

**MINUTES OF THE MARCH 19, 2015 MEETING OF THE MEMBERS
OF THE FINANCE AUTHORITY OF MAINE**

Chair Nowak called the March 19, 2015 meeting of the members of the Finance Authority of Maine to order at 9:04 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
James Violette, Jr., Vice Chair
Cheri Walker, Treasurer
Jonathan Block (*entered the meeting at 9:05 a.m.*)
George Gervais (*entered the meeting at 9:14 a.m.*)
Reis Hagerman
Terry Hayes
James Howard
Larry Mitchell
Christopher Pierce
Richard Roderick

Those members absent:

Patrick Keliher
Gregory Miller
Rosaire Pelletier
Susan Snowden

Staff present:

Bruce Wagner, Chief Executive Officer
Carlos Mello, Director of Business and Finance
Elizabeth Vanderweide, Director of Business Development/Marketing
Martha Johnston, Director of Education
Katryn Gabrielson, Deputy General Counsel
William Norbert, Governmental Affairs & Communications Manager
Scott Weber, Senior Credit Officer
Jennifer Cummings, Senior Workout Officer

Jeff Murch, Credit Analyst
Angela Dostie, College Savings Program Manager
Rita Fournier, Customer Service/Operations/Programs Manager
Adele Bickford, Executive/Legal Assistant

Guests Present:

James McKenna, Redzone Wireless
Matt Orne, Redzone Wireless
Michael Forcillo, Redzone Wireless
Stephen Mateo, Camden National Bank
Vera Roberts, Camden National Bank

A2: Approval of February 19, 2015 Board Meeting Minutes

A motion was made by Treasurer Hayes and seconded by Mr. Roderick to approve the minutes of the February 19, 2015 board meeting. The motion was approved by a vote of 10 in favor, 0 opposed and 0 abstentions.

R-03-19-15-01

CHAIR'S REPORT

B1: Approval of the Report of the Business Committee Meeting of February 13, 2015

A motion was made by Treasurer Hayes and seconded by Vice Chair Violette to accept the Report of the Business Committee Meeting of February 13, 2015. The motion was approved by a vote of 10 in favor, 0 opposed and 0 abstentions.

R-03-19-15-02

B2: Approval of the Report of the Executive Committee Meeting of February 19, 2015

A motion was made by Treasurer Walker and seconded by Mr. Hagerman to accept the Report of the Executive Committee Meeting of February 19, 2015. The motion was approved by a vote of 10 in favor, 0 opposed and 0 abstentions.

R-03-19-15-03

C: CEO's and STAFF REPORT

C1: CEO's Report

Mr. Wagner advised that there is a meeting scheduled with the State Treasurer and MELA representatives next week to discuss the possibility of working together. The consolidation fits into FAME strategy of a "one stop shop".

The STEM bill being proposed by the Governor and initiated by FAME last fall would encourage STEM graduates to work in Maine. FAME's "push/pull" strategy for students studying in Science,

Technology, Engineering and Math would provide 0% interest for STEM graduates working in Maine, 5% interest for those working outside of Maine, and 8% for those neither in a STEM field or working in Maine (push). The pull strategy involves loan repayment in which the state and FAME would each provide \$3750 each year for four years for a total of \$30,000. It would be funded by a \$10 million allocation from the state. Another bill being considered would offer tax credits to employers that fully pay down the loans of STEM students. That would be funded from the same \$10 million state allocation.

FAME has asked for an additional \$5 million per year for the Maine State Grant Program. The additional funding would allow for an increase in awards from \$1000 to \$1500 per student. The committee on education, in work session, was very supportive of FAME and wanted to increase the \$5 million to \$22 million, the basis for which resulted from FAME's participation on the Commission on College Affordability. That additional funding, although not realistic, would allow for the award to students to be increased and included tiering.

