

**.MINUTES OF THE OCTOBER 17, 2013 MEETING OF THE MEMBERS  
OF THE FINANCE AUTHORITY OF MAINE**

Chair Snowden called the October 17, 2013 meeting of the members of the Finance Authority of Maine to order at 9:03 a.m. at the Finance Authority of Maine, 5 Community Drive, Augusta, Maine.

Chair Snowden 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 Snowden 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:

Susan Snowden, Chair  
Cheri Walker, Vice Chair  
Patrick Murphy, Treasurer  
Kristi Carlow for Neria Douglass  
George Gervais  
Reis Hagerman  
Patrick Keliher  
Glenn Lamarr  
Michael Mahoney (*entered the meeting at 9:25 a.m.*)  
Larry Mitchell  
Raymond Nowak  
Rosaire Pelletier  
Christopher Pierce  
Evelyn Silver (*entered the meeting at 9:10 a.m.*)

Those members absent:

Anthony Armstrong

Staff present:

Elizabeth Bordowitz, Chief Executive Officer  
Christopher Roney, General Counsel  
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  
Angela Dostie, Program and Policy Manager  
Sally Garrand, Commercial Loan Officer  
Scott Weber, Credit Analyst  
Richard Waterhouse, AmeriCorps Volunteer  
Jessica Whittier, College Access Counselor  
Mila Tappan, College Access Counselor  
Mary Dyer, Financial Education Specialist  
Brian Murphy  
Jennifer Cummings, Senior Workout Officer  
Shelley Desiderio, Accounting and Finance Manager  
Adele Bickford, Executive/Legal Assistant

Guests Present:

David Markovchick, Consultant to FAME  
Dammon Frecker, Cate Street Capital  
Alex Ritchie, Cate Street Capital  
Mike Delumma, WLBZ 2  
Chris Howard, Pierce Atwood  
Kris Eimicke, Pierce Atwood  
Scott Tranchemontagne, Montagne Communications  
Jaclyn DeTore, WABI  
Peter Tibbetts, Ferrite Microwave  
Nick Sambides, Bangor Daily News  
John Hallé, Cate Street Capital  
Jim McCarthy, Mainebiz  
Mark Marston, E. Millinocket  
Richard Angetti, Millinocket  
Gilda Stratton, Millinocket  
Jimmy Busque, Millinocket  
Peggy Daigle, Millinocket  
Clint Linscott, E. Millinocket  
Michael Madore, Counselor, Millinocket  
Stephen S. Stanley, Medway

**A2: Approval of September 19, 2013 Board Meeting Minutes**

**A motion was made by Mr. Nowak and seconded by Mr. Mitchell to approve the minutes of the September 19, 2013 board meeting. The motion was approved by a vote of 12 in favor, 0 opposed and 0 abstentions.**

**R-10-17-13-01**

**A3: Approval of the September 19, 2013 Commercial Loan Committee Report**

**A motion was made by Vice Chair Walker and seconded by Mr. Nowak to approve the report of the Commercial Loan Committee September 19, 2013 meeting. The motion was approved by a vote of 12 in favor, 0 opposed and 0 abstentions.**

**R-10-17-13-02**

**A4: Approval of September 30, 2013 Special Board Meeting Minutes**

A motion was made by Commissioner Keliher and seconded by Mr. Hagerman to approve the minutes of the September 30, 2013 special board meeting. The motion was approved by a vote of 11 in favor, 0 opposed and 1 abstention (Larry Mitchell).

**R-10-17-13-03**

**B. CHAIR'S REPORT**

A motion was made by Mr. Pelletier and seconded by Vice Chair Walker to approve the report of the Finance and Audit Committee report of October 8, 2013 meeting. The motion was approved by a vote of 12 in favor, 0 opposed and 0 abstentions.

**R-10-17-13-04**

**Report of the Nominating Committee**

Chair Snowden advised that the committee was not prepared to offer a slate of new officers for 2014 at this time but was hoping to provide it for a vote at the November meeting.

