

**MINUTES OF THE NOVEMBER 13, 2014 MEETING OF THE MEMBERS  
OF THE FINANCE AUTHORITY OF MAINE**

Chair Nowak called the November 13, 2014 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 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  
Kristi Carlow for Neria Douglass  
George Gervais  
Reis Hagerman  
James Howard  
Gregory Miller (*entered the meeting at 1:13 p.m.*)  
Larry Mitchell  
Rosaire Pelletier  
Christopher Pierce  
Richard Roderick  
Susan Snowden  
James Violette, Jr.

Those members absent:

Patrick Keliher

Staff present:

Bruce Wagner, Chief Executive Officer  
Christopher Roney, General Counsel  
Charles Emmons, Senior Commercial Loan Officer  
Carlos Mello, Director of Finance and Business  
Elizabeth Vanderweide, Director of Business Development and Customer Relations  
Martha Johnston, Director of Education  
Katrjn Gabrielson, Deputy General Counsel  
William Norbert, Governmental Affairs & Communications Manager

Scott Weber, Credit Manager  
Shelly Desiderio, Accounting and Finance Manager  
Angela Dostie, College Savings Program Manager  
Jeff Murch, Credit Analyst  
Joshua Dixon, Senior Accountant  
Adele Bickford, Executive/Legal Assistant

Guests Present:

Keith Van Scotter, Lincoln Paper and Tissue, Inc.  
John Wissmann, Lincoln Paper and Tissue, Inc.  
Andrew Vamvakias, SHP Red Zone  
James McKenna, Red Zone  
Matt Orne, Red Zone  
Laura Huddy, Bangor Savings Bank  
Robert Robinson, North Atlantic, Inc.  
Bill Stride, North Atlantic, Inc.

### **A2: Approval of October 16, 2014 Board Meeting Minutes**

**A motion was made by Mr. Mitchell and seconded by Treasurer Walker to approve the minutes of the October 16, 2014 board meeting. The motion was approved by a vote of 11 in favor, 0 opposed and 2 abstentions (Susan Snowden and Kristi Carlow).**

**R-11-13-14-01**

### **A3: Approval of the Report of the October 16, 2014 Executive Committee Meeting**

**A motion was made by Mr. Hagerman and seconded by Mr. Mitchell to approve the Report of the October 16, 2014 Executive Committee meeting. The motion was approved by a vote of 13 in favor, 0 opposed and 0 abstentions.**

**R-11-13-14-02**

## **B: CHAIR'S REPORT**

### **B1: Nominating Committee**

The members of the Nominating Committee, Susan Snowden, Reis Hagerman and Larry Mitchell, recommended the following slate of officers: Ray Nowak – Chair, James Violette, Jr. – Vice Chair and Cheri Walker – Treasurer. Chair Nowak opened the nominations to any interested board member. Hearing none, a motion was made to approve the slate of officers as presented.

**A motion was made by Ms. Snowden to cease nominations and to approve the slate of officers for 2015 as presented: Ray Nowak - Chair; James Violette, Jr. - Vice Chair; and Cheri Walker - Treasurer. The motion was seconded by Mr. Mitchell and approved by a vote of 13 in favor, 0 opposed and 0 abstentions.**

**R-11-13-14-03**

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

Mr. Wagner advised members that the Strategic Plan is in process after discussions with the board and has been taken to FAME's Directors to work with their teams. Because of the magnitude of the work involved, he informed them that it would be brought back to the board in January rather than December as previously indicated.

Mr. Wagner announced that on December 9<sup>th</sup> staff will begin a process control initiative to map, manage and measure marketing materials to the NextGen marketplace in Maine. Messaging will be consistent with the level of its audience and to be compliant with Legal requirements. The initiative will carry on to other processes that serve FAME's customers as well.

FAME will be kicking off another initiative, New Product Development and Launch (NPDL), to help FAME grow and be more relevant. The first initiative will be student loan consolidation, which currently is not being done at the federal level. Elizabeth Vanderweide will become the expert and manage the process.

Mr. Wagner informed members that the \$450,000 in revenues expected to be generated from the University Credit Union (UCU) student portfolio and forecasted in the budget will not be received. The cost to convert from UCU's servicing group to FAME's is cost prohibitive. Mr. Wagner stated that the resulting budget gap would be closed in other ways and that the student loan program itself is successful with seven lenders already committed.

Chair Nowak advised the board that Mr. Wagner and staff have been compiling a legislative "wish list", and the board could expect discussion at the December meeting. Mr. Wagner will come to the board with what actions could be expected if some of the requests are supported or how to meet our strategic goals if they are not.

## **C2: Quarterly Financial Report – September 30, 2014**

Mr. Mello reviewed the materials in the board packet relating to the financials for the first quarter ending September 30, 2014. Included in the review is a table indicating financial results for the same quarter ending September 30, 2013. A second table provides a comparison of the first quarter results to budget for the same period. After taking into account the favorability of loan losses and the fact that the overall allocations for loan losses have available excess capacity, Mr. Mello stated that FAME is expected to be on budget for 2015.

