

**MINUTES OF THE SEPTEMBER 21, 2017 MEETING OF THE MEMBERS
OF THE FINANCE AUTHORITY OF MAINE**

Chair Nowak called the September 21, 2017 meeting of the members of the Finance Authority of Maine to order at 9:03 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

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
James Violette, Jr., Vice Chair
Richard Roderick, Treasurer
David Daigler
Terry Hayes
James Howard
Meredith Mendelson for Patrick Keliher
Larry Mitchell
Timothy Nightingale
Rosaire Pelletier
Christopher Pierce
Cheri Walker

Those members absent:

Jonathan Block
George Gervais

Staff present:

Bruce Wagner, Chief Executive Officer
Christopher Roney, General Counsel
Carlos Mello, Chief Risk Officer
Jonathan Harvell, Chief Information Officer
Katryn Gabrielson, Deputy General Counsel
Charles Emmons, Director of Commercial Lending
Lisa Brown, Human Resource Manager
Scott Weber, Senior Credit Officer
Jennifer Cummings, Senior Workout Officer
Sally Garand, Commercial Loan Officer

Roxanne Broughton, Commercial Loan Officer
Matthew Lindquist, Commercial Loan Officer
Jeff Murch, Credit Analyst
Eva Giles, College Savings Plan Manager
Adele Bickford, Executive/Legal Assistant

Guests Present:

Bruce Miller, Androscoggin Bank
Will Rood, B&B Precise Products
Richard Stone, Spinglass
Mark Stickney, Spinglass
Val Koval, Spinglass
Matthew Colpitts, Office of the State Treasurer

A2: Approval of August 17, 2017 Board Meeting Minutes

A motion was made by Mr. Pelletier and seconded by Mr. Mitchell to approve the minutes of the August 17, 2017 Board meeting. The motion was approved by a vote of 12 in favor, 0 opposed and 0 abstentions.

R-09-21-17-01

B: CHAIR'S REPORT

B1: Acceptance of the Report of the Executive Committee Meeting of July 20, 2017

A motion was made by Treasurer Roderick and seconded by Ms. Walker to accept the Report of the July 20, 2017 Executive Committee meeting. The motion was approved by a vote of 12 in favor, 0 opposed and 0 abstentions.

R-09-21-17-02

B2: Acceptance of the Report of the Executive Committee Meeting of August 17, 2017

A motion was made by Treasurer Roderick and seconded by Ms. Walker to accept the Report of the August 17, 2017 Executive Committee meeting. The motion was approved by a vote of 12 in favor, 0 opposed and 0 abstentions.

R-09-21-17-03

B3: Acceptance of the Report of the Business Committee Meeting of August 22, 2017

A motion was made by Mr. Pierce and seconded by Mr. Howard to accept the Report of the August 22, 2017 Business Committee meeting. The motion was approved by a vote of 12 in favor, 0 opposed and 0 abstentions.

R-09-21-17-04

B4: Appointment of the Nominating Committee

Chair Nowak appointed Larry Mitchell as chair of the Nominating Committee. Also appointed to the committee are Ms. Walker and Mr. Pelletier.

B5: Appointment of NextGen Advisory Committee Members

As a result of Work Group and subsequent legislation, which will be effective November 1, Treasurer Hayes in her capacity as State Treasurer, will no longer be the chair of the Advisory Committee on College Savings. Chair Nowak appointed Richard Roderick to be chair, and appointed Treasurer Hayes and Larry Mitchell to serve on the committee as well until March 1, 2018 when Chair Nowak will again appoint three FAME board members to the committee.

CEO's and STAFF REPORT

C1: CEO Report

Mr. Wagner advised that the Major Business Expansion (MBE) request from Catalyst that was expected to be on the agenda today will be delayed due to significant developments of which staff recently became aware. Mr. Wagner called for an executive session to provide additional information.

Vice Chair Violette moved to enter into Executive Session to discuss records for which confidentiality has been requested by the owner or the person to whom it pertains, and as to which the Authority determines the information in which gives the owner/user an opportunity to obtain business or competitive advantage over another person who does not have access to the information other than through the Authority, or that access to the information by others would result in a business or competitive disadvantage, loss of business, or other significant detriment (10 MRSA §975-A(2)(B)). 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 No. 1 at 9:13 a.m.

Members exited Executive Session No. 1 at 9:18 a.m.

Treasurer Hayes introduced Matthew Colpitts who replaced Kristi Carlow as Deputy Treasurer. Treasurer Hayes asked that Mr. Colpitts, as her proxy when she is unable to attend a meeting, be allowed to remain in the room during executive session as was the practice when Ms. Carlow attended. Mr. Roney stated that when Mr. Colpitts is not fulfilling the Treasurer's seat at the board meeting, he is a member of the public and not privy to executive session. This jeopardizes the confidentiality of the item being discussed. Mr. Wagner suggested that a discussion on the matter could take place when a break is called.

