

**MINUTES OF THE SEPTEMBER 30, 2013 SPECIAL MEETING OF  
THE MEMBERS OF THE FINANCE AUTHORITY OF MAINE**

Chair Snowden called the September 30, 2013 special 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 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  
Patrick Keliher  
Glenn Lamarr  
Michael Mahoney  
Raymond Nowak  
Rosaire Pelletier  
Christopher Pierce  
Evelyn Silver

Those members absent:

Anthony Armstrong  
Larry Mitchell

Staff present:

Elizabeth Bordowitz, Chief Executive Officer  
Christopher Roney, General Counsel  
Bill Norbert, Governmental Affairs & Communications Manager  
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  
Jeff Murch, Credit Analyst  
Jennifer Cummings, Senior Workout Officer  
Adele Bickford, Executive/Legal Assistant

Guests Present:

Governor Paul LePage  
David Markovchick, Consultant to FAME  
Ned Dwyer, Great Northern Paper  
Kris Eimicke, Pierce Atwood  
Stephen S. Stanley, State Representative  
Stu Kallgren, Great Northern Paper  
Scott Kenney, Farm Credit of Maine  
Erik Olson, Farm Credit of Maine  
Richard Angotti, Farm Credit of Maine  
Gilda Stratton, Councilor, Millinocket  
Michael A. Madore, Councilor, Millinocket  
Margaret Daigle, Town Manager, Millinocket  
Scott Tranchmontagne, Montagne Communications, Manchester, NH  
Alex Ritchie, Cate Street Capital  
John Hallé, Cate Street Capital  
Dammon Frecker, Cate Street Capital  
Chris Howard, Pierce Atwood  
Peg Tupley, Phoenix  
Clint Linscott, East Millinocket  
M. R. Martin, East Millinocket  
Fred Lewis, MLKT Fabrication & Machinery  
Chris Cousins, Bangor Daily News  
Max Rush, representing Senator Troy Jackson

Chair Snowden thanked the board for their service and attendance at this Special Board Meeting. She introduced Governor LePage and welcomed his comments and guidance to the board.

**B. ADDRESS BY GOVERNOR LEPAGE:**

Governor LePage offered his assessment of where we are as a state. Maine is ranked the 50<sup>th</sup> worst place to do business. He stated that success is based on risk and reward and Maine has been unwilling to take a risk. The project in Millinocket is new technology and Maine could become a major player in the future of energy if it takes the risk. The company has a track record in New Hampshire and here in Maine. The Governor is willing to pledge the moral obligation of the state if the board is willing to accept this project. According to the Governor, investment capital goes where it is welcomed and stays where it is appreciated. There is no better way to show your appreciation than by becoming their partner. It is important to look at this project as a partnership between the State of Maine

and the industry. The Governor is willing to put moral obligation on the bond to let them move the project forward but will continue to work closely with them.

*Mr. Nowak exited the meeting at 9:55 a.m.*

*Commissioner Gervais exited the meeting at 9:55 a.m.*

*Commissioner Gervais re-entered the meeting at 9:57 a.m.*

## **C. PUBLIC HEARING**

*Public Hearing opened at 9:59 a.m.*

The following people spoke in support of issuing the \$25 million Revenue Obligation Securities Bonds for the Thermogen I project.

Representative Stephen Stanley, representing District 10: Millinocket, E. Millinocket, Medway and part of unorganized territory of Penobscot  
Max Rush for Senator Troy Jackson, representing District 35: Allagash, Caribou, Castle Hill, Caswell, Connor Twp., Cyr Plantation, Eagle Lake, Fort Kent, Frenchville, Garfield Plantation, Grand Isle, Hamlin, Limestone, Madawaska, Mapleton, Nashville Plantation, New Canada, New Sweden, T11-R14, Perham, Portage Lake, T17-R2, T17-R3, T17-R4 a/k/a Sinclair, T17-R5, T15-R6, T16-R4 a/k/a Madawaska Lake, Saint Agatha, St. Francis, St. John Plantation, Stockholm, Van Buren, Wade, Wallagrass, Washburn, Westmanland, Winterville Plantation and Woodland in Aroostook County  
Peggy Daigle, Town Manager, Millinocket  
Clint Linscott, Co-Chair Selectman, East Millinocket  
Mark Martin, Co-Chair Selectman, East Millinocket  
Fred Lewis, Millinocket Fabrication and Machine, Inc. Millinocket

The comments noted how beneficial this project would be for the Millinocket area, where there are a number of homes in the foreclosure process. Some indicated that Cate Street has been a good corporate citizen in Millinocket area and done good things with the GNP mill. Others noted that it is important to take a risk that a loan will not be repaid to attract businesses to an area. There were no opposing comments or general comments.

