

**MINUTES OF THE OCTOBER 16, 2014 MEETING OF THE MEMBERS
OF THE FINANCE AUTHORITY OF MAINE**

Chair Nowak called the October 16, 2014 meeting of the members of the Finance Authority of Maine to order at 9:07 a.m. at the Maple Hill Farm Inn and Convention Center, 11 Inn Road, Hallowell, 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
Cheri Walker, Treasurer
Jonathan Block (*entered the meeting at 1:30 p.m.*)
Denise Garland for George Gervais
Reis Hagerman
Gregory Miller (*entered the meeting at 9:50 a.m.*)
Larry Mitchell
Rosaire Pelletier
Christopher Pierce
Richard Roderick
James Violette, Jr. (*entered the meeting at 9:11 a.m.*)

Those members absent:

Neria Douglass
James Howard
Patrick Keliher
Susan Snowden

Staff present:

Bruce Wagner, Chief Executive Officer
Charles Emmons, Senior Commercial Loan Officer
Carlos Mello, Director of Finance and Lending
Elizabeth Vanderweide, Director of Business Development and Customer Relations
Martha Johnston, Director of Education
Katryn Gabrielson, Deputy General Counsel
William Norbert, Governmental Affairs & Communications Manager

Scott Weber, Credit Manager
Shelly Desiderio, Accounting and Finance Manager
Lisa Brown, Human Resource Manager
Roxanne Broughton, Commercial Loan Officer
Adele Bickford, Executive/Legal Assistant

Guests Present:

Keith Van Scotter, Lincoln Paper and Tissue, Inc.
John Wissmann, Lincoln Paper and Tissue, Inc.
Karl Hoose, Applied Thermal Sciences
Steve Shea, SPS Consulting Group
Elise McGill, Applied Thermal Sciences

Mr. Wagner outlined the schedule for the board meeting with the focus in the afternoon on Strategic Planning. Two presentations slated for the board meeting have been cancelled and will be presented at future board meetings: Future Project and F.E. Wood Natural Energy, LLC. The VALT presentation will be in the afternoon.

Chair Nowak welcomed Martha Johnston back to FAME, and Mr. Mello introduced Roxanne Broughton, FAME's recently hired Commercial Loan Officer.

A2: Approval of September 18, 2014 Board Meeting Minutes

Mr. Roderick noted the misspelling of Ms. Cloudman's name in the minutes.

A motion was made by Mr. Mitchell and seconded by Mr. Hagerman to approve the minutes of the September 18, 2014 board meeting as amended. The motion was approved by a vote of 9 in favor, 0 opposed and 0 abstentions.

R-10-16-14-01

B: CHAIR'S REPORT

B1: Approval of the Report of the Risk Management and Audit Committee Meeting of October 7, 2014

Treasurer Walker reported that the Risk Management and Audit Committee met last month with the two audit firms and reviewed the draft financial statements for FAME and NextGen that will be before the board later in the agenda. The NextGen audit team from Thomas and Thomas joined the committee meeting via conference call. Baker, Newman and Noyes (BNN) also participated in the meeting. Thomas and Thomas described their overall process as satisfactory, but hoped for future improvements coordinating the receipt of certain information from the Program Manager. FAME will receive an "Unqualified" opinion from Thomas and Thomas, and BNN also reported no issues.

A motion was made by Mr. Pelletier and seconded by Mr. Violette to approve the Report of the Risk Management and Audit Committee meeting of the October 7, 2014. The motion was approved by a vote of 9 in favor, 0 opposed and 0 abstentions.

R-10-16-14-02

B2: Approval of Executive Committee Meeting Report of September 30, 2014

The Committee discussed two items: the guest speaker at the Annual Meeting and the structure for today's meeting.

Mr. Wagner advised members that Colin Woodard who had been selected to be guest speaker at the Annual Meeting has been replaced. Staff and Executive Committee members were uncomfortable with the decision to have Mr. Woodard speak at the Annual Meeting after being made aware of some politically charged articles authored by Mr. Woodard. Brett Wickard will replace Mr. Woodward. Mr. Wickard is the founder and creator of the Bull Moose Music Stores, the first store of which was started when he was a junior at Bowdoin.

