

MAINE STATE LEGISLATURE

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March 14, 2005

Senator Lynn Bromley
Representative Nancy Smith
Honorable Members of the
Joint Standing Committee on
Business, Research & Economic Development
100 State House Station
Augusta, ME 04333-0100

Re: 2004 Issuer Report -- Finance Authority of Maine

Dear Senator Bromley, Representative Sullivan and Honorable Committee Members:

I am pleased to present you with the Finance Authority of Maine's 2004 Issuer Report as required by PL 1999, Chapter 433. This law requires that each issuer of tax-exempt bonds issued with a portion of the allocation of the State Ceiling on tax-exempt bond issuance will deliver to the Governor and this Committee a report that includes without limitation:

- ◆ A review of what bonds have been issued in the most recent year;
- ◆ How the State Ceiling was allocated or carried forward; and
- ◆ Who has benefited from the proceeds of tax-exempt bonds.

In addition, a letter from an independent accountant must accompany each report that addresses the savings attributable to the use of tax-exempt financing, and how that savings was passed on to the entities or individuals benefiting from the bond proceeds. The following information, together with the enclosed report, addresses each of these items.

INDUSTRIAL DEVELOPMENT BOND ACTIVITY:

FAME began the year with a \$30,000,000 allocation. By calendar year end, FAME received an additional allocation of unallocated cap reallocated through a Reallocation Agreements among the State Issuers Group, ending the year with \$49,285,000 in cap. The following projects were issued in calendar year 2004:

<u>Project User</u>	<u>Issuer</u>	<u>Amount</u>
Pettingill Group, LLC	Gorham	\$2,000,000
Tom's of Maine, Inc.	Sanford	\$5,000,000
Cheverus High School*	FAME	\$6,000,000
Morin Brick Company	Auburn	\$6,525,000
Waste Management Disposal Services of Maine, Inc.	FAME	\$13,500,000
Georgia-Pacific Corp.	Old Town	\$22,260,000
Erskine Academy*	FAME	\$2,000,000

**These Project Users are 501(c)(3) organizations, and therefore did not require an allocation of the State Ceiling.*

HIGHER EDUCATION BOND ACTIVITY:

Having issued its first student loan bond issue of \$75,000,000 in December 2003, FAME began 2004 with no allocation of bond cap for the purchase of education loans. Using the proceeds of the 2003 bond issue, FAME has made significant progress in reducing the cost of financing higher education. The Finance Authority of Maine has contracted with three lenders for forward purchase of loans: Bank of America, Norway Savings Bank, and Banknorth, NA. Each of these lenders has committed to provide student loans with no fees. Instead of the three percent (3%) origination fee being deducted from a student's loan, these students are able to use this 3% toward their educational expenses while in school. The Finance Authority of Maine spent the first half of 2004 in setting up its Higher Education Loan Purchase Program. By the second half of 2004, over two hundred (200) Maine student borrowers were able to gain access to these zero fee loans. These student borrowers have saved almost \$30,000 in fees.

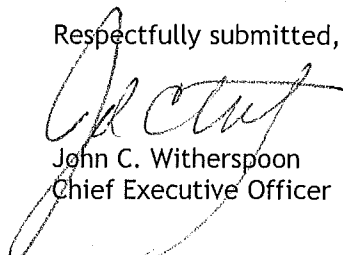
Additionally, the Finance Authority of Maine has purchased existing student loans from three Maine financial institutions, as follows:

<u>Lender</u>	<u>Amount</u>
Norway Savings Bank	\$16,412,261.68
Androscoggin Savings Bank	\$10,441,023.79
Pepperell Trust	\$932,515.10
TOTAL	<u>\$27,785,800.57</u>

The Finance Authority of Maine received \$60,000,000 of the 2004 allocation to carry forward for the purchase of higher education loans.

If you have any questions or concerns regarding this report, please do not hesitate to contact me.

Respectfully submitted,


John C. Witherspoon
Chief Executive Officer

JCW:d
Enclosure