

**MINUTES OF THE MARCH 20, 2014 MEETING OF THE MEMBERS  
OF THE FINANCE AUTHORITY OF MAINE**

Chair Nowak called the March 20, 2014 meeting of the members of the Finance Authority of Maine to order at 9:32 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  
Cheri Walker, Treasurer  
Jonathan Block  
Neria Douglass (*entered the meeting at 9:41 a.m.*)  
George Gervais  
Reis Hagerman  
James Howard  
Meredith Mendelson for Patrick Keliher  
Gregory Miller  
Larry Mitchell  
Christopher Pierce  
Susan Snowden  
James Violette, Jr.

Those members absent:

Patrick Murphy, Vice Chair  
Rosaire Pelletier

Staff present:

Bruce Wagner, Chief Executive Officer  
Christopher Roney, General Counsel  
Katryn Gabrielson, Deputy General Counsel  
Charles Emmons, Senior Commercial Loan Officer  
Carlos Mello, Director of Finance and Lending  
Angela Dostie, Education Finance Programs & Policy Manager  
Sally Garand, Commercial Loan Officer  
Scott Weber, Credit Manager

Scott Bursey, Commercial Loan Officer  
Jeff Murch, Credit Analyst  
Rita Fournier, Customer Service Manager  
Jennifer Cummings, Senior Workout Officer  
Shelly Desiderio, Accounting and Finance Manager  
Adele Bickford, Executive/Legal Assistant

Guests Present:

Peter Moore, Corporate Finance Associates  
Terry Ingram, Allagash International, Inc.  
Eugene Wendland, Allagash International, Inc.  
Bert Martin, Woodland Pulp  
Jim Oliver, Woodland Pulp  
Thomas Hioe, Woodland Pulp  
Chris Howard, Pierce Atwood

Mr. Wagner advised members that he starts each meeting with a safety message, noting any hazards and reminding members regarding egress during an emergency.

Mr. Nowak welcomed the new board members and the two repeating members before initiating brief introductions from board members and staff.

**A2: Approval of February 20, 2014 Board Meeting Minutes**

**A motion was made by Mr. Mitchell and seconded by Treasurer Walker to approve the minutes of the February 20, 2014 board meeting. The motion was approved by a vote of 11 in favor, 0 opposed and 1 abstention (George Gervais).**

**R-03-20-14-01**

**B: CHAIR'S REPORT**

Mr. Nowak explained that item C4, Commercial Loan Committee Review, will be before the board next month. The Commercial Loan Committee met yesterday, and the full report of any actions taken will be available for members' review next month.

**B1: Approval of the March 5, 2014 Finance and Audit Committee Report**

Treasurer Walker reported that staff is in the process of requesting proposals to select a new audit firm for the NextGen College Investing Plan. Responses are due back at the end of the month, and staff is anticipating at least five firms will respond. The Committee reviewed proposed changes to the Investment Policy, the Business Fund and Education Fund Capitalization policies, which will be considered by the board as action items later in the agenda. Also discussed at the meeting was an evaluation of the process for determining reserves for loan losses, and staff will provide a proposal to the board. The budget process for FY 2015 is underway and the board will hear more about that in the upcoming months.

**A motion was made by Ms. Snowden and seconded by Mr. Mitchell to approve the report of the March 5, 2014 Finance and Audit Committee meeting. The motion was approved by a vote of 12 in favor, 0 opposed and 0 abstentions.**

**R-03-20-14-02**

### **B2: Committee Assignments**

The Executive Committee met with Mr. Wagner prior to the board meeting and discussed the restructure of the board committees in light of FAME's new leadership and new board members and will bring the restructuring proposal back to the board. Mr. Nowak pointed out that it is the expectation that all board members will serve on a committee and asked that members let him or Mr. Wagner know of any predisposition for a committee focusing on audits, credit or education.

