

**MINUTES OF THE APRIL 17, 2014 MEETING OF THE MEMBERS
OF THE FINANCE AUTHORITY OF MAINE**

Chair Nowak called the April 17, 2014 meeting of the members of the Finance Authority of Maine to order at 9:06 a.m. at the Finance Authority of Maine, 5 Community Drive, Augusta, Maine.

Chair Nowak 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

Chair Nowak 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:

Raymond Nowak, Chair
Patrick Murphy, Vice Chair
Cheri Walker, Treasurer
Jonathan Block
Neria Douglass
George Gervais (*entered the meeting at 10:21 a.m.*)
Reis Hagerman
James Howard
Patrick Keliher
Gregory Miller
Larry Mitchell
Rosaire Pelletier (*entered the meeting at 10:20 a.m.*)
Christopher Pierce
Susan Snowden
James Violette, Jr.

Those members absent:

Staff present:

Bruce Wagner, Chief Executive Officer
Christopher Roney, General Counsel
Katrjn Gabrielson, Deputy General Counsel
Charles Emmons, Senior Commercial Loan Officer
Carlos Mello, Director of Finance and Lending
Elizabeth Vanderweide, Director of Business Development and Customer Relations
William Norbert, Governmental Affairs & Communications Manager
Angela Dostie, Education Finance Programs & Policy Manager
Mila Tappan, College Access Counselor

Claude Roy, Education Services Officer
Sally Garand, Commercial Loan Officer
Scott Weber, Credit Manager
Scott Bursey, Commercial Loan Officer
Jeff Murch, Credit Analyst
Jennifer Cummings, Senior Workout Officer
Adele Bickford, Executive/Legal Assistant

Guests Present:

Kris Eimicke, Pierce Atwood
Jay Field, MPBN
Rob Small, TD Bank
Stephanie Clifford, Baldacci Communication
Dammon Frecker, Cate Street Capital
Chris Facchini, WLBZ2
Mike DeSumma, WLBZ2
Scott Kenney, Farm Credit
Harold Pachios, Preti Flaherty
Whit Richardson, Portland Press Herald
Nick Sambides, Jr., Bangor Daily News
Stu Kallgren, Enfield
Mark Marston, E. Millinocket
David Markovchick, FAME consultant, Mt. Vernon
Peter Anania, Anania & Associates
Erik Olson, Farm Credit
Chris Howard, Pierce Atwood
Alex Ritchie, Cate Street
M. McIntyre, Cate Street
Lance Tapley, Portland Phoenix
Rob Poindexter, WABI
Jake Staples, WABI

A2: Approval of March 20, 2014 Board Meeting Minutes

A motion was made by Mr. Mitchell and seconded by Mr. Block to approve the minutes of the March 20, 2014 board meeting. The motion was approved by a vote of 13 in favor, 0 opposed and 0 abstentions.

R-04-17-14-01

B: CHAIR'S REPORT

B1: Report of the Commercial Loan Committee for March 19, 2014

Ms. Snowden referred members to the report of the March 19, 2014 Commercial Loan Committee meeting in their board packets containing the Watchdesk items and comments and discussion regarding each. Also under discussion at the meeting was the adjustment for the allowance for loan loss, which will come to the board later this year.

A motion was made by Treasurer Walker and seconded by Vice Chair Murphy to approve the report of the March 19, 2014 Commercial Loan Committee meeting. The motion was approved by a vote of 13 in favor, 0 opposed and 0 abstentions.

R-04-17-14-02

Chair Nowak informed members that the Executive Committee and Mr. Wagner met today to discuss certain aspects of the Major Business Expansion Bond program because of its scale and complexity. Although the program has been in place for some time, it is only recently that any projects have come to the board. Other aspects to be considered are the staff and board's role, politics and media and appropriateness of news articles being provided to members. A restructure of committees could also provide a means of getting more information to members. Chair Nowak and Mr. Wagner agreed that staff, after due diligence, should select the articles to be included for board members and that those articles be put in context by staff. Chair Nowak asked for input from members and staff. A discussion ensued.

