

**MINUTES OF THE JANUARY 17, 2013 MEETING OF THE MEMBERS
OF THE FINANCE AUTHORITY OF MAINE**

Chair Snowden called the January 17, 2013 meeting of the members of the Finance Authority of Maine to order at 9:23 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*).

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
Neria Douglass
George Gervais
Michael Mahoney
Larry Mitchell
Raymond Nowak
Rosaire Pelletier
Christopher Pierce

Those members absent:

Anthony Armstrong
Reis Hagerman
Patrick Keliher
Glenn Lamarr
Patrick Murphy, Treasurer
Evelyn Silver

Staff present:

Elizabeth Bordowitz, Chief Executive Officer
Christopher Roney, General Counsel
William Norbert, Governmental Affairs and 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
Angela Dostie, Program and Policy Manager
Carlos Mello, Director of Finance and Lending
Diane Skog, HACC Project Leader
Adele Bickford, Executive/Legal Assistant

Guests Present:

Mary Eads, Bartlett Woods

A. CALL TO ORDER

A1: Ascertainment of Quorum

Chair Snowden welcomed Treasurer Douglass to the board.

A2: Approval of December 20, 2012 Board Meeting Minutes

A motion was made by Mr. Nowak and seconded by Mr. Mitchell to approve the minutes of the December 20, 2012 board meeting. The motion was approved by a vote of 7 in favor, 0 opposed and 2 abstentions (Neria Douglass and Michael Mahoney).

R-01-17-13-01

B. CHAIR'S REPORT

B1: FAME's Guiding Principles

Chair Snowden referred members to the Board of Directors Guiding Principles, which are provided to the Executive Committee for an annual review and included in their packets. She listed the board's general and specific responsibilities as outlined. She made note that, in her experience on the board, attendance has improved dramatically. Establishing a quorum has not been an issue, and there has been active and informed participation by members, which is appreciated by her and by staff. Mr. Nowak questioned the fact that nowhere does the word "fiduciary" appear in the Guiding Principles. Ms. Bordowitz indicated that it is not called out in the statute. The Guiding Principles were put together by a previous board and fiduciary responsibilities were not specified. She will get back to the board after giving it more thought.

C: CEO'S AND STAFF REPORT

C1: CEO's Report

Ms. Bordowitz thanked members for their participation at this morning's legislative breakfast.

Ms. Bordowitz introduced new staff: Carlos Mello, Director of Finance and Lending, and Diane Skog, Harold Alfond College Challenge Project Leader, and asked each to briefly provide the board with their backgrounds.

Mr. Mello has thirty years banking experience in corporate and consumer finance and wealth and risk management.

Ms. Skog comes to FAME with over thirty years of experience in the health care arena, at Maine Health and Maine Medical Center. In the last nine years, she has worked in a reading program for children from birth to five years. Recently, she has been involved with child health initiatives throughout the state. She is looking forward to making a difference at FAME.

Ms. Bordowitz announced that she has spoken with Mr. Lamarr who has been absent from the board for health reasons, and he expects to be back participating at board meetings in March. She noted that he has been reviewing the board materials, so is up to date.

FAME is flat funded in the Governor's budget. In this environment our goal will be to maintain that flat funding as the budget goes through the legislative process. FAME's curtailment number resulting in the supplemental budget is \$143,401.

Updating members on legislative affairs, Ms. Bordowitz informed the board that she made her orientation presentation to the Education and Cultural Affairs Committee yesterday and will meet with the Labor, Commerce, Research and Economic Development and Appropriations and Financial Affairs committees next week.

Ms. Bordowitz updated the board on the progress of the Student Loan Insurance project. It is being well received by legislators, and staff is moving forward, doing due diligence on the servicer. An RFQ will be issued for marketing the project and the banks and credit unions remain interested. Ms. Bordowitz expects to be able to more fully update the board in this regard either next month or in March.

Ms. Bordowitz asked the board if they would be interested in having staff come to board meetings and join members for lunch, at which time they would make a brief presentation on what they do for the organization. Chair Snowden indicated that she would like to have staff observe meetings, and Ms. Bordowitz agreed to go forward to implement it.

The board adopted certain policies last year to comply with legislation that requires independent agencies to have policies in place regarding travel, reimbursement, procurement and contributions, sponsorships and memberships. FAME must submit its initial report with its monitoring status by February 1, 2013. Ms. Bordowitz is proposing that the quarterly financial report done at board meetings call out the specific categories so the board can determine if they are in line with the budget as a means of monitoring that she would identify in FAME's report to the Legislature. Chair Snowden asked that anything extraordinary be called out at the time the report is presented to the board, and she will sign the necessary letter to the Legislature.

