

1959

Development Credit Corporation of Maine: Annual Report 1959

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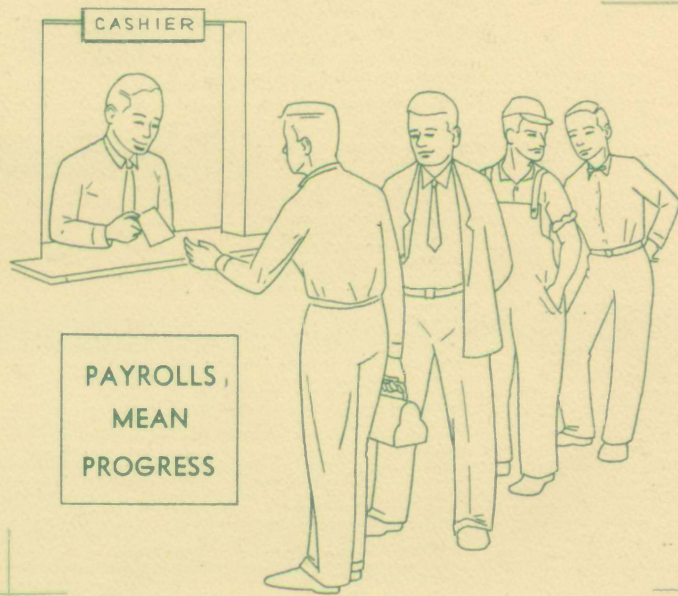
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D E V E L O P M E N T

C R E D I T

C O R P O R A T I O N

of **M A I N E**



A N N U A L R E P O R T

1 9 5 9

DEVELOPMENT CREDIT CORPORATION OF MAINE

OFFICERS OF THE CORPORATION

<i>President</i>	ARTHUR F. MAXWELL — President, First National Bank of Biddeford
<i>Vice President</i>	WILLIAM F. WYMAN — President, Central Maine Power Company
<i>Treasurer</i>	ROLLAND E. IRISH — President, Union Mutual Life Insurance Co.
<i>Ass't Treasurer</i>	CARLETON G. LANE — Vice Pres., Union Mutual Life Insurance Co.
<i>Clerk</i>	RICHARD B. SANBORN — Sanborn and Sanborn

DIRECTORS OF THE CORPORATION

- | | |
|--|--|
| ** LLOYD K. ALLEN, <i>Commissioner</i>
Dep't of Economic Development | BARRETT C. NICHOLS, <i>Treasurer</i>
Maine Savings Bank |
| * ERWIN S. ANDERSON, <i>President</i>
Merchants National Bank—Bangor | * FREDERICK J. OLSON, <i>Senior Vice Pres.</i>
First Portland National Bank |
| PETER A. ANDERSON, <i>President</i>
Thompson's Point Realty Co. | J. MILES OWENS, <i>Senior Vice Pres.</i>
Depositors Trust Company |
| GARDNER L. BROWN, <i>Exec. Vice Pres.</i>
First National Bank of Lewiston | CARROLL B. PEACOCK, <i>President</i>
R. J. Peacock Canning Co. |
| S. WILSON COLLINS, <i>President</i>
Aroostook Trust Company | JAMES M. PIERCE, <i>President</i>
First National Bank—Houlton |
| HAROLD S. CORTHELL
Haskell & CortHELL | * M. HERRICK RANDALL, <i>Exec. Vice Pres.</i>
Randall & McAllister |
| ROBERT N. HASKELL, <i>President</i>
Bangor Hydro-Electric Co. | WILLIAM A. RICHARDSON, <i>Vice Pres.</i>
The Merrill Trust Company |
| FRANK S. HOY, <i>Treasurer</i>
WLAM Broadcasting Co. | HAROLD F. SCHNURLE, <i>Vice Pres.</i>
Central Maine Power Company |
| * ROLLAND E. IRISH, <i>President</i>
Union Mutual Life Ins. Co. | J. WILLIAM SCHULZE, <i>Chair. Ex. Com.</i>
Bath Iron Works |
| FREDERICK R. KNAUFF, <i>President</i>
Federal Trust Company | CARL R. SMITH, <i>Vice Pres.</i>
Bangor & Aroostook Railroad Co. |
| * ARTHUR F. MAXWELL, <i>President</i>
First National Bank—Biddeford | WIDGERY THOMAS, <i>President</i>
The Canal Nat'l Bank—Portland |
| E. SPENCER MILLER, <i>President</i>
Maine Central Railroad | HARRY E. UMPHREY, <i>President</i>
Aroostook Potato Growers, Inc. |
| FREDERICK B. NELSON, <i>Vice Pres.</i>
Casco Bank & Trust Company | JOHN J. WHITNEY, <i>President</i>
Union Trust Company |
| * Members of Loan Committee | * WILLIAM F. WYMAN, <i>President</i>
Central Maine Power Company |
| ** Ex Officio | |



