



# Financing Strategies to Support Manufacturing Facilities

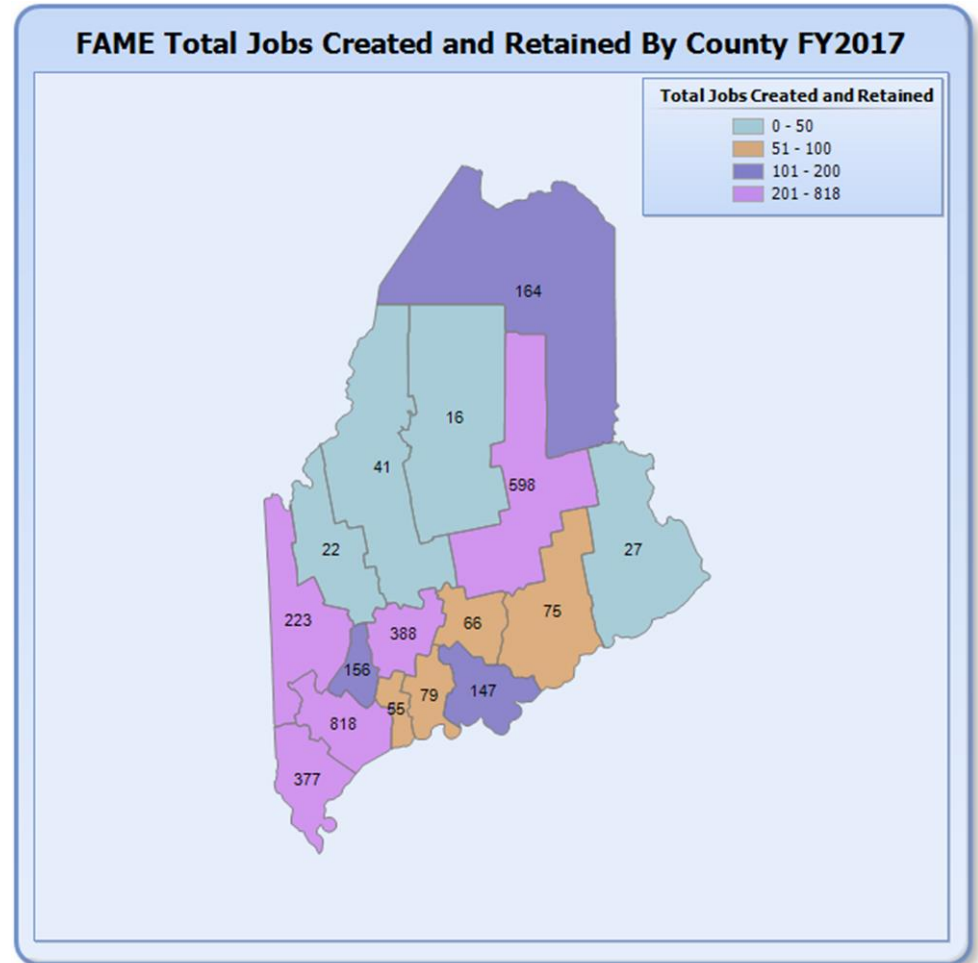
PRESENTED TO:

Council of Development Finance Agencies  
November 16, 2017

To aspiring Mainers, FAME is the leading financial resource that expands business and educational capabilities through our willingness to invest at greater risk based on public benefit.

## In Fiscal 2017:

- FAME supported the issuance of \$74 million in debt capital;
- Impacting 262 Maine businesses; and
- Creating and/or retaining nearly 3,300 jobs!



- Since 1983, partnered to deploy over \$2 billion in loans and equity capital
- Created and/or retained nearly 100,000 jobs across all of Maine's major industries

OVER

**\$2 BILLION**

IN LOANS & EQUITY CAPITAL



NEARLY

**100,000 JOBS**

CREATED AND/OR RETAINED



*Works for ME* ✓

# Major Business Expansion Bond (MBE) Program

The Major Business Expansion Bond Program provides long-term, credit-enhanced (by FAME) financing up to \$25,000,000 at taxable bond rates for projects that create or retain 50 or more jobs.