Referring to the board packet, Mr. Mello provided the current allocations of FAME's investment portfolio as previously requested by the board. An action item later in the agenda will call for the ratification of the investment purchases for July through September, 2014. Members chose to consider the action item at this point in the agenda.

## **E3: Ratification of Investment Purchases: Jul-Sep**

The listing of securities purchased and sold for the quarter ending September 30, 2014 was provided to members for ratification. Chair Nowak added that the executed transactions are within policy guidelines, which are reviewed annually by the Risk Management and Audit Committee and offered for ratification by the board on a quarterly basis.

**A motion was made by Mr. Pelletier to ratify the investment purchases for July through September, 2014. The motion was seconded by Deputy Treasurer Carlow and approved by a vote of 14 in favor, 0 opposed and 0 abstentions.**

**R-11-13-14-04**

**C3: Monthly Update for Board on Lumber, Wood and Paper Industry**

FAME's insurance exposure is at \$12.7 million, which is 86% of its cap of \$14.7 million. Mr. Weber added that the exposure has not changed significantly and that staff will continue to monitor it closely.

Mr. Pelletier updated the board regarding the status of several paper mills experiencing financial difficulties. The state is continuing to work with investors for Verso; Expera has agreed to purchase the pulp facility of Old Town Fuel and Fiber; and there are investors still interested in the East Millinocket paper mill.

**D: RED ZONE WIRELESS PRESENTATION**

*Kristi Carlow exited the meeting at 1:47 p.m.*

*Kristi Carlow re-entered the meeting at 1:54 p.m.*

Mr. Mello introduced James McKenna, Andrew Vamvakias and Matt Orne of Red Zone Wireless, an early stage company making a presentation to the board. Mr. McKenna, founder and CEO, requested an executive session because the company is in a pre-launch stage and the information is proprietary.

**Treasurer Walker moved to enter into Executive Session to discuss records submitted prior to an application, and for which confidentiality has been requested and disclosure of which the Authority has determined would have a harmful business effect. The motion was seconded by Ms. Snowden and approved by a vote of 14 in favor, 0 opposed and 0 abstentions.**

*Members entered Executive Session #1 at 1:44 p.m.*

*Members exited Executive Session #1 at 2:25 p.m.*

**BREAK: 2:25 p.m. – 2:30 p.m.**

**E: ACTION ITEMS**

**E1: Request for Commercial Loan Insurance – North Atlantic, Inc.**

*Ms. Snowden exited the meeting for a conflict of interest at 2:30 p.m.*

Mr. Emmons introduced Laura Huddy from Bangor Savings Bank, Robert Robinson, Controller and Bill Stride, COO, of North Atlantic, Inc. The bank is requesting an extension for seven months for commercial loan insurance on a \$5 million line of credit to support inventory and accounts

receivable. North Atlantic, Inc. (NAI) is a distributor of fresh and frozen seafood located in Portland. NAI also has a direct loan with FAME in partnership with Coastal Enterprises, Inc. (CEI), Greater Portland Council of Governments (GPCOG) and the City of Portland. The company has changed from a processor to a distributor and is projecting profitability in 2015. The bank is closely monitoring this account, and staff is recommending the seven month extension. Ms. Huddy reported that the bank has been supportive of the company for the five years of their relationship. It requires monthly reporting and annual field exams have not resulted in identifying any problem areas. Mr. Stride explained that the shift from processor to distributor occurred when the customer for the bulk of their processing, which was in salmon, went direct. Mr. Stride emphasized that the projections for 2015 are based on already established business.

In order to discuss questions posed by members regarding specific customers, an executive session was requested.

**Deputy Treasurer Carlow moved to enter into Executive Session to discuss records for which confidentiality has been requested and disclosure of which the Authority has determined would have a harmful business effect and 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 #2 at 2:50 p.m.*

*Members exited Executive Session #2 at 3:00 p.m.*

Chair Nowak advised members that the Business Committee had met prior to the board meeting and asked some of the same questions addressed at this meeting.

Mr. Roney pointed members to the resolution provided to them at the meeting.

**A motion was made by Mr. Mitchell to approve the Resolution, and to authorize renewal of loan insurance for a \$5,000,000 loan to North Atlantic, Inc. The motion was seconded by Mr. Roderick and approved by a vote of 13 in favor, 0 opposed and 1 abstention (Susan Snowden).**