Mr. Wagner announced that the EB-5 application has been approved. EB-5 is a program that allows immigrant investors to put \$500,000 into a project that will create at least 10 jobs per investor in exchange for access to an accelerated green card process. FAME partnered with the Department of Economic and Community Development (DECD) and the Maine International Trade Center (MITC). There has been some recent derogatory press related to fraud associated with a Vermont based EB-5 project. Mr. Mello will lead the program for FAME and will institute strict process

controls in order to avoid abuse of the program. Chair Nowak added that it may be advantageous to come back to the board with a policy around those controls.

Mr. Wagner reported that FAME has strong attendance for its November Showcase with George Mitchell as its guest speaker. Staff is considering candidates for its awards for Business and Education and will bring the names of those candidates to the board in October.

The Adaptive Equipment Loan Program (AELP) will suspend taking new applications for the last quarter of the year and a group led by Mr. Mello will support the AELP board in their investigations. Treasurer Hayes added that AELP is a revolving loan program that is in need of substantive changes to remain viable and its board needs to focus on its limited resources in order to turn it around.

C1a: Articles of Interest

Included in board packet.

C1b: Policy Index

The board was provided a policy index listing those policies approved by the board and those in draft form to be submitted at a subsequent meeting. Chair Nowak asked that the master plan previously provided to the board be included for their review.

C2a: NextGen Update

Mr. Wagner requested an executive session.

Treasurer Roderick moved to enter into Executive Session to discuss records for which confidentiality has been requested by the owner or the person to whom it pertains, and as to which the Authority determines the information in which gives the owner/user an opportunity to obtain business or competitive advantage over another person who does not have access to the information other than through the Authority, or that access to the information by others would result in a business or competitive disadvantage, loss of business, or other significant detriment (10 MRSA §975-A(2)(B)). The motion was seconded by Mr. Howard and approved by a vote of 10 in favor, 1 opposed (Terry Hayes) and 0 abstentions. Chair Nowak did not vote.

Members entered Executive Session #3 at 9:38 a.m.

Members exited Executive Session #3 at 9:48 a.m.

The board and staff returned to a discussion of executive session brought by Treasurer Hayes earlier in the meeting: when it is called, under what conditions, who can participate, and what role the board plays, if any, in choosing who stays during an executive session. Mr. Nightingale requested a copy of the statutes pertinent to this discussion. The matter remains unresolved but will be considered by legal counsel, staff and Treasurer Hayes going forward.

9:58C2b: Morningstar Visit

The Morningstar annual visit was held on August 31st and Mr. Wagner presented key points of the program in an effort to boost FAME's NextGen rating to a medal class. The period analyzed by Morningstar ends June 30, 2017 and the rating is expected October 30th.

D: PUBLIC HEARING – Pacific Falcon Corporation

Treasurer Hayes exited the meeting at 10:05 a.m.

Deputy Commissioner Mendelson exited the meeting at 10:07 a.m.

Treasurer Hayes re-entered the meeting at 10:08 a.m.

Deputy Commissioner Mendelson re-entered the meeting at 10:09 a.m.

Chair Nowak exited the meeting at 10:14 a.m.

Chair Nowak re-entered the meeting at 10:20 a.m.

Treasurer Hayes exited the meeting at 10:27 a.m.

Treasurer Hayes re-entered the meeting at 10:29 a.m.

Mr. Roney stated that the public hearing, required by statute, affords the opportunity for people wishing to speak for, against, or neither for or against, a project to be heard. In this case, the public hearing is the Pacific Falcon project that provides for the construction and equipping of a tissue machine at the Rumford paper mill.

Public Hearing Opened at 10:08 a.m.

The public hearing was held for the purpose of considering a Certificate of Approval for Pacific Falcon Corporation for the purpose of financing a \$25,000,000 project through the issuance of Revenue Obligation Securities. Mr. Roney called for anyone wishing to speak in favor of the project: representatives of Catalyst, their union and members of the community, and Maine Senator Lisa Keim, spoke in support of the project. No one opposing the project, or neither supporting nor opposing the project, stepped forward to speak.

Public Hearing Closed at 10:27 a.m.

Mr. Roney responded to board questions regarding how the public hearing fits within the board process and why the public hearing was held during the board meeting. Mr. Roney explained that a public hearing is required by statute for bonds on a conduit or credit enhanced basis, after which staff makes its findings regarding public benefit and the absence of competitive detriment. The board approves all bond resolutions based on the findings resulting from the public hearings. Hearings on all conduit deals are done by staff, but on credit enhanced deals, the hearing is held by the board so the board can make the findings in the context of the other findings it must make on a credit enhanced deal.

