

**MINUTES OF THE APRIL 18, 2013 MEETING OF THE MEMBERS
OF THE FINANCE AUTHORITY OF MAINE**

Treasurer Murphy called the April 18, 2013 meeting of the members of the Finance Authority of Maine to order at 9:02 a.m. at the Finance Authority of Maine, 5 Community Drive, Augusta, Maine.

Treasurer Murphy noted for the record that the members had received an Agenda and Notice of Meeting (*see Certificate of Mailing attached as Appendix 1*), and that notices of the meeting had been published in certain newspapers throughout the state (*see Affidavits of Publication attached as Appendix 2*).

A. CALL TO ORDER

A1: Ascertainment of Quorum

Treasurer Murphy called the roll of the members and noted that there were sufficient members present for the purpose of beginning the meeting.

Those members present were as follows:

Patrick Murphy, Treasurer
Anthony Armstrong (*entered the meeting at 9:21 a.m.*)
Neria Douglass (*entered the meeting at 9:16 a.m.*)
George Gervais
Reis Hagerman
Larry Mitchell
Raymond Nowak
Rosaire Pelletier
Christopher Pierce
Evelyn Silver

Those members absent:

Patrick Keliher
Glenn Lamarr
Michael Mahoney
Susan Snowden, Chair
Cheri Walker, Vice Chair

Staff present:

Elizabeth Bordowitz, Chief Executive Officer
William Norbert, Governmental Affairs and Communications Manager
Katryn Gabrielson, Deputy General Counsel
Robert Corey, Senior Credit Officer
Charles Emmons, Senior Commercial Loan Officer
Elizabeth Vanderweide, Director of Business Development & Customer Relations

Carlos Mello, Director of Finance and Lending
Scott Bursey, Commercial Loan Officer
Scott Weber, Credit Analyst
Jeff Murch, Credit Analyst
Angela Dostie, Program and Policy Manager
Jana McQuilkin, Marketing Communications Officer
Adele Bickford, Executive/Legal Assistant

Guests Present:

Elliott Barry, Camden National Bank
Gregg Isherwood, Custom Coach and Limousine
Peter V. Anania, Mega Industries
David B. Hiatt, Mega Industries
Paul Collins, Androscoggin Bank
Will Rood, B&B Precise Products
Mark Stickney, Spinglass Management Group

A2: Approval of March 21, 2013 Board Meeting Minutes

A motion was made by Mr. Mitchell and seconded by Mr. Nowak to approve the minutes of the March 21, 2013 board meeting. The motion was approved by a vote of 8 in favor, 0 opposed and 0 abstentions.

R-04-18-13-01

B. CHAIR'S REPORT

B1: Report of the Commercial Loan Committee Meeting of March 21, 2013

Mr. Nowak commented that section 2 (One Borrower Aggregation Rules) of the report should be separated into three areas (a, b, c) as there were three distinct items discussed.

A motion was made by Mr. Pelletier and seconded by Dr. Silver to approve the report of the March 21, 2013 meeting of the Commercial Loan Committee as amended. The motion was approved by a vote of 8 in favor, 0 opposed and 0 abstentions.

R-04-18-13-02

C: CEO'S AND STAFF REPORT

C1: CEO's Report

Ms. Bordowitz requested an executive session to update the board on a confidential matter.

Commissioner Gervais moved to enter into Executive Session for matters for which confidentiality has been requested. The motion was seconded by Mr. Pelletier and approved by a vote of 8 in favor, 0 opposed and 0 abstentions.

Members entered Executive Session #1 at 9:07 a.m.

Members exited Executive Session #1 at 9:13 a.m.

The Governor issued a press release announcing that the Nutrient Management Program will be newly capitalized with \$3 million. FAME, in partnership with Maine's Departments of Environmental Protection and Agriculture, Conservation and Forestry, and Maine Municipal Bond Bank, administers the program that funds the construction for and handling of milk room and manure waste. Ms. Bordowitz thanked Scott Bursey for his role in working with FAME's partners to expand the program and make it more effective.

Ms. Bordowitz asked members for suggestions for a speaker at FAME's 30th Anniversary Annual Meeting on November 12th.

