

**MINUTES OF THE AUGUST 15, 2013 MEETING OF THE MEMBERS  
OF THE FINANCE AUTHORITY OF MAINE**

Chair Snowden called the August 15, 2013 meeting of the members of the Finance Authority of Maine to order at 9:10 a.m. at Bangor Savings Bank, 5 Senator Way, 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  
Neria Douglass  
George Gervais  
Reis Hagerman  
Glenn Lamarr  
Raymond Nowak  
Rosaire Pelletier  
Christopher Pierce  
Evelyn Silver

Those members absent:

Anthony Armstrong  
Patrick Keliher  
Michael Mahoney  
Larry Mitchell

Staff present:

Elizabeth Bordowitz, Chief Executive Officer  
Katrjn Gabrielson, Deputy General Counsel  
William Norbert, Governmental Affairs and Communications Manager  
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  
Jana McQuilkin, Marketing Communications Officer  
Scott Weber, Credit Analyst  
Scott Bursey, Commercial Loan Officer  
Shelly Desiderio, Accounting and Finance Manager  
Janeen Violette, Programs Assistant  
Adele Bickford, Executive/Legal Assistant

Guests Present:

Sung Ju Park, CEI Capital Management LLC  
Janet C. McCaa, CCML, CEI Capital Management LLC  
Patrick H. Peyton, Molnlycke Manufacturing  
Alex Ritchie, Cate Street Capital  
Chris Howard, Pierce Atwood  
Kris Eimicke, Pierce Atwood  
Andrew Sawyer, Maine PERS  
David Hines, H. M. Payson  
Karen St. Clair, St. Clair Media Group  
Eric White, Pension Consulting Alliance  
Andrea Feirstein, AKF Consulting  
Tracy Zeigler, Bank of America/Merrill Lynch  
Richard Polimeni, Bank of America/Merrill Lynch  
Tom Halloran, Bank of America/Merrill Lynch  
Tim Paul, Bank of America/Merrill Lynch  
Chad LaCroix, Bank of America/Merrill Lynch

Chair Snowden welcomed the members to the new Bangor Savings Bank branch.

**A2: Approval of July 18, 2013 Board Meeting Minutes**

Mr. Nowak noted that Chair Snowden's title had been incorrectly shown as Vice Chair on page six of the minutes.

**A motion was made by Mr. Nowak and seconded by Mr. Lamarr to approve the minutes of the July 18, 2013 board meeting with the correction of Chair Snowden's title. The motion was approved by a vote of 10 in favor, 0 opposed and 1 abstention (Patrick Murphy).**

**R-08-15-13-01**

Ms. Bordowitz noted that the agenda was modified to ensure that all actions items would be heard. Staff items are included in the board packet for members to review. Before asking for an Executive Session to update the board on the status of the Thermogen I, LLC application, she turned members' attention to the mugs given to them to celebrate FAME's 30<sup>th</sup> anniversary.

**D3: Thermogen I, LLC Update:**

**Dr. Silver moved to enter into Executive Session to discuss: (1) an application for which confidentiality has been requested, and FAME has determined that significant detriment would be suffered by the applicant if the material was made public; (2) the applicant's financial statements, and (3) an assessment of credit worthiness of the applicant by a third party. The motion was seconded by Mr. Hagerman and approved by a vote of 11 in favor, 0 opposed and 0 abstentions.**

*Mr. Nowak exited the meeting for a Conflict of Interest at 9:15 a.m.*

*Members entered Executive Session #1 at 9:15 a.m.*

*Members exited Executive Session #1 at 9:45 a.m.*

## **B. CHAIR'S REPORT**

### **C: ACTION ITEMS**

#### **C1: Biddeford Internet d/b/a GWI – Request for Commercial Loan Insurance:**

*Mr. Nowak re-entered the meeting at 9:46 a.m.*

No action was taken on this item. FAME staff was only recently advised by Coastal Enterprises, Inc. (CEI) that they had approved a new term loan to Biddeford Internet. Staff wants to incorporate this new information into their credit analysis to determine its effect on the company's cash flow. The extension previously approved by the board will allow staff time to update its analysis.

