Coastal Enterprises, Inc.
Triple Bottom Line or
“3E Investing” Profile

Coastal Enterprises, Inc. (CEI) is a private, nonprofit Community Development Corporation (CDC) and Community Development Financial Institution (CDFI) founded in 1977 to develop job-creating natural resource industries and small business ventures in primarily rural regions of Maine. A pioneer in the CDC/CDFI field, CEI is one of the nation’s premiere rural CDCs/CDFIs. CEI serves all of Maine, its primary market, and areas of northern New England and upstate New York. To date, CEI has participated in over $1.8 billion in financing to over 1,900 ventures.

CEI has 80 staff and a 17-member board of directors represented by the public and private sectors. CEI operates a number of small business financing and technical assistance programs. It oversees three major subsidiaries that enable it to expand its programs and services: CEI Ventures, Inc. and CEI Community Ventures, Inc. have invested $35 million in venture capital in promising job-generating ventures throughout Maine, New England and beyond; and CEI Capital Management, LLC manages CEI’s $461 million allocation under the New Markets Tax Credit program with a core market covering Maine, New Hampshire, Vermont, Western Massachusetts, and upstate New York.

The creation of CEI is rooted in the civil rights movement. With a foundation in natural resource industries, CEI has grown and now manages some $580 million in capital. The organization has adapted to changing markets and new possibilities, targeting to sectors such as value-added fisheries, farming, and forest projects; microenterprise development; targeted job creation; the creation of supported, rental and homeownership housing; assistance to women business owners; child care facility development; and support for refugees and new immigrants, to achieve social and economic justice within sustainable communities. CEI embraces a comprehensive approach to building assets, linking development of jobs, decent housing and economic opportunity for people and places left out of the economic mainstream.

History of CEI’s Triple Bottom Line Investing – Rooted in our Natural Resource Programs
CEI’s goal is to continue to grow the organization’s assets by 10 percent each year to finance community-based small businesses, natural resource projects, affordable housing, and community facilities/commercial real estate projects, using Triple Bottom Line or 3E criteria. Triple Bottom Line investing pursues the 3Es of a return on investment that accounts for economy, equity, and environment.

As part of an organization-wide business planning process, CEI undertook the exercise of defining each of the 3Es. Having explicit and accepted definitions ensures that staff are approaching CEI’s mission with a shared understanding. CEI uses the following definitions together as a guide for identifying Triple Bottom Line impact:

Economy – Generates a viable financial return, either by maintaining or creating profits, return on investment, or a tangible asset.
Equity – Provides an opportunity for disadvantaged groups to access information, housing, financial resources, or livelihoods/employment.

Ecology – Benefits or lessens impact on the natural world by improving stewardship of natural resources, or reducing energy use, waste, pollution, or materials use.

Historically, CEI has approached triple bottom line investing from the equity side of the equation. That is, CEI combines economic development strategy with investments that take into account both the income, ownership and employment resulting from the investment, as well as the project’s compatibility with the environment. It has not been a pure practice or science, but sustainable development remains an underlying value of the culture and vision of CEI.

CEI’s first economic development projects were in the natural resources industries of fisheries, farming, and forestry. In the late 1970s CEI launched the Aquaculture Development Workshop to foster new ways of “farming the sea” and complement the revenues among and bring relief to, traditional fishermen already experiencing sustainability challenges. CEI launched its small family farm enterprise cooperative projects to revitalize this emerging “back to the land” and natural, organic movement, and worked with small woodlot owners and harvesters to sustainably manage the forest resource while gaining added value. CEI’s first major investment was in 1979 in its flagship “working waterfront” venture: Boothbay Region Fish and Cold Storage. At that time, a traditional fish processing operation was about to be sold for a motel and marina development. CEI stepped in to “save” the plant as a base for the fishermen to land, process and market their catch. The facility still exists – under town ownership – as a working waterfront. CEI has since gone on to direct over $60 million to marine enterprises along the coast of Maine.