STAFF

WILLIAM S. COFFIN, *Manager*
MRS. MILDRED L. JOSEPH, *Secretary*

OFFICE 15 Grove Street
Augusta, Maine

Telephone
MAYfair 2-0771

OUR FIRST TEN YEARS

Participating with senior money from other sources, a grand total of over \$6,750,000 was made available to industrial borrowers. Of this amount DCCM's portion represented \$2,967,107.78.

This money was loaned to ten separate classifications of industry.

The Borrowers are responsible for over 5300 jobs with annual payrolls totalling over \$15,500,000.

DCCM has participated in the financing of 14 new buildings with floor space of 432,849 square feet.

25 loans totalling \$780,825 were processed and approved but were not disbursed; because subsequent to the DCCM action, funds became available to the applicants from other sources.

22 loans totalling \$789,375 were made to assist in the expansion of existing industry.

9 loans totalling \$339,000 were made to assist in locating new industries.



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TO THE STOCKHOLDERS AND MEMBERS OF THE DEVELOPMENT CREDIT

Operating results for the year 1959 are fully covered in another section of this report. The corporation continues to show growth and progress. In the year just passed, the gross income, net operating earnings and participation by member banks were the greatest of any year in our ten years' history.

This is our 10th Annual Report. Financial statistics covering the life of this Corporation are set forth in other sections of this report. The jobs created as a result of its functioning evidence the fact that the Credit Corporation is an integral part of the economic structure of the State of Maine.

Some ten years ago certain bankers and business men of Maine conceived the idea of some organization which would help to fill the gap which existed in our financial structure and assist in part, at least, those concerns which were unable to satisfy their financial requirements through ordinary bank credit or the capital market. As a result of their deliberations, study and planning, the Development Credit Corporation of Maine was formed, financed

largely by member banking institutions, backed up by capital advanced by Maine businesses. This corporation was formed along the lines of the free enterprise system with no state or governmental guaranties of any kind, with bankers and businessmen assuming the full risks of loss and with no special tax advantages. Today we have ten years of experience behind us. The Corporation has made seventy-four loans totaling \$2,186,282.78. The amount of loans paid out in full has amounted to \$978,727.95, and partial payments were \$236,982.80, with losses of \$48,015.10.

At the time the Credit Corporation was formed, there was considerable skepticism in the minds of many who feared that losses resulting from our loans of such a risk nature would soon dissipate its available funds. This skepticism has proved to be unfounded. Losses over the ten-year period have amounted to 2.2% of total loans made, or two-tenths of one percent per year. Considering the risk nature of our loans, we feel that this is quite a satis-

CORPORATION OF MAINE from ARTHUR F. MAXWELL, PRESIDENT

factory ratio. In fact, if it had been less, we would not have been doing the job which we had undertaken.

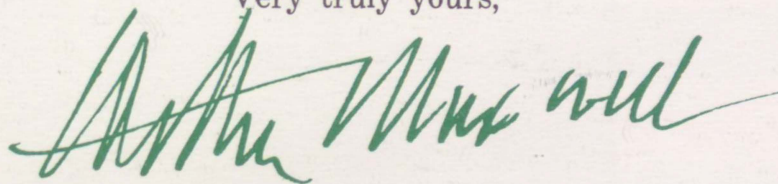
At no time during the ten-year period have any of the funds advanced by the banks been in jeopardy. The paid-in capital stock served as a cushion for organizational expenses and absorption of early losses. After ten years, not only do we consider the loans by member banks as sound, but paid-in capital is intact and we have a small surplus, as well as a reserve of some \$21,000 for possible future losses.