A motion was made by Mr. Mitchell and seconded by Mr. Hagerman to approve the Report of the Executive Committee meeting of the September 30, 2014. The motion was approved by a vote of 9 in favor, 0 opposed and 0 abstentions.

R-10-16-14-03

B3: Nominating Committee

Chair Nowak selected the following members to serve on the Nominating Committee: Susan Snowden who is coordinating the effort to choose a slate of officers, Reis Hagermann and Larry Mitchell. Mr. Hagerman urged any member interested in becoming Vice Chair to contact a member of the Committee. The slate of officers will be brought to the November board meeting for approval.

C: CEO's and STAFF REPORT

C1: CEO's Report

FAME staff, Bruce Wagner, Carlos Mello and Sally Garand, went to the opening at St. Croix Tissue, Inc. last week. FAME was instrumental in making the \$120 million project viable by approving a \$7.5 million Major Business Expansion (MBE) loan, FAME's first to be closed. Mr. Pelletier added that 150 jobs will be realized during the year and half construction phase at the facility. Also, 100 jobs will be permanently added, which is significant to the area.

A \$16 million MBE loan was approved by the board for the Thermogen project but has not closed. Staff is not aware of any plans for the Thermogen project going forward at this point.

Mr. Wagner reported that FAME was unable to secure financing or equity for the Nova Star this summer after Governor LePage had indicated that he would try to help raise \$5 million for the endeavor. The Nova Star has just completed its first season. In a recent article, the Governor pledged that he would put the \$5 million proposal for the Nova Star to the Legislature, if re-elected. It is unclear if this will involve FAME.

Mr. Wagner asked for feedback from the board regarding the Annual Meeting awards: Education – Alfond Scholarship Foundation; Business – St. Croix Tissue, Inc.; Lender – Camden National Bank and Legislative, which is still in process.

C2: FAME Education Update

Ms. Johnston reviewed the materials in the board packet, noting that normally the board would be updated on Outreach and Marketing at this time but because Education and Marketing now have separate roles, she will provide an Education update now. Ms. Johnston referred members to the tables in their board packets relating to Contributions for NextGen, College Access and Financial Education Historical Outreach Events and Attendance and the SALT Pilot Program. She added that the press release announcing that the SALT Program is going statewide appeared last week. Ms. Johnston made available samples of the latest Education publications and asked for feedback from the board.

C3: Audit Reports – FAME and NextGen

Mr. Mello referred members to the drafts of FAME’s audit by BNN and the NextGen audit by Thomas and Thomas detailed in their board packets. FAME will receive clean opinions from both, which will allow the reports to be issued in a timely manner. He made note that FAME’s 529 Plan is the second largest advisor sold plan in the country and provides more than 50% of FAME’s revenue. Responding to a question regarding the Program Manager’s controls, he stated that, among other things, the Program Manager indemnifies FAME and the Treasurer.

A motion was made by Treasurer Walker and seconded by Mr. Pelletier to approve the drafts of the audited financial statements for both FAME and NextGen as presented. The motion was approved by a vote of 10 in favor, 0 opposed and 0 abstentions.

R-10-16-14-04

Treasurer Walker clarified that acceptance of the drafts permits the issuance of the reports.

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

Mr. Weber reported that the industry concentration was at \$12.2 million at the end of September and the concentration level went from 88.9% to 82.7% due to amortization. Mr. Weber reminded members that any larger level loan can bring it over the concentration level established by policy. A policy question was raised in reference to a statement in the board memo that “once FAME exposure exceeds 50% of the total fund balance available and loan loss reserves all loan requests greater than \$500,000 come to the Business Committee for approval.” Committees do not have approval authority and Mr. Weber will adjust the statement accordingly.

Mapping of FAME Funding

Mapping of FAME funding is included in the strategic presentation, and Mr. Wagner will put it in the context of the Strategic Plan later in the agenda.

D1: Future Project

Will not be heard at this meeting.

D2: F.E. Wood Natural Energy, LLC

Will not be heard at this meeting.

BREAK: 10:16 a.m. – 10:25 a.m.

D3: Lincoln Paper and Tissue, Inc.