*Public Hearing closed at 10:45 a.m.*

**BREAK: 10:45 a.m. – 11:02 a.m.**

## **D. ACTION ITEMS**

1. Major Business Expansion Bond Request for Thermogen I, LLC  
Conflicts: Yes (Ray Nowak)  
Guests: Yes

Mr. Emmons introduced John Hallé, President of Cate Street Capital, Dammon Frecker, Managing Director of Development for Cate Street, Alex Richie, Director of Government and Community Relations, and Chris Howard, attorney for Cate Street. He also introduced

the team from FAME responsible for compiling the information for the request from Cate Street Capital, as well as, David Markovchick, who is FAME's consultant contracted to work on the project. The request is for approval of the issuance of \$25 million Major Business Expansion Bond (MBE) supported by the moral obligation of the state for the construction of a torrefied wood pellet facility using relatively new technology on leased land in Millinocket. The cost of the facility is \$70 million and is projected to produce 100,000 tons of the product annually. It will create 36 direct jobs and 180 indirect jobs. FAME staff is recommending denial. Although the project meets some of the eligibility criteria and requirements, it does not meet the credit worthiness requirement and lacks the strong likelihood of repayment outlined in the statute and rule. The company is a start-up with results based on projections, not historical data. The technology is untried and untested at this scale. There are no firm contracts for product sales although potential is demonstrated. Staff review indicates a perceived collateral shortfall of significance. Appraisals will not be available until the end of October and guaranties do not provide a significant level of credit support. The project has received support from the State of Maine through the New Markets Capital Investment Program with a \$40 million allocation.

Mr. Howard expressed the importance of the project to Millinocket, the state as a whole and to Cate Street. He introduced Alex Ritchie who would present an overview of Cate Street, of the Thermogen project and business and look at some of the program elements where there are disagreements between FAME staff and Cate Street.

Ms. Ritchie's presentation offered background information on Cate Street, noting that Cate Street is not a start-up. She referred to the company's success in reviving a paper mill in Berlin, New Hampshire. The Millinocket site offers a skilled workforce, an area referred to as the wood basket that contains 40 million acres of woodland, access to transportation and hydro power as reasons for selecting the Millinocket area. The investment in the area will bring millions to the local economy in the form of payroll. It will be the first full scale production facility of its kind in the United States and has the potential to make Maine a leader in the emerging industry. The torrefied wood pellet has the ability to co-fire with coal without the need to retrofit the coal facility. The construction contracts are in place, site preparation began in October 2012, forestry companies have the necessary bio mass supply, state and federal tax credit packages have been secured, and the project is fully permitted at the state and local level. The \$70 million investment has a one-third debt component and two-thirds equity from New Markets tax credits and Cate Street investment capital. Ms. Ritchie spoke to some of the areas of concern:

- "new" technology - pointing to a Rotawave Technology Assessment and successes in the UK;
- EPC contract - Cate Street has employed an experienced firm, Conti Group, for design;
- market – team identified a large overseas market and domestically, with universities and utilities;
- bio mass – secured long term logging contracts to ensure supply;
- environmental aspect – permitted;
- independent engineering firm – Black & Veatch review and assessment concluded the project to be well designed and ready for construction.

Ms. Ritchie reiterated the public benefit of the project in terms of jobs to the area, both direct and indirect.

Mr. Howard listed six areas of differences between staff and Cate Street: (1) overall creditworthiness of the project, (2) ability to raise capital, (3) guaranty, (4) demonstrated ability to finance without FAME participation, (5) lack of committed off-take agreements and (6) collateral value/coverage. He responded to each: Cate Street Capital has consistently demonstrated its ability to raise debt and equity through its group of more than 90 investors. Personal guaranty and forward capital commitment are highly unusual. Rather it is necessary to look at the number and quality of the investors. The company's existing investments demonstrate their commitment over time, e.g., the mill in Berlin, N.H. FAME's financing assistance is necessary to reduce the cost of capital. Cate Street has a high level of confidence in the product. Off-take agreements require production capacity and demand has only been met on a small scale to date. Collateral value of equipment results from the fact that it can be converted to a white pellet plant or reapplied for industrial purposes. Cate Street believes the approximate value to be \$16 million. Mr. Howard concluded by stating that the fact that the project is backed by private and tax credit equity demonstrates the company's commitment to the project and helps to shore up its capital structure. Cate Street has a proven track record.