**D: CEO'S AND STAFF REPORT**

**D1: CEO's Report**

Ms. Bordowitz reminded members that next month's board meeting is the annual meeting, Showcase Maine, and will be held in Portland on Tuesday, November 12<sup>th</sup>. The speaker is Rick Hackett most recently of the Consumer Financial Protection Bureau (CFPB). Members will be advised of the time of the meeting after staff confirms the agenda items.

Ms. Bordowitz reported that FAME did well as the state's Office of Policy and Management considered their proposed budget cuts. FAME's submission included the termination of some programs that had de minimus amounts in funds. No cuts to FAME's Student Financial Assistance budget line were proposed.

Ms. Bordowitz reported that staff has devoted a lot of time to the Thermogen bond issue and the number of requests for loans and loan insurance continues to be high. Ms. Bordowitz told members that the Small Business Administration (SBA) has announced that it will not be imposing fees on insured loans of less than \$150,000 in 2014, which is good for Maine business but may impact the volume on FAME's commercial side.

Mr. Nowak, after attending the Governor's address to the board last month, asked questions regarding moral obligation bonds in general. He asked what the process is once the board has approved a Major Business Expansion bond. Ms. Bordowitz stated that any tax-exempt bond must be signed by the Governor but not a taxable bond. All that is required in that instance is for a public hearing, approval by the board and a sign-off by the State Treasurer. Mr. Nowak pointed out that

FAME is actually the entity making the decision regarding the bond issuance. Secondly, Mr. Nowak inquired if, once the bond carrying the moral obligation of the state is sold, does it appear on FAME's balance sheet or income statement. Mr. Mello said that it would not because it is not subject to a reserve.

## **D2: Marketing and Outreach Update**

Referring to Showcase Maine, Ms. Vanderweide told members that they should have received an invitation and complimentary ticket to the 30<sup>th</sup> Anniversary celebration on November 12<sup>th</sup>.

Ms. Vanderweide normally reports how the marketing and outreach teams are doing statistically but since FAME is only three months into the fiscal year, she brought the Café (College Access and Financial Education) Team to present to the board on their efforts to date. Before asking the staff present to introduce themselves, she referred members to the charts indicating the Strategic Plan Goals, the Alford College Challenge Enrollments, attendance at Outreach events and the SALT Pilot Program included in their board packets. She did note that the Scorecard goal for increasing the percentage of Maine NextGen accounts making contributions, which is set at 40% for the year, is already at 21% after just three months due in part to the new Matching Grants. In addition to the Café Team is Richard Whitehouse, AmeriCorps VISTA volunteer who supports the Café Team in financial education and Brian Murphy who is a temporary employee work with NextGen financial advisors.

Each member of the Café Team introduced themselves. Mila Tappan, College Access Counselor, coordinates outreach activities for the Café Team and provides direct services to schools in eastern and northern Maine. FAME initiated a pilot program with colleges and universities in the Trio Program, which focuses on low income and first generation students and provides a personal touch. School personnel are being trained as part of the program to supplement FAME's activities. In the next three months, the team expects to reach two-thirds of the Maine high schools and do presentations on financial aid. Another program that the team is involved with is the Maine College Access Network, which is a collaboration of many organizations to share best practices for college attainment.

Jessica Whittier is also a College Access Counselor and provides support to western and southern Maine. Her role is to increase college access to immigrant and English language learners by helping them to complete the FAFSA. She also heads the College Goal Maine Program, which targets low income, first generation and minorities for FAFSA completion. Since FAME is not able to be in every home to offer financial aid education, FAME has created eight videos available on YouTube, which allows students to view the information at their leisure.

Pam Crate, also a College Access Counselor, is not able to be at the meeting but Ms. Vanderweide told members that Ms. Crate focuses on adult education and recently ran a very successful Financial Aid 101 for school counselors from over 100 schools to help them learn about the financial aid process. Members watched two videos that encourage students to get their GED. Over 136,000 students in Maine have not completed their GED.

