

**MINUTES OF THE NOVEMBER 12, 2013 MEETING OF THE MEMBERS
OF THE FINANCE AUTHORITY OF MAINE**

Chair Snowden called the November 12, 2013 meeting of the members of the Finance Authority of Maine to order at 1:05 p.m. at the Holiday Inn By the Bay, 88 Spring Street, Portland, 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
Anthony Armstrong (*entered the meeting at 1:19 p.m.*)
Neria Douglass
George Gervais
Reis Hagerman
Glenn Lamarr
Larry Mitchell
Rosaire Pelletier
Christopher Pierce
Evelyn Silver

Those members absent:

Patrick Keliher
Michael Mahoney
Raymond Nowak

Staff present:

Elizabeth Bordowitz, Chief Executive Officer
Christopher Roney, General Counsel
Katryn 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
Sally Garand, Commercial Loan Officer
Scott Bursey, Commercial Loan Officer
Scott Weber, Credit Analyst
Jeff Murch, Credit Analyst
Jennifer Cummings, Senior Workout Officer
Shelley Desiderio, Accounting and Finance Manager
Adele Bickford, Executive/Legal Assistant

Guests Present:

Kristi Carlow, State Treasurer's Office
Tom Dolan, CEI Capital Management LLC
Traci Vaine, CEI Capital Management LLC
Tad Atwell, CEI Capital Management LLC
Kris Eimicke, Pierce Atwood
Bert Martin, Woodland Pulp
Jim Oliver, Woodland Pulp
Jim Brady, 119 Development LLC
Rob Small, TD Bank
Peter Anania, Trak Tec
Laura Huddy, Bangor Savings Bank
Catherine Cloudman, Apothecary by Design
Rich Polimeni, Merrill Lynch

A2: Approval of October 17, 2013 Board Meeting Minutes

A motion was made by Mr. Lamarr and seconded by Mr. Pelletier to approve the minutes of the October 17, 2013 board meeting. The motion was approved by a vote of 11 in favor, 0 opposed and 0 abstentions.

R-11-12-13-04

B. CHAIR'S REPORT

Vice Chair Walker moved to enter into Executive Session for a personnel matter. The motion was seconded by Mr. Hagerman and approved by a vote of 11 in favor, 0 opposed and 0 abstentions.

Staff (except Mr. Roney, General Counsel) exited the meeting at 1:06 p.m.

Members entered Executive Session #1 at 1:06 p.m.

Members exited Executive Session #1 at 1:12 p.m.

Staff re-entered the meeting at 1:12 p.m.

B1: Nominating Committee

The slate of officers offered by the Nominating Committee is: Ray Nowak-Chair; Patrick Murphy-Vice Chair; and Cheri Walker-Treasurer. Chair Snowden advised members that if Mr. Nowak's business situation should change, he may need to reconsider whether he can continue as chair. Chair Snowden asked for a motion to approve the slate of officers as presented.

A motion was made by Treasurer Douglass to cease nominations and to approve the slate of officers for 2014 as presented: Ray Nowak - Chair; Patrick Murphy - Vice Chair; and Cheri Walker - Treasurer. The motion was seconded by Mr. Lamarr and approved by a vote of 11 in favor, 0 opposed and 0 abstentions.

R-11-12-13-05

Vice Chair Murphy assumed the Chair position in the absence of Mr. Nowak. He asked the board to acknowledge the tremendous work of Ms. Snowden as Chair and Ms. Bordowitz added her thanks and appreciation to Ms. Snowden and to all members of the board.

C: CEO'S AND STAFF REPORT

C1: CEO's Report

Ms. Bordowitz announced that FAME's health care will be placed with Harvard Pilgrim effective December 1, 2013. Harvard Pilgrim was able to offer HMO, PPO and HSA plans and the premiums are well below what was budgeted.

An update to the Morningstar Report was provided to members, and Ms. Bordowitz advised the board that NextGen was rated "Neutral" this year. Although pricing was reported as negative, the Commentary noted that the fees are reasonable. There was not much movement in the ratings overall.