### **B3: Interactions with the Media**

FAME has recently received a lot of media attention surrounding some of its more controversial requests for loans and bond approvals, and Mr. Wagner is recommending that all requests for comment from the press be directed to Bill Norbert, Government Affairs and Communications Manager, or to him to ensure a consistent response.

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

### **C1: CEO's Report**

#### **C1a: News Articles of Interest**

Mr. Wagner highlighted a couple of articles provided to members: FAME's identification as providing a consistently high rate of return on investments, particularly in its Commercial Loan Insurance and Economic Recovery Loan programs, as reported by an independent analysis completed by the state; Governor LePage's introduction of a bill that would create a pool of up to \$500 million in bond funding that FAME would administer, and the announcement by the Alford Scholarship Foundation (ASF) that all babies born in Maine will automatically receive \$500 without having to open a NextGen account. The \$500 will be placed in an omnibus account to be used for higher education.

#### **C1b: Alford Scholarship**

Mr. Wagner pointed out that the omnibus account being established by ASF presents a new challenge for FAME. No longer will parents have to establish a 529 account to receive the \$500 grant. FAME will focus strategically and operationally on how to increase the number of 529 accounts without this beneficial policy.

#### **C1c: St.Croix Tissue Update**

St. Croix will come to the board for approval as an action item later in the agenda. Mr. Wagner made note that the team has been working intensely on St. Croix's Major Business Expansion Bond request over the last month and an updated staff recommendation for approval will be provided to members at the time of the Public Hearing at 11:00 a.m.

## **C1d: Thermogen Update**

A project redesign involving the change from a microwave system of torrefaction to steam explosion technology to produce black pellets has delayed the Thermogen \$25 million bond closing. Dr. Rice's report acknowledges the new product appears to be superior to that of the torrefied pellet in caloric output and water and weather resistance. A key issue is the supply of raw material, which must be available in a 75-100 mile radius and at a price that is viable. FAME staff is re-evaluating and intends to bring the updated Thermogen project to the board in April.

Mr. Nowak added that the board has already acted upon and approved a \$25 million Major Business Expansion (MBE) bond for Cate Street's Thermogen project. Mr. Nowak asked Mr. Roney to describe the MBE program for the benefits of the new board members.

By statute, FAME has been given the authority to issue bonds that carry the moral obligation of the state. Mr. Roney explained that FAME's reserves support the direct loans and commercial loan insurance approved by FAME against losses. Under the MBE program, FAME would go to the Governor or the Legislature for the funds to support a loss rather than to its own reserves. Because it is the credit of the state that is at risk, the MBE bonds are held to a higher standard. Rather than requiring a reasonable likelihood of repayment, MBE bonds require the "strong" likelihood of repayment.

## **C1e: Strategic Planning Process**

Mr. Wagner provided a handout outlining the process for developing FAME's strategic plan. Mr. Nowak indicated that after discussions at the Executive Committee level, the Strategic Plan Committee could be dissolved to make way for full board participation in the strategic planning process. An additional board meeting may be required to fully engage the board in the process. After staff reaches an understanding of the trends and FAME's strengths and weaknesses, Mr. Wagner will offer the strategic goals to the board for approval. He expects to have no more than three goals and the trends would go out three years.

## **C2: Legislative Update**

Mr. Wagner provided the legislative update in the absence of Mr. Norbert. FAME's two bills for the session (annual bond cap bill and bill allowing MRDA to save money by having its annual audit included with FAME's) have been passed and signed into law. FAME's commercial finance programs (CLI and ERLP) received positive reviews for its Return on Investments in DECD-commissioned report on state economic development programs, as reported earlier. The Education Committee strongly supports increased funding for Maine State Grant Program. The Appropriations Committee is working on FY 14 and FY 15 supplemental budgets. FAME's budget would be curtailed by less than \$20,000 this year but FY 2015 could see a \$330,000 decrease in state appropriations. FAME staff is reviewing where those cuts could best be made.

Commissioner Gervais informed the board that the Pine Tree Zone program was affected by the supplemental budget proceedings in the Appropriations Committee, and he may be able to provide more details later in the meeting.

