

**MINUTES OF THE DECEMBER 15, 2016 MEETING OF THE MEMBERS
OF THE FINANCE AUTHORITY OF MAINE**

Chair Nowak called the December 15, 2016 meeting of the members of the Finance Authority of Maine to order at 9:10 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
Jonathan Block
George Gervais (*entered the meeting at 10:25 a.m.*)
Terry Hayes
James Howard
Larry Mitchell
Rosaire Pelletier
Susan Snowden
Cheri Walker

Those members absent:

Reis Hagerman
Patrick Keliher
Gregory Miller
Christopher Pierce

Staff present:

Bruce Wagner, Chief Executive Officer
Christopher Roney, General Counsel
William Norbert, Governmental Affairs and Communication Manager
Elizabeth Vanderweide, Business Development and Marketing
Martha Johnston, Director of Education
Carlos Mello, Chief Risk Officer
Jonathan Harvell, Chief Information Officer
Charles Emmons, Senior Commercial Loan Officer
Ellen Curtiss, Credit Analyst

Scott Weber, Senior Credit Officer
Katryn Gabrielson, Deputy General Counsel
Eva Giles, College Savings Plan Manager
Lisa Brown, Human Resource Manager
Jennifer Cummings, Senior Workout Officer
Matt Lindquist, Commercial Loan Officer
Roxanne Broughton, Commercial Loan Officer
Sally Garand, Commercial Loan Officer
Adele Bickford, Executive/Legal Assistant

Guests Present:

Michael Harder, Wireless Partners
Dean Waterman, Camden National Bank
Theodore Morton, Casco Bay Vending

A2: Approval of November 17, 2016 Board Meeting Minutes

A motion was made by Treasurer Hayes and seconded by Mr. Howard to approve the minutes of the November 17, 2016 Board meeting. The motion was approved by a vote of 10 in favor, 0 opposed and 0 abstentions.

R-12-15-16-01

CHAIR'S REPORT

B1: Acceptance of the Report of the Executive Committee Meeting of November 17, 2016

A motion was made by Vice Chair Violette and seconded by Ms. Walker to accept the Report of the November 17, 2016 Executive Committee. The motion was approved by a vote of 10 in favor, 0 opposed and 0 abstentions.

R-12-15-16-02

B2: Board Evaluation Process

Chair Nowak reported that eight members have returned completed evaluations. Another attempt will be made to reach specific members who have not had the opportunity to respond as yet.

2017 Board Committee Assignments

Chair Nowak asked members to express any interest they may have in any of the Board committees. Rotation within the committees could offer an opportunity for members to experience a division of FAME that they are not familiar with.

C: CEO's and STAFF REPORT

C1: CEO Report

Mr. Wagner stressed the importance of cybersecurity, and Mr. Harvell will present to the Board regarding what FAME is doing to prevent data breaches and the challenges it faces.

Mr. Wagner reported on the progress of the Workforce Coalition. Mr. Wagner participated in an Educate Maine panel, which he considers the launch of their Strategic Plan, calling for more participation, particularly from employers.

Mr. Wagner invited members to the Maine Bankers Association Luncheon January 13, 2017 where the guest speaker will be the President of the Boston Federal Reserve. FAME has available seating at a table for any one interested.

C1a: Articles of Interest

Included in the Board packet.

C1b: Legislative Update

Mr. Norbert advised that the new Legislature was sworn in on December 7th and, after taking a break, will convene on January 4th. Mr. Norbert invited Board members to a Legislative breakfast to be held at FAME on January 19th, prior to the Board meeting. Members from three committees will be invited: Business, Education and Appropriations. Presiding and Constitutional officers were elected on December 7th. Mr. Norbert congratulated Treasurer Hayes on her re-election.

C2: Education Update

C2a: NextGen Update

Mr. Wagner requested an Executive Session.

Mr. Mitchell 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. Roderick and approved by a vote of 8 in favor, 1 opposed (Terry Hayes) and 0 abstentions. Chair Nowak did not vote.

Members entered Executive Session No. 1 at 9:24 a.m.

Members exited Executive Session No. 1 at 9:41 a.m.

C2b: Terms and Conditions – Maine State Grant Program (2017)

Ms. Giles updated the Board on the Terms and Conditions for Maine Matching Grants for 2017. The language in the Next Step Matching Grant will be clarified to show that a \$25 minimum balance must remain in an account in order to be eligible to receive a grant award. Other terms and conditions, which are reviewed annually, will remain the same. Staff is recommending the change

in language. The Education Committee agreed to the wording clarifying the minimum balance requirement at its meeting in December.

C2c: NextGen College Investing Plan® Maximum Contribution for 2017

Ms. Gabrielson advised that the maximum NextGen contribution will remain at \$425,000 for 2017. This is an amount less than the figure allowed and detailed in the memo in the Board materials. FAME exercised its authority to retain a lower maximum contribution than allowed.

C2d: Maine College Savings Program Work Group Plan

Treasurer Hayes asked that this item be postponed to a later meeting.

C3: Business Update

C3b: Selected Loan Updates

Mr. Lindquist introduced Michael Harder, Chief Financial Officer for Wireless Partners. Wireless Partners is a 32 tower 4G LTE cellular network in East Hancock and Washington counties, which supports Verizon's Rural America program. Mr. Harder provided a Progress Report to members included in their packet and reported on the success of the company over the past year. The company expects to add 12 more towers. He thanked FAME for their support of CLI in 2015 who, along with investors and Mechanics Bank of Auburn and their relationship with Verizon, made possible the construction of the towers that led to their successful results to date. He will continue to keep the FAME Board apprised of their growth plans.

C3a: Quarterly Watch Desk

Chair Nowak exited the meeting at 10:00 a.m.