BREAK: 10:30 a.m. – 10:43 a.m.

C3a: Statistical Reports and Update

Mr. Pelletier re-entered the meeting at 10:47 a.m.

Mr. Weber reviewed the snapshots of the CLI/ERLP (Direct Loan) portfolio for FY 2017 that are contained in the board packet. It was requested that it would be helpful to members if there was an interim report for the largest individual loans, demonstrating how they are doing relative to what they said they would do and if they created or retained the numbers of jobs that they projected. Mr. Weber will prepare a written report outlining the data requested on a six month basis.

C4: Financial Quarterly Update

Mr. Mello reviewed the FY 2017 financial performance compared to FY 2017 budget as presented in the board packet.

C4a: Scorecard

Mr. Mello explained that FAME exceeded all targets on the Scorecard: NextGen - Number of Maine NextGen accounts making additional contributions, Lender Debt (excluding MBE), Operating Expenses and Customer Survey. Figures for each measure were included in the board packet.

C4:b Quarterly Contributions, Sponsorships & Donations Report

Mr. Mello referred members to the report in their packets listing FY 17 Contributions, Sponsorships and Memberships. This item came in under budget by \$30,000 due to not expending amounts for items for which the opportunity was not there for the expenditure.

C5: Legislative Update

Mr. Norbert provided a written overview of the 128th Maine legislative session in the board packet. In his absence, Mr. Wagner highlighted four items: (1) LD 602, which changed the structure of the Advisory Committee on College Savings; (2) Funding from the state for the Maine State Grant, which remains at \$15 million; (3) the \$10 million designated for economic development as part of the \$50 million state bond, which will be heard next session; and (4) creation of a state bank, which did not pass but could come up each year.

E: ACTION ITEMS:

E1: Major Business Expansion Request for Pacific Falcon Corporation

Postponed.

E2: B & B Precise – Approval of Renewal of a Line of Credit

Ms. Walker exited the meeting for a conflict of interest at 11:25 a.m.

Ms. Cummings stated that B & B Precise is before the board for the renewal of a \$550,000 line of credit. The company experienced the loss of its biggest customer in 2016 and violated two

covenants, which were waived by Androscoggin Bank. The company has hired Spinglass, a regional business advisory firm, to assist them to move forward and staff is confident that the company will be back on track. Projections indicated that the company will be at break even by mid-year. Mark Stickley and Richard Stone of Spinglass provided information regarding the company's turnaround plan and operational controls that are being put in place.

Mr. Daigler moved to enter into Executive Session to discuss records for which confidentiality has been requested by the owner or the person to whom it pertains, and as to which the Authority determines the information in which gives the owner/user an opportunity to obtain business or competitive advantage over another person who does not have access to the information other than through the Authority, or that access to the information by others would result in a business or competitive disadvantage, loss of business, or other significant detriment (10 MRSA §975-A(2)(B)). The motion was seconded by Mr. Howard and approved by a vote of 10 in favor, 0 opposed and 2 abstentions (Cheri Walker and Treasurer Hayes).

Members entered Executive Session No. 3 at 11:40 a.m.

Members exited Executive Session No. 3 at 11:53 a.m.

A motion was made by Treasurer Roderick and seconded by Mr. Pelletier to approve the Resolution authorizing renewal and modification of loan insurance for a line of credit loan for B & B Precise Products, Inc. The motion was approved by a vote of 10 in favor, 0 opposed and 2 abstentions (James Violette and Cheri Walker).

R-09-21-17-05

E6: Maine New Markets Capital Investment Program – Certification Application of Consortium America 70, LLC related to proposed \$4,642,546 Investment to provide funding for affiliate of Downeast Institute for Marine Research and Education, Inc.

Mr. Daigler exited the meeting at 11:55 a.m.

Deputy Commissioner Mendelson exited the meeting at 11:55 a.m.

Ms. Walker re-entered the meeting at 11:55 a.m.

Vice Chair Violette exited the meeting at 11:57 a.m.

Vice Chair Violette re-entered the meeting at 12:00 p.m.

Mr. Roney advised that this New Market Tax Credit transaction is before the board for approval of the certification of investment of Consortium America 70, LLC for a \$4.6 million investment to provide funding to Downeast Institute of Applied Marine Research and Education, Inc. Mr. Eimicke of Pierce Atwood stated that Downeast is the largest marine research institute in the Northeast and its expansion is important to the state of Maine. Its hatcheries are used for restocking and for research and this expansion includes additional hatchery and classroom space as well as the addition of a much needed residence.

A motion was made by Treasurer Hayes and seconded by Mr. Nightingale to approve the Resolution certifying investments by U.S. Bancorp Community Development Corporation in Consortium America 70, LLC, and authorizing issuance of tax credit certificates under the Maine New Markets Capital Investment Program. The motion was approved by a vote of 10 in favor, 0 opposed and 0 abstentions.

