial tax base for the state. If the roads at Loring were transferred to the town of Limestone, they would be eligible for URIP and other programs, but the number of roads the town is responsible for is already increasing by 50% and it would be difficult for a small town to absorb any more. We will continue to seek other solutions possibly a transportation bond.

**REESTABLISHING RAIL SERVICE.** LDA continues to advocate for reestablishing rail service at Loring. Developing an energy cluster at Loring would greatly enhance development efforts throughout the region; however, the absence of rail service at Loring is problematic – rail service is an essential component of energy cluster development and industrial manufacturing. Upgrading existing rail lines leading to Loring and constructing two one-mile sidings to serve Loring's industrial sites would allow for the import of raw product for bio-fuel production and the export of finished products. Rail service and readily available sources of energy would make Loring attractive to other industrial manufacturers, thus supporting new job creation. Industrial manufacturing prospects cite reliable and affordable sources of energy and rail service as necessities for their operations.

**DEMOLITION OF SUBSTANDARD BUILDINGS.** The LDA obtained several demolition grants earlier in the base redevelopment process which served to remove substandard and vacant housing and commercial buildings. These demolition projects have created open space for future development and have prevented a potential blighted condition from becoming a deterrent to successful redevelopment of the property. About five major and a few minor commercial buildings remain to be demolished. Their removal will greatly enhance the appearance and utility of the remainder of the property, making our core commercial areas attractive for new construction and helping to retain our existing employers. LDA will continue to seek funding to allow for the demolition projects to be completed.

**LORING APPLIED TECHNOLOGY CENTER (LATC).** LATC is part of the Applied Technology Center System that was established by the Maine Legislature in 2000. Although it is no longer feasible for LDA to dedicate staff and other resources exclusively for the benefit of the LATC, the building continues to support multiple small business tenants. LATC as well as other Loring Commerce Centre tenants have access to LDA staff members for business development and marketing assistance. Space in the LATC is also used to host meetings and various functions such as Efficiency Maine's Building Operator Certification class.

**EMERGENCY SERVICES.** LDA and the Town of Limestone renewed the agreement for police protection to be provided by the Limestone Police Department. Fire protection services for Loring are provided for through an agreement with the towns of Limestone and Fort Fairfield.

**REAPPOINTMENT OF CODES ENFORCEMENT OFFICER (CEO)** LDA worked with the City of Caribou to obtain Codes Enforcement services from the city's CEO last year. The arrangement worked out very well and a new twelve-month contract was approved. Having access to a knowledgeable and experienced CEO has proven to be a tremendous asset for LDA.

**PUBLIC OUTREACH.** LDA staff conducts tours of Loring for various community, state and federal visitors. LDA President & CEO, Carl W. Flora, participated in a Time Warner project to showcase the county and was recently interviewed by the Boston Channel, Boston's Channel-5, who was doing a piece on Maine Military Authority and Loring Commerce Centre.

**PROSPECTS.** The LDA regularly fields numerous business inquiries, many of which have led to active prospects representing potential new activity in various sectors including aviation, homeland security, data management, manufacturing, energy, telecommunications, additional residential developments and other sectors.

**LORING IMPACT.** Current Loring employment is approximately 1400; gross payroll for 12 months ended June 2009 is approximately \$50 million. Nearly all goods and services produced at Loring are sold to out-of-state buyers, maximizing the economic impact within the State of Maine. Total economic impact is estimated at over \$150,000,000.

Loring tenants occupy over 1.7 million square feet of facility space. Additional facility space and hundreds of acres of open land remains available for industrial, aviation,

commercial and other types of development, making Loring a valuable asset for continuing economic development efforts in Maine.

New leases, lease renewals and license agreements with are outlined in "Paragraph 1C: Property Transactions During Fiscal year 2009" and all Loring tenants are outlined in Addendum-4 at the end of this report.

## **MARKETING EFFORTS**

**PROMOTING LORING.** The LDA is continuing a limited advertising program. We completed a series of advertisements in MaineBiz magazine and purchased advertising in the Bangor Daily News and the Regional Tourism Guide. Ads are created in-house and provided electronically to those advertisers.

LDA is currently developing a brief PowerPoint presentation in-house, highlighting Loring's geographic advantage for providing alternative energy options to the eastern part of the nation where population densities are greatest. The PowerPoint will enhance presentations to partnership organizations, our delegation/leadership and prospective clients.

Area real estate agencies were sent information on the most marketable buildings at Loring as well as a commission rate schedule. Some of the agencies have been leveraging their opportunity by 'shopping' properties to potential buyers, which indicates a new awareness of the potential economic benefit for them in promoting commercial property at Loring.

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.

**PUBLIC OUTREACH.** In addition to taking advantage of speaking engagements and leading tours of Loring, LDA President & CEO participated in a Leadership Maine tour that included filming a piece for a Time Warner Cable production on Aroostook County, and a piece to air on the Boston Channel.

## **OTHER ACTIVITIES & EFFORTS**

**MOBILIZE MAINE ASSET MAPPING PROJECT.** LDA is collaborating with DECD and the Northern Maine Development Commission (NMDC) on the Mobilize Maine effort – a proactive, assets based, grassroots approach to economic development. The effort includes a state-wide community asset mapping and management initiative. Mobilize Maine will help define the industry sectors and regional clusters that will have the most economic benefit for individual regions and the state.

**GOMaine INITIATIVE.** The LDA is continuing its work with the GoMaine commuter outreach initiative at Loring with great success. Aroostook Regional Transportation

Systems (ARTS), Maine DOT and GO MAINE are collaborating to bring additional bus service to the region. ARTS has acquired a 24-passenger bus intended for service starting in August 2009 for commuters between Presque Isle, Caribou and the Loring Commerce Centre. Already in place is a bus run from Presque Isle to DFAS that operates twice daily and two vanpools from Van Buren to DFAS. A third vanpool from Ashland and Washburn to DFAS is expected to begin soon.

**LAND SPEED RACE.** In late August 2008 the LDA hosted the Loring Timing Association's first test run for land speed racing on the Loring airfield. Land speed racing is the effort of seeing how fast a vehicle can go on a flat straight-away, one vehicle at a time. The only other venue in the Eastern part of the country for this type of activity is in North Carolina. The LDA provided technical documentation for the airfield and staff assistance, as well as maps and photos prior to the event, which was deemed successful. The event also serves to showcase Loring to racing participants who travelled here from locations across the U.S. The Loring Timing Association is planning a 2009 event for several days in early August.

**JOB CORPS MUNICIPAL SERVICE FEE.** LDA, with assistance from our Congressional Delegation, continues to work with Job Corps to develop a means by which it can pay for specialized fire services. Last year, Job Corps indicated that the special services fee issue would be resolved and a contract was developed. However, Job Corps has since stated that it still does not have the legal authority to pay for the special fire protection services secured by LDA. Job Corps expects LDA will continue to provide the services and has offered to meet with LDA to continue discussions.

**JOB CORPS CENTER CONTRACT.** The new contract for operations of the Loring Job Corps Center (LJCC) was awarded to Career Systems Development Corporation (CSD). CSD operates the Penobscot Job Corps Center and eight more centers throughout the nation. The company has been working with Job Corps for 45 years. LDA will work to support CSD and the new Center Director at Loring. Programs offered at LJCC will be determined by the demands of the labor market.