#### **C2: Apothecary by Design – Extension of Commercial Loan Insurance**

Mr. Emmons stated that a 60 day extension is being requested to allow Bangor Savings Bank and FAME enough time to get the financial information they need. Staff has already granted an extension in accordance with policy, which now requires that a further extension be considered by the board for approval.

**A motion was made by Dr. Silver and seconded by Vice Chair Walker to approve the request of an extension for up to 60 days to Apothecary by Design for commercial loan insurance on their Line of Credit with Bangor Savings Bank. The motion was approved by a vote of 10 in favor, 0 opposed and 1 abstention (Susan Snowden).**

**R-08-15-13-02**

#### **C4: N. C. Hunt – Extension of Commercial Loan Insurance**

Mr. Emmons advised that this request for up to a 30 day extension comes to the board after staff previously approved a 90 day extension allowed by policy. People's United Bank only recently provided all of the necessary financial information and the extension would allow FAME staff time to conduct their review. It is expected that the company's request for commercial loan insurance will come before the board in September.

**A motion was made by Commissioner Gervais and seconded by Treasurer Douglass to approve up to a 30 day extension to N. C. Hunt, Inc. for commercial loan insurance on its Line of Credit with People's United Bank. The motion was approved by a vote of 11 in favor, 0 opposed and 0 abstentions.**

**R-08-15-13-03**

**C3: Trak Tec – Extension of Commercial Loan Insurance**

*Mr. Lamarr exited the meeting for a Conflict of Interest at 9:51 a.m.*

Mr. Burse asked the board to consider an additional 95 day extension to Trak Tec for TD Bank's Line of Credit. FAME staff has already approved a 90 day extension. The key issue for Trak Tec is a contract that is pending. It will become clearer in the next 60 days whether the company will be awarded the contract.

In order to discuss the contract in more detail, staff asked for an Executive Session.

**Dr. Silver moved to enter into Executive Session to discuss: (1) an application for which confidentiality has been requested and FAME has determined that significant detriment would be suffered by the applicant if the material was made public,(2) the applicant's financial statements, and (3) an assessment of credit worthiness of the applicant by a third party. The motion was seconded by Commissioner Gervais and approved by a vote of 10 in favor, 0 opposed and 1 abstention (Glenn Lamarr).**

*Members entered Executive Session #2 at 9:54 a.m.*

*Members exited Executive Session #2 at 9:56 a.m.*

**A motion was made by Mr. Pelletier and seconded by Commissioner Gervais to approve a 95 day extension to Trak Tec for commercial loan insurance on its Line of Credit with TD Bank. The motion was approved by a vote of 10 in favor, 0 opposed and 1 abstention (Glenn Lamarr).**

**R-08-15-13-04**

**C5: Adoption of Rule Ch. 101, Amendment 5 – Loan Insurance Program**

*Mr. Pelletier exited the meeting at 9:58 a.m.*

Rule Ch. 101, Loan Insurance Program, is before the board for adoption. The rule amendment makes clear that loan insurance is not available when the lender is lending funds that are directly or indirectly derived from federal, state, county, municipal or philanthropic sources. No comments were received.

**A motion was made by Mr. Nowak and seconded by Dr. Silver to adopt Rule Ch. 101, Amendment 5, Loan Insurance Program. The motion was approved by a vote of 9 in favor, 0 opposed and 0 abstentions.**

**R-08-15-13-05**

**C6: Adoption of Rule Ch. 325, Amendment 2 – Maine New Markets Capital Investment Program**

*Mr. Pelletier re-entered the meeting at 9:59 a.m.*

Rule Ch. 325, Amendment 2, Maine New Markets Capital Investment Program, is presented for adoption. The amendment changes the program limits to a per project basis rather than participant basis and removes language that restricts certification based on funds being expended within a low income community in the state. The amendment more closely aligns the requirements of the rule to the federal program. One comment was received and incorporated related to a timing issue.

Mr. Nowak asked if the change related to the low income component was a meaningful departure from the federal approach. Ms. Bordowitz stated that state statute is broader than the federal statute for some aspects of eligibility. The federal program limits location based on census tracts.

