

**MINUTES OF THE JULY 17, 2014 MEETING OF THE MEMBERS
OF THE FINANCE AUTHORITY OF MAINE**

Chair Nowak called the July 17, 2014 meeting of the members of the Finance Authority of Maine to order at 9:02 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

A1: Ascertainment of Quorum

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
Patrick Murphy, Vice Chair
Cheri Walker, Treasurer
Jonathan Block
Neria Douglass (entered the meeting at 9:07 a.m.)
Denise Garland for George Gervais
Reis Hagerman
Larry Mitchell
Rosaire Pelletier
Christopher Pierce
Susan Snowden (*entered the meeting at 9:05 a.m.*)
James Violette, Jr.

Those members absent:

Patrick Keliher
James Howard
Gregory Miller

Staff present:

Bruce Wagner, Chief Executive Officer
Christopher Roney, General Counsel
Charles Emmons, Senior Commercial Loan Officer
Carlos Mello, Director of Finance and Lending
Elizabeth Vanderweide, Director of Business Development and Customer Relations
Katrjn Gabrielson, Deputy General Counsel
William Norbert, Governmental Affairs & Communications Manager
Scott Weber, Credit Manager

Sally Garand, Commercial Loan Officer
Jennifer Cummings, Senior Workout Office
Angela Dostie, Education Finance Programs & Policy Manager
Lisa Brown, Human Resource Manager
Mary Dyer, Financial Aid Specialist
Claude Roy, Education Services Officer
Jana McQuilkin, Marketing Communications Officer
Richard Whitehouse, Research Data Analyst
Amanda Nguyen, Financial Education Program Coordinator
Adele Bickford, Executive/Legal Assistant

Guests Present:

Patrick Sweeney, GWI
Fletcher Kittredge, GWI
Ron Roope, Bangor Savings Bank
Kris Eimicke, Pierce Atwood
Robert Linkletter, Maine Woods Pellet Co., LLC/Athens Energy

A2: Approval of June 19, 2014 Board Meeting Minutes

A motion was made by Mr. Pelletier and seconded by Treasurer Walker to approve the minutes of the June 19, 2014 board meeting. The motion was approved by a vote of 11 in favor, 0 opposed and 0 abstentions.

R-07-17-14-01

B: CHAIR'S REPORT

Chair Nowak advised members that the agenda will be adjusted to allow for the Action Items to begin at 10:30 am. A planning item under the CEO and Staff Reports will be moved to the end of the agenda to accommodate the change.

B1: Committee Chairs

Chair Nowak referred members to the list of committees and membership in their board packets. Members received a corrected version via e-mail, which places Chris Pierce on the Business Committee and James Howard on the Risk Management and Audit Committee. The Chairs of each committee are those first listed: Cheri Walker, Chris Pierce and Reis Hagerman, respectively.

B2: Conflict of Interest Policy

Vice Chair Murphy exited the meeting for a conflict of interest at 9:07 a.m.

Chair Nowak referred members to the memo in the board packet, which provided the information necessary to waive the Code of Ethics regarding Pan Atlantic SMS Group and Patrick Murphy as its President. Chair Nowak, after discussion with the Executive Committee, and in support of granting a waiver, pointed out that Vice Chair Murphy believed he was a sub-contractor in the initial bid process or inquiry and the conflict of interest was discussed at that time. In addition, Chair Nowak

indicated that there are not a lot of players in this field and Pan Atlantic is uniquely qualified. Mr. Roney clarified that from a legal standpoint merely being a sub-contractor does not remove a person from a conflict of interest perspective. The spirit of the code is to avoid impropriety or any appearance of favoritism. In this case, consideration of a waiver should be based on the fact that there was a competitive bid selection process, Pan Atlantic was significantly less expensive, experienced in market research and was recommended by FAME's primary independent vendor based on cost and experience.

A motion was made by Ms. Snowden and seconded by Mr. Violette to waive the conflict of interest. The motion was approved by a vote of 11 in favor, 0 opposed and 1 abstention (Patrick Murphy).

R-07-17-14-02

C: CEO's and STAFF REPORT

C1: CEO's Report

Vice Chair Murphy re-entered the meeting at 9:13 a.m.

Mr. Wagner outlined the process going forward for Strategic Planning, which will be discussed later in the agenda. The Trends Analysis is 90% complete and the board will have access to it prior to the October meeting. The preliminary work for the Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis will be reviewed today and based on the Trends Analysis and SWOT, Mr. Wagner will develop the goals. The actual planning process begins with the approval of the goals by the board.

Mr. Wagner informed members that he made a presentation to the Maine Bankers Association regarding FAME's strategic direction. It provided a relationship building venue and he and staff have made bank visits. A call schedule has been developed to further FAME's strategic position and new product development, which will do more to grow the economic development side of business. Also, staff met with the Small Business Administration (SBA) to discuss how their products can complement one another, rather than compete.

To discuss transactions in process for which applications have not been received, Mr. Wagner called for an Executive Session.