Not only do we derive satisfaction from our first ten years of operation, but also from the fact that some twenty-seven other states have followed the example of Maine by authorizing similar free enterprise, risk capital corporations, many of which are now in operation and some of which

have dwarfed our own Corporation in size. Nevertheless, Maine led the way. Now that we have this period of experience behind us, we fully expect that the usefulness of this Credit Corporation will increase with the years.

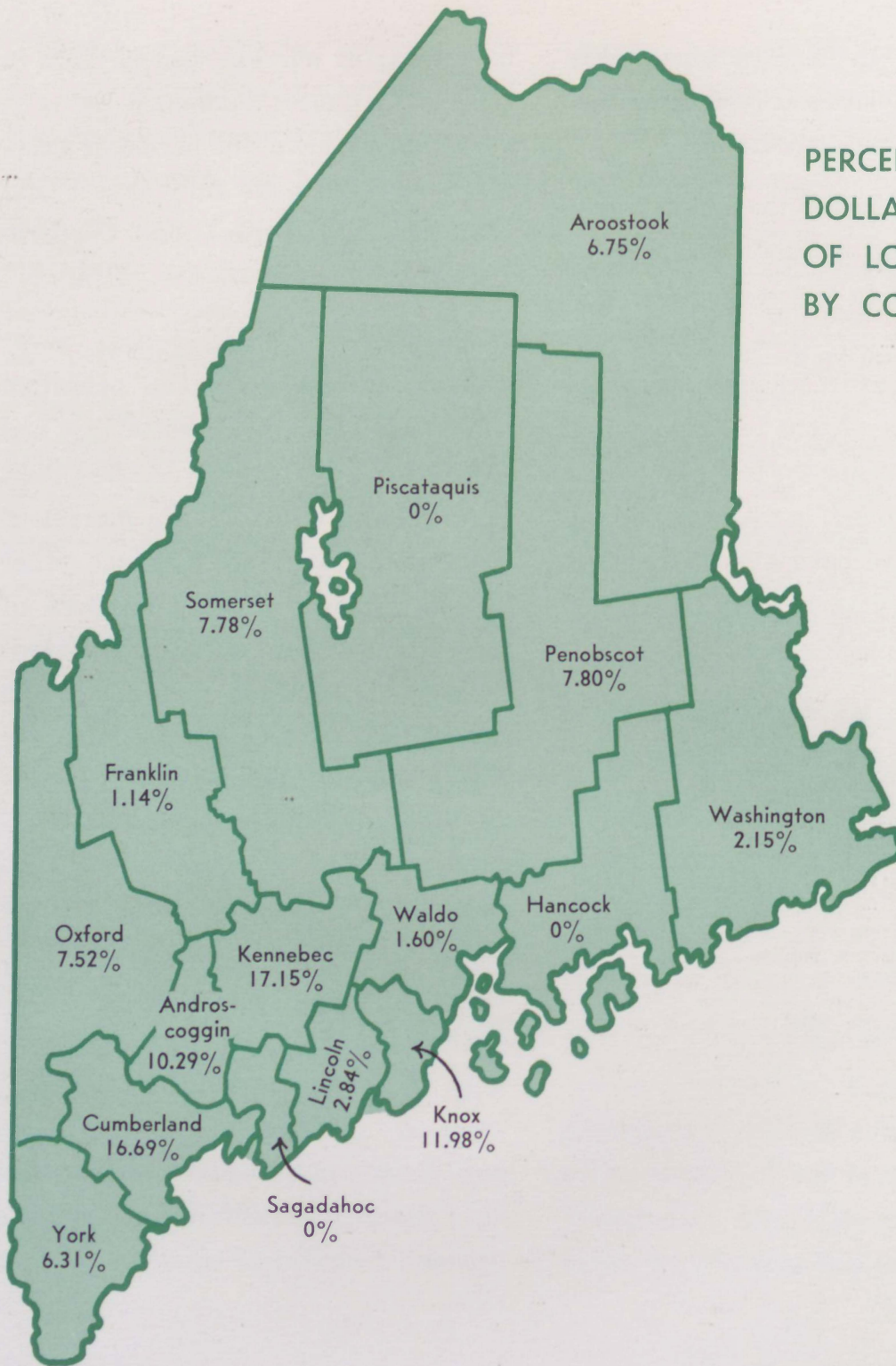
Speaking personally, I have never engaged in any business operation which has been so stimulating and satisfying as my work with the Credit Corporation. It has been a marvelous experience working with the other officers, directors and members of the various Area Advisory Boards throughout the State. This has been a statewide effort, and many people have played a most important role in achieving our successful first ten years.