C2: Organizational Chart

With the departure of two senior level employees in the last six months and the nearing retirement of two senior level staff on the commercial side, Ms. Bordowitz took the opportunity to look at the organization and make some changes. Mr. Mello will support the commercial side with his extensive lending knowledge and experience. Ms. Vanderweide will focus on customer relations and business development in line with the Strategic Plan that calls for FAME to be the leading source of economic development financing and for information and resources relating to paying for higher education. She will focus on coordinating messaging and marketing, focusing on customer service. Mr. Nowak questioned the position held by the Director of Finance and Lending, which spans lending, underwriting and risk management. He felt that it could raise questions from others and did not provide enough separation and balance in those functions that is normally found in other financial institutions. Ms. Bordowitz explained that consideration had been given to the position in that regard, and staff was comfortable with the direction. Chair Snowden noted that it was a good point and that it will fall to the Commercial Loan Committee to monitor lending more closely. Mr. Pierce asked what the timeframe is for replacing the senior commercial personnel looking to retire

over the next 18 months, stressing that it needs to be done judiciously. Ms. Bordowitz indicated that she plans to begin in June.

D: ACTION ITEMS

D2: Approval for Rulemaking – Ch. 611, Amendment 14 – Maine College Savings Program

Ms. Gabrielson informed members that the rule is being amended to conform to what can be done with Maine administrative fees and what was decided last month by the board regarding Matching Grants. The amendment removes some of the detail regarding the amount given through matching grants and gives FAME the authority to make matching grants for certain purposes and to establish the terms and conditions for the receipt and use of matching grants. Ms. Gabrielson noted that a “terms and conditions” document has always been in place. The amendment will reduce the number of times the rule needs to be amended resulting from changes in the Matching Grant program. Other minor changes clarify the rebate program already in practice, adjust language to accommodate distribution requests other than in writing, and make reference to what can be done with the Maine administration fees. No public hearing is scheduled, and the comment period closes on March 1, 2013. The rule will come back to the board for adoption on March 21, 2013. Ms. Gabrielson responded to a question from Chair Snowden that changes to the Matching Grant program do come to the board annually, usually in December.

A motion was made by Mr. Mahoney and seconded by Mr. Pelletier to approve rule Ch. 611, Amendment 14, Maine College Savings Program, for rulemaking. The motion was approved by a vote of 9 in favor, 0 opposed and 0 abstentions.

R-01-17-13-02

D3: Approval of Allocation of Oppenheimer Champion Fund Class Action Settlement

FAME previously participated in a class action suit involving the Oppenheimer Champion Bond Fund and the resulting settlement funds were received and disbursed. Ms. Gabrielson reminded members that FAME terminated OppenheimerFunds, Inc. a couple of years ago after experiencing poor performance in the Oppenheimer Core Bond Fund. A smaller settlement (\$133,798.38) has been received by FAME for its participation in the class action suit involving Oppenheimer Champion Bond Fund, and staff is seeking board approval to apply these funds to the appropriate portfolio to increase the Net Asset Value (NAV) of the portfolio rather than to individual account owners due to the small amount of the settlement. The funds would be distributed to BlackRock Fixed Income and Franklin Templeton Age-Based 17-20 or Age-Based 21+ as these were the funds to which the Oppenheimer accounts were mapped. Ms. Gabrielson responded to Mr. Nowak that there is a precedent for this action.

A motion was made by Mr. Nowak and seconded by Mr. Mitchell to apply proportionately the unclaimed settlement funds to the Net Asset Value of the respective share class of the portfolios which received the assets of the affected portfolios. The motion was approved by a vote of 9 in favor, 0 opposed and 0 abstentions.

R-01-17-13-03

D1: Approval of Bond Resolution – Bartlett Woods, Inc.

Mr. Roney presented the bond resolution for Bartlett Woods, Inc. (BWI), an independent living community in Rockland, Maine. BWI is applying under the Revenue Obligations Securities Program for \$6.5 million in tax-exempt bonds to buy equipment and to finance the construction of an addition to the facility. Mr. Roney turned to Ms. Eads, Executive Director, to describe the specifics of the project. BWI has been in existence for 14 years and originally had 34 apartments available in the retirement community. Because they had a five year waiting list and some available land, a decision was made to build an additional 24 units, for which BWI already has ten commitments. BWI was approached by TD Bank to do the financing and the non-recourse bonds will be privately placed with them. The bonds are conduit bonds with no credit risk to FAME. The resolution before the board authorizes the issuance of the bonds and approves the execution of relevant documents. As a point of clarification, Ms. Eads responded that the units have been constructed, and the issuance of the bonds allows BWI to move from a construction mortgage to a permanent one.

A motion was made by Mr. Mahoney and seconded by Vice Chair Walker to approve the bond resolution for Bartlett Woods, Inc. for the issuance and sale of \$6.5 million in Revenue Obligation Securities of the Finance Authority of Maine and 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 9 in favor, 0 opposed and 0 abstentions.