**MADAWASKA DAM FISHWAY.** LDA continues to work with its partners to secure funding to restore the fishladder on the Madawaska Dam. The project was designed and put out to bid last summer, however, a setback with funding meant that the project would not be completed as expected. The fishladder at the dam is designed to allow fish to move past the dam to the upstream habitat, but it has deteriorated and no longer functions properly. LDA intends to complete this important project as soon as possible.

**LIMESTONE 2020 VISION.** With Loring located in the Town of Limestone, the town's economy is of importance to LDA. LDA staff continues to participate in the town's economic development effort – Limestone 2020 Vision project. Like many small communities in Maine, Limestone has seen a gradual decline in its downtown. Recognizing the many problems resulting from this downward trend, the citizens of Limestone worked to develop a long-term vision for their community and obtained the services of an economic and community development consultant to identify actions that the town could take to promote downtown activity. The consultant developed a proposal focused on community development and increasing "quality of place". It did not include direct job creation efforts, since the LDA works to attract jobs to Limestone. A farmers market, folk school and a new community center were proposed as means to generate the

critical mass needed to support a vibrant downtown. Construction of a 45-foot wooden moose was also proposed at the site of the community center as an attraction and a community spirit builder. LDA supports these efforts – an attractive and lively community is a strong magnet for new businesses activity; it would make Loring Commerce Centre more attractive as a business location.

**ISSUE WITH PROPERTY TAX VALUATIONS.** LDA researched property tax valuation in Maine in support of two Loring-based real estate businesses. Both properties in question were purchased as investments with the income-producing potential of the properties and expectations about return on investment being the prime drivers for the buyers' interest. In both cases, the valuations were more than twice the actual purchase price of the properties. In one case, the property owner has placed the property up for sale and in the other case the owner has asked the LDA to investigate further. The concern is that the tax assessment process does not consider the income approach to valuation as would be the case with a traditional fair market value appraisal.

**AUDIT REPORT.** Since inception LDA's annual audit reports have contained an unqualified opinion with respect to the LDA's financial statements and have not noted any deficiencies in the internal control structure. LDA's audit reports are incorporated within the State's audited financial statements. Adherence to sound financial controls is repeatedly cited by the auditors with approval.

**KEEPING INFORMED.** When relevant to the LDA's activities, LDA staff members actively participate in community and state economic development efforts, serving on various boards, attending workshops, development forums and trainings, keeping abreast of programs and other opportunities available to businesses.

### **LDA FUNDING**

**STATE OF MAINE.** In July 2008, the LDA received an appropriation from the State of Maine for \$227,890, of which \$5,000 was returned to the State, per request of the Governor in an effort to curtail state spending, resulting in a final appropriation amount of \$222,890. This funding continues to be used for match funding for grants and for marketing and operating expenses. The State did not provide financial support for operating expenses at the Loring Applied Technology Center through fiscal year 2009.

**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 2009 totaled \$966,935. These funds are used to fund municipal service costs, grant match costs and services.

**PROPERTY SALE, LEASE, MUNICIPAL SERVICES AND MISCELLANEOUS REVENUES.** During fiscal year 2009, the LDA received revenues from its tenants, from the sale of personal property and from miscellaneous revenues in the amount of \$1,525,579.

**KATAHDIN TRUST COMPANY.** The LDA secured a \$1,000,000 line of credit from Katahdin Trust Company to support development efforts. A \$630,000 debt was retired in July 2009.

**NORTHERN MAINE DEVELOPMENT COMMISSION.** The LDA secured a \$200,000 loan at a rate of interest of 3%, amortized over 15 years with a balloon payment at the end of 5 years. The funding was used to provide a new roof membrane on Building 8700, which houses Sitel. The debt will be retired in May 2013. LDA also established a line of credit for up to \$500,000 for a period of five years at 5% interest. The line of credit will fund tenant improvements in the Sitel building. The tenant repays the outstanding balance of the line of credit over the term of the lease. This line of credit has not been drawn down.

**USDA / RURAL DEVELOPMENT (RD).** LDA secured a \$960,000 grant and a \$330,000 loan from RD for upgrading a portion of its wastewater collection system.

**AMERICAN REINVESTMENT AND RECOVERY ACT (ARRA).** LDA secured a \$405,280 grant and a \$454,720 loan from ARRA, which will also be used for upgrading a portion of Loring's wastewater collection system.

**PARAGRAPH 1B: AUDITED FINANCIAL STATEMENTS FOR FISCAL  
YEAR 2009**

The attached Independent Auditor's Report was recommended for approval by the Loring Development Authority Finance Committee on October 9, 2009.

# *Financial Statements*

LORING DEVELOPMENT AUTHORITY OF MAINE

as of

JUNE 30, 2009

together with

INDEPENDENT AUDITORS' REPORT



LORING DEVELOPMENT AUTHORITY OF MAINE

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT

PAGE

REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

I-VI

BASIC FINANCIAL STATEMENTS:

EXHIBIT

STATEMENT OF NET ASSETS

A

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

B

STATEMENTS OF CASH FLOWS

C

NOTES TO THE FINANCIAL STATEMENTS

SCHEDULE

STATEMENT OF ACTIVITIES

1

PAGE

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*

1-2

# FELCH & COMPANY, LLC

*Certified Public Accountants*

P.O. BOX 906  
CARIBOU, MAINE 04736  
(207) 498-3176  
FAX (207) 498-6278  
E-MAIL: CPA@FELCHCPA.COM

## 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, 2009 and June 30, 2008, 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.

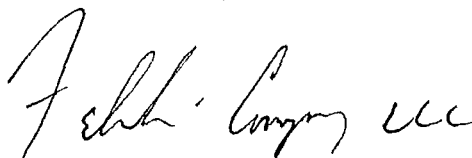
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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, 2009, 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 September 11, 2009 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.

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.



September 11, 2009

Loring Development Authority of Maine

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009

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, 2009. 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 \$6,693,100. The decrease was due in part to depreciation expense of which \$606,121 was for assets donated by the U.S. Air Force, while \$118,503 was related to purchased assets. The LDA also transferred a sewer treatment facility with a book value of \$5,851,046 to the Limestone Water and Sewer District in exchange for a commitment for long-term treatment, and a capacity reservation. (More information available on Note 14 of the financial statement.)
- Total revenues of \$2,771,245 are comprised of 48% from lease revenue, 45% from state assistance, 1% from federal grants and 6% from other LDA operations.
- Net jobs have decreased from 1574 to 1399. The current recession has contributed to the loss or decrease of contracts for several of the major Loring Commerce Centre tenants.
- 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 \$2,017,059 in fiscal year 2009.
- LDA received \$1.5 million together with plant improvements worth \$600,000 as part of a negotiated arrangement with the USAF to fulfill its obligations to provide potable water at Loring. The in-kind work of the United States Air Force and additional investment of \$1.5 million will enhance the value of the water infrastructure by an amount to be estimated upon completion of the improvements.

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

Statements of Revenues, Expenses and Changes in Net Assets

Statements of Cash Flows

Loring Development Authority of Maine

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009

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 \$61,399,442 as compared to a capital asset balance of \$66,666,087 for the prior year ending June 30, 2008.

Table 1 provides condensed data of the Statement of Net Assets for the fiscal years ended 2009 and 2008.

**Table 1**

**Net Assets**

	<u>2009</u>	<u>2008</u>
Current assets	\$ 2,752,450	\$ 1,137,043
Net capital assets	61,399,442	66,666,087
Notes receivable	1,053,813	1,070,170
Other assets	<u>97,087</u>	<u>880,971</u>
Total Assets	<u>65,302,792</u>	<u>69,754,271</u>
Current Liabilities	2,621,989	562,320
Long-term Liabilities	<u>181,952</u>	<u>-</u>
Total Liabilities	<u>2,803,941</u>	<u>562,320</u>
Total Net Assets	<u>\$62,498,851</u>	<u>\$69,191,951</u>

The Statements 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, 2009.