Mary Dyer, Financial Education Specialist, showed members the new financial literacy tool built into the Private Student Loan Program. A student seeking a private loan through a bank or credit union will be directed to the module providing financial literacy before they can complete their application. The applicant must answer questions regarding the FAFSA (completion is required),

federal loans and scholarships applied for before seeking a private student loan and are required to watch the video. Also required is the debt to earning calculator, which compares potential earnings from a particular degree program to the amount of debt assumed. The student then completes a post test. Ms. Dyer showed the video and concluded her presentation by referring members to a revised handout of the Maine SALT Pilot Program. The last two schools in the program, University of Maine at Farmington and at Fort Kent, have gone live and have achieved great success. Externally, the University of Maine at Orono, the community college system, St. Joseph's and Northeast Technical Institute have joined in the program, providing student access to debt management and comprehensive financial education to an estimated 82% of Maine students.

Ms. Bordowitz added that the Student Loan Insurance Program is now live with one credit union and another credit union and bank are expected to go live before the end of the year. She also informed the board that something that is being considered is the formation of a board committee to look at where FAME should focus on its college access and financial aid feasibility piece. There is a Financial Education Resource tool to help students avail themselves of all the resources throughout the state.

Ms. Bordowitz introduced Jennifer Cummings who recently joined the FAME staff as a Senior Workout Officer as Mr. Corey moves toward retirement. Ms. Cummings came to FAME after nine years with the Bank of Maine.

### **D3: Monthly Update for Board on Lumber, Wood and Paper Industry**

Mr. Corey provided his report verbally. FAME exposure is at 89% of the current maximum level.

### **E: ACTION ITEMS**

#### **E1: Request for Further Extension for Loan Insurance – Apothecary by Design**

*Chair Snowden exited the meeting for a Conflict of Interest at 9:50 a.m.*

Bangor Savings Bank (BSB) is requesting a 60 day extension for a \$600,000 line of credit for Apothecary by Design (ABD) with 45% pro-rata insurance from FAME. The Bank and ABD are in the process of negotiating the renewal and it is expected to come to the board with a full analysis in November. BSB informed FAME that ABD missed three covenants in 2012. The company is in transition, and Mr. Emmons indicated that 2014 is expected to be a rebound year. The board is being asked to approve a 60 day extension and to acknowledge its waiver of the three covenants.

**A motion was made by Commissioner Gervais and seconded by Mr. Pelletier to authorize a 60 day extension of the line of credit and to waive three covenant defaults. The motion was approved by a vote of 13 in favor, 0 opposed and 1 abstention (Susan Snowden).**

**R-10-17-13-05**

#### **E2: FAME and NextGen Audit Report Review and Acceptance**

*Chair Snowden re-entered the meeting at 9:54 a.m.*

*Commissioner Keliher exited the meeting at 10:01 a.m.*

*Commissioner Keliher re-entered the meeting at 10:11 a.m.*

Mr. Mello referred members to the draft FAME and NextGen financial statements in their board packets. The FAME statement audited by Baker Newman and Noyes cannot be completed until PricewaterhouseCoopers (PwC) completes its audit of NextGen. Prior to FY 2013, the NextGen financials were a separate component of the State Treasurer's office and did not effect the timing of the FAME financials. There are two outstanding items listed in the board packet, and Mr. Mello indicated that it would be necessary to go into Executive Session if the board would like more detail. Mr. Mello reviewed Changes in Net Position on the 4<sup>th</sup> page of the board materials. Contributions continue to grow with FAME's NextGen Program being the third largest advisor sold Section 529 plan in the country. In year FY 2012, it grew by \$30 million, reaching 6 billion; the \$7 billion mark was reached in August this year. Mr. Mello also reviewed the Cash Allocation Account with members. Ms. Gabrielson added that she did not expect the final NextGen audit report to be substantively different from the draft except perhaps for Notes. Chair Snowden asked if the board could expect the final report for the November board meeting. Mr. Mello did not believe the reports would be final and that he has spoken with the State Controller and received approval for an extension until November and will keep him apprised each week. The final audited statements will come to the board subject to resolution of the open audit items. Mr. Mello stated that if the board wanted to discuss the on-going audit items related to Merrill Lynch, that it would be necessary to go into Executive Session to provide details.