Ms. Snowden moved to enter into Executive Session to discuss records obtained prior to receipt of a written application. The motion was seconded by Mr. Hagerman and approved by a vote of 12 in favor, 0 opposed and 0 abstentions.

Members entered Executive Session #1 at 9:17 a.m.

Members exited Executive Session #1 at 9:22 a.m.

C3: Marketing and Brand Image Update

Ms. Vanderweide presented a new FAME logo and tag line and opened it up for discussion. Ms. Vanderweide received positive feedback from members, which she will bring to the designer.

Ms. Vanderweide referred members to their board packet and reviewed the year end results for some Objectives and Scorecard Goals, Outreach attendance and events, and SALT participation figures.

C4: SALT Update

Mr. Violette exited the meeting at 10:14 a.m.

Mr. Violette re-entered the meeting at 10:16 a.m.

Mr. Pelletier exited the meeting 10:20 a.m.

Ms. Dyer provided a handout and Powerpoint presentation outlining FAME's vision for the continuation of its collaboration with American Student Assistance (ASA) and higher education institutions. SALT provides financial capability and addresses the problem of lack of financial education at the K-12 level. The SALT website provides interactive tools and one-on-one counseling while in repayment. Originally 10 schools were selected to participate in the two year pilot program at a cost of \$50,000 funded through the College Access Challenge Grant. The proposal before the board is for the continuation of the collaboration with ASA for two additional years and an expansion to include all schools in Maine. FAME has negotiated cost discounts with ASA and would like to enter into a cost-share arrangement with the institutions, the cost being shared equally between FAME and the institution. FAME's share, excluding the Maine community college system, would be approximately \$77,000, with the typical amount per school being \$2500. The two years would be funded by the Federal Family Education Loan Program (FFELP) funds.

Mr. Roney provided instructions for approval. The motion is to approve an additional contract for an additional two years with ASA and participating schools and to authorize the CEO and those under his supervision and control to make modifications and extensions as he deems appropriate.

A motion was made by Treasurer Douglass and seconded by Mr. Hagerman to approve the motion as presented. The motion was approved by a vote of 11 in favor, 0 opposed and 0 abstentions.

R-07-17-14-03

C5: Employee Satisfaction Survey Results

Mr. Block exited the meeting at 10:22 a.m.

Mr. Block re-entered the meeting at 10:25 a.m.

Mr. Pelletier re-entered the meeting at 10:25 a.m.

Ms. Brown referred members to the summary of the 2014 Employee Survey in their board packets. She noted that the Employee Survey Committee streamlined the number of questions based on suggestions from staff and redundancy of some questions. There was 100% participation and the annual goal of 4.0 was met. Responding to a question recommending 360 appraisals for Directors, Ms. Brown advised that she was researching 360s for use by FAME next year.

C6: Monthly Update for Board on Lumber, Wood and Paper Industry

Mr. Weber informed that board that the industry concentration did not change materially last month and remains at 90%.

BREAK: 10:29 A.M. – 10:37 A.M.

D: ACTION ITEMS

D2: Renewal of a Line of Credit Insurance (CLI) – GWI (Biddeford Internet)

Ms. Snowden exited the meeting for a conflict of interest at 10:37 a.m.

GW (Biddeford Internet) provides voice and data communications services to all of Maine and parts of New Hampshire and has recently shifted its focus more to commercial rather than residential service. Bangor Savings Bank is seeking 90% pro-rata insurance on a \$750,000 working capital line of credit. The company has settled a lawsuit with Maine Fiber, which is expected to have a positive effect on the company's 2014 financial statements. Mr. Emmons introduced Ron Roope of Bangor Savings Bank.

Mr. Roope stated that the bank has already approved the \$750,000 line of credit contingent upon FAME's insurance.

Mr. Fletcher requested an Executive Session to provide details of the lawsuit with Maine Fiber.

Treasurer Walker moved to enter into Executive Session to discuss records for which confidentiality has been requested and disclosure of which the Authority has determined would have a harmful business effect. The motion was seconded by Treasurer Douglass and approved by a vote of 11 in favor, 0 opposed and 1 abstention (Susan Snowden).

Members entered Executive Session #2 at 10:45 a.m.

Members exited Executive Session #2 at 10:48 a.m.

Mr. Roope is recommending approval based on the fact that over the past twelve months the Company has focused on operating issues, found ways to improve revenue and reduce expenses, has a sales plan and an experienced management team.

Treasurer Douglass moved to enter into Executive Session to discuss records for which confidentiality has been requested and disclosure of which the Authority has determined would have a harmful business effect. The motion was seconded by Treasurer Walker and approved by a vote of 11 in favor, 0 opposed and 1 abstention (Susan Snowden).

Members entered Executive Session #3 at 10:54 a.m.

Members exited Executive Session #3 at 11:05 a.m.

A motion was made by Mr. Pelletier and seconded by Treasurer Douglass to authorize renewal of loan insurance for a \$750,000 line of credit loan for Biddeford Internet Corporation. The motion was approved by a vote of 10 in favor, 0 opposed and 2 abstentions (Susan Snowden and Ray Nowak).