CEI built on its early history and continues to advance natural resources industry sustainable development practices. Since the early 1990s, CEI has accomplished this in the following ways:

- In 1995, publication and presentation of a paper at the Bowdoin College forum, “Creating a Sustainable Development Future for Maine.” This paper – *Sustainable Development and Community-Based Economic Development* embraced the needs for good jobs, affordable housing, and access to quality child care, along with development business and industry in an environmentally responsible way.

- With support from the Surdna Foundation in 1998 CEI launched its *Sustainable Economic Development Initiative (SEDI)* designed to discipline, put into action and network the policy and practice of sustainable development it had been working on for many years.


- In 2001, organization of a national roundtable in Washington, D.C. assembling CDFIs, environmental, and policy groups to deliberate on ways to work together legislatively, and in practice. CEI sought to initiate a new dialogue and partnership among CDFIs, and between CDFIs and environmental groups. CEI convened these groups to address what resources and strategies could be pursued to further Triple Bottom Line investing practice and policy.
In 2002, CEI’s board set a goal that CEI will become a leader in this emerging field of Triple Bottom Line Investing and CEI’s mission statement was updated to include the environment as the organization seeks to help build economically healthy communities.

Since 2002, investment in over 2,088,000 acres of northern timberlands committed to sustainable forestry practices and retained as working forests for traditional mill supply purposes and additional economic development in recreational tourism and other industries.

In 2003, spearheaded a state financing initiative to provide assistance to farmers in their income diversification strategies in exchange for easement-like covenants aimed at farmland preservation.

In 2004, co-founded the Triple Bottom Line Collaborative (TBLC) with ShoreBank Enterprise Cascadia. The TBLC is a 10-member alliance of community development finance groups that are pursuing the integration of traditional community development concerns – economic development and poverty alleviation – with a third focus on environmental issues. Together we are working to refine and grow our Triple Bottom Line lending and investment practices. While the crossroads between poverty and environmental degradation is well documented by the environmental justice field, the TBLC approach seeks to impact these three areas with a very specific tool: strategic capital investment.

All of these activities represent specific investment strategies in Triple Bottom Line Investing.

Practice of 3E Investing
CEI has a long history of achieving economic and equity goals from investments. We pioneered the Employment Training Agreement (ETAG) requiring certain firms in which we invest to enter into a long-term plan for hiring and training low-income workers. CEI is a long-time supporter of self-employment for low-income people. We have also stressed homeownership within our affordable housing program to help build equity. In terms of general economic sector and business support, we have maintained a significant orientation to support local enterprises, entrepreneurship, women’s business opportunities, and indigenous populations, rather than business attraction strategies. Although measuring impact is a difficult task, we believe we have positively affected thousands of Maine workers, populations in need, and economic sectors, and can demonstrate this impact on a project-by-project basis.

Experimenting with the 3rd E
Achieving ecological goals has posed more challenges than the double bottom line of economy and equity. This is partly due to a lack of resources for environmental expertise but, more fundamentally, because companies have not seen sufficient payback for green business practices or products to warrant the upfront costs, or “green premiums”, although this may change in the face of climate change and energy price volatility. Over the last few years we have experimented with the following strategies:

- Implementation of Green Fund, which served as a virtual loan fund (use existing funds to finance “green deals”) and provided financing to companies to implement environmental projects or manufacture an environmentally friendly product. CEI loaned $4.3 million and leveraged another $10.5 million supporting 2,434 jobs. These loans provide financing to such
well-known and other Maine companies as: Tom’s of Maine (natural personal care products); Moulded Fibre Technologies (packaging materials from recycled newspapers); Mad Gabs (natural lib lubes); Intelligent Controls (high precision measuring devices for leakage in underground storage tanks, and other applications); Maine Return Recycle Reuse, Inc.; Remediation Services; Air Purification Equipment Manufacturing; environment, conservation and wildlife organizations.