Loring Development Authority of Maine

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009

UNAUDITED

Table 2 shows the changes in net assets for the fiscal years 2009 and 2008.

**Table 2**

**Changes in Net Assets**

	<u>2009</u>	<u>2008</u>
Revenues:		
Program Revenues		
Federal and State Assistance	\$ 1,245,667	\$1,739,432
General Revenues		
Lease and Other	<u>1,458,618</u>	<u>1,557,234</u>
Total Operating Revenues	<u>2,704,285</u>	<u>3,296,666</u>
Operating Expenses:		
Salaries and Benefits	1,248,195	1,250,472
Travel	30,607	35,696
Contracted Services	395,662	261,887
Depreciation	724,624	829,665
Legal and Audit	69,355	47,201
Marketing	10,802	146,529
Supplies and Expenses	214,262	184,587
Maintenance	208,210	233,616
Utilities	572,736	628,658
Other General and Administrative	<u>138,846</u>	<u>208,900</u>
Total Operating Expenses	<u>3,613,299</u>	<u>3,827,211</u>
(Decrease) in Net Assets from Operations	<u>(909,014)</u>	<u>(530,545)</u>
Other Revenues		
Other	<u>66,960</u>	<u>53,614</u>
(Loss) before transfer of sewer plant	(842,054)	(476,931)
(Loss) from transfer of sewer plant	<u>(5,851,046)</u>	<u>-</u>
(Decrease) in Net Assets	<u>\$(6,693,100)</u>	<u>\$(476,931)</u>

The Statements 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.

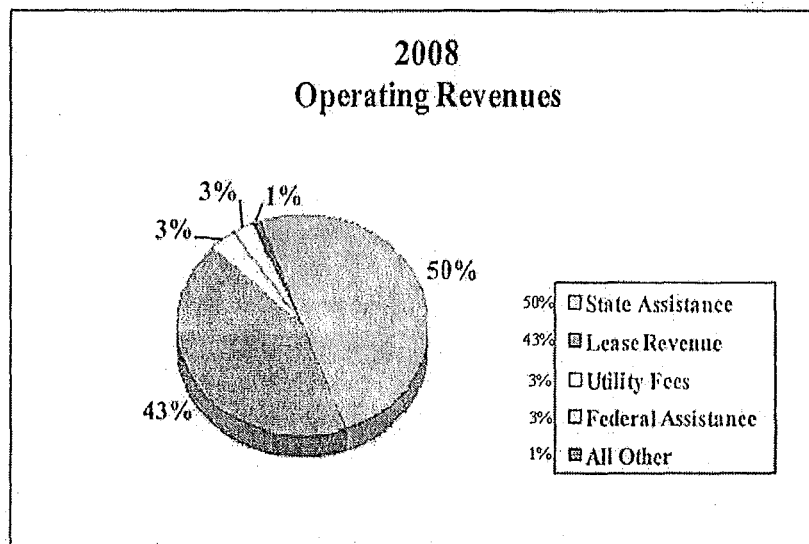
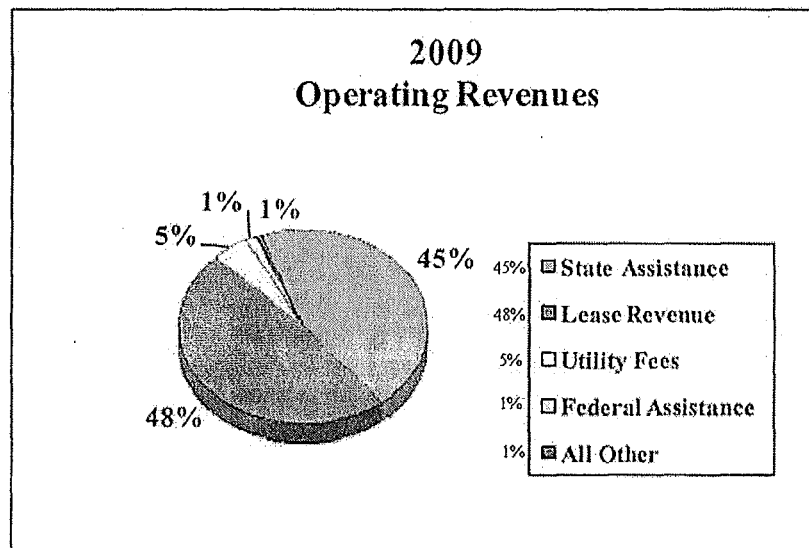
Loring Development Authority of Maine

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009

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 \$2,771,245 in 2009 and \$3,350,280 in 2008. Operating revenues for the two years as represented in the tables below totaled \$2,704,285 in 2009 and \$3,296,666 in 2008. Grants and assistance amount to 46% and 53% of the LDA's operating revenues for the last two years.

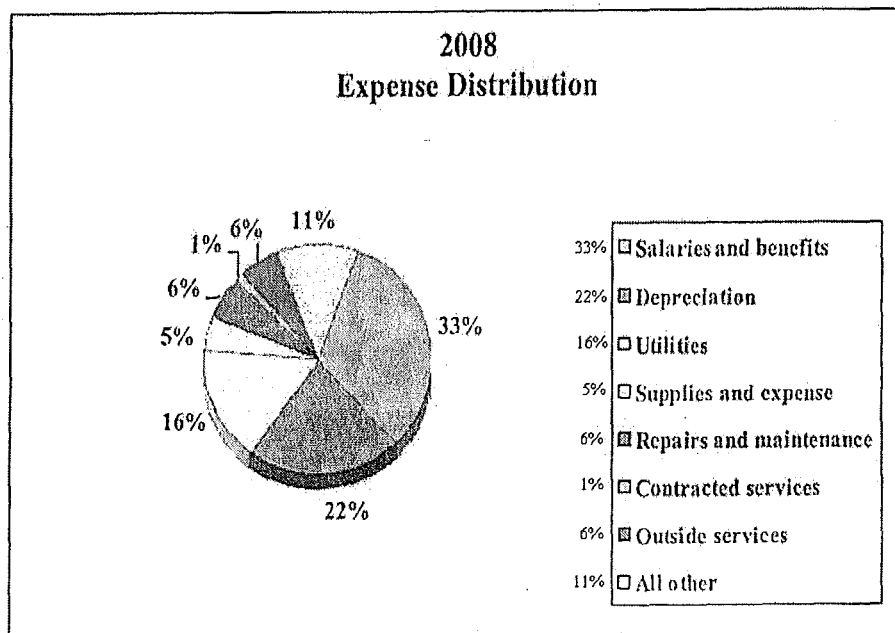
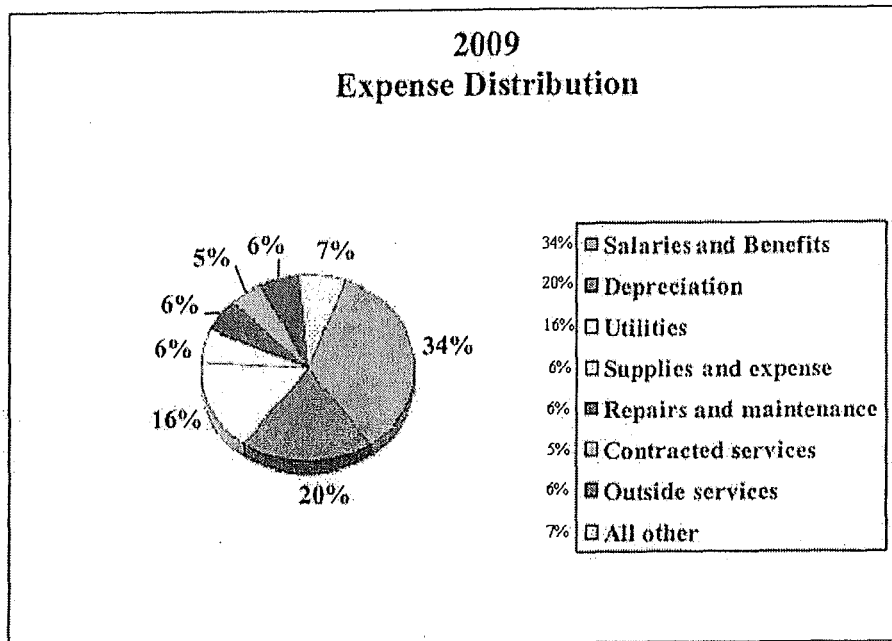