C2: Student Loan Insurance

Ms. Dostie reported that the Student Loan Insurance bill became law without the Governor's signature. There are four lending institutions (Camden National Bank, University Credit Union, Seaboard Federal Credit Union and Maine State Credit Union) that are currently expected to be partners for the launch of the program on July 1st. There are two other banks that are expected to join soon after: Kennebunk Savings Bank and Skowhegan Savings Bank. After the launch new lenders can be added at any time.

C3: Legislative Update

Mr. Norbert reported that all five of FAME's bills have been enacted, and he will now be focusing on other bills of interest to FAME. Mr. Norbert and Ms. Bordowitz made a presentation to the Workforce Development Committee, which is looking at enhancing downtown development. Mr. Norbert added that the budget is of top concern. Other bills of interest are the Student Capital Tax Credit bill, the New Markets Tax Credit bill and several bills involving financial literacy. Ms. Bordowitz commended Mr. Norbert for his success in getting FAME's bills through the entire process early. She also noted that there have been conversations with the Education Committee and legislators recently about their interest in enhancing scholarships. FAME's zero-based budget submission called for more funding for the Maine State Grant. Although Ms. Bordowitz does not expect additional funding given the state's financial situation, she is encouraged by the interest of legislators expressed in a broad based way for increased funding for need-based grants and higher education. Ms. Bordowitz added she takes every opportunity to relate that the state funds only those students with a 0 EFC (Expected Family Contribution), and there are approximately 10,000 students in Maine with 0 EFC attending college. In response to a question from Mr. Armstrong regarding the New Market Tax Credit bill, Mr. Norbert explained that the bill clarifies some points and now allows \$40 million in tax credits for manufacturing on a per project basis. Ms. Bordowitz indicated that there is a possibility that two projects involving tax credits may be forthcoming to the board.

C4: Marketing and Outreach Update

Mr. Pelletier exited the meeting at 9:40 a.m.

Mr. Pelletier re-entered the meeting at 9:44 a.m.

Ms. Vanderweide introduced Jana McQuilkin, FAME's newly hired Marketing Communications Officer, who comes to FAME from a similar position with a manufacturing concern. Ms. McQuilkin provided the board a summary of her background and expressed her excitement at joining the staff at FAME.

The FAME event at the Hall of Flags at the beginning of April was the kick-off for FAME's 30th year anniversary and was the forum to display the newly adopted 30th year anniversary logo. A press release will be going out shortly.

Ms. Vanderweide told members that FAME is in the process of building one strategic marketing plan that will encompass both business and education. The board was provided a handout outlining strategic goals for Marketing and Outreach, historical numbers and attendance for Outreach events and launch dates and enrollment for the Maine SALT Pilot Program. The total at the end of March for new contributions to NextGen and Alford accounts combined is 30% and the take rate for Alford babies from July, 2011 to June, 2012 is at 39.5%. The goals set for both will be met or exceeded. Treasurer Murphy noted that the Alford take rate goal appears to have reached a saturation plateau and asked what it would take to move that rate from 40%. Ms. Vanderweide indicated that without a change in the application paperwork, a significant marketing expense or reaching a niche such as non-US citizens or the DHHS program, it would be difficult to increase the goal by even 10%. She added that TV advertising could possibly increase the target by 5% but not without significant cost. Ms. Vanderweide continued to review the handout, noting a drop in the number of FAFSA completions and attendance at financial education events. Enrollment in the SALT Pilot Program continues to increase.

Ms. Vanderweide referred members to the Executive Summary of the FAME Brand Immersion Report in their packets. By conducting several exercises involving a survey of staff, several customers and board members, a brand position resulted that focuses and reinforces FAME's Mission. The "Brand Position Statement" is one statement for both education and business since FAME provides financial resources for both. Ms. Vanderweide continued to review the branding materials with board members, drawing attention to the new logo that focuses on Maine people rather than on business and education. Mr. Pierce asked why there has been a decrease in attendance at college fairs, suggesting the cost of college attendance or the lack of opportunity in today's economy as possible reasons. Ms. Dostie offered that funding for such things as buses for students to attend the college fairs and the perception that college fairs are not the best way to introduce students to college may have more to do with the decrease in attendance. Colleges are looking to campus visits as a more individualized approach to reach truly interested students. Mr. Hagerman added that the internet has had a profound effect on attendance at college fairs. More emphasis on other types of marketing and the cost to colleges for attending the fairs has also contributed to decreased attendance.