C: CEO's and STAFF REPORT

C1: CEO's Report

Mr. Wagner shared the process by which he and the staff are approaching the development of a Strategic Plan. Staff is doing an environmental assessment and trend analysis of 12 major categories. The trends will be mapped to a grid and the ones with the most impact and the fastest moving will then go to the board. A **S**trengths, **W**eaknesses, **O**pportunities and **T**hreats (SWOT) analysis will also be conducted. He anticipates a 60 day timeline. Three goals are proposed: Noble, Growth and Productivity. A handout outlining the goals and metrics was provided. Mr. Wagner stressed that the goals will enhance the full mission of FAME, and FAME's education and economic development resources will be integrated in the goals. The entire board will be involved in the process rather than through a committee as in the past.

Mr. Wagner updated the board on the challenge before FAME resulting from the creation of the Alford universal account, that of increasing its 529 plan accounts without the benefit of Alford accounts. The universal account eliminates the requirement to open a 529 account to be eligible for the \$500 scholarship. Chair Nowak reminded members that it is a challenge in the short term but an opportunity in the long term.

C2: Legislative Update

Ms. Snowden exited the meeting at 9:50 a.m.

Mr. Norbert reported that the Second Session of the Legislature is due to conclude either today or tomorrow. The Supplemental Budget drafted to close a \$30 million shortfall, mostly Department of Health and Human Resources (DHHS) related, was unanimously approved by the Appropriations Committee and will eliminate \$1 million slated for FAME's commercial loan reserves. A possibility remains that FAME will receive the \$1 million cascade resulting from any surplus in the state budget as it has in the past. The Appropriations Committee also approved a \$50 million bond package of which FAME would receive \$4 million for its Commercial Loan Insurance Program and \$8 million for its Regional Economic Development Revolving Loan Program (REDRLP).

However, it must still go before the Legislature, Governor and voters. Mr. Norbert noted the support of the Workforce Committee, which commended FAME's business programs as being most affective for return on investment. There was no cut to FAME's student loan assistance program.

C3: Marketing and Outreach Update

Mr. Miller exited the meeting at 9:55 a.m.

Ms. Snowden re-entered the meeting at 9:59 a.m.

Ms. Vanderweide introduced Mila Tappan, College Access Counselor, who is in the field daily and who will provide information on FAME's Outreach events. Ms. Vanderweide updated the board on Marketing and Outreach Strategic Plan Goals and SALT, referring to material in the board packet. Additional statistics provided: 82% of college students have access to SALT; 10,000 students are enrolled or have visited the site over 20 times; and the duration of a visit is 11 minutes. Ms. Vanderweide added that FAME's SALT Program is the best in the country.

Ms. Tappan referred members to the chart outlining Historical Outreach Events and Attendance. She stated that FAFSA completions, which have a May 1 deadline, are at 56.3%, on target to its 60% goal. School counselors and college administration personnel have both indicated a drop in the number of college enrollments. In response to a question from a board member, Ms. Tappan stated that the number of FAFSA completions is about even with those for the same time last year.

C4: The Student Grant Estimation Process

Vice Chair Murphy exited the meeting at 10:00 a.m.

Mr. Miller re-entered the meeting at 10:01 a.m.

Vice Chair Murphy re-entered the meeting at 10:05 a.m.

Ms. Dostie was asked by the Finance and Audit Committee to provide an overview of the methodology determining the award amount of the need-based grant program for undergraduates funded through state appropriations and NextGen funds. In order to be eligible, a student must be enrolled in a Maine school; this is the first year without reciprocity with other New England schools. The FAFSA is used to determine the Estimated Family Contribution (EFC), which is an index schools use to determine the type and dollar amount of aid available to students. The EFC for the 2014-2015 academic year is 5,500. Ms. Dostie reviewed the three current programs under the NextGen Matching Grant Program as detailed in the board materials. The budget process begins in February when the number of students, enrollment, eligibility numbers based on the EFC and average take rate (70%-75%) are estimated. Staff estimates the amount of funds expected to be received from the state and cash on hand available under the NextGen Program to subsidize the Program. The board considers the amount to come from NextGen funds and this year \$5.5 million was approved. The projection at this point is that 18,000 will receive the State Grant. After the May 1st FAFSA deadline, the process is repeated using actuals. Ms. Dostie stated that a buffer is built into the process to avoid having to make downward adjustments to colleges. Typically, staff tries to carry forward about 4%. This year the carry forward figure is 7%, but when viewed in comparison to other years which have fallen between 2% and 13% (+/-), 7% is not too far off.