## Eligibility

- Any business that can demonstrate a strong likelihood of repayment based upon historical capacity to service the proposed bond debt, value of collateral or other sources.
- A business must create or retain at least 50 jobs.
- Bond proceeds may be used to acquire real estate, machinery, equipment or fixtures, or expand or rehabilitate a facility.
- Project > \$1 million

## Process

### BANK

- Underwrites
- Submits letter of intent to purchase the Bond with Borrower application package to FAME

### FAME

- Underwrites borrower application, makes special findings
- Holds public hearing
- Credit enhances the Bond with the Moral Obligation of the State of Maine
- Engages Trustee
- Issues Bond

### BANK

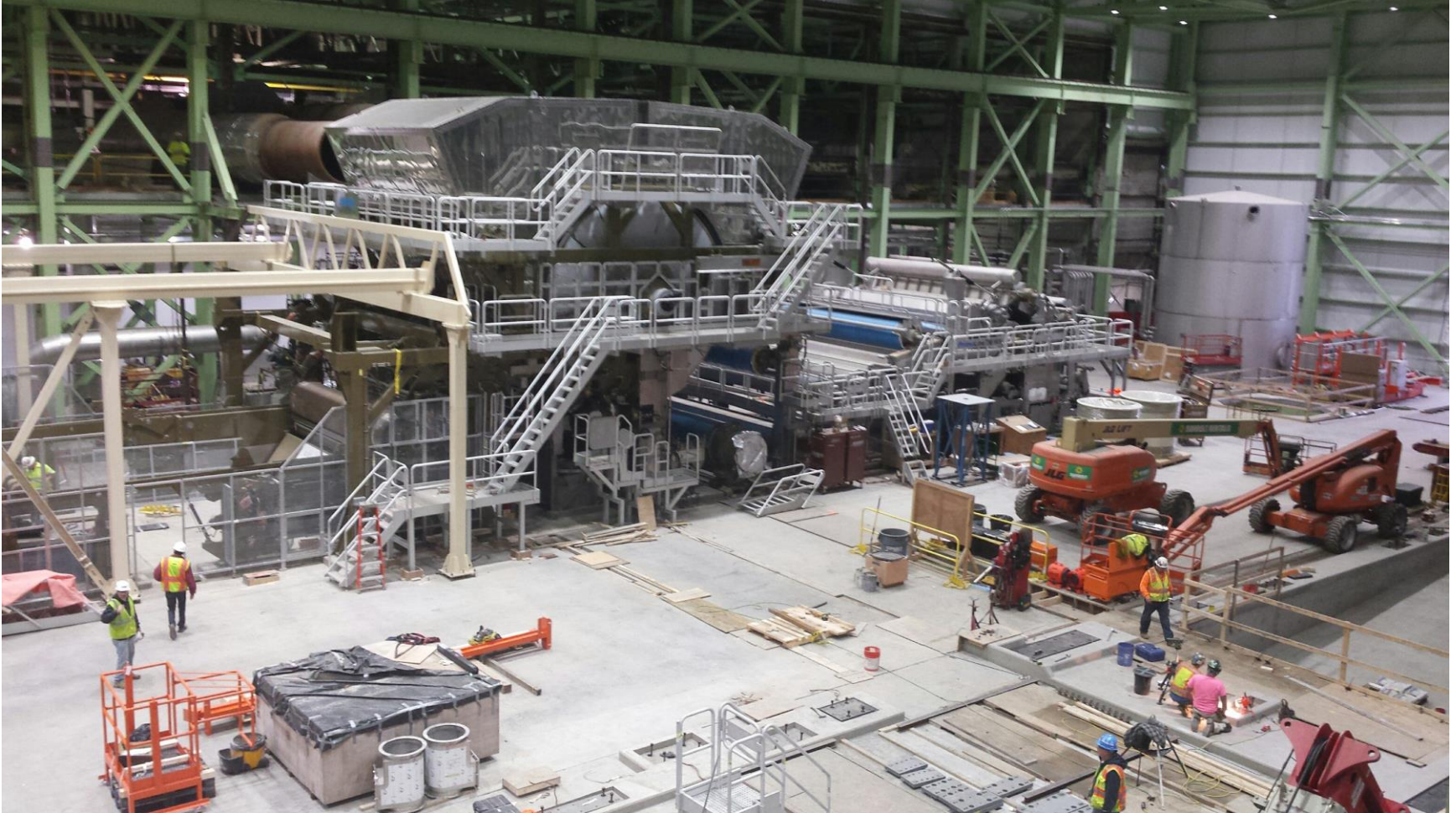
- Bank buys the Bond
- Loan is closed with Borrower and assigned to the Bank
- Uses the credit rating of the State of Maine to lower the risk to the bank and the interest rate charged to the borrower