**Mr. Nowak moved to enter into Executive Session to discuss financial information contained in records that are confidential and to consult with counsel. The motion was seconded by Vice Chair Walker and approved by a vote of 13 in favor, 0 opposed and 0 abstentions.**

*Members entered Executive Session #1 at 10:06 a.m.*

*Member exited Executive Session #1 at 10:30 a.m.*

*Mr. Mahoney exited the meeting at 10:34 a.m.*

Mr. Mello referred members to the draft of FAME's Financial Statements and Management and Discussion and Analysis for Year End June 30, 2013. The initial pages are the Independent Auditors' Report and are not signed because PwC has not completed its work. Mr. Mello continued to the Management Discussion and Analysis, in which he reviewed the Significant Highlights as outlined.

### **E3: Ratification of Investment Purchases – April through September**

Mr. Mello directed members' attention to the Listing of Purchases and Maturities/Sales/Calls over a six month period, April 1, 2013 – September 30, 2013. Purchases were at \$11 million off-set by \$9.25 in Maturities/Sales/Calls. Mr. Mello requested a motion for the ratification of the purchases, which are consistent with policy and reviewed by the Finance and Audit Committee.

**A motion was made by Mr. Pelletier and seconded by Mr. Nowak to ratify investment purchases – April through September. The motion was approved by a vote of 13 in favor, 0 opposed and 0 abstentions.**

**R-10-17-13-06**

**E4: Chapter 610, Amendment 4 – Rules for the Conduct of the Educators for Maine Program**

Ms. Gabrielson presented Rule Ch. 610, Amendment 4 for approval for rulemaking. The amendment conforms the rule to recently enacted P.L. 2013, ch. 7 – An Act to Make Changes to the Educators for Maine Program. It authorized loan forgiveness for qualified Jobs for Maine’s Graduates specialists. Over the years FAME has had to turn down requests from these specialists for forgiveness and in 2013 went forward seeking legislation to change the rule to include them. Ms. Gabrielson informed the board that she has received approval from the AG’s office but has not received approval from the Governor’s office. She will not be able to go forward with the comment period until such approval is received. Ms. Bordowitz added that the Governor supported the legislation when it was proposed.

**A motion was made by Mr. Mitchell and seconded by Dr. Silver to approve Ch. 610, Amendment 4, Rules for the Conduct of the Educators for Maine Program, for rulemaking. The motion was approved by a vote of 13 in favor, 0 opposed and 0 abstentions.**

**R-10-17-13-07**

**BREAK: 10:43 a.m. – 11:08 a.m.**

*Mr. Nowak exited the meeting for a Conflict of Interest at 10:43 a.m.*

**E5: Continuation of Thermogen I, LLC Major Business Expansion Bond Request**

*Mr. Mahoney re-entered the meeting at 11:13 a.m.*

Chair Snowden referred members to materials in front of them as handouts to provide the most updated information regarding the Thermogen project request, and thanked staff for their hard work in presenting the package with newly negotiated conditions for consideration.

Mr. Emmons introduced the Cate Street personnel in attendance: Dammon Frecker-Managing Director; Alex Ritchie-Director of Government and Community Relations; Chris Howard-Attorney; and John Hallé-President and CEO. Additional material provided to members was a Stantec review of the Thermogen EPC contract and an updated memo indicating the two remaining items to be resolved: the amount of the bond and the corporate guaranty. Included is an e-mail describing the preliminary results of an ordered appraisal from Hilco Global. There is no written appraisal at this time, and Mr. Emmons indicated to the board that all appraisals are subject to staff review. Staff is recommending a bond amount of \$16 million with a corporate guaranty of CSC Group Holdings, LLC. Mr. Roney clarified for members what is before them. Members have the updated memo dated October 16, 2013 with Attachments 1 and 2 included. The public has a redacted version of the memo and Attachment 2 only, Attachment 1 being confidential. Attachment 2 outlines the approval conditions staff feels are necessary to meet the higher standards required by the Major Business Expansion Bond Program. Also available to members is a redlined version of Attachment 2, which is a comparison to the terms recommended from the last meeting, reflecting the changes discussed and largely agreed to by staff and the borrowers. In yellow are the items not yet agreed to: the amount of the bond, \$16 million as opposed to \$25 million and the means of filling the gap between the staff recommendation and the borrower’s request (page 7 of the handout). In addition,