Reporting on the status of the Student Loan Insurance program, Ms. Bordowitz announced that the first loan is in the process of being originated. FAME's two partners will be announced at tonight's event. FAME has met with its consultant and is considering a fixed rate and loan consolidation option.

Ms. Bordowitz advised members that some information regarding one of FAME's larger loan insurance obligations came in over the weekend and she asked for an executive session to update the board.

Mr. Hagerman moved to enter into Executive Session for a matter for which confidentiality has been requested and disclosure of which the Authority has determined would have a harmful effect. The motion was seconded by Mr. Mitchell and approved by a vote of 12 in favor, 0 opposed and 0 abstentions.

Members entered Executive Session #2 at 1:24 p.m.

Members exited Executive Session #2 at 1:30 p.m.

C2: Quarterly Financial Report – September 30, 2013

Mr. Mello referred members to the memo in their board packets related to the Quarterly Financial Report ending September 30, 2013. He noted that FAME experienced an improvement to budget of \$851,000. The positive three factors were the \$1 million state transfer not budgeted for, greater than expected revenues from commercial loan insurance fees and the utilization of College Access Challenge Grant (CACG) funds greater than anticipated. On the negative side, the provision for loan losses was greater than budgeted as FAME reached its targeted loan growth for the year in the first quarter. Included in the *Statement of Revenues and Expenses – Summary* is the forecast of year end projections, which the board had requested. The forecast shows a \$2 million deficit, indicating an improvement of \$800,000 over budget. The forecast projects \$3.1 million for the provision for loan losses line item, an increase from the \$2.5 million budgeted in the FY 14. Mr. Mello made a correction to the Business Cash Ratio shown as 44.8%. The correct ratio is 28.6%.

C3: Scorecard Update

Mr. Mello informed the board that FAME is beating or will beat all goals on the Scorecard and is tracking positively on all measures at the end of the first quarter.

C4: Strategic Plan Update

Ms. Bordowitz updated the board on the Strategic Plan's current year actual and projected goals. Most are on target, with several projections to be determined later in the year.

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

Mr. Corey reviewed the figures used to determine FAME's insurance exposure. Current exposure for the lumber, wood and paper industry is at 88.3%. Mr. Corey cautioned that any large deal could change that figure substantially, and he will continue to update the board on a monthly basis.

D: ACTION ITEMS

D4: Maine New Markets Capital Investment Program Certification Applications of CCM Community Development LVIII LLC, USBCDE Sub-CDE 90, LLC and Enhanced Capital New Market Development Fund XXXVII, LLC (Woodland Tissue, Inc.)

Mr. Roney explained that three entities have applied under the New Markets Capital Investment Program for certification of approximately \$40 million in tax credit eligible investments in St. Croix Tissue, Inc., previously referred to as Woodland Tissue, Inc. in the board memo. The IMPLAN Study submitted projects more than 200 direct and indirect jobs will be created, which qualifies it for the \$40 million investment limit. Mr. Eimicke of Pierce Atwood introduced Tad Atwell of CEI Capital Management LLC and Bert Martin and Jim Oliver of Woodland Pulp. The total project cost, which entails the purchase of two tissue paper machines, is \$123 million. The project is slated to create 980 direct and indirect jobs and 400 induced jobs. \$10 million will be realized from state and local tax and fee revenues.

The acquisition and installation of two tissue machines will support the pulp mill as part of an integrated business. They are currently in negotiations for the purchase of the machines. He hopes

to have renovations necessary for the installation of the machines begun by the end of March, 2014. Mr. Martin responded to questions related to the workforce availability for the highly technical machines. The company will recruit statewide.

Three resolutions were presented, one for each of the CDEs.