## Financial Performance Criteria

- 3-years of historic and projected profitability
- Minimum Current Ratio of 1.25 : 1.0
- Maximum Debt to Worth of 3.0 : 1.0
- Minimum Debt Service Coverage of 1.25 : 1.0, historical and projected
- Financial performance within median quartile of comparable businesses as reported by RMA Annual Statement Studies
- 1<sup>st</sup> SI in assets funded



# Case Study - St. Croix Tissue, Inc.



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- Existing pulp mill operating at the site
- Need for diversification
- Opportunities for vertical integration
- Market demand for tissue
- Results in financial stability and sustainability
  - Woodland Pulp, LLC – existing mill
  - St. Croix Tissue, Inc. – new mill

## Sources of Funding

- FAME Major Business Expansion Bond \$7.5 MM
- Maine New Markets Tax Credits \$14.8 MM
- Equity
- Senior Debt

**TOTAL PROJECT**

**\$129.0 MM**

# St. Croix Tissue, Inc.

## Maine New Markets Tax Credits

\$14.5 Million in Maine New Markets Tax Credits

In order to be eligible to participate in the program, a CDE must be certified as a qualified CDE by the Secretary of the United States Treasury, and be a party to an existing allocation agreement with the Department of Treasury's CDFI Fund. The allocation agreement must have Maine in its service area. In addition, the CDE must be subject to other eligibility terms.

# St. Croix Tissue, Inc. MBE Challenges

- What's left for collateral?
- What's the secondary source of repayment?



# St. Croix Tissue, Inc.

## MBE Opportunities

- Collateral and Repayment
  - Direct assignment of Employment Tax Increment Financing Rebates
  - Direct assignment of Business Equipment Tax Increment Financing Rebates
  - Subordinate liens on all Machinery & Equipment and Real Estate

# St. Croix Tissue, Inc.

## MBE Results

- 80 direct jobs created
- 380 indirect jobs created
- 8.3% unemployment rate reduced to 6.2%
- Capital investment > \$129 MM
- Community College collaboration to address workforce development curriculum

# Maine's Market Position

## Challenges

- Maine ranked 33<sup>rd</sup> highest in tax burden
- Rural and remote
  - 35,000 square miles
  - Largest city population is 66,937
- Aging population
  - 1.33 MM people
  - Median age is 42
- Loss of 4 Million tons of wood harvest annually
  - 5 paper mills shuttered and other machines idled



# Maine's Market Position

## Opportunities

- A growing agriculture industry
  - 40% growth in farmers younger than 34
- 3,500 miles of coastline
  - #2 in the US in value of fisheries landings
- 90% forested land
  - Timberland remains a desirable long term asset
- Less water stress than significant portions of the US
- Maine is within 2 – 12 hours of 49.6 million people

Thank You  
&  
Questions



# Questions?

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