- Use of an **ecological assessment** of lending and equity investments with a three-fold purpose: (1) Educate and protect our borrowers from health and financial risks; (2) Protect our investment capital; and (3) Continually build our in-house expertise on environmental issues and assistance resources. In 2003 we partnered with the Maine Department of Environmental Protection to conduct environmental site visits to CEI borrowers in six industries to provide regulatory advice and improve environmental performance. Given the limited deal flow of such a targeted approach, we created a short insert as part of the loan application. The insert was a tool for learning more about the environmental practices and interests of our borrowers and has been suspended due to lack of staff resources.

- Use of **Tags** and **Targeted Services** to Natural Resources Sectors. From the beginning, CEI has provided capital and technical assistance to Maine’s natural resource sectors, namely fisheries (including aquaculture), farming, and forestry. Over the years, we have developed a deep understanding of the economic, equity and ecological issues in these sectors. As a result our financing and business development services are targeted to help businesses achieve a Triple Bottom Line return. The FishTAG, EcoTAG, and Farms for the Future programs use sector specific environmental outcomes (marine research, best environmental shoreside practices, advanced training on forest harvesting equipment, and land conservation) as requirements for capital and technical assistance to achieve more beneficial environmental outcomes.

- **Policy Development** is also a part of CEI’s Triple Bottom Line efforts, as it creates resources and a favorable regulatory environment for our work. Most of our policy work is done through enterprise development; providing business and homeownership counseling; creating affordable housing; and developing key economic sectors such as fisheries, farms and forests where low-income people are employed and can make a living. With its partners in the Triple Bottom Line Collaborative, CEI is now focused on federal policy efforts to support Triple Bottom Line investing in Rural America.

- CEI has long been a leader in impact **metrics**. Responding to increasing pressure to report on the environmental outcomes of our work, CEI adopted five metrics to track the environmental impact of its investments: (1) # of businesses making environmental improvements; (2) # of firms conducting an energy audit; (3) # of fishing/marine enterprises that contribute data to marine research projects, (4) acres of working farm and forest land protected; and (5) miles/feet of working waterfront preserved or reclaimed. This area needs more attention to develop finer measures to capture the ecological return on our investments and housing as well to include CEI’s own internal operational and building practices.

- CEI is a firm believer in **walking the talk** and recognizes the importance of learning by doing. CEI staff have invested time in acquiring and sharing knowledge internally to shape our programs and purchasing decisions. We believe this investment is critical to gaining the
experience and credibility needed to become a leader in Triple Bottom Line investing. Some examples of our activities in this area are installing photovoltaics on affordable housing; purchasing renewable energy to power our office buildings; switching to 100% all-natural cleaning products; and participating in conferences and peer exchanges to stay abreast of new information and advance our own practice.

**Growing our Triple Bottom Line Practice**

The work of fully integrating a Triple Bottom Line ethic and practice into CEI’s daily life and work is both challenging and rewarding. From a community development perspective, the challenge is first seeing how the habitual patterns of seeking economic returns at the expense of human and environmental needs play out in our communities and then more personally ask how can organizations that commit significant resources to social investments insure that they are mindful of the resources used to carry out that work, careful of the energy we consume, impact of our own buildings, affordable housing and investment operations. A powerful way to demonstrate a new kind of development process (that reaches for economic, social and environment needs) is to start with ourselves. This internal initiative must take place in concert with our external work with fisheries, farms, and forest projects; microenterprise development; targeted job creation; the creation of supported, rental and homeownership housing; assistance to women business owners; child care facility development; and support for refugees and new immigrants. We are currently pursuing the following four strategic areas and actions to grow our Triple Bottom Line practice:

1. **Greening CEI one step at a time**

CEI has 80 staff and more than 40 volunteers serving on our parent, subsidiary and advisory boards. There are eight major CEI departments. How do we integrate a Triple Bottom Line mindset? How do we inspire CEI staff to integrate the Triple Bottom Line into their work and lives? The goal is for staff to understand and buy into the ecological piece of CEI’s mission as much as they do the economic and equity pieces. Following are strategies CEI has implemented.