Mr. Wagner and Mr. Mello visited the Bank of North Dakota last week. The Bank of North Dakota, the only state owned bank in the United States, offers lower student loan rates than those offered in Maine but does not take on the same level of risk as FAME for business loans. The trip, which was a relationship building experience, may result in a visit from them this spring.

Mr. Wagner referred members to their board packets for rolling charts on Economic Recovery Loan Program (ERLP) loans, Commercial Loan Insurance (CLI) "Paper" and CLI On Line Application (OLA) loan closings. FAME has requested an additional \$13 million to raise the level of ERLP loans currently set at \$1 million to \$2 million. The chart indicating CLI "Paper" closings shows a decline that is tempered by the increase in CLI OLA loan closings. Mr. Wagner added FAME needs to close the gap in its goal set for 10% growth in CLIs, which he indicated could happen with the closing of two large CLI loans coming to board in the next couple of months.

C1a: Articles of Interest

Mr. Wagner noted that FAME has provided structure to the New Markets Tax Credit Program extension legislation. FAME has proposed language that would mitigate the effects of "one day loans" by providing guidance to ensure that the actual amount for which the tax credit was given goes to the designated community. Chair Nowak referred to an article that lists the Largest Finance Authority of Maine Loans ranked by FAME exposure that appeared in MaineBiz. He pointed out that a Major Business Expansion (MBE) loan was included although FAME does not have exposure with MBE loans. Also, the list is for a one year period and is not reflective of FAME's overall loan portfolio. Mr. Mello explained that FAME was asked for information for a twelve month period and has no editorial control. Mr. Norbert will follow up with MaineBiz to improve and clarify such articles.

C2: Legislative Update

The New Market Tax Credit (NMTC) legislative amendment has had one work session and has received broad support for the language adopted to tighten the "one day loan" aspect from its stakeholders. The proposed bill also called for the doubling of the tax credits, which caused members to table the bill to get a better fiscal note. It would then be rescheduled. After discussion around the amount of time for a look back, Mr. Norbert offered to send out FAME's testimony and

a draft of the legislation. Members were comfortable with a two year look back but asked that it come back to the board for discussion if the look back is less than two years.

The Legislature is about half way through its session and about one half of the bills have been printed. FAME is tracking approximately two dozen bills such as NMTC, a bill to move funds from the Venture Capital Revolving Investment Program (VRIP) to ERLP, and a proposed bill to combine mortgages and student loans that now, after consideration, will go to a study group.

C3: ABLE Act

Ms. Johnston referred members to the memo in their board packet outlining the staff's position regarding the ABLE Act. The ABLE Act, "Achieving a Better Life Experience", was signed by the President at the end of 2014 and was enacted to encourage individuals with disabilities to save for qualified disability expenses. FAME's position is that other agencies are better qualified to administer the program and, it is outside FAME's mission. The Education Committee reviewed the staff's position and is in support of the staff's findings.

C4: Executive Summary – Maine Private Education Loan Program (MPELN), State Education Programs and Operations

Ms. Fournier advised that the Maine Private Education Loan Program (MPELN) is being included in the Executive Summaries. She reviewed the following charts: Portfolio Summary by Status, Applications by Status by Lender, and Applications by Status and Tier. Included in Ms. Fournier's report is the Portfolio Summary by Status for the Education State Loan Programs and Operations Calls by Product Group. She included December's figures for calls to acknowledge the high volume of calls that month (511 more than the previous December) and attributes the increase to marketing efforts to get individuals to contribute to their 529 accounts before the end of the year.

C5: Commercial Loan Portfolio

Mr. Weber and Ms. Cummings reviewed the following provided in the board packet: Insurance Portfolio Exposure, Insurance Portfolio Risk Rating, Insurance Delinquency, Actual Insurance Pay-Outs and Exposure by Lender and by Industry. Discussion ensued regarding risk rating, reserve amounts and pay-outs. The Watchdesk report goes to the Business Committee prior to coming to the full board and loans under \$200,000 are reviewed at that time.

C5a: Quarterly Watchdesk

Vice Chair Violette exited the meeting at 10:09 a.m.