R-01-17-13-04

C3: Marketing and Outreach Update

Mr. Mahoney exited the meeting at 10:02 a.m.

Commissioner Gervais exited the meeting at 10:28 a.m.

Before reviewing handouts provided to the board, Ms. Vanderweide invited members to attend the FAME Immersion meeting tomorrow, which focuses on the FAME brand as it relates to both education and business and also provided some statistics in connection with the Strategic Plan's objectives and goals. She reported that contributions to NextGen, with a goal of 30%, are at 26% at the end of December. Applications for Alford accounts are over 40% this December, with the best previous December being at 35%. The take rate goal of 38.5% is currently at 39.4%, before initiating the DHHS program, which is expected to increase those numbers. Turning to the handouts, Ms. Vanderweide referred members to the new GED initiative that is the first handout. The GED buckslip encourages completion of the GED and explains how the current version differs from the newer version going into effect in 2014 with its higher requirements and cost to the student. The scores for anyone who had begun their GED, but not completed it by December, will expire at that time. There are 136,000 residents of Maine that do not have either a high school diploma or GED. FAME is targeting the younger population of 18 to 25 year olds to encourage them to go on to higher education and raise the level of education in the state. FAME is partnering with the Maine Department of Education to get the message out through website and radio campaigns. The Cash for College handout pushes for attendance at the College Goal Maine events and the completion of the FAFSA. It has been expanded to 65 events this year and targets technical centers on one day, where the students generally are less likely to file the FAFSA. Two post cards have gone out to nearly 11,000 students on our college board lists and to high schools for distribution. Attendance at events is exceeding that of last year. Ms. Vanderweide reviewed some

of the information included in the last handout, which provides a historical look at the attendance at outreach events and a list of 2013 College Goal Maine events throughout the state. Responding to a question from Chair Snowden regarding why some of the more urban areas are not on the list of College Goal Maine events, Ms. Vanderweide explained that some of the more metropolitan areas have volunteers who do events and that event locations and dates are given to the surrounding areas for attendance at the closest location. Ms. Vanderweide emphasized that FAME is only able to do what they have the capacity to do. Referring to the SALT handout, Ms. Vanderweide reported that all but three of the ten pilot schools chosen to enroll in SALT are participating. All of the University of Maine campuses are included. SALT is a financial education and debt management tool, which helps students improve their personal financial and debt management, including student loans. She noted that the national average for activation is 14%. Ms. Bordowitz added that the community colleges are not included in this list because President Fitzsimmons declined to participate. Also not included in this list are the private colleges such as Bowdoin, Bates and Colby, which provide the most financial aid, have the lowest debt and default rates. Pilot schools were originally chosen based on risk factors for default and the board's request that the selected schools be as diverse as possible. Lastly, in the handouts is a list of FAME featured business events, trade shows and sponsorships and a progress report of Harold Alfond College Challenge enrollments by date of birth. Traditionally, Ms. Vanderweide pointed out that enrollment for the months of November, December and January are lower. In an effort to increase the take rate during those months and to see if it makes a difference, FAME doubled the number of outbound calls, added TV commercials and web ads for December. Mr. Nowak inquired about the strategy and overall objectives for business. Ms. Vanderweide responded that tomorrow's exercise is meant to build a new marketing strategy. Ms. Vanderweide was asked if she felt the Harold Alfond College Challenge had reached a ceiling since there has been little movement in its enrollment. She responded that it will take initiatives such as the one with DHHS and working with kindergartens to overcome the hurdle imposed by the application process. Financial literacy is key. To demonstrate progress, Ms. Vanderweide shared that 25% of all Alfond accounts have had some contribution, however small.

C4: Monthly update for Board on Lumber, Wood and Paper Industry

Mr. Corey was tasked at the last board meeting to look at the grouping for loans in the forestry category. He looked at the five loans in that category and determined that two were for logging operations, two were for maple syrup and one was for a landscaping business. He moved the two logging operation loans to the lumber industry grouping. He noted that the loans for logging operations were a result of the On Line Application process (OLA). He acknowledged that the codes selected during the OLA process should be verified. He added that the change in designation from forestry to lumber resulted in a change of \$42,000.

Mr. Roney informed the board of FAME Opportunities, Inc.'s annual meeting that is scheduled for after the board meeting today. FAME Opportunities, Inc. is a not-for-profit subsidiary of FAME used to administer grants as a 501(c)(3) and remains active should an opportunity arise for its use. Its board is composed of FAME board members and staff and is open to any members of the board that would be interested in serving.

COMMISSIONERS' & TREASURER'S UPDATES:

Treasurer Douglass reported that Treasury has been conducting calls with rating agencies and the Appropriations Committee is working on the Governor's budget. There are many new members in the Legislature and the various Committees are doing orientations.

The meeting adjourned at 10:46 a.m.

Respectfully submitted,

Cheri Walker, Vice Chair