Treasurer Douglass reported that she has just returned from the National State Treasurer's convention where there was a lot of excitement for the Alford Scholarship Fund announcement.

She noted that state's so-called "Rainy Day Fund" will be refunded, and bonds will move forward as a result. The state pension is looking good economically as the markets are improving. Having just returned from a National Association of Treasurer's convention, she added that there is a more positive feeling from all of the states regarding their fiscal health.

### **C3: Executive Summary – FFELP, NextGen and Operations**

Ms. Fournier reviewed the summaries for FFELP, NextGen and Operations as outlined in the board packet.

Mr. Mello commented on the \$7.6 billion in net assets in the NextGen College Investing Plan. FAME is number three behind Rhode Island in the advisor sold plan and expects to exceed them. Virginia is number one. FAME is number six overall for both Direct and Select plans.

Ms. Gabrielson responded to a question regarding the Program Management Agreement with Merrill Lynch, updated at the February board meeting. That Agreement was executed on February 20<sup>th</sup>.

Ms. Snowden voiced her concern for the unintended consequences to the slow down in contributions to the 529s resulting from the Alford omnibus account. She asked what the Authority's focus will be to combat that potential new risk. Treasurer Douglass suggested a meeting with Alford's new Executive Director. Mr. Wagner responded that a joint strategic planning meeting is scheduled in the next couple of weeks. Merrill Lynch will also be included in talks.

### **C4: Commercial Loan Portfolio Review**

This item will appear on the April Board Meeting agenda.

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

Mr. Webber reported that the commercial loan insurance exposure to the lumber, wood and paper industry has changed little from last month.

Mr. Roney advised members that there will be public hearing for the St. Croix Tissue, Inc. request for a Major Business Expansion bond, at which time public comments will be heard. Board discussion will be held after the public hearing is closed. He asked new members not already identified as having a conflict of interest, to indicate if they have one. For the public record, Ms. Mendelson was asked to acknowledge Commissioner Keliher's absence, and that she is eligible to participate in the board proceedings because of his absence. She did so.

**BREAK: 10:56 a.m.-11:00 a.m.**

### **D1: Major Business Expansion Bond Request – St. Croix Tissue, Inc.**

*Mr. Violette exited the meeting for conflict of interest at 11:00 a.m.*

*Mr. Block exited the meeting for conflict of interest at 11:00 a.m.*

*Public Hearing opened at 11:00 a.m.*

Mr. Roney stated that this public hearing is being held for the purpose of considering a Certificate of Approval for St. Croix Tissue, Inc. (the “Borrower”) to fund a portion of the acquisition and installation of two 200” light, dry, crepe (LDC) tissue machines to be located at the Woodland Pulp mill in Baileyville, Maine. The LDC machines will each be capable of manufacturing 60,000 metric tons per year of bathroom, towel, and napkin grade tissue products. The Borrower proposes to finance its project through the issuance of a Revenue Obligations Security in an amount not to exceed \$7,500,000. Notice of the Public Hearing was published in the Kennebec Journal, Bangor Daily News and the Calais Advertiser. A letter from the Town of Baileyville stating that there is no expectation for excess demand of public facilities and a DEP assessment have been received. Mr. Roney asked for comments for, against, and neither for nor against from the public. None were heard.

*Public Hearing closed at 11:07 a.m.*

Ms. Garand introduced Thomas Hioe - Chief Financial Officer for International Grand Investment Corp. (IGIC), parent company to Woodland Pulp and St. Croix Tissue; Bert Martin - Director and CEO of Woodland Pulp and Director of St. Croix Tissue; Jim Oliver – Controller of Woodland Pulp and St. Croix Tissue; and Chris Howard – Corporate Lawyer, Pierce Atwood.