**A motion was made by Mr. Pelletier and seconded by Commissioner Gervais to adopt Rule Ch. 325, Amendment 2, Maine New Markets Capital Investment Program. The motion was approved by a vote of 9 in favor, 0 opposed and 1 abstention (Ray Nowak).**

Mr. Nowak asked to change his vote to approval after receiving a further clarification to his question from Commissioner Gervais. The record shows the motion was approved by a vote of 10 in favor, 0 opposed and 0 abstentions.

**R-08-15-13-06**

**C7: Maine New Markets Capital Investment Program Application – CCM Community Development LI, LLC**

*Mr. Nowak exited the meeting for a Conflict of Interest at 10:05 a.m.*

*Mr. Lamarr re-entered the meeting at 10:15 a.m.*

Ms. Gabrielson referred members to their packets. There are four New Markets Tax Credit applications, three of which are for the Thermogen I, LLC project and one for Molnlycke. There are four separate resolutions. The applicants (CDEs) have met all the definitions for certification.

Alex Ritchie of Cate Street Capital described the Thermogen I, LLC project, noting that it will be the first full scale torrefied wood production facility in the United States. Torrefied wood is renewable and is created from wood or other biomass material. The New Markets Tax Credits will be instrumental in the development of the Millinocket site. Cate Street purchased the Millinocket site in 2011 and has been working toward implementing the torrefication project since. It is now “ready to go”, fully permitted, with EPC (Engineering Procurement and Construction) contract in hand. Preparation at the site started last fall, and the site is ready for construction. Production initially will start with 100,000 tons of torrefied wood pellets being produced, to provide 200 direct jobs and 180 indirect jobs in the forestry industry. Production is expected to grow to over 800,000 tons, with an accompanying increase in both direct and indirect jobs. A second facility is planned for Eastport.

Cate Street will receive, if approved, slightly more than \$40 million of Maine tax credits with additional tax credits received from the federal program. Staff is recommending approval of certification of the applications for all four requests.

Ms. Gabrielson added a condition to the Resolution that the transaction close the sooner of 180 days or two years from the date of allocation, as agreed upon by FAME and the Allocatees.

**A motion was made by Commissioner Gervais and seconded by Dr. Silver to approve the Maine New Markets Capital Investment Program application for CCM Community Development LI, LLC conditioned upon closing of the transaction by the earlier of 180 days or 2 years from the date of allocation. The motion was approved by a vote of 10 in favor, 0 opposed and 0 abstentions.**

**R-08-15-13-07**

**C8: Maine New Markets Capital Investment Program Application – USBCDE Sub-CDE 101, LLC**

Ms. Gabrielson introduced the Resolution with the same additional timing requirement to apply.

**A motion was made by Commissioner Gervais and seconded by Mr. Pelletier to approve the Maine New Markets Capital Investment Program application for USBCDE Sub-CDE 101, LLC conditioned upon closing of the transaction by the earlier of 180 days or 2 years from the date of allocation. The motion was approved by a vote of 10 in favor, 0 opposed and 0 abstentions.**

**R-08-15-13-08**

Treasurer Douglass disclosed a relationship with U.S. Bankcorp.

**C9: Maine New Markets Capital Investment Program Application – CCG Sub-CDE 25, LLC**

Ms. Gabrielson introduced the Resolution with the same additional timing requirement to apply.

**A motion was made by Mr. Pelletier and seconded by Mr. Hagerman to approve the Maine New Markets Capital Investment Program application for CCG Sub-CDE 25, LLC conditioned upon closing of the transaction by the earlier of 180 days or 2 years from the date of allocation. The motion was approved by a vote of 10 in favor, 0 opposed and 0 abstentions.**

**R-08-15-13-09**

**C10: Maine New Markets Capital Investment Program Application – CCM Community Development LIV, LLC (Molnlycke Manufacturing US Project):**

*Chair Snowden exited the meeting for a Conflict of Interest at 10:21 a.m.*

Mr. Peyton, Financial Director for Molnlycke, provided company background. Molnlycke is a Swedish company producing wound care dressings. The facility (previously Rynel) in Wiscasset

presently ships to Finland from which the product is distributed world-wide. The \$40 million investment in equipment for the Brunswick facility will allow distribution from Brunswick, instead of Finland. There is a federal tax credit component as well.