Mr. Emmons introduced Keith Van Scotter, CEO, and John Wissmann, CFO, Lincoln Paper and Tissue, Inc. Mr. Van Scotter presented a brief history and company profile for Lincoln Paper and Tissue, which produces specialty tissue products. The company is seeking a \$1 million Economic Recovery Loan Program (ERLP) loan to meet its immediate needs. A fire in November, 2013 forced the shutdown of the company's pulp operations and two paper machines permanently. Although the mill is running at one-half the number of employees of a year ago, it is still the largest private sector employer in the region with 170 employees.

Mr. Van Scotter asked to go into Executive Session to discuss financial information.

Mr. Pelletier 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 and any servicing or monitoring record; financials. The motion was seconded by Mr. Miller and approved by a vote of 10 in favor, 0 opposed and 0 abstentions.

Members entered Executive Session #1 at 10:25 a.m.

Members exited Executive Session #1 at 11:02 a.m.

E: ACTION ITEMS

E1: NextGen College Investing Plan – Authorization to Establish Financial Relationship

Mr. Pelletier exited the meeting at 11:07 a.m.

FAME previously received approximately \$400,000 as part of a class action settlement related to Massachusetts Financial Services Company (MFS) and certain mutual funds in NextGen. Ms. Gabrielson presented a resolution to authorize the establishment of a bank account with Bank of America through the payment administrator's Master Banking Services Agreement to disburse a portion of the settlement received to former NextGen account holders. FAME is using the payment administration services of Epiq Class Action & Claims Solutions to disburse the closed account funds. Eligible existing account owners will receive credits to their accounts from the Program Manager.

A motion was made by Treasurer Walker and seconded by Mr. Violette to authorize the Chief Executive Officer to establish a financial services relationship with Bank of America. The motion was approved by a vote of 9 in favor, 0 opposed and 0 abstentions.

R-10-16-14-05

COMMISSIONERS' & TREASURER'S UPDATES

None.

Ms. Garland exited the meeting at 11:10 a.m.

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

Ms. Garland re-entered the meeting at 11:13 a.m.

An Executive Session was called in order to have further discussion regarding Lincoln Paper and Tissue, Inc.

Mr. Hagerman 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 and servicing or monitoring record; financials. The motion was seconded by Mr. Mitchell and approved by a vote of 8 in favor, 0 opposed and 0 abstentions.

Members entered Executive Session #2 at 11:10 a.m.

Members exited Executive Session #2 at 11:50 a.m.

Mr. Violette exited the meeting for a conflict of interest at 11:16 a.m.

The meeting adjourned at 11:50 a.m.

The meeting reconvened at 12:50 p.m.

Discussion ensued regarding Strategic Planning.

Mr. Violette re-entered the meeting at 12:50 p.m.

Ms. Garland exited the meeting at 12:50 p.m.

Mr. Pelletier exited the meeting at 12:50 p.m.

Mr. Block entered the meeting at 1:30 p.m.

Chair Nowak exited the meeting at 1:50 p.m.

Chair Nowak re-entered the meeting at 2:00 p.m.

Mr. Violette exited the meeting at 2:00 p.m.

Mr. Violette re-entered the meeting at 2:02 p.m.

Mr. Violette exited the meeting at 2:15 p.m.

Mr. Violette re-entered the meeting at 2:17 p.m.

D4: Vertical Air-breathing Launch Technology (VALT)

VALT designs, builds and launches low cost space launch vehicles. . Their executive team, President Karl Hoose, Consultant Steve Shea, and Business Development Manager, Elise McGill made a presentation to the board and provided handouts describing their place in the market.

The VALT launch vehicles are designed to carry small nano-satellites into low earth orbit. In addition to lower cost, they offer increased flexibility to place the satellites exactly “where” and “when” their customers want them. The presentation to the Board was made in anticipation that VALT will eventually seek FAME funding.

Treasurer Walker moved to enter into Executive Session to discuss records obtained prior to receipt of a written application and 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 Mr. Miller and approved by a vote of 8 in favor, 0 opposed and 0 abstentions.

Members entered Executive Session #3 at 2:16 p.m.

Members exited Executive Session #3 at 2:37 p.m.

The meeting adjourned at 2:38 p.m.

Respectfully submitted,

Ray Nowak, Chair