C5: Monthly Update for Board on Lumber, Wood and Paper Industry

Mr. Corey provided the monthly update on the lumber, wood and paper industry, noting that there had been little change since last month. FAME's insurance exposure is at 88% but Mr. Corey made members aware that there is one new \$4 million potential request for loan insurance that would bring that percentage to 118%.

Ms. Bordowitz suggested Millinocket as a destination for the board's annual off-site trip in September. She also mentioned including a visit to a technical high school in Bangor as part of the same trip. She will pursue arrangements for the trip after hearing general, affirmative feedback from board members.

D: ACTION ITEMS

D1: Request for Commercial Loan Insurance – Isherwood Enterprises, Inc. d/b/a Custom Coach and Limousine and 19 Bartlett Road, LLC

Mr. Emmons introduced Elliott Barry of Camden National Bank and Greg Isherwood, owner and manager of the Isherwood Enterprises, also known as Custom Coach. FAME has had a relationship with Isherwood since 2007 and currently they have a direct loan that is paid as agreed. In addition to the term loan, FAME is being asked to provide 25% leverage insurance on a \$5,275,000 term loan, 90% pro-rata insurance on a \$150,000 line of credit and 90% pro-rata insurance on an \$825,000 term loan to 19 Bartlett Road, LLC, which owns the building out of which the company operates. These loans are important to the company's debt restructuring and its ability to maintain its competitive edge in the market. Staff is recommending approval of all three requests. Mr. Barry stated that FAME's partnership with the bank will provide Custom Coach with a full financing package and a schedule that will allow it to grow and become more competitive. FAME's involvement is needed because of current economic conditions. Mr. Isherwood provided some company background, indicating that the company has been in business for 25 years and has grown to a fleet of 40 vehicles from its original beginnings of just one. It offers its services to colleges in September through May and diversifies in the summer months by offering its services to camps and cruise lines. By refinancing with Camden National Bank, the company will cut its interest rate in half for loans it has with a smaller bank that could not accommodate the restructuring. Resolutions for the three requests for insurance on a \$5,275,000 million term loan, \$150,000 line of credit and \$875,000 term loan to 19 Bartlett Road, LLC are included in the board materials.

A motion was made by Mr. Pelletier and seconded by Mr. Nowak to approve all three resolutions as presented. The motion was approved by a vote of 9 in favor, 0 opposed and 1 abstention (Reis Hagerman).

R-04-18-13-03

BREAK: 10:07 a.m. – 10:18 a.m.

D2: Request for Economic Recovery Loan Program Loan – Mega Industries, LLC

Mr. Armstrong re-entered the meeting at 10:20 a.m.

Treasurer Douglass re-entered the meeting at 10:20 a.m.

Commissioner Gervais re-entered the meeting at 10: 21 a.m.

The request before the board is for \$180,750 Economic Recovery Loan Program loan to Mega Industries, LLC, which will partially fund expansion to its facility. Mr. Bursey explained that normally a loan the size of this one would not come to the board. However, FAME has existing exposure with Anania & Associates Investment Company, LLC and Anania & Associates through

loan insurance for TracTec, LLC. Mr. Anania is President of Mega Industries, LLC and Anania and Associates Investment Company and Mr. Hiatt provides support to Mega Industries and holds the position of Chief Financial Officer for Anania & Associates. Mr. Bursey stated that FAME would be in a subordinate position to the Androscoggin Bank loan. Staff is recommending approval based on the company's strong cash flow, positive net worth, and strength of management with special conditions as noted in the board packet. There is a requirement that the appraisal come in at 75% loan to value. Mr. Bursey added that the loan may be funded through the State Small Business Credit Initiative (SSBCI), which are federal economic recovery program funds administered by FAME.

Mr. Anania informed members that Mega Industries provides equipment for energy particle research and has secured a contract with a German lab for what will be a five year project. The company sales have doubled and the follow up orders resulting from the contract are creating the need to expand the facility and also to accommodate space for a clean room environment.

Mr. Bursey advised members that \$120,000 of the FAME loan would be disbursed to Androscoggin Bank to be held in escrow during the construction phase with the bank overseeing the project and would be converted to a conventional mortgage upon completion of construction. The remainder would be held for cost overruns and disbursed only if needed.

The resolution authorizes a loan commitment of \$180,750.

A motion was made by Dr. Silver and seconded by Mr. Mitchell to approve the resolution as presented. The motion was approved by a vote of 9 in favor, 0 opposed and 1 abstention (Anthony Armstrong).