Ms. Garand advised members that staff is recommending approval of the \$7.5 million Major Business Expansion bond, which is a critical but small component of the \$129 million project to install two tissue machines at the Woodland Pulp mill. Staff recommendation for approval is based on the financial commitment of the investors and the number of direct and indirect jobs that result from the investment, substantiation of the strong demand for tissue, both domestically and internationally, and the strong management team in place. The board was provided with a reconfiguration of the collateral analysis and conditions for approval. She added that the primary risk is that the Business Equipment Tax Reimbursements (BETR) and the Employment Tax Increment Financing (ETIF) payments are both collateral and repayment, which is atypical of a commercial transaction.

Mr. Martin provided the historical background for the Woodland Pulp mill, adding that a stand-alone mill has little chance of survival. Mr. Martin stressed the parent company’s commitment to the tissue machine project at the Woodland Pulp site in Baileyville. The two tissue machines have been ordered and engineering has begun. Mr. Howard added that it is important to note that the credit is backed by the entire North American operation of IGIC.

Chair Nowak referred members to the handout outlining the conditions of approval.

Mr. Roney reviewed the resolution before the board for approval, stating that the statutory and regulatory findings have been incorporated into the resolution as well as all conditions for approval.

**A motion was made by Commissioner Gervais and seconded by Ms. Snowden to approve the resolution authorizing the issuance and sale of up to \$7,500,000 Revenue Obligation Securities (St. Croix Tissue, 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 endorsements to a note or notes, an official statement, a 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. The motion was approved by a vote of 11 in favor, 0 opposed and 2 abstentions (James Violette, Jr. and Jonathan Block).**

**R-03-20-14-03**

**D3: Extension of Loan Insurance for Line of Credit – Trak Tec**

Mr. Burse explained that TD Bank is requesting a 30 day extension of the Bank's \$300,000 Line of Credit insured at 90% by FAME in order to complete its analysis. The company has not performed to its projections. Trak Tec will come to the board in April seeking a six month extension. Staff is recommending approval.

**A motion was made by Ms. Snowden and seconded by Commissioner Gervais to approve the 30 day extension of loan insurance on the \$300,000 Line of Credit from TD Bank. The motion was approved by a vote of 11 in favor, 0 opposed and 1 abstention (James Violette, Jr.).**

**R-03-20-14-04**

**D2: Request for Economic Recovery Loan Program Loan – Allagash International, Inc.**

*Mr. Block re-entered the meeting at 11:46 a.m.*

*Mr. Violette re-entered the meeting at 12:00 p.m.*

*Treasurer Walker exited the meeting at 12:27 p.m.*

*Treasurer Walker re-entered the meeting at 12:29 p.m.*

Mr. Emmons introduced the management team from Allagash International: Terry Ingram – President/CEO and Treasurer, Gene Wendland – CFO and EVP, and Peter Moore – consultant from Corporate Finance Associates. Allagash International is requesting \$500,000 in additional funds for working capital to help meet its current backlog. The initial request has been modified to \$436,000 to reflect a \$64,000 advance made last week to meet an existing need. Staff is recommending approval based on conditions outlined in the board packet as well as the number of good paying jobs it will retain. Mr. Emmons also noted that FAME has had a relationship with the company since 2009, and the bank is supportive of the company.

Mr. Ingram provided the company background and explained why the company has not been profitable even though it serves very diverse markets. He attributes its unprofitability to the company's previous inability to track the actual cost of their products. The company has hired a CFO and believes that aspect is now under control.

**Ms. Snowden 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 Commissioner Gervais and approved by a vote of 13 in favor, 0 opposed and 0 abstentions.**

*Members entered Executive Session No. 1 at 12:07 p.m.*

*Members exited Executive Session No. 1 at 12:45 p.m.*

Mr. Roney corrected the amount of the loan indicated on the resolution to \$500,000.