Loring Development Authority of Maine

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009

UNAUDITED

Operating expenses amounted to \$3,613,299 in 2009 and \$3,827,211 in 2008. The following charts reflect the expenditures for the fiscal years ended June 30, 2009 and 2008.



Loring Development Authority of Maine

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009

UNAUDITED

Capital Assets

At the end of fiscal year 2009, the Loring Development Authority had invested or received land, buildings, improvements, structures and facilities of \$69,310,644. Net of depreciation, these assets were recorded at \$61,399,442. Table 3 shows capital assets, net of accumulated depreciation.

Table 3

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

	<u>2009</u>	<u>2008</u>
Land	\$10,167,000	\$10,167,000
Buildings	24,561,486	25,066,004
Equipment and Improvements	1,765,350	672,006
Special Use Structures	3,810,023	9,665,494
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>\$61,399,442</u>	<u>\$66,666,087</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 \$630,000 outstanding as of June 30, 2009. This line was retired in July 2009.

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. As listed in the financial highlights, the LDA has also secured resources from the Air Force to upgrade the water treatment plant and water distribution infrastructure and has consolidated waste water systems with a local sewer treatment district. 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, 2009 AND JUNE 30, 2008

	<u>2009</u>	<u>2008</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and temporary investments (Note 3)	\$ 1,607,555	\$ 166,603
Due from State of Maine	966,935	748,374
Accounts receivable, net (Note 11)	72,174	115,263
Current portion of notes receivable (Note 12)	-	30,000
Other current assets	<u>105,786</u>	<u>76,803</u>
Total current assets	<u>2,752,450</u>	<u>1,137,043</u>
NON-CURRENT ASSETS		
Capital assets (Note 13)	69,310,644	75,592,593
Less allowance for depreciation	<u>(7,911,202)</u>	<u>(8,926,506)</u>
Total noncurrent assets	<u>61,399,442</u>	<u>66,666,087</u>
OTHER ASSETS		
Construction-in-progress	97,087	880,971
Notes receivable, net of current portion (Note 12)	<u>1,053,813</u>	<u>1,070,170</u>
Total other assets	<u>1,150,900</u>	<u>1,951,141</u>
Total assets	<u>65,302,792</u>	<u>69,754,271</u>
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts payable	202,672	127,487
Accrued expenses	139,899	108,468
Deferred revenue	39,075	59,152
Advances from federal government	1,491,208	11,566
Advances other	1,600	11,618
Advances from State of Maine	106,598	119,029
Line of credit	630,000	125,000
Current portion of long-term debt	<u>10,937</u>	<u>-</u>
Total current liabilities	<u>2,621,989</u>	<u>562,320</u>
LONG-TERM DEBT (Note 15)	192,889	-
Less current portion	<u>(10,937)</u>	<u>-</u>
Total long-term debt	<u>181,952</u>	<u>-</u>
<u>NET ASSETS</u>		
Invested in capital assets (Note 13)	61,206,553	66,666,087
UNRESTRICTED	<u>1,292,298</u>	<u>2,525,864</u>
Total net assets	<u>\$ 62,498,851</u>	<u>\$ 69,191,951</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, 2009 AND JUNE 30, 2008

	<u>2009</u>	<u>2008</u>
Operating revenues		
Federal assistance (Note 9)	\$ 36,212	\$ 90,933
State assistance (Note 9)	1,209,455	1,648,499
Lease revenue	1,309,209	1,410,528
Water and sewer fees	128,193	110,809
Other	<u>21,216</u>	<u>35,897</u>
Total operating revenues	<u>2,704,285</u>	<u>3,296,666</u>
Operating expenses		
Salaries and benefits	1,248,194	1,250,472
Depreciation	724,624	829,665
Utilities	578,554	628,658
Supplies and expense	212,359	184,587
Repairs and maintenance	208,210	233,616
Contracted services	172,020	42,974
Outside services - Fire and Security	219,895	218,913
Legal and audit	69,355	47,201
Insurance	30,833	26,038
Communications	23,112	27,917
Travel	30,607	35,696
Interest expense	12,990	2,120
Marketing	10,802	10,529
Projects expense	33,900	122,837
Commissions	-	136,000
Uncollectible accounts	<u>37,844</u>	<u>29,988</u>
Total operating expenses	<u>3,613,299</u>	<u>3,827,211</u>
Operating (loss)	<u>(909,014)</u>	<u>(530,545)</u>
Nonoperating revenues (expenses)		
Gain on sales of surplus property	20,519	6,062
Gain (loss) on sale of land	5,000	(31,354)
Interest income	<u>41,441</u>	<u>78,906</u>
Total other financing sources	<u>66,960</u>	<u>53,614</u>
(Loss) before transfer of sewer plant (Note 14)	(842,054)	(476,931)
(Loss) on transfer of sewer plant (Note 14)	<u>(5,851,046)</u>	<u>-</u>
Change in net assets	(6,693,100)	(476,931)
TOTAL NET ASSETS - JULY 1, 2008	<u>69,191,951</u>	<u>69,668,882</u>
TOTAL NET ASSETS - JUNE 30, 2009	<u>\$ 62,498,851</u>	<u>\$ 69,191,951</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, 2009 AND JUNE 30, 2008