R-07-17-14-05

D1: Maine New Markets Capital Investment Program

Ms. Snowden re-entered the meeting at 11:06 a.m.

Mr. Block exited the meeting for conflict of interest at 11:06 a.m.

Chair Nowak exited the meeting for conflict of interest at 11:06 a.m.

Mr. Violette exited the meeting at 11:06 a.m.

Mr. Violette re-entered the meeting at 11:08 a.m.

Mr. Roney introduced Kris Eimicke of Pierce Atwood and Robert Linkletter, President of Maine Woods Pellet Co., LLC before referring members to the memo in their board packet outlining the nature of the transaction, which involves the construction of a wood-fueled electricity generation facility adjacent to the existing wood pellet plant in Athens. The project is qualified under the federal tax program, and staff is recommending approval of the Certification Application, finding the project qualified for the additional investment amount of \$40 million based on the IMPLAN Study that projects more than 200 direct jobs and that the project qualifies as a manufacturing or value added production enterprise. Mr. Eimicke emphasized the importance of the biomass electricity generator in reducing energy costs for the pellet facility and creating a new revenue stream for the company. Mr. Linkletter added that the drying capability provided by the electricity generation plant will help to stabilize the electricity market and increase production.

Members were provided a Resolution as a handout.

A motion was made by Treasurer Walker and seconded by Mr. Pelletier to certify investments by U.S. Bancorp Community Development Corporation in CCG Sub-CDE 25, LLC, CDG Sub-CDE 29, LLC, and CCG Sub CDE 31, LLC and authorizing issuance of tax credit certificates under the Maine New Markets Capital Investment Program. The motion was approved by a vote of 9 in favor, 0 opposed and 3 abstentions (Ray Nowak, Jonathan Block and Larry Mitchell).

R-07-17-14-04

D3: Approval of an increase in the insurance for OLA for up to \$375,000 @ up to 75%

Chair Nowak re-entered the meeting at 11:24 a.m.

Mr. Block re-entered the meeting at 11:24 a.m.

Mr. Pelletier exited the meeting at 11:24 a.m.

Mr. Pelletier re-entered the meeting at 11:35 a.m.

Mr. Emmons advised members that the successful OnLine Answer (OLA) program is currently responsible for 80% of the unit volume and approximately 60% of the dollar volume for commercial loan insurance. The Lenders Advisory Group has been instrumental in enhancing the program and favors increasing the limit for insurance from \$250,000 to \$375,000. The 75% insurance coverage would allow banks to loan up to \$500,000.

A motion was made by Ms. Snowden and seconded by Mr. Violette to approve an increase in insurance for On-Line Answer (OLA) program for up to \$375,000 at up to 75% insurance. The motion was approved by a vote of 12 in favor, 0 opposed and 0 abstentions.

R-07-17-14-06

D4: NextGen College Investing Plan – Approval to Modify Maine Administration Fee

Ms. Gabrielson referred members to their board packet for the background and details for the recommendation to temporarily reduce the Maine Administration Fee in the Principal Plus Portfolio (PPP) of the Client Select Series. Merrill Lynch is proposing a reduction in its Management Fee and the Maine Administrative Fee to provide a better rate and protect against possible negative returns. Chair Nowak asked that the issue be brought back to the board at some point for further discussion.

A motion was made by Mr. Hagerman and seconded by Treasurer Douglass to reduce the Maine Administration Fee in the Principal Plus Portfolio of the Client Select Series of the Maine College Savings Program (NextGen) to .06% for one year (July 2014-July 2015). The motion was approved by a vote of 12 in favor, 0 opposed and 0 abstentions.

R-07-17-14-07

C2: SWOT and Strategic Goals

Mr. Pelletier exited the meeting at 12:05 p.m.

Treasurer Walker exited the meeting at 12:05 p.m.

Mr. Hagerman exited the meeting at 12:05 p.m.

Members were provided two handouts, one stating the Strategic Plan 2015-2017 goals and the second detailing the Strengths, Weakness, Opportunities and Threats (SWOT) Analysis that explains why the targets were selected. Mr. Wagner reminded members of the process that is being employed to develop the strategic goals: approval at last month's board meeting of the Brand Promise, the development of the Trends Analysis, which is about 90% complete and looks at the education and business environment, and the preliminary SWOT Analysis. The Strategic Goals presented are based on the Trends and SWOT analyses.

Mr. Wagner presented two goals and metrics, which integrate FAME's mission of education and business. After the ensuing discussion, Mr. Wagner agreed to encompass the fostering of

partnerships into the goal to improve customer satisfaction. As a next step in the process, the staff will consider the Barrier and Solutions Analysis, which he will share with the board in September. The board will consider the Strategic Plan at its October all day off-site meeting.

COMMISSIONERS' & TREASURER'S UPDATES

Treasurer Douglass reported that there is \$27 million available to fund the projects voted on November 13, 2013.

Deputy Commissioner Garland told members that Commissioner Gervais was in Bangor for the major expansion for C&L Aerospace.

The meeting adjourned at 12:34 p.m.

Respectfully submitted,

Patrick Murphy, Vice Chair