Ms. Gabrielson introduced the Resolution with the same additional timing requirement to apply.

**A motion was made by Dr. Silver and seconded by Mr. Pelletier to approve the Maine New Markets Capital Investment Program application for USBCDE Sub-CDE 101, LLC conditioned upon closing of the transaction by the earlier of 180 days or 2 years from the date of allocation. The motion was approved by a vote of 9 in favor, 0 opposed and 1 abstention (Susan Snowden).**

**R-08-15-13-10**

**C11: Authorization to Modify Agreement between Alford Scholarship Foundation and FAME:**

*Chair Snowden re-entered the meeting at 10:25 a.m.*

**Dr. Silver moved to enter into Executive Session for a matter for which confidentiality has been requested and the Authority has determined that premature disclosure would have an adverse impact on the entity in question. The motion was seconded by Treasurer Murphy and approved by a vote of 10 in favor, 0 opposed and 0 abstentions.**

*Members entered Executive Session #3 at 10:27 a.m.*

*Mr. Pelletier exited the meeting at 10:45 a.m.*

*Mr. Pelletier re-entered the meeting at 10:48 a.m.*

*Mr. Pierce exited the meeting at 10:50 a.m.*

*Members exited Executive Session #3 at 10:54 a.m.*

Ms. Bordowitz asked the board to authorize the modification to the Alford Scholarship Foundation and FAME Agreement conditioned upon counsel being satisfied that the flow of funds can be accomplished in such a way as to not jeopardize the tax deferred status of any Section 529 account or the NextGen College Investing Plan and that management be satisfied that the cost of the scope of work to FAME would not be increased.

**A motion was made by Mr. Hagerman and seconded by Treasurer Murphy to authorize the modification to the agreement between the Alford Scholarship Foundation and FAME as presented. The motion was approved by a vote of 9 in favor, 0 opposed and 0 abstentions.**

**R-08-15-13-11**

## **Bangor Savings Bank Authorization Resolution:**

Ms. Bordowitz advised the board that Linda Cunningham, a longtime Accounting Manager at FAME, is retiring and Shelly Desiderio has been promoted to that position. She passed out a Bangor Savings Bank resolution and is asking members to approve modification to the banking resolution authorizing Shelly Desiderio as signatory. Ms. Bordowitz recognized Ms. Cunningham's many contributions to the organization over the years.

**A motion was made by Dr. Silver and seconded by Mr. Hagerman to approve the Authorization Resolution with Bangor Savings Bank as presented. The motion was approved by a vote of 8 in favor, 0 opposed and 1 abstention (Susan Snowden).**

**R-08-15-13-12**

## **D: CEO's and STAFF REPORT**

### **D1: CEO's Report:**

Ms. Bordowitz provided the following updates in addition to the materials in the board packet for Staff and CEO reports:

The Student Loan Insurance Program that had been expected to be rolled up by July 1<sup>st</sup> will now be launched in the next couple of weeks with two vendors currently close to signing.

FAME has sought a waiver to the College Access Challenge Grant. It is likely that FAME will not receive the last two years of funding under the Grant due to the State of Maine not meeting the Maintenance of Effort requirement. FAME has requested a new appropriation to the Maine State Grant Program, the only action by the state that could make a waiver possible. Staff has managed the previous years' funding well and can fund the Program one year going forward.

Rick Hackett will speak at FAME's Annual Meeting in November. He previously was an attorney with Pierce Atwood and more recently was with the Consumer Financial Protection Bureau (CFPB), expecting to leave the Bureau this summer. He will speak about the CFPB's impact on students and businesses.

There are currently four audits being conducted at FAME: Baker Newman & Noyes – FAME; PricewaterhouseCoopers – NextGen; U.S. Dept. of Education – FFELP; and a state audit of an inactive program.

FAME has been notified by the Office of Policy and Management that it is required to propose cuts of 5% from its state funding. Staff has responded by proposing the elimination of funding from several small programs, and returning funding authorized last year to advertise the Opportunity Maine tax credits and some funds for student financial assistance.