Very truly yours,



ARTHUR F. MAXWELL
President

GEOGRAPHICAL DISTRIBUTION



PERCENTAGE OF
DOLLAR VOLUME
OF LOANS
BY COUNTIES



OF ACTIVITIES 1949 - 1959

COUNTY	STOCKHOLDERS			MEMBER COMMITMENTS			NET DISBURSED LOANS		
	No.	No. Shares	% No. Shares	No.	Amount	% Amt.	No.	Amount	% Amt.
Androscoggin ...	14	49	5.05	5	149,000	13.70	5	225,000	10.29
Aroostook	3	11	1.13	6	39,000	3.58	4	147,500	6.75
Cumberland	31	283	29.15	8	390,000	35.85	18	364,975.73	16.69
Franklin	2	2	.21	0	0	0	2	25,000	1.14
Hancock	2	11	1.13	2	26,000	2.39	0	0	0
Kennebec	19	321	33.06	7	188,000	17.28	8	375,000	17.15
Knox	2	15	1.54	3	28,000	2.57	7	262,000	11.98
Lincoln	1	5	.51	0	0	0	4	62,000	2.84
Oxford	1	20	2.06	1	5,000	.46	5	164,500	7.52
Penobscot	7	108	11.12	6	158,000	14.52	4	170,375	7.80
Piscataquis	0	0	0	1	6,000	.55	0	0	0
Sagadahoc	5	20	2.06	1	13,000	1.20	0	0	0
Somerset	0	0	0	1	7,000	.64	4	170,000	7.78
Waldo	1	1	.10	1	10,000	.92	1	35,000	1.60
Washington	2	6	.62	0	0	0	3	47,000	2.15
York	7	67	6.90	7	69,000	6.34	9	137,932.05	6.31
Other	5	52	5.36						
Totals	102	971	100.00	49	1,088,000	100.00	74	2,186,282.78	100.00

DISTRIBUTION OF LOAN PROCEEDS (NET APPROVED LOANS)

FOR WORKING CAPITAL
AND DEBT PAYMENT

41.94%

FOR NEW CONSTRUCTION

32.90%

FOR MACHINERY &
EQUIPMENT FOR EXPANSION

19.44%

PURCHASE & RENOVATION OF
PLANT & EQUIPMENT

5.72%

DCCM PARTICIPATED IN THE CONST



Sylvania
Electric Products, Inc.
Waldoboro, Maine
(Waldoboro Industrial
Realty Co.)



Hillcrest Poultry Co.
Lewiston, Maine



Edwards Company
Pittsfield, Maine
(Pittsfield Improve-
ment Association)



Maine Paper Tube
Corporation
South Gardiner, Maine

DCCM has pa
the financing
buildings wit
of 432,849 s

CONSTRUCTION OF THESE NEW BUILDINGS

Viner Bros., Inc.
Bangor, Maine



Commonwealth Shoe &
Leather Co., Inc.
Gardiner, Maine
(Gardiner Building
Corp.)



Bonnar - Vawter
Rockland, Maine
(Knox Industries, Inc.)



participated in
of 14 new
h floor space
quare feet.