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

Mr. Weber reported that the concentration level for the lumber, wood and paper industry is at 86.4% of the target maximum of one half of total fund balance. Last month's figure was 87.7% so it is below the maximum, only changing slightly. It will continue to be watched.

COMMISSIONERS' & TREASURER'S UPDATES

None heard.

D1: Line of Credit 6 Month Renewal for Trak Tec

Mr. Violette exited the meeting for conflict of interest at 10:17 a.m.

Ms. Snowden exited the meeting for a conflict of interest at 10:17 a.m.

Mr. Block exited the meeting at 10:17 a.m.

Mr. Bursey introduced Peter Anania, President of Anania and Associates Investment Company, and Rob Small of TD Bank. TD Bank is requesting a 6 month extension to the 90% FAME insurance on its \$300,000 line of credit to Trak Tec. As background, Mr. Bursey reminded the board that Trak Tec was in contract negotiations with CVS to provide labels. That contract was never executed. The extension is being sought in order to allow Trak Tec time to complete its outstanding CVS purchase orders and to attract new business. Mr. Small affirmed the support of TD Bank for the extension. FAME staff is recommending approval.

A motion was made by Treasurer Walker and seconded by Vice Chair Murphy to approve the resolution authorizing an extension of loan insurance regarding Trak Tec, Inc. and authorizing the Chief Executive Officer to take any and all additional action necessary to approve the extension and to execute agreements and documents pertaining thereto. The motion was approved by a vote of 12 in favor, 0 opposed and 2 abstentions (James Violette, Jr. and Susan Snowden).

R-04-17-14-03

BREAK: 10:25 A.M. – 10:34 A.M.

D2: Consideration of Amendment to Application for Financing under the Major Business Expansion Bond Program and Public Hearing – Thermogen I, LLC

Mr. Violette re-entered the meeting at 10:34 a.m.

Ms. Snowden re-entered the meeting at 10:34 a.m.

Mr. Nowak exited the meeting for a conflict of interest at 10:34 a.m.

Treasurer Walker exited the meeting at 11:27 a.m.

Treasurer Walker re-entered the meeting at 11:29 a.m.

Mr. Violette exited the meeting at 11:32 a.m.

Mr. Violette re-entered the meeting at 11:35 a.m.

Treasurer Walker exited the meeting at 12:25 p.m.

Treasurer Walker re-entered the meeting at 12:27 p.m.

Public Hearing opened at 10:34 a.m.

Mr. Roney described the project as follows: The financing proceeds will be used by Thermogen to fund a portion of the cost of development, construction and equipping of a biocoal manufacturing facility located in Millinocket, Maine that is capable of producing approximately 330,000 tons per year of black wood pellets, which are a pelletized form of sustainable fuel manufactured by converting locally sourced forest-based biomass into a dense, hydrophobic pellet for sale to domestic and international commercial and industrial markets for use as a fuel in biomass and coal-fired plants. The Borrower proposes to finance its project through the issuance of a Revenue Obligations Security in an amount not to exceed \$25,000,000.

Written comments received were provided to members as a handout. Mr. Roney asked for any proponents of the project to identify themselves and to comment.

Stu Kallgren, President of the Steel Workers Union in East Millinocket, and Mark Marston, Selectman, East Millinocket, spoke in favor of the project.

Mr. Roney asked for comments from any opponents or from those wishing to comment who are neither for nor against. None were heard.

Public Hearing closed at 10:48 a.m.

Mr. Wagner informed the board that during the process of reviewing the Thermogen bond in view of the new technology to be employed, staff considered whether their recommendation should be based on grandfathering the previous bond approval or on a fresh consideration under the statute creating the Major Business Expansion (MBE) Bond Program (the "Statute"). Mr. Wagner advised that the staff position is to be in compliance with the Statute.