	<u>2009</u>	<u>2008</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 1,422,570	\$ 1,474,754
Cash received from government assistance	1,027,106	1,757,584
Cash received from other income	21,216	35,897
Cash payments for salaries and benefits	(1,275,490)	(1,250,472)
Cash payments for contract services	(332,071)	(261,887)
Cash payments for goods and services	<u>(1,165,637)</u>	<u>(1,478,906)</u>
Net cash provided by (used in) operating activities	<u>(302,306)</u>	<u>276,970</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Advances on line of credit, net of payments	505,000	75,000
Advances from other governments	1,457,193	(611,375)
Payments received on notes receivable	46,357	13,539
Proceeds from long-term debt	200,000	-
Payments on long-term debt	(7,111)	-
Interest income	<u>41,441</u>	<u>78,906</u>
Net cash provided by (used in) financing activities	<u>2,242,880</u>	<u>(443,930)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Payments for capital acquisitions and construction	(525,141)	(387,012)
Sale of property	<u>25,519</u>	<u>(25,292)</u>
Net cash (used in) capital and related financing activities	<u>(499,622)</u>	<u>(412,304)</u>
Net increase (decrease) in cash and cash equivalents	1,440,952	(579,264)
Cash and cash equivalents - July 1	<u>166,603</u>	<u>745,867</u>
Cash and cash equivalents - June 30	<u>\$ 1,607,555</u>	<u>\$ 166,603</u>
<b>Reconciliation of operating (loss) to net cash provided by (used in) operating activities:</b>		
Operating (loss)	\$ (909,014)	\$ (530,545)
Adjustments to reconcile operating (loss) to net cash provided by (used in) operating activities:		
Depreciation	724,624	829,665
Changes in assets and liabilities:		
An (increase) decrease in accounts receivable	43,089	(898)
An (increase) decrease in due from other governments	(218,561)	18,152
An (increase) in other current assets	(28,983)	(32,705)
An increase (decrease) in accounts payable	75,185	(19,667)
A (decrease) in deferred revenue	(20,077)	(15,697)
An increase in accrued expenses	<u>31,431</u>	<u>28,665</u>
Net cash provided by (used in) operating activities	<u>\$ (302,306)</u>	<u>\$ 276,970</u>

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

## LORING DEVELOPMENT AUTHORITY OF MAINE

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2009 AND JUNE 30, 2008

#### (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.

#### (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.

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
JUNE 30, 2009 AND JUNE 30, 2008

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Cash and Cash Equivalents

The LDA has defined cash and cash equivalents to include cash on hand, demand deposits, and cash with fiscal agent. Currently, the LDA treats all their cash balances as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

Defining Operating Revenues and Expenses

The LDA's proprietary funds distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses of the LDA consist of federal and state assistance for non-capital transactions as well as revenue derived from rental activities and the costs of providing rental property, including depreciation and excluding interest cost. All other revenues and expenses are reported as nonoperating.

(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, 2009 the Authority's deposits of \$1,610,840 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, 2009 is \$37,734.

(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. Employer contributions to the plan, at 5% of gross wages, totaled \$47,789 for the year ended June 30, 2009.

During 2008, the LDA initiated a 457(b) plan. Employees' contributions to the plan are discretionary, subject to the Internal Revenue Code limitations.

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
JUNE 30, 2009 AND JUNE 30, 2008

(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, 2009, future minimum lease payments are as follows:

<u>Fiscal Year</u> <u>Ending</u>	<u>Amount</u>
2010	\$1,147,265
2011	1,109,298
2012	954,207
2013	917,565
2014	758,066
Thereafter	<u>760,025</u>
	<u>\$5,646,426</u>

Included in the future minimum lease payments above are rental payments from the Maine Military Authority (MMA), another Authority established by the State of Maine.

The MMA has made a long-term commitment to lease the facilities. Because both the MMA and LDA are instrumentalities of the State, it is unclear whether the lease payment obligation is legally enforceable. The annual lease commitment of the Maine Military Authority is \$658,361 until at least 2016.

(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, 2009, a balance of \$370,000 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 \$222,900 for the fiscal year ending June 30, 2009. 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 \$966,935 for the fiscal year ending June 30, 2009.
- (C) 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, 2009 was \$12,431.
- (D) 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 2009, the Authority received \$15,855 and provided matching funds of \$12,972.

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
JUNE 30, 2009 AND JUNE 30, 2008

(10) CONCENTRATION OF RISK

Federal and State Funding

The LDA received approximately 46% of its operating revenue from federal and state funding for the year ended June 30, 2009. The ability to continue its operations is dependent on continued funding.

Accounts Receivable

For the year ended June 30, 2009, approximately 66% 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 \$99,164 for the year ending June 30, 2009.

(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 year ending June 30, 2008, LDA received interest only payments with the exception of \$11,250 principal payments from sales of real estate. For the year ending June 30, 2009, principal payments of \$42,587 were received. As of June 30, 2009 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 \$1,053,813. In management's opinion, the note will be collected in full.

(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 not in use are also 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

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
JUNE 30, 2009 AND JUNE 30, 2008

(13) CAPITAL ASSETS (Continued)

Capital asset activity for the fiscal year ended June 30, 2009 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>
<b><u>Capital Assets</u></b>				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Equipment and improvements	<u>913,293</u>	<u>1,309,025</u>	<u>118,417</u>	<u>2,103,901</u>
Totals at historical cost	<u>923,293</u>	<u>1,309,025</u>	<u>118,417</u>	<u>2,113,901</u>
<b><u>Less Accumulated Depreciation</u></b>				
Equipment and improvements	<u>330,287</u>	<u>118,503</u>	<u>21,241</u>	<u>427,549</u>
Total accumulated depreciation	<u>330,287</u>	<u>118,503</u>	<u>21,241</u>	<u>427,549</u>
Capital assets at historical cost, net	<u>\$ 593,006</u>	<u>\$1,190,522</u>	<u>\$ 97,176</u>	<u>\$ 1,686,352</u>

CAPITAL ASSETS ACQUIRED FROM AIR FORCE

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retire- ments/ Reclassi- fications</u>	<u>Ending Balance</u>
<b><u>Capital Assets</u></b>				
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>19,300,146</u>	<u>-</u>	<u>-</u>	<u>19,300,146</u>
Not in use	<u>5,412,593</u>	<u>-</u>	<u>-</u>	<u>5,412,593</u>
	<u>30,638,628</u>	<u>-</u>	<u>-</u>	<u>30,638,628</u>
Equipment				
In use	<u>136,500</u>	<u>-</u>	<u>-</u>	<u>136,500</u>
Not in use	<u>89,000</u>	<u>-</u>	<u>-</u>	<u>89,000</u>
	<u>225,500</u>	<u>-</u>	<u>-</u>	<u>225,500</u>
Special Use Structures				
Water plant and distribution	<u>5,080,033</u>	<u>-</u>	<u>-</u>	<u>5,080,033</u>
Sewer and waste water	<u>7,472,556</u>	<u>-</u>	<u>7,472,556</u>	<u>-</u>
Total Special Use Structures	<u>12,552,589</u>	<u>-</u>	<u>7,472,556</u>	<u>5,080,033</u>



## LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
JUNE 30, 2009 AND JUNE 30, 2008(13) CAPITAL ASSETS (Continued)CAPITAL ASSETS ACQUIRED FROM AIR FORCE (Continued)

	Beginning <u>Balance</u>	<u>Additions</u>	Retire- ments/ Reclassi- <u>fications</u>	Ending <u>Balance</u>
Other Facilities and Improvements				
Aviation facilities				
Runways	9,472,226	-	-	9,472,226
Structures	6,105,861	-	-	6,105,861
Fuel pipeline	<u>2,000,000</u>	-	-	<u>2,000,000</u>
Total Other Facilities	<u>17,578,087</u>	-	-	<u>17,578,087</u>
Roadways and accessories	<u>3,517,496</u>	-	-	<u>3,517,496</u>
Capital assets from United States Air Force	<u>74,669,300</u>	-	<u>7,472,556</u>	<u>67,196,744</u>
<b><u>Less Accumulated Depreciation</u></b>				
Buildings				
In use	1,362,641	118,518	-	1,481,159
Leased	<u>4,209,983</u>	<u>386,002</u>	-	<u>4,595,985</u>
	<u>5,572,624</u>	<u>504,520</u>	-	<u>6,077,144</u>
Equipment				
In use	<u>136,500</u>	-	-	<u>136,500</u>
Special Use Structures				
Water plant and distribution	1,168,409	101,601	-	1,270,010
Sewer and waste water	<u>1,718,686</u>	-	<u>1,718,686</u>	-
	<u>2,887,095</u>	<u>101,601</u>	<u>1,718,686</u>	<u>1,270,010</u>
Total accumulated depreciation	<u>8,596,219</u>	<u>606,121</u>	<u>1,718,686</u>	<u>7,483,654</u>
Capital assets acquired from Air Force, net	<u>66,073,081</u>	<u>(606,121)</u>	<u>5,753,870</u>	<u>59,713,090</u>
<b>TOTAL CAPITAL ASSETS</b>				
Capital assets	75,592,594	1,309,025	7,590,973	69,310,646
Less accumulated depreciation	<u>(8,926,507)</u>	<u>(724,624)</u>	<u>(1,739,927)</u>	<u>(7,911,204)</u>
Total net capital assets	<u>\$66,666,087</u>	<u>\$ 584,401</u>	<u>\$ 5,851,046</u>	<u>\$61,399,442</u>