Treasurer Murphy posed two questions: is there a full scale marketing analysis and without much equity in the project, why wouldn't Cate Street go back to its investors now. Ms. Ritchie indicated that there have been independent marketing studies conducted and a report could be made available. Mr. Howard responded to the investing question by stating that Cate Street has \$26 million in equity and that the cost of the capital structure is affected by applying New Market tax credits. Venture capital comes at a high cost.

Mr. Pierce asked if there were a "no" vote today, would the project be dead. Mr. Howard said the project would be dead in its current configuration in Millinocket, although torrefication could be done elsewhere. Additionally, Mr. Pierce asked about the customer pipeline, if it is realistic to get orders in advance. Mr. Hallé indicated that they fully anticipated quantities to be used for test purposes. There has been interest from a couple of universities and from large utilities, both overseas and domestically.

Mr. Mahoney asked about market demand, whether there is an incentive beyond cost that is more attractive for using torrefied pellets vs. coal. Mr. Hallé responded that they are not in competition with coal nor do they mean to displace it. Torrefied wood is a renewable fuel and offers a means for entities to get away from emission regulations related to coal.

Commissioner Gervais inquired if test burns were done to establish a quantity to commit to or if the customer will use the torrefied pellet at all. In response, Mr. Hallé indicated that the test burns serve to convince the customer of the use of the product on a large scale.

Treasurer Murphy questioned if there is a market, noting an insecurity in the marketplace. The move from small tests to large scale commercialization is unproven. Mr. Hallé added that someone has to take the lead and the level of tests done so far are not insignificant. He acknowledged Dr. Rice's report but found the challenges of acceptance of scaling up a little aged.

Chair Snowden commented that the state has already supported the project with \$40 million in tax credit allocation and this request, if approved, would be another \$25 million from the state. Her concern is that the project could be underfunded. She asked if Cate Street has the ability to raise additional capital and what is its investor concentration. To answer those questions, members entered in Executive Session.

**Mr. Lamarr moved to enter into Executive Session to discuss an application: for which any financial statement or tax return of an individual or any other record obtained or developed by the authority the disclosure of which would constitute an invasion of personal privacy, as determined by the authority; any record including any financial statement or tax return obtained or developed by the authority in connection with any monitoring or servicing activity by the authority pertaining to any financial assistance provided or to be provided by or with the assistance of the authority, and any record obtained or developed by the authority which contains an assessment by a person who is not employed by the authority of the credit worthiness or financial condition of any person or project. The motion was seconded by Commissioner Keliher and approved by a vote of 12 in favor, 0 opposed and 0 abstentions.**

*Members entered Executive Session at 12:28 p.m.*

*Members exited Executive Session at 12:55 p.m.*

Dr. Silver reiterated her question for public session that deals with the Legislature's purpose in enacting the Major Business Expansion Program relative to the Governor's characterization of this project as high risk. Mr. Roney referred members to their board packets where the distinction between loan insurance and major business expansion analysis is shown. He contrasted the "reasonable" prospect of repayment under loan insurance to the "strong likelihood" of repayment from revenues of the project and other sources of revenues and collateral pledged, the strong likelihood being a higher standard. Also, the project must be found to be creditworthy. In the case of the MBE Program, the moral obligation of the state is pledged. Chair Snowden emphasized again that any default by the borrower would result in the board going to the Governor for funds to meet the deficiency or to seek funds from the Legislature. Ms. Bordowitz went on record to state that FAME does take risks and does work with start-ups but it take risks within what it can handle within its reserves. The Legislature did not provide the resources to do this kind of risk. Ms. Bordowitz added that it is with reluctance that the staff made their recommendation but she suggested that perhaps the program would be more appropriate after the first machine has been in service and the company is looking to expand. She supports the staff's recommendation for denial. Mr. Howard stated that he feels that the statutory requirement related to the "strong likelihood" of repayment has been satisfied when you view the entirety of package. Ms. Bordowitz responded that staff looked at the guaranty and collateral when making its recommendation. Mr. Roney pointed to the fact that certain things are stated in the presentation to the board but there is no documented backup. Mr. Roney does not believe that the board has the authority to waive any core findings, e.g., the strong likelihood of repayment. Other sources of revenue are relevant only if pledged to the project. Chair Snowden noted that staff, although recommending denial, has also put forth a list of potential conditions for approval and asked for the borrower's opinion of those conditions. Mr. Howard stated that several of the conditions are problematic but the structure could be subject to negotiations. Mr. Mahoney asked if the project could be moved forward without detail that would be left to