- LEED review of CEI buildings
- Greening the Conference Room to showcase and educate
- Staff trainings and retreats dedicated to best practices
- Assessment of organizational carbon footprint

2. **Promoting best sustainable practices for small businesses thru EcoTAG testing and demonstrating green features in affordable housing**

Programmatic work includes continuing and expanding our existing natural resource-based projects and venturing into new areas that further CEI’s Triple Bottom Line investing practice with a broader small business audience.

- Produced and shared Resource Guide for Small Businesses
- Engaged strategic environmental agencies and organizations as advisors and educators.
- Launched new Loan Product which offers interest rate reduction for Environmental Best Practice projects
3. Connect local CDFI practice to global environmental issues and best practices in the social responsibility field
Participated in road testing World Resources Institutes new Service Sector guide for defining Greenhouse Gas Emissions. Joined Ceres Coalition, which provides access to best practices among financial, service sector companies and national environmental organizations.

4. Learning with our peers in the Triple Bottom Line Collaborative
Part of our responsibility as sustainable development practitioners is to share knowledge, encourage learning, and promote continual improvement among our peers, the public, and ourselves. CEI is a co-founder of the Triple Bottom Line Collaborative (TBLC), a 10-member alliance of community development finance groups that is pursuing the integration of traditional community development concerns – economic development and poverty alleviation – with a third focus on environmental issues. Together we are working to refine and grow our Triple Bottom Line lending and investment practices. While the crossroads between poverty and environmental degradation is well documented by the environmental justice field, the TBLC approach seeks to impact these three areas with a very specific tool: strategic capital investment.

CEI Triple Bottom Line Investing Stories

*Look’s Gourmet:* Look’s Gourmet in Whiting, Maine, processes natural fish and clam chowders, lobster Newburg, herring fillets and a variety of other canned and bottled seafood sauces and products under the Bar Harbor brand. Whiting is a rural village of 2,200 population located in Washington County which, besides being the first county on which the sun rises in America, is also among the poorest. Mike Cote (second from left in left photo), Maine native and entrepreneur, acquired the 100 year-old company and moved to “Downeast” Maine where the company was located and set about to realize the potential he saw in a natural product blended with the character and tradition of Maine’s fishing heritage. With multiple seafood canneries once dotting the Downeast coast line, the once busy canning landscape is all but gone with the exception of one company with a vision, mission and a plan to bring great local seafood products and traditional seafood soups and sauces to the world. Now employing 26, the headline in the regional newspaper says it all. With a photo of the processing building on Holmes Bay, it reads “Gourmet Canning Company Expands Facility and Increases Sales Using Lean Principles: Seven New Jobs Added: Entrepreneurial Spirit Takes Hold.” (*Ellsworth American*, week of February 6-12, 2007). Look’s Gourmet recently brought in a second wave of investors beyond Maine’s borders, among them a private, foundation-backed venture firm from the West Coast called Sea Change which specializes in investing in sustainable marine industries. Look’s Gourmet represents a CDFI triple bottom line investing involving the nexus of economic impact, social equity, and ecological stewardship.

*Green Affordable Housing in Rural Maine – Three Profiles*
The first housing project is located in Farmington in Franklin County. It is a new 23-unit affordable rental project for income-eligible seniors at or below 60% of Area Median Income. This $2 million project is aligned with the local area agency on aging, SeniorsPlus, and will have links with Franklin Memorial Hospital’s community health care program. The project has full approval from the local planning board and initial site work has begun. Financing for this project will come from an allocation of Low Income Housing Tax Credits in the Fall round. Construction is slated to begin in Fall 2008 and should be completed by Fall 2009. The project will be designed to achieve the Gold level of Leadership in Energy and Environmental Design (LEED) for Homes certification and will
be certified as Energy Star homes. We learned in August and October, respectively, that the Home Depot Foundation and an anonymous foundation awarded CEI $50,000 each in grant funds to help us achieve advanced green features that also maintain affordability, for a total impact of $100,000. Up to $100,000 of PRI funds will be used to assist in funding the construction of the project until permanent closing and equity investment with the tax credit syndication. Construction includes site work, utility extensions into the site, grading, foundation work and road work.