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
JUNE 30, 2009 AND JUNE 30, 2008

(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. The LDA has since obtained this property in fee title.

During fiscal year 2005, the United State Air Force transferred to the LDA additional property consisting of a fuel pipeline and associated rights of way extending from Searsport, Maine to Limestone, Maine. The pipeline was not in service at June 30, 2009, 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 DFAS 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.*

(14) TRANSFER OF SEWER PLANT

During 2009, the Loring Development Authority entered into a long-term User Agreement for waste water treatment. The User Agreement will allow the Limestone Water and Sewer District (LWSD) to connect with the plant on the Loring Commerce Centre. Approximately \$11.45 million in public funding has been secured to construct pumping facilities in Limestone and a transmission line to the Loring plant, perform significant upgrades to the Loring plant, and eliminate "inflow and infiltration" ("I & I") at the Loring Commerce Centre.

The major terms and conditions of the User Agreement governing the consolidation of the two systems include the following:

- The Limestone Water and Sewer District (the District) becomes the owner and operator of the plant. The Loring Development Authority will become a wholesale customer of the plant and continue to operate Loring's waste water collection system including charging user fees to business and residential customers.
- The District consists of 3 elected officials who manage the Limestone water system, the waste water collection system, and existing treatment system. A new Wastewater Treatment Facility Board will manage the Loring plant. The new board will consist of the District's elected representatives, a member appointed by the LDA, and a member appointed by the Town of Limestone selectmen.
- The District will be obligated to repay about \$1.24 million of new debt. As part of this agreement, the Loring Development Authority has committed to pay 80% of the debt service costs and the plant's fixed operating costs and will be guaranteed an allocation of 80% of the licensed capacity of the plant.
- The User Agreement is effectively permanent and may be terminated only by mutual consent.

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
JUNE 30, 2009 AND JUNE 30, 2008

(15) LONG-TERM DEBT

As of June 30, 2009, long-term debt consisted of a three percent note payable in monthly installments of \$1,381 principal and interest with a balloon payment due May 2013. This note is secured by certain assets.

As of June 30, 2009, long-term debt matures as follows:

<u>Fiscal Year Ending</u>	<u>Amount</u>
2010 (included in current liabilities)	\$ 10,937
2011	11,269
2012	11,612
2013	<u>159,071</u>
	<u>\$192,889</u>

## LORING DEVELOPMENT AUTHORITY OF MAINE

SCHEDULE 1

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2009

<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>\$ (3,613,299)</u>	<u>\$ 1,437,403</u>	<u>\$ 43,401</u>	<u>\$ 12,431</u>	<u>\$ (2,120,064)</u>
General revenues (expenses):					
State appropriations					222,900
Loring Job Incremental Financing					966,934
Interest income					41,441
Sales of surplus property					25,519
Other					<u>21,216</u>
					<u>1,278,010</u>
Change in net assets before transfer					(842,054)
Transfer of sewer plant					<u>(5,851,046)</u>
Change in net assets after transfer					(6,693,100)
Net assets, July 1, 2008					<u>69,191,951</u>
Net assets, June 30, 2009					<u>\$ 62,498,851</u>

# FELCH & COMPANY, LLC

*Certified Public Accountants*

P.O. BOX 906  
CARIBOU, MAINE 04736  
(207) 498-3176  
FAX (207) 498-6278  
E-MAIL: CPA@FELCHCPA.COM

## 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, 2009, which collectively comprise the LDA's basic financial statements and have issued our report thereon dated September 11, 2009. 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.

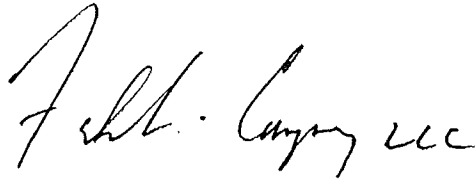
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies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

### 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*.

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

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.

A handwritten signature in black ink, appearing to read "J. H. Caring". The signature is written in a cursive style with a large initial "J" and "H".

September 11, 2009

## **PARAGRAPH 1C: PROPERTY TRANSACTIONS DURING FISCAL YEAR 2009**

### **PROPERTY TRANSFERS**

**GREATER LIMESTONE REGIONAL WASTEWATER PROJECT.** The wastewater treatment facility, including several buildings and 17 acres of property were transferred by deed to the Limestone Water and Sewer District (LWSD) at the end of February 2009. LWSD subsequently assumed responsibility for wastewater treatment operations for the combined Limestone/Loring facility.

Transfer of the wastewater facilities to LWSD included the transfer of LDA's rights to the outfall pipe right-of-way along West Gate Road and State Highway 89 to the LWSD by way of an Assignment of Permissive Rights.

The property transfer also included, a property swap between Golden Glow Farms (GGF) and LDA, which permitted the legal boundaries of the wastewater treatment plant parcel to be adjusted and reestablished in conformance with traditional boundaries. LDA transferred to GGF, by deed, 0.95 acres of land and GGF transferred to LDA, by deed, a 0.63 acre parcel of property.

### **LEASES**

**PATTISON SIGNS.** Pattison Signs, Inc., N.E., a large commercial sign manufacturer, has temporarily shutdown its operation at Loring. The company left its equipment in place and extended its lease for one year with plans to resume operations at Loring as the economy improves. [The current economic downturn significantly reduced the demand for new signage among Pattison's primary customers, which are banks and automobile dealerships. The company anticipates an upswing in demand for new signage once the economy recovers and is positioning itself to take advantage of future opportunities.]

**PINELAND FARMS NATURAL MEATS, INC.** Pineland Farms operates a beef cattle feedlot in Fort Fairfield, about eight miles from Loring. The LDA provided space at the north end of the nosedock area for Pineland to conduct composting of waste material. A trial composting operation inside a large hangar during the winter months met with limited success. However, outdoor composting will continue as weather permits under a long-term lease agreement for the composting area as well as for an approximately 22,000 square foot storage building.

**URS.** URS an environmental engineering firm working under a contract with the Air Force has renewed its lease for building 8412 (1950 s.f.) for one year. The building houses the company's office administration and equipment storage needs.

**A&J Industries.** A&J Industries a value added wood products manufacturer from Van Buren, Maine occupied building 8740 (22,000 s.f.) for one year, using it for storage.