Cate Street has agreed to the CSC Group Holdings guaranty for only the \$25 million requested amount. Mr. Howard responded that essentially there is one issue, that of the amount being requested by the borrower. The project has \$26 million in equity, \$19 million in New Markets tax credits, and needs another \$25 million to make the project work. The \$25 million request is supported by a guaranty of the CSC Group Holdings. The amount recommended by staff will leave Cate Street \$9 million short and with the inability to close on its tax credit funding by the end of the year. It would be a challenge for Cate Street to raise the additional \$9 million in subordinated debt. The question before the board, according to Mr. Howard, is whether to approve the \$25 million amount with a guaranty or approve \$16 million without a guaranty.

Chair Snowden asked Mr. Roney to provide clarity to the board around the statutory language applied under this program for the “strong likelihood” of repayment. Mr. Roney reviewed the statutory language, stating that the board must determine that the borrower is credit worthy and that there is a strong likelihood that the bonds will be repaid from the revenues and other collateral pledged to secure repayment. A one year debt service reserve for this project is required and any shortfall in the reserve is secured by a pledge of the moral obligation of the state. Mr. Roney provided some guidance in determining the “strong likelihood” of repayment by offering that it requires a determination of being substantially likely or as having a high probability. Mr. Howard’s response from a statutory point of view is that there is no guidance but that strong likelihood is a higher standard than the reasonable prospect standard in the insurance program. Mr. Howard suggested that “strong likelihood” is in the discretion of the board, and Cate Street’s presentation satisfies that standard. In his view, it is the job of the board to make the determination if the project will meet the strong likelihood of repayment standard. When asked about the company’s marketing plan, Mr. Frecker responded that the board was provided an updated Sales Prospects Summary, which demonstrates increased customer interest. It reflects the confidence of some parties that have conducted tests of torrefied wood in their facilities and have expressed an enthusiasm for going forward with larger projects. Also included is a list of prospective customers, a list that continues to grow. Mr. Pierce cautioned the board that rarely are marketing plans understated, and Mr. Murphy added that the document provided was not a marketing plan but rather a sales projection. Mr. Pierce asked a question regarding the strength of the proposed CSC Group Holdings Guaranty and how that would or would not protect the Authority. Mr. Roney suggested that a discussion of that topic required the board to go into executive session.

**Dr. Silver moved to enter into Executive Session to discuss: any servicing or monitoring or the Authority; records or financial statements, for which confidentiality has been requested and disclosure of which the Authority has determined would have a harmful business effect; and to consult with counsel concerning legal rights and duties of the Authority. The motion was seconded by Mr. Mitchell and approved by a vote of 13 in favor, 0 opposed and 0 abstentions.**

*Members entered Executive Session #2 at 11:37 a.m.*

*Members exited Executive Session # 2 at 12:27 p.m.*

**Commissioner Gervais made a motion to approve the request for a \$25 million Major Business Expansion Bond for Thermogen I, LLC with the guaranty. The motion was seconded by Mr. Mitchell.**

Mr. Roney had a prepared Resolution for the \$25 million bond with attached conditions. Commissioner Gervais asked to review the resolution before continuing with the motion. The



Resolution was provided to all members. Mr. Roney stated that the resolution changes the loan amount in the memo to the board from \$16 million to \$25 million and removes the restrictions for additional financing. After reviewing the Resolution, Commissioner Gervais reaffirmed his motion as a motion for approval of the Resolution, and Mr. Mitchell reaffirmed his second. Ms. Snowden asked if there was any discussion.

Mr. Pierce suggested that a more prudent position would be to approve a \$16 million bond with the removal of the restrictions for the additional financing, which Mr. Hallé previously indicated that he would be willing to accept.