The second project is in Houlton in Aroostook County. Market Square is in the center of downtown Houlton and CEI is developing a 28-unit $2.5 million senior housing complex. The project has received an allocation of Low Income Housing Tax Credits. In the first week of September, CEI committed $600,000 of PRI capital in new construction of a three story building immediately adjacent to the historic brick buildings of Market Square including the theater, two banks, two restaurants, and a department store. The site was recognized by the Maine State Planning Office for demonstrating smart growth characteristics. The Town of Houlton has offered to include the site in its Tax Increment Financing (TIF) district and also agreed to reflect the affordability aspects in its valuation for taxes. Rents will range from $430 to $575 and would be restricted as affordable with covenants. The project will have no permanent amortizing debt. PRI funds will be used for acquisition of the site, design and engineering, and initial site work including utility extensions, foundation and grading and landscaping. This will be during a construction financing period with take out permanent financing coming at the final closing and equity investment from the tax credits in late 2009.

The third project is Marble Oaks in Waldoboro. Incorporating green design into affordable housing offers many benefits: energy conservation, sprawl reduction, and long term impacts on affordability for low-income Mainers. CEI’s recently completed 16-unit housing Marble Oaks subdivision in rural Waldoboro illustrates this. All units incorporate compact fluorescent light fixtures and solar-powered outdoor lighting, and four have photovoltaic solar panels, which include solar thermal hot water pre-heat features. One of the solar units powers the pump that moves sewage to the public sewer main. Finally, CEI minimized the footprint of the subdivision by reducing the use of blacktop and concentrating the housing cluster, which occupies only 1.75 acres (23%) of the 7.5 acre site. The project is now fully occupied. Solar thermal and limited photovoltaics are now standard specifications on all new multifamily projects that CEI builds. Energy efficiency and indoor air quality are the two primary goals in multifamily design excellence for high performance.

**Maine Lobster Outlet**

A lobster wholesale business located in Southern York County, decided that they needed to build a new facility because they were outgrowing the original site. Conventional lenders would not finance the entire project, so CEI stepped in to fill that gap and make the $1.75 million construction project work. The deal made economic sense for a growing business. Moreover, the business expected to create 13 new full-time jobs over 3 years in the maritime industry, a sector that CEI targets from investment. On the environmental front, moving into a new space enabled the business to purchase new energy efficient equipment, including 3-phase machinery, lighting, fixtures and refrigeration, as well as equipment that recycles water through a state-of-the-art filtration device. These improvements promote energy and water conservation. Without CEI’s participation, the deal might never have happened; however, CEI’s Triple Bottom Line approach created positive outcomes for businesses, workers, and the environment.
**Old Port Mariner Fleet**
CEI helped finance the purchase of whale watching and deep sea fishing boats for Old Port Mariner Fleet. The two new owners were former employees, who decided to purchase the business when the former owner retired. The deal kept the business open and supported two new entrepreneurs. As part of the transaction, CEI incorporated two projects beneficial to the environment. The captains agreed to use biodiesel fuel, a blend of renewable biomass and conventional diesel that reduces pollution greenhouse gases that contribute to global warming, and to hire a naturalist to report their sightings to the Allied Whale database, a research initiative by the College of the Atlantic. In this case, CEI’s Triple Bottom Line investment approach helped maintain a waterfront business, encourage new entrepreneurship, reduce pollution, and enhance marine research.