Vice Chair Violette re-entered the meeting at 10:11 a.m.

Mr. Howard exited the meeting at 10:11 a.m.

Mr. Howard re-entered the meeting at 10:13 a.m.

Ms. Cummings reiterated that the Watchdesk report goes to the Business Committee, where it receives a more detailed review, before coming to the full board on a quarterly basis. The accounts on Watchdesk are reviewed to determine the appropriateness of their risk rating and reserve.

C5b: Top Ten Relationship

Ms. Cummings advised that the first loan on the Top Ten Relationship will come off because it is an MBE loan and not on FAME's balance sheet. That prompted a suggestion that this report might be better presented by program, i.e., ERLP, MBE, etc. Mr. Weber will consider the best way to present the data.

C5c: Loan Closed Report

Mr. Weber reviewed the Loan Closed Report for ERLP and CLI loans as of December 31, 2014. Mr. Weber also provided numbers as of March 16, 2015: a total of 15 ERLP loans were closed totaling \$4.3 million. In discussions regarding the number of jobs created and retained, it became apparent that reporting for those fields is not indicative of the actual numbers if there are more than one relationship for an account. Mr. Weber was asked to consider a possible means of reporting that would take into account multiple relationships.

C7: Monthly Update for Board on Lumber, Wood, and Paper Industry

Mr. Weber reported that the monthly exposure for the lumber, wood and paper industry is at 87.7% which is slightly higher than last month's.

BREAK: 10:20 a.m. – 10:26 a.m.

D: ACTION ITEMS

D1: Redzone Wireless LLC – Request for Commercial Loan Insurance

Vice Chair Violette exited the meeting at 10:55 a.m.

Vice Chair Violette re-entered the meeting at 10:58 a.m.

Chair Nowak exited the meeting at 11:23 a.m.

Treasurer Hayes exited the meeting at 12:08 p.m.

Mr. Mello introduced the guests present in support of Redzone Wireless: James McKenna, Matt Orne and Michael Forcillo of Redzone Wireless and Stephen Matteo and Vera Roberts of Camden National Bank (CNB). Staff is recommending approval of Camden's National Bank's request for 90% pro rata insurance on a \$4 million loan to Redzone, which puts FAME's exposure at \$3.6 million. The loan would provide capital for Redzone's first phase of providing high speed wireless broadband service to Maine residents. Maine currently ranks 49th for high speed internet service in the country. The CNB loan is not without risk: Redzone is a start-up; cash flow is on a projection basis; collateral is insufficient; subordinated investor debt is present, but the loan is proposed without personal guarantors; 95% of Maine's broadband subscribers are with two companies; and the rapidly evolving telecom market could produce destructive technologies and/or competition. Ms. Roberts provided an overview of the bank's position related to Redzone's project. The \$4 million loan has been approved but requires FAME insurance for the reasons elaborated by Mr.

Mello previously. The bank is supportive of the company because of its management's knowledge and commitment, the viability of the company and its public benefit.

Mr. Kenna described the company's ability to bring its service to 90% of Maine and stressed the importance of the service to the health of the economy of Maine.

Discussion ensued relating to bundling, competitors, any timeframe imposed by the bank for completion of the project, ability to service the more rural areas of the state, tower coverage and timeframe to meet business plan projections.

Members requested Executive Session to continue their discussion.

Mr. Roderick 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 Commissioner Gervais and approved by a vote of 11 in favor, 0 opposed and 0 abstentions.

Member entered Executive Session at 11:23 a.m.

Member exited Executive Session at 12:10 p.m.

Mr. Mello clarified the items that members were being asked to waive by their approval: lack of personal guaranty, debt coverage service ratio, loan to value, and review level of the financial statements (not audited financials).

As discussed in Executive Session, the wording in Section 5 of the Resolution referring to high speed broadband "throughout the state" will be amended to read "to approximately 25% of Maine households", language which members agreed better described the extent to which service is being offered in this particular transaction.