Bangor Shoe Mfg. Co., Inc.
Bangor, Maine



COMPARATIVE BALANCE SHEET

ASSETS	December 31,	
	1959	1958
CASH AND INVESTED ASSETS:		
Cash in banks and on hand	\$ 81,730.67	\$ 86,525.55
Notes receivable (Note A):		
Current	\$ 919,845.14	\$686,485.79
Delinquent installment	2,711.79	9,853.73
	\$ 922,556.93	\$696,339.52
Less: Provision for estimated losses (Note B)	21,000.00	8,887.07
	\$ 901,556.93	\$687,452.45
	\$ 983,287.60	\$773,978.00
SECURITIES (RECEIVED IN CONSIDERATION OF GRANTING LOANS):		
500 shares of Kennebec, Inc.	\$ -0-	\$ -0-
40 shares of Coast Line Mills, Inc.	-0-	-0-
OTHER ASSETS:		
Funds paid for others	-0-	448.05
Furniture and equipment—depreciated value	5.77	98.38
Deferred charges—insurance premiums	207.12	300.00
	\$ 212.89	\$ 846.43
TOTAL ASSETS	\$ 983,500.49	\$774,824.43
LIABILITIES AND CAPITAL		
LIABILITIES:		
Pledges—members	\$1,088,000.00	\$945,000.00
Less: Pledges uncalled	206,720.00	252,936.00
Notes payable—members	\$ 881,280.00	\$692,064.00
Accrued expenses and employee deductions	444.20	473.55
Funds owed to others	-0-	173.92
Provision for Federal income taxes	1,962.84	-0-
TOTAL LIABILITIES	\$ 883,687.04	\$692,711.47
CAPITAL:		
Capital stock:		
Authorized 1,500 shares, par value \$100.00 each		
Issued and outstanding:		
1959 - 971 shares	\$ 97,100.00	
1958 - 930 shares		\$ 93,000.00
Retained earnings (or deficit) - (Exhibit B)	2,713.45	(10,887.04)
	\$ 99,813.45	\$ 82,112.96
TOTAL LIABILITIES AND CAPITAL	\$ 983,500.49	\$774,824.43

NOTE A—Included in notes receivable are notes which total \$6,698.49 as at December 31, 1959 which are being paid on terms which differ from original agreements. The original amount of these notes was \$37,500.00, of which \$9,361.23 has been charged to the provision for estimated losses.

Of the \$6,698.49 total, \$2,711.79 is considered delinquent. In addition, interest in the amount of \$203.13 is due for the period from October 1, 1959 to December 31, 1959.

NOTE B—An analysis of the provision for estimated losses is as follows:

Balance, January 1, 1959		\$ 8,887.07
Recoveries of prior charge-offs	\$5,193.66	
Provision for estimated future losses	6,919.27	12,112.93
	\$ 90,000.00	\$ 21,112.00
Balance, December 31, 1959		\$21,000.00

COMPARATIVE STATEMENT OF PROFIT AND LOSS AND ANALYSIS OF RETAINED EARNINGS (OR DEFICIT)

	For the Year Ended December 31,	
	1959	1958
Income:		
Interest received (cash basis)	\$50,626.42	\$45,855.43
Service charges and commitment fees	4,065.00	900.00
	<u>\$54,691.42</u>	<u>\$46,755.43</u>
Operating Expenses:		
Salaries	\$10,702.62	\$10,409.07
Travel expense	1,591.12	1,506.79
Interest	16,102.88	14,332.46
Rent and light	840.90	856.24
Legal fees including processing loans (refunds)	252.62	1,740.71
Credit investigations	35.50	17.20
Stationery, printing and office supplies	1,419.39	949.47
Telephone and telegraph	661.14	542.09
Insurance and fidelity bonds	228.56	200.00
Depreciation	92.61	92.61
Taxes	271.53	257.27
Miscellaneous	9.95	8.20
	<u>\$32,208.82</u>	<u>\$30,912.11</u>
 Operating Gain (Loss)	 <u>\$22,482.60</u>	 <u>\$15,843.32</u>
 Provision for Losses and Bad Debts	 \$ 6,919.27	 15,750.00
Provision for Income Taxes	1,962.84	
	<u>\$ 8,882.11</u>	
 NET GAIN (LOSS) FOR YEAR	 <u>\$13,600.49</u>	 <u>\$ 93.32</u>
(Deficit) at Beginning of Year	<u>(10,887.04)</u>	<u>(10,980.36)</u>
 RETAINED EARNINGS (OR DEFICIT) AT END OF YEAR	 <u>\$ 2,713.45</u>	 <u>(\$10,887.04)</u>

The corporation has requested permission from the Internal Revenue Service to compute its income for tax purposes by taking into consideration the provision for estimated losses. The Internal Revenue Service has acknowledged receipt of this request but has not as yet granted permission.