Mr. Murphy offered his comments for the public record. He reiterated that the Thermogen project is a high risk project, a start-up, with projections and no marketing plan for a technology that is not yet proven. FAME has a fiduciary responsibility to the citizens of Maine. The number of jobs is minuscule relative to the amount of money requested. He would much rather be held liable for \$16 million than \$25 million, particularly since Cate Street has expressed a willingness to accept \$16 million without the restrictions to raise the additional \$9 million. Mr. Murphy believes that the lesser amount provides better protection for the citizens of Maine.

Mr. Roney asked Mr. Murphy if he was putting his comments in the form of an amendment to the motion. Mr. Murphy indicated that he was. Mr. Roney advised that the Resolution could be modified to reflect the changes Mr. Murphy was requesting. In an effort to provide clarity to what was being offered for a motion, Mr. Mahoney asked if procedurally the original motion could be voted on and if it did not pass, then the board could consider a second motion.

Commissioner Gervais responded to Mr. Murphy's comments regarding the number of jobs as minuscule noting that he and certainly the people of the Millinocket area would not consider 600 direct and indirect jobs created after full production is attained as minuscule. He also felt that the state will be at higher risk if this project does not move forward because of the price tag associated with closure.

Mr. Pelletier stressed the importance of this project to the Millinocket region. The state needs to move forward in the area of bio-fuels, bio-chemicals and this technology and no longer be as dependent on the paper industry. This project has the potential to help the State of Maine and it is the board's job to sometimes take some risk.

Treasurer Murphy reiterated that he would be supportive of the \$16 million bond and that the borrower has indicated his willingness to accept the \$16 million proposal with the ability to raise the \$9 million resulting from the gap in funding. He added that he drew the conclusion regarding the small number of jobs being created from the paperwork provided to the board in their packets. He applauded the fact that hundreds of jobs could result down the road but feels that it is the board's fiduciary responsibility to protect the citizens of Maine from what may be very risky endeavors.

Mr. Roney noted all areas of the Resolution which would need to be changed to conform to the amendment Treasurer Murphy was proposing.

**Treasurer Murphy offered a motion to amend, containing the changes outlined by Mr. Roney.**

Mr. Roney explained that if the amendment fails to pass, the board then would consider the original motion by Commissioner Gervais. Commissioner Keliher offered that procedurally the amendment

must be accepted by the maker of the original motion. Mr. Mahoney agreed and for clarity's sake, requested that the original motion be voted on and if it should fail, Treasurer Murphy's amendment could be considered.

FAME counsels met to review the rules governing this situation.

**BREAK: 12:50 p.m. – 1:00 p.m.**

Mr. Roney provided his opinion and advice regarding the procedure on the motion to amend. He stated that Treasurer Murphy can move to amend the original motion without receiving consent from the originator of the original motion. The amendment motion requires a second and if it fails to pass, the original motion stands. Treasurer Murphy withdrew his motion to amend, but added that it was his intent to allow the board to vote at the \$16 million level, and he stated that he is strongly in favor of the project at that level.

Chair Snowden informed the board that the Resolution before them is for the approval of the \$25 million bond with a CSC Group Holdings guaranty. Before calling for a vote, Chair Snowden stated that she is very excited about the project and shares the enthusiasm of staff and board members. She has read the statute carefully and feels that the bond at the \$16 million meets that "strong likelihood" of repayment requirement and she could support it but that it did not meet that high standard at the \$25 million level. Chair Snowden reminded members that the motion before them is for \$25 million with a guaranty as made by Commissioner Gervais and seconded by Mr. Mitchell.

**The motion was approved by a vote of 8 in favor, 5 opposed (Christopher Pierce, Evelyn Silver, Susan Snowden, Patrick Murphy and Glenn Lamarr) and 0 abstentions.**

**R-10-17-13-08**

Chair Snowden expressed her appreciation and acknowledged the hard work of staff.

**COMMISSIONERS' & TREASURER'S UPDATES:**

None.

The meeting adjourned at 1:06 p.m.

Respectfully submitted,

Cheri Walker, Vice Chair