**SmartPak Equine**
A CEI Ventures investment, SmartPak Equine direct markets custom unit-dose packaging of equine supplements and pharmaceuticals with an automatic replenishment system as well as offering a variety of barn-related supplies. CEI supplied the business with patient capital because it believed that the business needed room to grow. The company is located in Plymouth, MA near a community of Cambodian refugees. To assist this and other foreign-born populations, SmartPak has designed their production facilities to accommodate non-English speaking employees and offers courses in English as well as paying decent wages. The organization couples this strong social commitment with a strong commitment to the environment. SmartPak follows the credo of “reduce, reuse, and recycle” and minimizes their waste (and costs) through packaging innovations and purchase recycled materials where possible. This business turned out to be a perfect fit for CEI’s Triple Bottom Line investment criteria.

**Shape Global Technologies**
CEI helped finance the acquisition of Shape Global Technologies, which included real estate and equipment, because the company was in financial trouble. The deal helped retain jobs that would have otherwise been lost. Shape offers customized packaging solutions, injection molding, and pad printing. Several of the products they manufacture are made from recycled materials, including plastic regrind and Styrofoam, which helps to reduce the amount of virgin plastic required during production and to divert waste from landfills. CEI’s Triple Bottom Line investment strategy helped a shaky company get back on its feet to build products that use recycled materials.

**Community-Owned Forests: Grand Lake Stream Lands Project**
The Grand Lake Stream Lands project, in the Downeast Lakes region of Maine, is an emerging community based forestry project that represents an innovative blend of conservation, economic development, and community priorities. Community-based organizations actively involved in the project include the Downeast Lakes Land Trust (DLLT), and the Village of Grand Lake Stream, technically a form of local government in Maine referred to as a “plantation” and known officially as Grand Lake Stream Plantation.

In 2005, DLLT established the 27,000 acre Farm Cove Community Forest, located in two unorganized townships just west of Grand Lake Stream Plantation. One of the key goals of establishing that community forest was to help preserve the economic way of life of the area, which includes a concentration of local Registered Maine Guides and sporting camps and lodges. The Farm Cove Community Forest borders the western shoreline of the 14,000 acre West Grand Lake. The Village of Grand Lake Stream has a year round resident population of 150. The broader Downeast Lakes region that DLLT serves has a population of 10,000.
Grand Lake Stream Plantation is located directly east of West Grand Lake. Although there is a relatively small village residential area, most of the land in Grand Lake Stream Plantation is forestland owned by the Webber Family. This forestland, known as the Grand Lake Stream Lands, is mostly located within Grand Lake Stream Plantation. The Grand Lake Stream Lands contain 22,000 acres of forestland bordering on the eastern shoreline of West Grand Lake. It is a critical area supporting the local registered Maine guides and sporting camps and lodges, and has high conservation value.

The Downeast Lakes Land Trust has a number of important goals in connection with the Grand Lake Stream Lands, including the following:

- protect undeveloped shorelines of lakes and streams and scenic views, including but not limited to 12 miles of undeveloped shoreline along West Grand Lake
- protect wildlife habitats, including deer, brook trout, birds, and other significant wildlife values
- guarantee public access for traditional outdoor recreational uses
- provide local guides, sporting camps and craftsmen an environment that is conducive to their business success
- maintain a working forest that provides for a continuing, renewable and long term source of forest products, benefits the local economy and provides raw materials to local craftsmen and businesses
- recognition of the community interest in and need for appropriate growth of the Village of Grand Lake Stream

The Grand Lake Stream Lands project, currently in development, provides an opportunity to realize those goals listed above. However, the stakes for the community are high, because if the project does not come to fruition, the opportunity to achieve the goals listed above for the Grand Lake Stream Lands could be permanently lost.

Recently the Webber Family decided to sell the Grand Lake Stream Lands. They are sensitive to the importance of protecting the conservation values of the property. However they are also determined to get a fair value for the land. The challenge is that the real estate value of the land is quite high in comparison with the land’s timber value. In part, this is due to the 12 miles of undeveloped shoreline along the eastern shoreline of West Grand Lake, with a number of ridges that create scenic views overlooking the lake, with especially spectacular views at sunset. The high real estate value makes the property especially vulnerable to being purchased by a timberland liquidator who could buy the property, cut the timber, and then sell the property for luxury real estate development and vacation homes.