Ms. Bordowitz will attend a meeting in September in Chicago with Morningstar focused on Morningstar ratings of Section 529 plans. Treasurer Douglass and Katryn Gabrielson will also attend. She feels it will be advantageous to be in the room along with Merrill Lynch for the annual discussion, which has previously been done telephonically.



Ms. Bordowitz will be on vacation for the next two weeks.

**D2: Legislative Update:**

Information contained in board packet for members' review.

**D4: Quarterly Financial Report as of June 30, 2013**

Information contained in board packet for members' review.

**D5: FAME Scorecard:**

Information contained in board packet for members' review.

**D6: Core Capital Update**

**D7: Monthly Update for Board on Lumber, Wood and Paper Industry:**

Information contained in board packet for members' review.

Chair Snowden advised that after a brief break, members will be joined by the Advisory Committee on College Savings. After introductions Merrill Lynch will make a presentation in conjunction with their submission of a response to the Request for Responses for the NextGen College Investing Plan® Program Management for the Client Direct Series.

**BREAK: 11:05 AM – 11:20 AM**

*Mr. Pelletier exited the meeting at 11:20 a.m.*

*Commissioner Gervais exited the meeting at 11:20 a.m.*

**E: JOINT MEETING WITH ADVISORY COMMITTEE ON COLLEGE SAVINGS AND MAINE COLLEGE SAVINGS PROGRAM ADVISORY COUNCIL**

**E1: Introductions**

Ms. Bordowitz asked each person to introduce themselves.

**E2: NextGen College Investing Plan® Program Modification:**

Ms. Gabrielson asked for an Executive Session to discuss a matter not yet made public.

**Vice Chair Walker moved to enter into Executive Session to discuss with counsel matters the premature dissemination of which would be contrary to federal regulation and have an adverse impact on the Authority. The motion was seconded by Dr. Silver and approved by a vote of 7 in favor, 0 opposed and 0 abstentions.**

*Members entered Executive Session #4 at 11:25 a.m.*

*Mr. Pierce re-entered the meeting at 11:27 a.m.*

*Members exited Executive Session #4 at 11:30 a.m.*

Ms. Gabrielson referred members to the Resolution approving the modification discussed and authorizing the Chief Executive Officer to take such actions necessary to implement such modification.

**Treasurer Douglass moved to approve the modification to the Maine College Savings Program and to authorize the Chief Executive Officer to take such actions necessary to implement such modification. The motion was seconded by Vice Chair Walker and approved by a vote of 8 in favor, 0 opposed and 0 abstentions.**

**R-08-15-13-13**

## **PROGRAM MANAGER RFR PRESENTATION AND DISCUSSION**

### **E3: NextGen College Investing Plan® - Authorization to Enter into Program Management Agreement for Client Direct Series**

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

*Commissioner Gervais re-entered the meeting at 11:35 a.m.*

Ms. Bordowitz reminded members that staff has been authorized to enter into a Program Management Agreement for the Client Select Series in NextGen with Merrill Lynch effective July 1, 2014. In addition, Merrill Lynch responded to FAME's RFR for Program Management for Client Direct Series, effective July 1, 2014. Merrill Lynch is attending to present and discuss its submission.

## **PROGRAM MANAGER RFR PRESENTATION AND DISCUSSION:**

Mr. Polimeni, Mr. Halloran and Mr. Lacroix made a presentation in support of Bank of America Merrill Lynch's response to FAME's Request for Responses for a Program Manager for the NextGen Client Direct offering. They focused on the proposed terms of their response as well as Bank of America Merrill Lynch's performance in the 529 market, and in the Merrill Edge distribution channel. Ms. Feirstein commented favorably on the proposal except with regard to proposed management fees. There was discussion among the members present and the Merrill Lynch team. Chair Snowden noted the importance of the proposed enhancements to the Merrill Edge distribution channel given the rural nature of Maine and Bank of America's reduced physical presence in the state.

Chair Snowden suggested that the discussion be continued with the Advisory Committee and that staff come back to the board with their recommendation at the September board meeting with specific commentary around the management fees and marketing dollars.

A vote on this item as presented was tabled.

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

None.

The meeting adjourned at 12:58 p.m.

Respectfully submitted,

Cheri Walker, Vice Chair