**A motion was made by Commissioner Gervais and seconded by Mr. Mitchell to authorize an Economic Recovery Loan in the amount of \$500,000 to Allagash International, Inc. The motion was approved by a vote of 13 in favor, 0 opposed and 0 abstentions.**

**R-03-20-14-05**

**D6: Approval of Modifications to Business Funds Capitalization and Education Funds Capitalization Policies**

All changes to the policies were highlighted in the materials provided to members in their board packet. Mr. Mello reported that the Education Funds Capitalization Policy was changed to incorporate the Maine Private Education Loan Network and the Maine Veterinary Medicine Loan Program. On the business side, changes were made to explicitly state that the policy deals only with commercial loan insurance and ERLP programs as they relate to how loans to any one borrower are monitored. It does not take into account other programs administered by FAME, such as Maine Rural Development Authority (MRDA).

**A motion was made by Treasurer Walker and seconded by Mr. Mitchell to approve the modifications to the Business Funds Capitalization and Education Funds Capitalization policies. The motion was approved by a vote of 13 in favor, 0 opposed and 0 abstentions.**

**R-03-20-14-06**

**D7: Approval of Modification of Investment Policy**

Mr. Mello stated that modest changes were made as FAME moved from its previous investment advisor to PFM. A substantive change was made to correct an inconsistency to policy. The board delegates the authority to act on its behalf to the CEO while the Investment Policy gave that authority to the Director of Finance and Lending. The policy was made to conform by giving the CEO the authority to execute the Investment Policy.

**A motion was made by Ms. Snowden and seconded by Treasurer Douglass to approve the modifications to the Investment Policy. The motion was approved by a vote of 13 in favor, 0 opposed and 0 abstentions.**

**R-03-20-14-07**

**D5: Adoption of Addendum to Corporate Resolution with Bangor Savings Bank**

The addendum to the resolution of FAME's corporate bank, Bangor Savings Bank, deletes Elizabeth Bordowitz as signatory and adds Bruce Wagner.



**A motion was made by Treasurer Douglass and seconded by Mr. Hagerman to approve the addendum to the Corporate Resolution for Bangor Savings Bank. The motion was approved by a vote of 12 in favor, 0 opposed and 1 abstention (Susan Snowden).**

**R-03-20-14-08**

**D4: Request for Economic Recovery Loan Program Loan – North Atlantic, Inc.**

*Ms. Snowden exited the meeting for a conflict of interest at 12:54 p.m.*

*Treasurer Walker exited the meeting at 1:06 p.m.*

The request for \$250,000 for an ERLP loan to North Atlantic, Inc. (NAI, Inc.) is part of a \$500,000 loan to the company. The remainder of the loan is being funded by Coastal Enterprises, Inc. (CEI) (\$100,000), Greater Portland Council of Governments (\$75,000) and the City of Portland (\$75,000). FAME currently insures a line of credit with Bangor Savings Bank (FAME exposure - \$990,000), which together with this request exceeds the \$1 million threshold for requiring board approval.

Mr. Emmons introduced Mr. Wooden, Chief Financial Officer for North Atlantic. Mr. Wooden provided the company's 20 year background and referred to historical data in the board packet related to customers, competitors and recent developments in the company's performance.

**Commissioner Gervais 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 Treasurer Douglass and approved by a vote of 12 in favor, 0 opposed and 0 abstentions.**

*Members entered Executive Session No. 2 at 1:05 p.m.*

*Members exited Executive Session No. 2 at 1:17 p.m.*

Mr. Emmons added that staff is recommending approval.

**A motion was made by Mr. Mitchell and seconded by Mr. Howard to approve a resolution authorizing an Economic Recovery Loan in the amount of \$250,000 to North Atlantic, Inc. The motion was approved by a vote of 11 in favor, 0 opposed and 1 abstention (Susan Snowden).**

**R-03-20-14-09**

Commissioner Gervais updated members regarding the Pine Tree Zone benefits, which are being considered for cuts under the Supplemental Budget. He stated that ETIFs will not be affected.

The meeting adjourned at 1:20 p.m.

Respectfully submitted,

Patrick Murphy, Vice Chair