Mr. Emmons introduced Dammon Frecker, Managing Director-Development and Alex Ritchie, Managing Director, both of Cate Street Capital and Chris Howard of Pierce Atwood, counsel to Cate Street. Mr. Emmons reiterated that staff considered the request for a \$25 million taxable bond, being presented at this time utilizing a different manufacturing process than originally approved by the board in October, based on the requirements of the Statute. Staff is recommending approval of a \$16 million MBE bond for the reasons outlined in the board packet and in a handout provided to members at the meeting.

Mr. Roney presented the standards of the Statute applied by staff when considering the amended application for Thermogen. The Statute calls for finding both a "strong likelihood of repayment" and credit worthiness on the part of the applicant. He referred members to the matrix in their board materials in which the requirements of the Statute are outlined, along with the assessment and

recommendations from staff of the original approval in October and the new response from staff when considering the current amended request. Mr. Roney added that the significant change in scope and scale of the project employing the new technology led to the decision to apply the standards of the Statute rather than grandfathering the changes under the prior approval. Discussion ensued.

Ms. Ritchie expressed disappointment in FAME's decision to reduce the amount of the bond because Cate Street considers it to be a project enhancement. According to Ms. Ritchie, the Zilkha technology is a better project with better economic benefits for the Millinocket area.

Mr. Frecker stated that the project today is the same project that was approved by the board previously, producing the same product using a steam thermal treatment process rather than microwave technology. A handout provided by Cate Street outlines the benefits of using the Zilkha technology. Ms. Ritchie added that the new technology allows Thermogen to reach capacity in 12 months rather than in the 36 months, resulting in the impact of more direct and indirect jobs being felt sooner.

Mr. Howard pointed to concerns for the project raised by the board in October: the market, technology, level of equity and collateral. In all cases, he stated that the Zilkha technology assures a better market, a vastly better established technology, \$63 million more in equity and increased collateral value. The amendment to the existing approval addresses all of the previous, critical concerns of the board.

Treasurer Douglass moved to enter into Executive Session for which confidentiality has been requested to discuss any servicing or monitoring record; financials. The motion was seconded by Mr. Violette and approved by a vote of 13 in favor, 0 opposed and 0 abstentions.

Members entered Executive Session at 12:20 p.m.

Members exited Executive Session at 12:40 p.m.

Treasurer Walker made a motion to approve the bond amount at \$16 million as recommended by staff and to rescind the October package.

Mr. Roney referred members to the resolution provided with an adjustment to preface the wording in Section 6 by adding: "Contingent upon receipt of a letter from the Town of Millinocket to such effect,"

Treasurer Walker included the adjusted wording in her motion, and Mr. Mitchell agreed to the additional wording.

Mr. Wagner commented that staff followed the guidelines of the Statute in evaluating whether a "strong likelihood of repayment" could be demonstrated. Staff concluded that the lack of collateral and market contracts did not meet the level of that standard in the Statute. He noted that it is an exciting project, but with any new product or new market, the level of risk must be considered.

Commissioner Gervais commented that Cate Street's proposal is for a stronger project than that presented in October and has addressed all the questions and concerns raised by the board. His

intention is to vote against the \$16 million bond application. He favors the \$25 million amount originally approved.

Mr. Pelletier reminded members of the importance of this project to the lives and jobs of the people of the Millinocket area.

A motion was made by Treasurer Walker and seconded by Mr. Mitchell to authorize the issuance and sale of up to \$16,000,000 Revenue Obligation Securities (Thermogen I, LLC Project – 2014 Series) of the Finance Authority of Maine secured by a Capital Reserve Fund, authorizing and approving the execution and delivery of an Indenture of Trust, a Loan Agreement, an Endorsement or Disclosure Statement, a continuing Disclosure Undertaking, a Bond Purchase Agreement or Placement Agreement, a Remarketing Agreement, an agreement providing for liquidity support and a Capital Reserve contract, and other matters in connection therewith, to adjust Section 6 as presented and to rescind the October 2014 package. The motion was approved by a vote of 8 in favor, 5 opposed (Reis Hageman, Patrick Keliher, Rosaire Pelletier, George Gervais, and James Howard) and 2 abstentions (Ray Nowak and Jonathan Block).