### **LICENSES**

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



**PARAGRAPH 1D: ACTIVITIES OF ANY SPECIAL UTILITY DISTRICT  
FORMED UNDER SECTION 13080-G**

**NONE**

**PARAGRAPH 1E: LISTING OF PROPERTY ACQUIRED BY EMINENT DOMAIN  
UNDER SECTION 13080-G**

**NONE**

**PARAGRAPH 1F: LISTING OF BONDS ISSUED**

**NONE**

**PARAGRAPH 1G: SUBSEQUENT EVENTS – JULY 1, 2009 TO OCTOBER 15,  
2009 AND PROPOSED ACTIVITIES FOR FISCAL YEAR 2009**

**SUBSEQUENT EVENTS**

Highlights of the activities on the Loring Commerce Centre between July 1, 2009 and October 15, 2009 are provided below.

**AMERICAN SALMON.** The LDA Board authorized the sale of ten acres of industrial property to American Salmon Company for \$150,000, which LDA will receive in the form of a non-diluting equity interest in the company. The property would be transferred once the project is ready to be launched.

**TELFORD AVIATION & THE SKYBUS PROJECT.** Telford Aviation, developer of the SKYBUS project at Loring, has been sold to ACC Holdings, LLC of Milwaukee, Wisconsin. Reportedly, the Telford name will continue to be used. LDA understands that the new owner is interested in continuing with the SKYBUS program at Loring. The new 80K SKYBUS has been flying over Loring in the past month and reports of its flight characteristics are very encouraging. A demonstration to military customers is planned for later this fall.

**LAND SPEED RACING (LSR).** The LSR event held at Loring's aviation complex was a success, having attracted racers from all over the country, who had nothing but the highest praise for Loring's two-mile long runway. The event was nearly incident-free. One motorcycle racer fell at 220 mph and was taken to the hospital then released uninjured – a testament to the safety gear and precautions that are required at officially-sanctioned LSR events. Event organizers would like to return next year.

**INFLOW AND INFILTRATION (I&I) REDUCTION PROJECT.** The sewer line replace project at Loring, funded in part by the American Reinvestment and Recovery Act, is underway. Much of the collection system serving Loring's residential area is being replaced; the work is scheduled to be completed by 2010.

**MARKETING EFFORTS**

The LDA celebrated its 15<sup>th</sup> Anniversary (1994 – 2009) at the September Board of Trustees meeting. Past and present board members were invited to the event which featured a dedication of a bronze plaque placed at the entrance of the LDA offices at Loring. The plaque is mounted on a large stone and recognizes the inaugural Board of Trustees and former President & CEO Brian Hamel. Following the meeting the current LDA Board, former trustees and staff attended a luncheon at the Loring Job Corps Community Center. Brian Hamel was presented with the surprise dedication of a room named in his honor at the Robert Front Memorial Library in Limestone.

The Aroostook Republican and Star Herald featured the Loring Commerce Centre in a special section for the September 30<sup>th</sup> edition. The two page spread covered events of the September 9<sup>th</sup> board meeting, interviews with many current Loring tenants and with LDA President & CEO Carl Flora and staff.

The new ad for the updated Regional Tourism Guide was created in-house and provided electronically to NMDC as part of LDA's limited scope print/media advertising program.

LDA is working with Loring Bioenergy to incorporate a new section on the Loring web site that will be entitled *Loring Energy Projects*. The section will feature a movie clip or powerpoint presentation highlighting the attributes and advantages for companies looking to develop and/or manufacture alternative energy sources, such as wind power, at the Loring Commerce Centre.

### **PROPERTY TRANSACTIONS**

**JOB CORPS DATA CENTER LEASE RENEWAL.** The U.S. Department of Labor renewed its lease for the 7,835 square-foot building 5007, which has housed the National Job Corps Data Center since 2002. Loring was selected as the location for a backup data center after a nationwide search for facilities. The LDA was able to provide a building perfectly suited for the task, co-located with an existing Job Corps center, with more-than-adequate telecommunications capacity and bandwidth availability. The Data Center employs about fifteen people in computer technology and customer service functions.

**MAINE ARMY NATIONAL GUARD.** The LDA entered into a 25-year lease with the Maine Army National Guard for a 27-acre parcel of property at Loring. The Guard plans to construct a controlled humidity storage facility at the site and may build other facilities in the future to support its operations.

**JO-JO'S FOOD-TO-GO.** Jo-Jo's restaurant of Van Buren has expanded to Loring. The restaurant in building 5055 at Loring is now known as Jo-Jo's and is being leased on a trial basis for six months. As the only restaurant at Loring, it provides an important service to Loring based employees, contractors and the community.

## **PROPOSED AND PROJECTED ACTIVITIES FOR FISCAL YEAR 2010**

In addition to ensuring that our existing tenants remain viable business entities, the LDA intends to carry out the following activities in fiscal year 2010.

Continue to work with and support established tenants to further their operations at Loring and consider how cluster development may fit in with existing or new projects.

Continue to assist with emerging and newly proposed development projects such as the Loring Bioenergy cogeneration project, the Lamb Weston potato processing facility, the American Salmon Company project, future wind energy industry manufacturing projects and others.

Continue to work in support of alternative energy projects including Pneu-hydro Energy and other developers of alternative energy, and potentially a community wind project.

Continue to work with the FAA to position Loring for an instrument certification for the Loring International Airport. The certification would become necessary for Loring's airport to accommodate large maintenance or cargo projects.

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.

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.

Complete the repair of the fish ladder at the LDA dam on the Little Madawaska River with the help of state and federal partners.

Continue to pursue rail service at Loring, which will be required by large manufacturers.

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

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

Continue working with the Bureau of Indian Affairs (BIA), collaborating on mutually beneficial development projects at Loring.

Continue working with Aroostook Partnership for Progress and the Northern Maine Development Commission in marketing the County including Loring and in the Mobilize Maine project.

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.

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.

Work with FAME and the state legislature to redefine the term "bonding" in LDA's enabling legislation. A FAME rule intended to govern the process whereby the LDA would issue "conduit" bond financing for third party borrowings inadvertently captured LDA's direct borrowings and routine credit relationships. It's clear that that was never FAME's intent and the rule needs to be revisited.

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

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.

**PARAGRAPH 1H: FURTHER ACTIONS SUITABLE FOR ACHIEVING  
PURPOSES OF THIS ARTICLE**

In support of the redevelopment of the former Loring Air Force Base properties, Loring Development Authority of Maine was awarded an annual appropriation from the state Department of Economic & Community Development. The appropriation was built into LDA's long-range financial plan fifteen years ago, and it continues to be essential to the job retention and new job creation efforts at Loring Commerce Centre – it must continue without further reductions.

From 1994 to 1998, the appropriation averaged about \$271,000 per year and beginning in FY 98 the amount became \$326,026 per year. That amount remained the same until FY 03 when a series of across-the-board reductions began to diminish the number gradually. In FY 08, the number stood at \$282,890 and during the last budget cycle in the spring, a \$55,000 reduction brought the number down to \$227,890 for FY 09. At the current level, (\$200,000 for FY 10) LDA's general fund support has diminished by 38% from its historic level of \$326,026. The LDA also lost approximately \$220,000 per year of anticipated revenue associated with the leases of Maine Military Authority buildings in an arrangement with the Maine Department of Administration and Finance. (There are some features we like about the DAFS arrangement that offset the revenue loss, but it is a loss nevertheless). Federal Caretaker funding averaging about \$1.7 million per year over the first ten years of LDA's operations ceased in 2004. LDA is already experiencing difficulty making necessary repairs, upgrades and replacements of essential but deteriorating infrastructure, including roads, water and sewer system components, building roofs.