R-09-21-17-06

E3: Approval of Legal and Administrative Lending Limits Policy

This procedure establishes the maximum credit exposure for each FAME business and fiduciary program: total CLI exposure increased to \$5.25 million from \$5 million, total leveraged CLI exposure increased to \$2.5 million from \$1 million; and total working capital CLI exposure was from \$500,000 to \$1 million. The policy was reviewed by the Business Committee and the committee is recommending approval.

A motion was made by Mr. Pierce and seconded by Treasurer Roderick to approve the Legal and Administrative Lending Limits policy as presented. The motion was approved by a vote of 10 in favor, 0 opposed and 0 abstentions.

R-09-21-17-07

E4: Maine College Savings Program – Amendment to the Program Management Agreement

Deputy Commissioner Mendelson re-entered the meeting at 12:08 a.m.

Treasurer Hayes had been identified as having a conflict of interest on this item. However, Treasurer Hayes, after consulting with the Attorney General, stated that she is the only one that can determine if she has a conflict, not the staff, and she intends to participate. Although Treasurer Hayes did not ask for board permission, members of the board suggested it was prudent to approve a waiver of the conflict.

A motion was made by Mr. Howard and seconded by Mr. Nightingale to allow Treasurer Hayes to waive the Treasurer's conflict related to the Amendment. The motion was approved by a vote of 10 in favor, 0 opposed and 0 abstentions.

R-09-21-17-08

The amendment to the Maine College Savings Program Agreement removes the State Treasurer as a party to the contract. Legislation that goes into effect on November 1, 2017 removes the Treasurer from the Advisory Committee on College Savings, which also removes her from any statutory role in NextGen. Ms. Gabrielson acknowledged that what is presented is an initial draft and she expects some edits will be made but that they will not be substantive.

Members were provided a resolution as a handout.

A motion was made by Ms. Walker and seconded by Mr. Mitchell to approve the Resolution approving modifications to the Maine College Savings Program and authorizing the Chief

Executive Officer to take such actions necessary to implement such modifications. The motion was approved by a vote of 11 in favor, 0 opposed and 0 abstentions.

R-09-21-17-09

E5: Maine College Savings Program – Amendment to the Cash Allocation Account Agreement

This agreement is a companion to the Program Management Agreement. The agreement between Merrill Lynch and BlackRock Capital Management provides for the management of the cash proponent of NextGen. FAME and the Treasurer signed the original agreement. The Treasurer's only role in the agreement is the conduct of Maine's CD auction, which has not been active in 5 years due to the interest environment. The change preserves the opportunity for the Treasurer to again participate in the CD Auctions. The change leaves CD auctions to FAME and again, there will be some non-substantive changes.

Members received a Resolution as a handout.

A motion was made by Mr. Howard and seconded by Mr. Pelletier to approve the Resolution approving modifications to the Maine College Savings Program and authorizing the Chief Executive Officer to take such actions necessary to implement such modifications. The motion was approved by a vote of 11 in favor, 0 opposed and 0 abstentions.

R-09-21-17-11

E7: Approval of Bond Resolution – Cheverus High School (Revenue Obligation Securities Program)

Mr. Roney advised that the \$3.75 million bond for Cheverus High School is a conduit bond, carrying no liability or credit enhancement from FAME. It is a re-finance of an existing FAME bond.

A motion was made by Treasurer Hayes and seconded by Mr. Howard to approve the Resolution authorizing the issuance and sale of up to \$3,750,000 of Revenue Obligations Securities of the Finance Authority of Maine for the benefit of Cheverus High School authorizing and approving the execution and delivery of a loan and security agreement and other matters in connection therewith. The motion was approved by a vote of 11 in favor, 0 opposed and 0 abstentions.

R-09-21-17-10

COMMISSIONERS' & TREASURER'S UPDATES

Treasurer Hayes commented that the cash pool was at an all-time high yesterday.

F: BOARD EXECUTIVE SESSION

Treasurer Hayes exited the meeting at 12:18 p.m.

Mr. Pelletier exited the meeting at 12:18 p.m.

Treasurer Roderick moved to enter into Executive Session for discussion or consideration of a personnel matter in which public discussion could reasonably be expected to cause damage to the reputation or the individual's right to privacy would be violated (1 MRSA §405(6)(A). The motion was seconded by Mr. Nightingale and was approved by a vote of 11 in favor, 0 opposed and 0 abstentions.

Members entered Executive Session No. 4 at 12:18 p.m.

Members exited Executive Session No. 4 at 1:14 p.m.

The meeting adjourned at 1:14 p.m.

Respectfully submitted,

James Violette, Jr., Vice Chair