A motion was made by Mr. Pelletier and seconded by Commissioner Gervais to approve the three resolutions as presented: (1) certifying an investment by U.S. Bancorp Community Development Corporation in CCM Community Development LVII LLC, and authorizing issuance of Tax Credit Certificates under the Maine New Markets Capital Investment Program; (2) certifying an investment by Wells Fargo Community Investment Holdings, LLC in Enhanced Capital New Market Development Fund XXXVII, LLC and authorizing issuance of Tax Credit Certificates under the Maine New Markets Capital Investment Program; and (3) certifying an investment by U.S. Bancorp Community Development Corporation in USBCDE Sub-CDE 90, LLC and authorizing issuance of Tax Credit Certificates under the Maine New Markets Capital Investment Program. The motions were approved by a vote of 12 in favor, 0 opposed and 0 abstentions.

R-11-12-13-01

R-11-12-13-02

R-11-12-13-03

D1: Approval of Commercial Loan Insurance for Line of Credit - Apothecary by Design

Ms. Snowden exited for a Conflict of Interest at 1:48 p.m.

Mr. Pelletier exited the meeting at 1:48 p.m.

Mr. Pelletier re-entered the meeting at 2:02 p.m.

Mr. Emmons introduced Laura Huddy, Bangor Savings Bank (BSB) Loan Officer and Catherine Cloudman, Apothecary by Design (ABD) Principal. BSB is asking for 65% pro-rata loan insurance on an \$850,000 Line of Credit for Apothecary by Design, which is an increase from the existing 45% insurance on a \$600,000 Line of Credit. This would be in effect until May 31, 2014, when it is expected that the bank will have a new request of the board for this company. FAME's total loan insurance exposure is \$2 million. The company experienced a difficult 2013, due in part to a move to a new location and as a result of regulatory issues raised when a Massachusetts compounding pharmacy distributed a contaminated product. Staff is recommending approval.

Ms. Huddy advised members that Bangor Savings Bank has been a supporter of Apothecary by Design since its inception and has utmost confidence in the company as it continues to grow. Ms. Cloudman explained how the company is positioning itself to meet the demand in the compounding pharmacy arena as it becomes the future of pharmaceutical services. She noted that ABD had its best sales month ever in October. ABD has renegotiated its payment terms with its wholesalers to take advantage of discounts that will produce savings for the company. Ms. Cloudman added that ABD plays a significant role in its connections to the Maine pharmaceutical schools by providing an opportunity for their students to do their rotations and, in particular, to learn specialty compounding.

A motion was made by Treasurer Walker and seconded by Mr. Hagerman to approve the Resolution authorizing renewal and modification of loan insurance for a line of credit loan for Apothecary by Design, LLC. The motion was approved by a vote of 11 in favor, 0 opposed and 1 abstention (Susan Snowden).

R-11-12-13-06

D2: Extension of Loan Insurance for Line of Credit – Trak Tec

Ms. Snowden re-entered the meeting at 2:15 p.m.

Mr. Lamarr exited the meeting for a Conflict of Interest at 2:15 p.m.

Mr. Bursey introduced Peter Anania of Anania and Associates, 80% owner of Trak Tec, and Rob Small of TD Bank. Mr. Bursey reviewed the timeline as outlined in the board memo and explained that although CVS decided not to contract with Trak Tec for its labels, it will issue Purchase Orders to Trak Tec for up to \$5 million. Another contract is also pending for the labels. Staff is recommending that loan insurance be extended until March 31, 2014. Mr. Anania advised members that Trak Tec is able to provide the labels requested by CVS but will do so after CVS testing of the labels is complete and under a P. O. rather than under contract. Mr. Small added that the bank is willing to make the modest, short term extension, which will allow the bank and the company time to formulate an action plan going forward.

FAME added renewal conditions to those imposed by the bank, which are listed in the board packet materials. Mr. Anania requested an amendment to one of the conditions. Staff agreed to the amendment.

A motion was made by Mr. Pelletier and seconded by Commissioner Gervais to approve the Resolution authorizing an extension of loan insurance regarding Trak Tec, LLC 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 11 in favor, 0 opposed and 1 abstention (Glenn Lamarr).