staff and borrower to revisit. Ms. Bordowitz stated that certain of the conditions are essential and if approval was given subject to negotiated conditions, she would want any modifications brought back to board, presumably at the October regular meeting in two weeks. Commissioner Keliher noted the overall benefit of the project and asked if it is possible to approve the project with conditions today and to negotiate those conditions in time to bring them back to the October board meeting. The borrower agreed that the October time frame with the prospect of negotiation was possible for them but that waiting until November would not be. Chair Snowden cautioned that the board would not have collateral value determined before the next meeting. Mr. Pelletier acknowledged his support of the project and for the future of the region.

**A motion was made by Mr. Pelletier and seconded by Treasurer Douglass to approve the request for the issuance of a \$25 million Major Business Expansion Bond as amended with the 30 conditions presented in the board packet.**

Commissioner Gervais asked for a clarification of the motion before the board. He asked if it is the intention of the motion to move the resolution with all 30 conditions having to be met without alternative conditions. Chair Snowden indicated that it would need to be amended and brought back to the board at its next meeting in October. Mr. Mahoney suggested that the motion could be tabled with the direction that the 30 conditions be re-examined by staff.

Mr. Roney distributed a resolution which makes the required findings and includes the 30 conditions as presented by staff. Dr. Silver and Treasurer Murphy spoke in favor of tabling the item.

Chair Snowden noted the motion before the board was for approval with the inclusion of the 30 conditions outlined in the board packet, some of which the borrower indicated they could not meet.

Mr. Roney presented the motion as: if the motion is approved as presented, members are making the required findings based on the contingency of all 30 conditions being met. If later, a change is to be made, the resolution would need to be amended and the amendment would supersede this resolution.

Treasurer Douglass sought consensus from the board that the project should move forward with conditions based on successful negotiations. She stated that the company has a proven track record and that it would be wise to move forward in some fashion. Mr. Roney stated he was uncomfortable with passing a resolution that is left to further negotiation.

Dr. Silver suggested that the board could make a motion recognizing the public benefit of the project and to charge staff to try and negotiate conditions before the next board meeting.

Mr. Howard suggested that a resolution could be approved for the concept but with final approval subject to the return to the board for terms and conditions.

Mr. Pelletier withdrew his motion and Treasurer Douglass withdrew her second.

Mr. Howard restated his proposal: Board approval of the resolution for financing concept but staff be directed to conduct final discussions with borrower for terms and conditions and come back to the board for approval or denial. Mr. Roney was uncomfortable with this proposed motion with approval in concept. He is not sure what that means legally. He outlined three ways in which the motion could be made: table, approve as is or approve with conditions.

Commissioner Keliher wanted some action to show support but with the understanding that it come back to the board after further negotiation.

Vice Chair Walker added that the borrower needs some indication of whether or not the board will support this even after negotiations.

**BREAK: 1:59 P.M. – 2:30 P.M.**

Treasurer Douglass exited the meeting at 2:30 p.m.

Chair Snowden recapped by stating the Mr. Pelletier's motion and Treasurer Douglass' second to his motion were withdrawn, there being no other motion before the board.

**A motion was made by Treasurer Murphy and seconded by Mr. Lamarr to table the request for the issuance of a \$25 million Major Business Expansion Bond pending further discussion and negotiations with borrower and return to the board. The motion was approved by a vote of 6 in favor, 5 opposed (Michael Mahoney, Patrick Keliher, George Gervais, Cheri Walker and Rosaire Pelletier) and 0 abstentions.**

Motion passed. The Action Item is to be considered at the October 17<sup>th</sup> meeting.

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

None.

The meeting adjourned at 2:35 p.m.

Respectfully submitted,

Cheri Walker, Vice Chair