R-04-18-13-04

D3: Request for Commercial Loan Insurance – B & B Precise Products, LLC and Rood Enterprises, LLC

Mr. Nowak exited the meeting at 10:39 a.m.

Mr. Nowak re-entered the meeting at 10:44 a.m.

Mr. Emmons introduced Will Rood, CEO and President of B & B Precise Products, Inc. and Paul Collins, Commercial Loan Officer, Androscoggin Bank. B & B is a family owned machine shop in Benton, Maine that employs 57 people. The request before the board is for: 90% pro-rata insurance of a \$288,750 term loan to Rood Enterprises, LLC (B & B's real estate holding company) to refinance an existing mortgage, 90% pro-rata insurance for a \$1,588,000 million term loan to B & B to refinance existing debt, and 90% pro-rata insurance of a \$550,000 working capital line of credit (LOC). Mr. Emmons reported that after some difficult years, B & B was profitable in 2012 and is strong for 2013 with new customers and a backlog. Staff is recommending approval.

Mr. Collins advised members that B & B is a new relationship for Androscoggin Bank. The bank is seeking FAME insurance because of its turnaround nature that Mr. Emmons referred to as well as the inherent risk associated with rapid growth.

B & B was established in 1990 by Mr. Rood's father and was purchased by Mr. Rood in 2000. It has a well skilled workforce, which is expected to expand by eight or ten people with its \$7.1 million backlog. Mr. Rood credited Mark Stickney of Spinglass Management for the key elements of finance and operations and the focus that he has brought to the company in the last couple of years. Mr. Stickney will remain with the company going forward. Mr. Emmons pointed out that B & B does not do everything in-house but out-sources to mostly Maine companies. The company has local roots and international sales. Treasurer Murphy questioned if the company had a concern about the shortage of skilled machinists, which is something that has been publicized recently. Mr. Rood responded that by utilizing community colleges, the company's own feeder program and the state's Mobile Outreach Skills Training program known as MOST, he expects to be able to meet the demand for skilled machinists. Of concern to the board and to FAME staff is that projections for 2013 are concentrated heavily in the energy industry. The German contract referred to is for one year, which will allow the company to re-evaluate its projected pricing and re-negotiate if necessary. Mr. Emmons noted that the equipment purchased by the company will not be specialized and can be used for multiple functions.

Three resolutions for loan insurance on amounts previously outlined were before the board for approval.

A motion was made by Mr. Nowak and seconded by Commissioner Gervais to approve the three resolutions as presented. The motion was approved by a vote of 10 in favor, 0 opposed and 0 abstentions.

R-04-18-13-05

D4: NextGen College Investing Plan® Authorization to Modify Program Management Agreement

Commissioner Gervais exited the meeting at 10:55 a.m.

Commissioner Gervais re-entered the meeting at 10:56 a.m.

Mr. Pelletier exited the meeting at 11:26 a.m.

Mr. Pelletier re-entered the meeting at 11:33 a.m.

Dr. Silver exited the meeting at 11:54 a.m.

Ms. Bordowitz reminded members that in February they had authorized FAME staff to enter into negotiations with Merrill Lynch regarding modifications to the NextGen Program Management Agreement and in March the board was given an update on those negotiations. The material in the board packet was provided by Merrill Lynch and outlines some key issues in the negotiations.

Dr. Silver moved to enter into Executive Session to consult with counsel. The motion was seconded by Mr. Nowak and approved by a vote of 10 in favor, 0 opposed and 0 abstentions.

Members entered Executive Session #2 at 10:56 a.m.

Members exited Executive Session #2 at 12:00 p.m.

Ms. Bordowitz summed up what she heard as the direction from board members, which is that the board is not currently prepared to give the CEO authority to go forward in signing a modification to the Program Management Agreement as presented and would rather have a special board meeting or defer to the May meeting after further progress on the contract terms. No action will be taken at this time and the item is tabled. Ms. Bordowitz may use the resources of the Education and Executive committees in the interim. The State Treasurer will be included in any further negotiations.

COMMISSIONERS' & TREASURER'S UPDATES:

Treasurer Douglass reported that tobacco settlement funds are in and that revenues to the state are slightly ahead of expectation. Overall, things are looking better than they have been although budget negotiations remain.

The meeting adjourned at 12:05 p.m.

Respectfully submitted,

Cheri Walker, Vice Chair