Fortunately, as a result of a process by the current owners to find a buyer who would be sensitive to protecting the conservation values, the Lyme Timber Company has entered into a purchase and sale agreement to buy the Grand Lake Stream Lands from the Webber Family. Given the challenge posed by the high real estate value, and the potential value of the property if sold to a timberland liquidator, substantial creativity was required by Lyme Timber and others to get to the point in which Lyme Timber was able to make an acceptable bid. Lyme Timber’s agreement to purchase the property has two contingencies that must be satisfactorily addressed before the land purchase can be consummated: 1) a loan supported by the federal New Markets Tax Credit (NMTC) must be
available to Lyme Timber on terms satisfactory to Lyme, and 2) Lyme Timber and the Downeast Lakes Land Trust must successfully negotiate and enter into an option agreement relating to purchasing conservation easements over time on the property, and ultimately, potentially after 7 years, the underlying fee interest. If all goes as is envisioned, the 22,000 acre Grand Lake Stream Lands would ultimately be added to the 27,000 acre Farm Cove property to dramatically expand the community owned forest.

To make the numbers work in support of Lyme’s aggressive offer to purchase the property, a creative and ambitious use of the NMTC is being developed, which would result in a $15 million loan on favorable terms, made possible by the NMTC. Sustainable Forest Futures is coordinating the effort to put the NMTC transaction together, in conjunction with its working relationship with Coastal Enterprises, Inc. (CEI). The transaction would use CEI’s NMTC allocation. Bangor Savings Bank is stepping up to the plate as the potential NMTC investor.

While great progress is being made, there is no guarantee at this point that this NMTC financing will be completed. Lyme Timber must conclude that the terms of the loan supported by the NMTC financing will meet its needs in the context of the aggressive purchase price that they would be paying for the property. Bangor Savings Bank must complete its due diligence with respect to the financing. And the Board of Directors of CEI’s subsidiary that manages its New Markets Tax Credit Program must approve the transaction after satisfying itself that mission related provisions have been successfully included in the transaction. These mission related provisions are expected to include a satisfactory option agreement between Lyme Timber and DLLT, meeting other specific Village of Grand Lake Stream priorities described below, and commitments by Lyme Timber for sustainable forest management, including a commitment to manage the property pursuant to FSC certification.

Especially critical is the satisfactory completion of negotiations between the Lyme Timber Company and the Downeast Lakes Land Trust on the option agreement relating to purchase of conservation easements and ultimately, potentially, the underlying fee interest. This option agreement needs to satisfy DLLT’s key goals for the property described above and be able to be realistically implemented, while at the same time satisfying the business needs of Lyme Timber.

While there is no guarantee that the contingencies in Lyme’s purchase agreement involving NMTC financing and the option agreement will be successfully met, if all goes well, the transaction can expect to move to a closing by the end of calendar year 2008.

The Grand Lake Stream Lands project also provides a unique opportunity to address other long identified needs of the Village of Grand Lake Stream. There is a real shortage of affordable housing in the community. There is also need to facilitate some job creation for light industrial activity. As part of the mission related provisions tied to the NMTC financing, negotiations are underway with the Lyme Timber Company pursuant to which Lyme Timber would donate to the local government two parcels of land, with each being approximately 50 acres. One parcel would be contiguous to the current village area and be for the development of affordable housing. The second parcel would be away from the village area, but within the boundaries of Grand Lake Stream Plantation, and would be available to support light industrial activity.
Planning is currently underway to precisely identify and map out these lands to be donated, as well as to develop conceptual plans for these parcels. The NMTC financing will also include a mechanism that would ultimately provide a further subsidy to support the affordable housing component.

With the completion of this project, and the successful implementation of the option agreement, the great bulk of the lands in Grand Lake Stream Plantation would become part of the Farm Cove Community Forest. Thus, arranging now to set aside land for future residential and job opportunities will help meet a recognized community need for appropriate growth of the Village of Grand Lake Stream.