**R-11-13-14-05**

**E2: Request for Commercial Loan Insurance and Economic Recovery Loan Program Loan – Lincoln Paper and Tissue, Inc.**

*Ms. Snowden re-entered the meeting at 3:05 p.m.*

*Mr. Block exited the meeting for a conflict of interest at 3:05 p.m.*

*Mr. Pelletier exited the meeting at 3:30 p.m.*

*Mr. Pelletier re-entered the meeting at 3:31 p.m.*

*Mr. Howard exited the meeting at 3:40 p.m.*

*Mr. Pelletier exited the meeting at 3:40 p.m.*

*Mr. Howard re-entered the meeting at 3:42 p.m.*

*Mr. Pelletier re-entered the meeting at 3:42 p.m.*

Mr. Emmons introduced Keith Van Scotter, President and CEO, and John Wissmann, CFO, of Lincoln Paper and Tissue, Inc. Originally the request was for a \$1 million ERLP loan and 90% commercial loan insurance (CLI) on a \$2 million term loan. The company providing the term loan has determined that FAME loan insurance is not required. The \$1 million ERLP loan will be used for working capital and a new project. The request being presented is being made without the personal guaranty of the owners/investors and will, therefore, require approval of two-thirds of the board. Approval can be made based on public benefit and significant equity. As an additional benefit, Mr. Van Scotter also noted that the natural gas line run to the mill provides the town access to natural gas.

**Vice Chair Violette moved to enter into Executive Session to discuss records for which confidentiality has been requested and disclosure of which the Authority has determined would have a harmful business effect and any servicing or monitoring record; financials. The motion was seconded by Mr. Roderick and approved by a vote of 13 in favor, 0 opposed and 0 abstentions.**

*Members entered Executive Session #3 at 3:25 p.m.*

*Members exited Executive Session #3 at 3:35 p.m.*

Mr. Roney introduced the resolution recommended by staff, which is approval without the personal guarantee of the owners. Mr. Roney amended the resolution to be without any guarantors, not just the two largest shareholders.

**A motion was made by Commissioner Gervais and seconded by Mr. Pelletier to authorize an Economic Recovery Loan in the amount of \$1,000,000 to Lincoln Paper & Tissue, LLC pursuant to the Resolution, as amended.**

Vice Chair Violette asked if the loan could be re-visited by FAME should the tissue manufacturing cease functioning. In such an instance, would they consider going into an electricity generating mode? The owners agreed to discuss the details of such an agreement.

**The motion was approved by a vote of 12 in favor, 0 opposed and 2 abstentions (James Violette and Jonathan Block).**

**R-11-13-14-06**

**E4: NextGen College Investing Plan® - Approval for Program Modifications**

*Vice Chair Violette exited the meeting at 3:43 p.m.*

*Mr. Block re-entered the meeting at 3:43 p.m.*

*Mr. Pelletier exited the meeting at 3:44 p.m.*

*Vice Chair Violette re-entered the meeting at 3:45 p.m.*

*Commissioner Gervais exited the meeting at 3:51 p.m.*

*Mr. Pelletier re-entered the meeting at 4:00 p.m.*

Ms. Dostie advised that staff is recommending two modifications to the NextGen Program and asked for an executive session for reasons of confidentiality.

**Deputy Treasurer Carlow moved to enter into Executive Session for which confidentiality has been requested. The motion was seconded by Mr. Howard and approved by a vote of 13 in favor, 0 opposed and 0 abstentions.**

*Members entered Executive Session #4 at 3:43 p.m.*

*Members exited Executive Session #4 at 3:50 p.m.*

**A motion was made by Deputy Treasurer Carlow and seconded by Mr. Howard to approve a modification to the Maine College Savings Program and authorizing the Chief Executive Officer to take certain actions to implement the modification.**

**The motion was approved by a vote of 12 in favor, 0 opposed and 0.**

**R-11-13-14-07**

**Deputy Treasurer Carlow moved to enter into Executive Session for which confidentiality has been requested. The motion was seconded by Mr. Howard and approved by a vote of 12 in favor, 0 opposed and 0 abstentions.**

*Members entered Executive Session #5 at 3:52 p.m.*

*Members exited Executive Session #5 at 4:02 p.m.*

**A motion was made by Deputy Treasurer Carlow and seconded by Mr. Howard to approve a modification to the Maine College Savings Program and authorizing the Chief Executive Officer to take certain actions to implement the modification.**

**R-11-13-14-08**

**E5: NextGen College Investing Plan® - Approval of Matching Grants for 2015**

*Commissioner Gervais re-entered the meeting at 4:05 p.m.*

*Deputy Treasurer Carlow exited the meeting at 4:06 p.m.*

Ms. Dostie presented the changes proposed to the NextGen Matching Grants for 2015, which are focused on encouraging enrollment and continued contributions. The proposed changes to the Initial Matching Grant, NextStep Matching Grant and Automated Funding Grant are outlined in the board packet.

**A motion was made by Ms. Snowden to approve changes to the NextGen® Matching Grants in Initial Matching, NextStep and Automated Funding Grants in accordance with the memo to Directors dated November 4, 2014 in the board packet. The motion was seconded by Mr. Hagerman and approved by a vote of 13 in favor, 0 opposed and 0.**

**R-11-13-14-09**

**COMMISSIONERS' & TREASURER'S UPDATES**

None.

Respectfully submitted,

James Violette, Jr., Vice Chair