AUDITORS CERTIFICATE

RICHARD M. BAKER
LINCOLN L. ADAM, C. P. A.

BAKER AND ADAM
ACCOUNTANTS AND AUDITORS
465 Congress St.
PORTLAND 3, MAINE

TELEPHONE SP 2-7496

January 8, 1960

Development Credit Corporation of Maine,
Augusta,
Maine.

Gentlemen:

In accordance with instructions from your Treasurer, we have examined the books of account and records of the Development Credit Corporation of Maine and submit the attached exhibits:

Exhibit A - Comparative Balance Sheet as at December 31,
1959 and 1958

Exhibit B - Comparative Statement of Profit and Loss and
Analysis of Retained Earnings (or Deficit)
for the Years ended December 31, 1959 to
1951, inclusive.

AUDITORS' CERTIFICATE

We have examined the balance sheet of the Development Credit Corporation of Maine as of December 31, 1959, and the related statement of income for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records, and such procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statement of income present fairly the financial position of the Development Credit Corporation of Maine at December 31, 1959 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Respectfully submitted,

Baker And Adam

Accountants and Auditors.

LOANS DISBURSED

BY SIZE

Amount	No. of Loans
\$10,000 or Less	23
\$10,001-\$25,000	21
\$25,001-\$50,000	16
\$50,001-\$75,000	14

BY NO. OF EMPLOYEES

No. of Employees	No. of Loans
0-9	16
10-19	12
20-49	15
50-99	15
100-249	6
250 or More	10

BY MATURITY

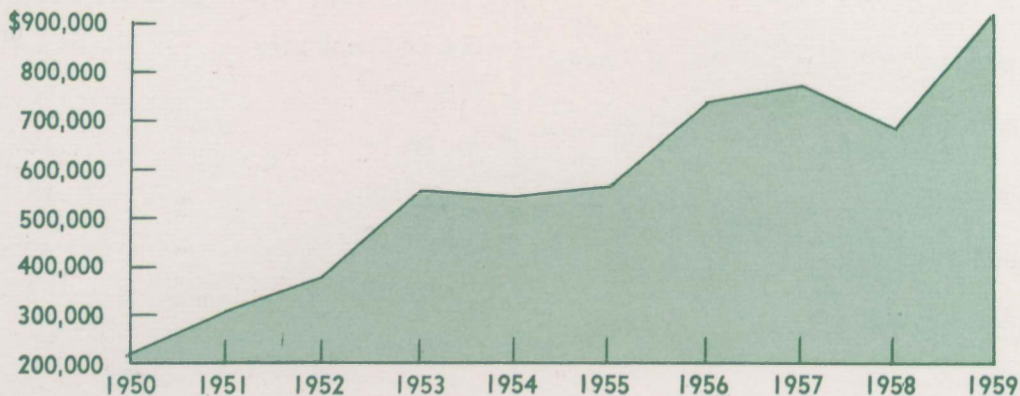
3 years or less	7
3-5 years	15
5-9½ years	26
10-14 years	20
Over 14 years	6

CLASSIFICATION BY INDUSTRY

Wood Products	23
Textile	11
Metal Products	10
Leather Goods	8
Food Processing	7
Clay	4
Paper Products	3
Electrical	2
Chemical	2
Miscellaneous	4

SUMMARY OF LOAN ACTIVITY 1950-1959

LOANS OUTSTANDING DECEMBER 31



	No. of Loans	DCCM Portion	Participating Banks' Portion	Total Amount
Gross Approvals	99	\$2,967,107.78	\$3,785,847.00	\$6,752,954.78
Less Cancellations	25	780,825.00	1,324,600.00	2,105,425.00
Net Approvals	74	2,186,282.78	2,461,247.00	4,647,529.78
Disbursements	74	2,186,282.78	2,461,247.00	4,647,529.78
Outstanding Balances	29	922,556.93		
Paid in Full	40	978,727.95		
Loan Repayments (including Loans Paid in Full)		1,215,710.75		
Losses Less Recoveries	5	48,015.10		