Ultimately more support from the State is needed to assure the continued viability of essential infrastructure. Further reductions will threaten LDA's ability to continue to provide and operate infrastructure that supports the activities of its business tenants, and to develop opportunities for further job creation. Loring's continued operation and redevelopment is very important to Maine's economy – over 1400 jobs exist at Loring today with a gross annual payroll of nearly \$50,000,000. The overall economic impact of the activities at Loring Commerce Centre is much higher – estimated \$150 million annually. Maine's past investment in Loring has produced an enormous economic return for the State. Continued investment in Loring is prudent even if only to protect and secure the 1400 new jobs that have become an important new source of tax revenues for the State. If forced to deal with additional reductions, it would be absorbed within LDA's existing operations budget and most likely would prevent the offering of incentives to prospective new businesses in the form of building repairs and fit-up allowances. The impact will be a reduction in the potential creation of jobs, growth of the economic base, and tax revenues. Maine's past investment in Loring is producing an enormous economic return for the State. LDA must continue its financial partnership with the State in order to secure continued returns for the future.

## **ADDENDUMS**

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

## LORING DEVELOPMENT AUTHORITY OF MAINE BOARD OF TRUSTEES

The Loring Development Authority is represented by a thirteen member volunteer Board of Trustees, twelve of which are nominated by the Governor and confirmed by the State Senate and one is a Commissioner of State government designated by the Governor 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, 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.

**Vice Chair, 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.

**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 Caribou, is the Owner/Administrator of several area nursing homes. Mr. Cyr has served on the LDA Board since 1999.

**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.

**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.

**Francis E. Bemis**, resident of Presque Isle, serves as an attorney at Bemis and Rossignol, LLC. Mr. Bemis has served on the LDA Board since 2009.

**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.

**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 2007.

**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 2007.

**Vacant Seat**

**Vacant Seat**



## 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, roads, grounds 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.

**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.

**Marketing and Public Information Manager, Diane M. Martin**, is responsible for assisting with tenant support, public relations and marketing. Ms. Martin has been employed at the LDA since September 12, 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.

**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.

### LDA FIELD STAFF

**Charles R. Bernard**, Roads and Grounds Maintenance Worker

**Ulyesse J. Bernier**, Water Plant Operator

**Charles L. Cyr**, Roads and Grounds Maintenance Worker

**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. Lighbown**, Fuels Distribution System Mechanic

**James E. Marquis**, Water and Wastewater Collection & Distribution Systems Foreman  
**Wayne W. Pryor**, Electrician  
**E. James Wilson Sr.**, Roads and Grounds Maintenance Worker

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. DFAS employs 583 people.

**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 390 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 Career Systems Development Corp., the LJCC employs over 130 people.

**National Job Corps Data Center.** The National Job Corps Data Center, operated by Wyle 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 twelve 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 200 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. (Pattison temporarily shutdown its plant at Loring with plans to reopen the facility when economic conditions improve.)

**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 five 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.

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

**Jo-Jo's Restaurant.** Located at 170 Development Drive, Jo-Jo's is a deli style restaurant that provides an important service to the many people who live and work at Loring.

**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.

**Mojave Property Management, LLC.** Majove Properties offers 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.

**Bigelow Aerospace, LLC.** Bigelow Aerospace is developing, constructing, launching and testing human-habitable space complexes, revolutionizing the space tourism industry.

**Limestone Rotary Club.** The Limestone Rotary Club now meets in Building #5055 at Loring. It is a very active club with dedicated members working together to improve their community.

**Pineland Farms Natural Meats.** Pineland Farms successfully conducted a demonstration composting operation in Loring's nosedock area. The operation was then moved into the 194,000 square foot DC hangar, allowing composting to continue through the winter months.

**Limestone Water & Sewer District.** The Limestone Water & Sewer District own and operate the wastewater treatment facility at Loring, providing service to all wastewater customers in Limestone, including Loring Commerce Centre.

**LORING DEVELOPMENT AUTHORITY**  
**MONTHLY EMPLOYMENT / TENANT ACTIVITY REPORT**  
30-Sep-09  
**DEVELOPMENT ACTIVITIES**

<u>REUSE ACTIVITY</u> <u>PRIVATE SECTOR</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>Acres Utilized</u>
Bigelow Aerospace	Aviation	0	0	0	3,223	7
Jo Jo's	Service	0	3	3	1,500	0.5
Loring Inn	Hotel	0	0	2	21,995	3
Hydroblend, Inc.	Manufacturing	16	16	30	40,888	2
International Sourcing Inc.	Commercial	4	4	5	4,824	1
Kevric Farms	Agricultural Storage	0	0	0	28,006	5
Limestone Country Club	Recreation/Residential	11	8	20	326,685	270
Loring Applied Technology Ctr	Commercial	0	0	3	42,075	3
Robin's Chocolate Sauce	Manufacturing	1	1	2		
Pneu-Hydro Energy	R&D	1	1	1		
S.W. Collins	Manufacturing	5	5	7		
Mary Kay Consultant	Office	0	0	1		
Loring Health Center (Cary)	Health Care	7	7	7	2,000	1
Loring Military Heritage Center	Museum	0	0	1	1,900	1
MacDonald Enterprises	Manufacturing	1	1	12	19,762	2
Mojave Property Management	Residential Provider	3	2	6	38,058	4.58
Pattison Sign Group	Manufacturing	1	1	70	60,000	5
Sitel Insurance Services	Call Center	196	195	352	47,783	12
URS	Commercial	0	0	1	3,950	1
WPS	Commercial	0	0	0	28,838	5
Telford Group/SAIC	Aircraft MRO	10	7	30	126,303	12
<b>TOTAL PRIVATE SECTOR:</b>		<b>256</b>	<b>251</b>	<b>553</b>	<b>797,790</b>	<b>335.08</b>
<u><b>PUBLIC SECTOR</b></u>						
Dept of Labor RS Info Systems	Data Management	13	12	40	7,835	4.5
DFAS	Office	601	583	662	142,400	15
Limestone Water & Sewer District	Sewer Plant Operation	4	4	2		
Maine Military Authority	Vehicle Refurbishment	380	370	525	438,906	23
CSD (Loring Job Corps Center)	Educational/Office	134	133	147	270,022	42
US Fish & Wildlife	Wildlife Refuge	1	1	5	8,600	4,700
<b>TOTAL PUBLIC SECTOR:</b>		<b>1,133</b>	<b>1,103</b>	<b>1,381</b>	<b>867,763</b>	<b>4,784.5</b>
LDA	Development	19	19	21	94,996	100
<b>TOTAL EMPLOYMENT:</b>		<b>1,408</b>	<b>1,373</b>	<b>1,955</b>	<b>1,760,549</b>	<b>5,219.6</b>
<u><b>RESIDENTIAL</b></u>						
Individual Residences	Residents	9	9	58	*	
Limestone Estates	Residents	174	187	250	*	
Mojave Property Mgmt	Residents	46	64	40	+	
Loring Job Corps	Student Residents	391	385	400		
<b>TOTAL RESIDENTIAL:</b>		<b>620</b>	<b>645</b>	<b>748</b>		
<b>GRAND TOTAL</b>		<b>2,028</b>	<b>2,018</b>	<b>2,703</b>	<b>1,760,549</b>	<b>5,219.6</b>
Total Available Space:					2,795,587	

\* acreage included in sale to Limestone Country Club

+ square feet and acreage included in Private Sector, above

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.