A motion was made by Commissioner Gervais and seconded by Mr. Block to approve the Resolution to authorize loan insurance for \$4,000,000 term loan for Redzone Wireless LLC as amended. The motion was approved by a vote of 9 in favor, 0 opposed and 0 abstentions.

R-03-19-15-04

D2: NextGen College Investing Plan® - Approval of Investment Policy

Treasurer Walker exited the meeting at 12:15 p.m.

Mr. Pierce exited the meeting at 12:16 p.m.

Ms. Gabrielson indicated that the changes in red were made to provide clarification of the roles of the Program Manager and consultant as well as re-organization to provide better flow. The changes were reviewed by the Advisory Committee on College Savings.

A motion was made by Mr. Roderick and seconded by Mr. Hagerman to approve the changes to the NextGen Investing Plan® and Monitoring Guidelines as presented. The motion was approved by a vote of 7 in favor, 0 opposed and 0 abstentions.

R-03-19-15-05

D3: NextGen College Investing Plan® - Approval for Program Modifications

Mr. Pierce re-entered the meeting at 12:17 p.m.

A proposal was made to introduce a Guaranteed Interest Account to the Principal Plus Portfolio, to replace the Guaranteed Investment Contract and the Bank Deposit Account.

A motion was made by Mr. Mitchell and seconded by Mr. Roderick to modify the Principal Plus Portfolio as presented. The motion was approved by a vote of 8 in favor, 0 opposed and 0 abstentions.

R-03-19-15-06

D4: Adoption of Rule Ch. 314, Amendment 7 – Regional Economic Development Revolving Loan Program

Mr. Norbert advised that the comment period recently ended, and FAME received only one comment. Parts of the comment submitted have been incorporated in the Rule and are outlined in the Basis Statement. Staff is recommending approval.

A motion was made by Mr. Hagerman and seconded by Mr. Howard to approve adoption of Rule Ch. 314, Amendment 7 - Regional Economic Development Revolving Loan Program. The motion was approved by a vote of 8 in favor, 0 opposed and 0 abstentions.

R-03-19-15-07

D5: FY 15 Budget Amendment

Ms. Vanderweide referred members to the list of sponsorships, dues, contributions and donations in their board packets, which require a budget amendment. They are being presented for approval to put FAME in compliance with their internal policy and most are retroactive. As outlined in the memo to the board, the majority of them are the result of the loss of the College Access Challenge Grant (CACG) and the way FAME administers its NextGen marketing dollars.

A motion was made by Commissioner Gervais and seconded by Mr. Roderick to approve the amendment to the FY 15 Budget as presented. The motion was approved by a vote of 8 in favor, 0 opposed and 0 abstentions.

R-03-19-15-08

D6: Amendment to Contribution and Sponsorship Policy

Mr. Mello advised members that the changes to the policy are redlined in their board packets. The policy establishes an annual budget process that targets total contributions, sponsorships and memberships for the year. All commitments will be reviewed and approved by the Chief Executive Officer and reported to the board on a quarterly basis.

A motion was made by Mr. Hagerman and seconded by Mr. Howard to approve the amendment to the Contributions, Sponsorships and Memberships Policy as presented. The motion was approved by a vote of 8 in favor, 0 opposed and 0 abstentions.

R-03-19-15-09

D7: Ratification of Education Capitalization Policy

The Education Capitalization Policy comes to the board for review annually. The Education Committee reviewed the policy at their meeting and noted that some sections of the policy are more fiduciary in nature and do not relate to capital retention. Revisions to the policy include suggestions made by the committee.

A motion was made by Mr. Mitchell and seconded by Mr. Roderick to ratify the Education Capitalization Policy as presented. The motion was approved by a vote of 8 in favor, 0 opposed and 0 abstentions.

R-03-19-15-10

COMMISSIONERS' & TREASURER'S UPDATES

The meeting adjourned at 12:30 p.m.

Respectfully submitted,

James Violette, Jr., Vice Chair