R-11-12-13-07

BREAK: 2:35 p.m. – 2:50 p.m.

Mr. Lamarr re-entered the meeting at 2:38 p.m.

D3: Maine New Markets Capital Investment Program – Certification Application of Stonehenge Community Development LXII, LLC (Press Hotel, LLC)

Mr. Roney presented the New Markets Capital Investment request for certification of Stonehenge Community Development LXII, LLC application for a renovation project of the old Portland Press Herald building in Portland to be undertaken by Press Hotel, LLC. The investment for which the tax credit is being requested is for \$10, 833,333. Included in the package to the board are letters of community support for the project. Mr. Roney introduced Jim Brady, the Press Hotel developer, to provide the project description. The \$25 million project is green certified and is in the historic district. The closing is expected by the end of this year with completion slated for April, 2015. Mr.

Brady indicated that the hotel will satisfy the pent up demand for accommodations that exists now in Portland. Mr. Brady responded to a question related to an environmental issue, stating that a Phase I site assessment did not necessitate additional testing for asbestos. The present owner's renovations removed the need for further remediation. Mr. Brady also addressed the parking issue; there will be valet service and cars will be parked at leased, off-site lots. Additionally, there are Letters of Intent with adjacent parking facilities.

Mr. Roney presented the resolution which certifies the investment of U.S. Bancorp Community Development Corp. in Stonehenge Community Development LXII, LLC and the authorization to issue tax credit certificates under the Maine New Markets Capital Investment Program.

A motion was made by Treasurer Walker and seconded by Mr. Armstrong to approve the Resolution certifying an investment by U.S. Bancorp Community Development Corporation in Stonehenge Community Development LXII, LLC and authorizing issuance of tax credit certificates under the Maine New Markets Capital Investment Program. The motion was approved by a vote of 12 in favor, 0 opposed and 0 abstentions.

R-11-12-13-08

D7: Approval to Repeal Chapter 323, Dental Equipment Revolving Loan Program

Approval for repeal of Rule Ch. 323, Dental Equipment Revolving Loan Program, is before the board because the program has been abandoned, and the funds have been returned to the Department of Health and Human Services (DHHS). There was no demand for loans from the program.

A motion was made by Ms. Snowden and seconded by Dr. Silver to approve the repeal as presented. The motion was approved by a vote of 12 in favor, 0 opposed and 0 abstentions.

R-11-12-13-09

D6: Approval of Investment Advisor Selection for FAME

FAME currently uses the investment services of Cutwater for its bond investment portfolio. In compliance with its Procurement Policy, FAME issued a Request for Responses (RFR) in July, to which it received two responses. A comparison of the responses is included in the board packet. Staff is recommending PFM because of its growth trajectory and its reporting tools, which will reduce costs. The recommendation is supported by the Finance and Audit Committee.

A motion was made by Mr. Mitchell and seconded by Treasurer Douglass to approve the selection of and contract with PFM for investment advisory services. The motion was approved by a vote of 12 in favor, 0 opposed and 0 abstentions.

R-11-12-13-10

D5: Review and Acceptance of FY 2013 Annual Financial Statements

Although Baker Newman and Noyes (NNB) and PricewaterhouseCoopers (PwC) have completed a substantial amount of their respective audits, there remains a matter which keeps them from completing their work. An executive session will be necessary to discuss further.

Treasurer Walker moved to enter into Executive Session to consider information for which confidentiality has been requested and to consult with counsel. The motion was seconded by Ms. Snowden and approved by a vote of 12 in favor, 0 opposed and 0 abstentions.

Members entered Executive Session #3 at 3:16 p.m.

Members exited Executive Session #3 at 3:58 p.m.

COMMISSIONERS' & TREASURER'S UPDATES:

Treasurer Douglass advised that the state is going out to bonds in February and she expressed the importance of getting FAME's financial statements in a timely manner.

The meeting adjourned at 3:59 p.m.

Respectfully submitted,

Cheri Walker, Vice Chair