R-04-17-14-04

BREAK: 12:55 P.M. – 1:04 P.M.

Commissioner Gervais exited the meeting at 12:55 p.m.

Mr. Pelletier exited the meeting at 12:55 p.m.

Commissioner Keliher exited the meeting at 12:55 p.m.

Mr. Miller exited the meeting at 12:55 p.m.

D3: Chapter 325, Amendment 3 – Maine New Markets Capital Investment Program, Withdrawal of Rulemaking

Mr. Block re-entered the meeting at 1:04 p.m.

Mr. Pierce re-entered the meeting at 1:05 p.m.

Mr. Violette re-entered the meeting at 1:05 p.m.

Mr. Roney advised that an amendment to reallocate any expiring allocation under the program is now unnecessary. All Community Development Entities previously holding allocations made at least a first level investment to lock in an additional period of time of up to two years to make Qualified Low Income Community Investments that would entitle them to tax credits. Accordingly, no allocations will lapse in the foreseeable future.

A motion was made by Treasurer Walker and seconded by Ms. Snowden to approve the withdrawal of Chapter 325, Amendment 3 – Maine New Markets Capital Investment Program, for Rulemaking.

Mr. Mitchell stated that the rule should be amended to prohibit short terms loans that are meant to “pump up” transactions, which he deems an abuse of state credits. Mr. Roney reminded members that the board elected to mirror the federal program, which does allow such transactions. Mr. Mitchell’s concern was duly noted.

The motion was approved by a vote of 11 in favor, 0 opposed and 0 abstentions.

R-04-17-14-05

D2: Chapter 307, Amendment 8 – Maine Seed Capital Tax Credit Program, Adoption

This rule was approved for Rulemaking at the February board meeting and has gone out for comment. One comment was received by Tim Agnew of Masthead Venture Partners. Mr. Agnew’s comments are attached. Most of his comments were in the nature of clarifications or corrections, which were made. However, one comment was more notable, and was incorporated into the Rule, which allows for advance reservation of up to \$1,000,000 of tax credits until 2015 when more tax credits will be available. The amount of tax credits available in 2014 is \$675,000 but increases from \$3 million to \$5 million in 2015 and 2016, respectively.

Staff is recommending approval.

A motion was made by Mr. Mitchell and seconded by Treasurer Douglass to approve the adoption of Chapter 307, Amendment 8 – Maine Seed Capital Tax Credit Program. The motion was approved by a vote of 11 in favor, 0 opposed and 0 abstentions

R-04-17-14-06

D4: Appointment of Independent Auditor for the NextGen College Savings Plan®

Mr. Mello advised that the Finance and Audit Committee met on Tuesday, April 15, 2014 to review the RFP for NextGen Independent Auditor. Chair Nowak attested to the process and discussion at the meeting and affirmed the committee’s unanimous recommendation of Thomas & Thomas as FAME’s new Independent Auditor for NextGen.

A motion was made by Treasurer Walker and seconded by Vice Chair Murphy to approve the appointment of Thomas & Thomas to conduct the NextGen audit for June 30, 2014 and for the three years thereafter. The motion was approved by a vote of 11 in favor, 0 opposed and 0 abstentions.

R-04-17-14-07

D5: Approval re: Application of Funds Related to Oppenheimer Core Bond Fund Class Action

Ms. Gabrielson is seeking approval from the board for the return of \$1,504,577.23 to Merrill Lynch, which FAME received from Merrill Lynch as a class action settlement related to a former underlying fund, Oppenheimer Core Bond Fund. Section 529 plans were supposed to be excluded from this class. Staff is recommending the return of the funds after the execution of an indemnification agreement.

A motion was made by Mr. Hagerman and seconded by Mr. Howard to approve the application of funds related to Oppenheimer Core Bond Fund Class Action. The motion was approved by a vote of 11 in favor, 0 opposed and 0 abstentions.

R-04-17-14-08

The meeting adjourned at 1:18 p.m.

Respectfully submitted,

Patrick Murphy, Vice Chair