REMAINING LOANABLE FUNDS

Notes Payable to Members, December 31, 1959	\$881,280.00	
Uncalled Pledges from Members	206,720.00	
Paid in Capital	97,100.00	
Total Loanable Funds		\$1,185,100.00
Outstanding Loan Balance	922,556.93	922,556.93
Remaining Loanable Funds		<u>262,543.07</u>
Current Applications in Process (5)	\$157,000.00	

CHAIRMEN OF DISTRICT LOAN ADVISORY COMMITTEES

Area	Name	Occupation	Address
1	Carleton G. Lane	<i>Vice President</i> —Union Mutual	Portland
2	Frank S. Hoy	<i>Treasurer</i> —WLAM	Lewiston
3	Rand N. Stowell	Timberlands, Inc.	Dixfield
4	Frederick R. Knauff	<i>President</i> —Federal Trust Co.	Waterville
5	Harold S. Corthell	Haskell & Corthell	Camden
6	William Philbrick	Insurance & Real Estate	Skowhegan
7	William P. Newman	<i>President</i> —Eastern Trust & Bank	Bangor
8	John J. Whitney	<i>President</i> —Union Trust Co.	Ellsworth
9	Carroll B. Peacock	<i>President</i> —R. J. Peacock Canning	Lubec
10	Perry T. Barker	<i>Treasurer</i> —Lincoln Trust Co.	Lincoln
11	James M. Pierce	<i>President</i> —First National Bank	Houlton
12	Edwin E. Parkhurst	<i>President</i> —Northern National Bank	Presque Isle

MEMBER BANKS

1	Aroostook Trust Company	Caribou
2	Ashland Trust Company	Ashland
3	Augusta Loan & Building Association	Augusta
4	Bangor Savings Bank	Bangor
5	Bath Trust Company	Bath
6	Bethel Savings Bank	Bethel
7	Biddeford Savings Bank	Biddeford
8	Brunswick Savings Institution	Brunswick
9	Camden National Bank	Camden
10	The Canal National Bank of Portland	Portland
11	Casco Bank & Trust Company	Portland
12	Depositors Trust Company	Augusta
13	Eastern Trust & Banking Company	Bangor
14	Federal Trust Company	Waterville
15	First-Auburn Trust Company	Auburn
16	The First National Bank of Bar Harbor	Bar Harbor
17	First National Bank of Belfast	Belfast
18	First National Bank of Biddeford	Biddeford
19	First National Bank of Brunswick	Brunswick
20	First National Bank of Houlton	Houlton
21	First National Bank of Lewiston	Lewiston
22	First National Bank of Pittsfield	Pittsfield
23	First National Bank of Rockland	Rockland
24	First National Granite Bank	Augusta
25	First Portland National Bank	Portland
26	Gardiner Savings Institution	Gardiner
27	Guilford Trust Company	Guilford
28	Houlton Trust Company	Houlton
29	Katahdin Trust Company	Patten
30	Kennebec Savings Bank	Augusta
31	The Kezar Falls National Bank	Kezar Falls
32	Lincoln Trust Company	Lincoln
33	Livermore Falls Trust Company	Livermore Falls
34	Maine Savings Bank	Portland
35	Manufacturers National Bank of Lewiston	Lewiston
36	Merchants National Bank of Bangor	Bangor
37	The Merrill Trust Company	Bangor
38	Millinocket Trust Company	Millinocket
39	National Bank of Gardiner	Gardiner
40	Northern National Bank of Presque Isle	Presque Isle
41	Ocean National Bank	Kennebunk
42	Pepperell Trust Company	Biddeford
43	Portland Savings Bank	Portland
44	Sanford Trust Company	Sanford
45	The Thomaston National Bank	Thomaston
46	Union Trust Company	Ellsworth
47	Washburn Trust Company	Washburn
48	Westbrook Trust Company	Westbrook
49	York Loan & Building Association	Biddeford