Chair Nowak re-entered the meeting at 10:04 a.m.

Ms. Cummings referred members to the Watch Desk Report in their packets, adding that it was presented in detail to the Business Committee at their meeting on December 6th. Updates to those relationships with the highest exposure and risk rating were outlined in the memo to the Board and members were asked for any questions.

Ms. Cummings asked for an executive session in order to discuss a specific loan exposure.

Mr. Howard 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. Block and approved by a vote of 9 in favor, 0 opposed and 0 abstentions.

Members entered Executive Session No. 2 at 10:00 a.m.

Members exited Executive Session No. 2 at 10:10 a.m.

BREAK: 10:10 A.M. – 10:25 A.M.

The Board discussed a policy question/issue related to leveraged buyouts. Vice Chair Violette defined a “leverage buyout” as a deal with under-collateralized debt, which is the reason banks seek credit enhancement. Bank regulators use a ratio of 4 times Total Debt to EBITDA to consider a loan to be a leveraged buyout. Vice Chair Violette suggested that FAME staff should consider assessing, from a policy standpoint, the risk it is willing to take in specific metrics because those metrics have not been articulated. The challenge is to find a balance between metrics and mission. Ms. Snowden added that banks have done many leveraged buyouts without credit enhancement. Discussion ensued regarding flexibility and the place of public benefit in policy.

Treasurer Hayes exited the meeting at 10:41 a.m.

Treasurer Hayes re-entered the meeting at 10:44 a.m.

Ms. Snowden exited for a conflict of interest at 10:56 a.m.

Vice Chair Violette exited for a conflict of interest at 10:56 a.m.

Mr. Roderick exited the meeting at 10:57 a.m.

Ms. Walker exited the meeting at 10:58 a.m.

Mr. Roderick re-entered the meeting at 10:58 a.m.

Ms. Walker re-entered the meeting at 10:59 a.m.

After the policy discussion was concluded, Chair Nowak advised that the Board was taking this opportunity to discuss the Casco Bay Vending (CBV) loan prior to the appearance of guests during the Board meeting when the loan request will be considered. Mr. Pierce was unable to attend the Board meeting but, as Chair of the Business Committee, had discussed the details at the committee meeting on December 6, 2016. He informed all Board members of his concerns related to this transaction, FAME’s largest, single loan. Ms. Garand stated that this transaction is one of a Maine businessman recognizing an opportunity to grow his business through the strategic acquisition of two Maine companies. One of the companies being purchased sold a division previously and management and overhead were moved out of state. CBV would retain 115 Maine jobs. She noted that if CBV is not able to expand its business that it is possible that a franchise in New Hampshire could service southern Maine. Ms. Garand stated that on a projected basis, this is not a leveraged cash flow transaction. The underlying collateral, vending machines, are paid down in a couple of years, which is within the definition of collateralized lending. Also, the amortization is short, 8 years rather than 10. Mr. Emmons added that the bank is risking 40%, which demonstrates confidence in the transaction and, although the owner is not putting in cash, he is putting up everything he has worked for.

D: PRESENTATION – CYBERSECURITY BRIEFING.

Mr. Pelletier exited the meeting at 11:37 a.m.

Mr. Harvell provided a handout outlining FAME's cybersecurity; where we are, our challenges and where we are going. FAME has a cybersecurity framework to address our larger challenges, which are identified and are not technological but rather are more system or organization scanning and control issues. He reviewed the handout, concluding that FAME will adopt the National Institute of Standards and Technology (NIST) framework: Identify, Protect, Detect, Respond and Recover. In response to a question, Mr. Roney indicated that the protocol at FAME regarding a breach is reported to him and he determines who is notified and a remediation plan.

D: ACTION ITEMS

D1: Request for Commercial Loan Insurance (Camden National Bank) – Casco Bay Vending

Mr. Pelletier re-entered the meeting at 11:43 a.m.

Treasurer Hayes exited the meeting at 11:55 a.m.

Treasurer Hayes re-entered the meeting at 11:57 a.m.

Ms. Garand introduced Dean Waterman, Commercial Loan Officer at Camden National Bank, and Theodore Morton, President and owner of Casco Bay Vending (CBV). The Board will hear three commercial loan insurance requests from Camden National Bank to support the purchase of two vending companies by CBV. She noted that the acquisition of the two vending companies will allow that line of business to remain in Maine. The strengths and weaknesses are provided in the board packet. Staff is recommending approval.

Mr. Waterman asked to go into executive session.

Commissioner Gervais 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 Treasurer Hayes and approved by a vote of 9 in favor, 0 opposed and 0 abstentions.

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

Members exited Executive Session No. 3 at 12:40 p.m.

The Board was presented with three resolutions for the three CLI loan requests.

A motion was made by Mr. Howard and seconded by Commissioner Gervais to approve the Resolutions authorizing: Loan Insurance for a \$500,000 Term Loan for Casco Bay Vending; Loan Insurance for a \$500,000 Line of Credit for Casco Bay Vending; and Loan Insurance for

a \$7,025,000 Term Loan for Casco Bay Vending. The motion was approved by a vote of 8 in favor, 1 opposed (Ray Nowak) and 0 abstentions.

R-12-15-16-03

COMMISSIONERS' & TREASURER'S UPDATES

None

F: BOARD EXECUTIVE SESSION

Mr. Howard 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 Ms. Walker and approved by a vote of 9 in favor, 0 opposed and 0 abstentions.

Members entered Executive Session #4 at 12:41 p.m.

Members exited Executive Session #4 at 1:00 p.m.

The meeting adjourned at 1:00 p.m.

Respectfully submitted,

James Violette, Jr., Vice Chair