

**MINUTES OF THE SEPTEMBER 18, 2014 MEETING OF THE MEMBERS
OF THE FINANCE AUTHORITY OF MAINE**

Chair Nowak called the September 18, 2014 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
Cheri Walker, Treasurer
Jonathan Block
Neria Douglass
George Gervais
Reis Hagerman
James Howard
Gregory Miller (*entered the meeting at 9:13 a.m.*)
Larry Mitchell
Rosaire Pelletier
James Violette, Jr.

Those members absent:

Patrick Keliher
Christopher Pierce
Susan Snowden

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

Rita Fournier, Customer Service, Operations Manager/Programs
Joshua Dixon, Senior Accountant
Shelly Desiderio, Accounting and Finance Manager
Sally Garand, Commercial Loan Officer
Jennifer Cummings, Senior Workout Office
Jeff Murch, Credit Analyst
Adele Bickford, Executive/Legal Assistant

Guests Present:

Anne Hagstrom, Waynflete School
Cheryl Carrier, Toddle Inn Day Care
Mark E. Carrier, Toddle Inn Day Care
Brian LaSalle, Toddle Inn Day Care
Dean Waterman, Camden National Bank
Will Rood, B & B Precise Products
Norman Hunt, N.C. Hunt
Robert Hunt, N.C. Hunt
Dzmitry Yushkouski, N. C. Hunt
Paul Collins, Androscoggin Bank
Laura Huddy, Bangor Savings Bank
Catherine H. Cloudman, Apothecary by Design
Chris Droznick, People's United Bank, via teleconference

A2: Approval of August 21, 2014 Board Meeting Minutes

A motion was made by Commissioner Gervais and seconded by Mr. Pelletier to approve the minutes of the August 21, 2014 board meeting. The motion was approved by a vote of 10 in favor, 0 opposed and 0 abstentions.

R-09-18-14-01

B: CHAIR'S REPORT

B1: Approval of the Report of the Business Committee Meeting of August 18, 2014

In the absence of the Committee Chair, Christopher Pierce, Mr. Wagner provided a brief overview of the meeting, the report of which is in the board packet. The Committee's basic functions are threefold, one (1) retrospective and two (2) prospective. Retrospectively, the Committee will continue its traditional role of reviewing the Watchdesk Report. Prospectively, the Committee will both look at current and upcoming applications and provide feedback to the staff on its approach and look at new products such as the Forestry, Fishing and Farming Initiative that was presented to the board last month.

A motion was made by Treasurer Walker and seconded by Mr. Hagerman to approve the Report of the Business Committee meeting of the August 18, 2014. The motion was approved by a vote of 10 in favor, 0 opposed and 0 abstentions.

R-09-18-14-02

B2: Approval of Education Committee Meeting Report of September 4, 2014

Mr. Hagerman noted that the report in the board packet reflects what was discussed, and he added that the Education Committee will work with the Advisory Committee on timing in order to bring items to the full board. Mr. Wagner updated the committee regarding the Strategic Plan and SWOT, which will be presented at the October 16th board meeting. Also discussed was the possibility of awarding grants under the Maine State Grant program on a tiered basis.

A motion was made by Mr. Mitchell and seconded by Mr. Block to approve the Report of the Education Committee meeting of the September 4, 2014. The motion was approved by a vote of 10 in favor, 0 opposed and 0 abstentions.

R-09-18-14-03

B3: Nomination of Vice Chair

Chair Nowak informed the board that he and Treasurer Walker's names have been submitted for re-nomination to the board and the name of Richard Roderick will be submitted to replace Vice Chair Murphy. After the Executive Committee met this morning, it was suggested that the board follow the normal course of selection of officers in November rather than filling the Vice Chair position now. A Nominating Committee chosen in October will offer a slate of officers at the November meeting. Chair Nowak asked for any questions or comments from members in using that approach to fill the vacancy. None were heard.

C: CEO's and STAFF REPORT

C1: CEO's Report

Mr. Wagner announced that Martha Johnston will be joining FAME as Education Director, and a new commercial loan officer, Roxanne Broughton, has also been hired. Ms. Vanderweide will be involved with marketing on both the education side and the business and economic development side to implement FAME's growth plans.

Mr. Wagner reminded members of the Annual Meeting on November 13th and that the board will meet in the afternoon on that day.

Mr. Wagner asked to go into Executive Session to make some forward looking comments on a couple of applications that have not been received as yet but may come to the October board meeting.

Mr. Violette moved to enter into Executive Session to discuss records obtained prior to receipt of a written application. The motion was seconded by Mr. Pelletier and approved by a vote of 11 in favor, 0 opposed and 0 abstentions.

Members entered Executive Session #1 at 9:25 a.m.

Members exited Executive Session #1 at 9:35 a.m.

Mr. Roney advised members that St. Croix Major Business Expansion (MBE) loan closed this week for the project approved by the board in March. The St. Croix project is the first MBE loan to close since the inception of the program.

C2: 2015 Strategic Plan Update

Mr. Wagner provided an update on the Strategic Plan. As it relates to Education programs, the Strategic Planning process is complete, having done the environmental assessment, SWOT and Barrier analysis. In addition, the Education Committee had the resulting material for review at their most recent meeting. The committee discussed tiered awards in the Maine State Grant Program and finding a balance for funding that FAME provides to the State Grant program relative to what is given to NextGen matching grants. Mr. Wagner advised members of the approach preferred by staff. Staff is recommending using tiered awards as a means of using the Maine State Grant program more effectively, and is also recommending changing the funding balance between Maine State Grant and NextGen by using more funds in the 529 program to encourage early participation and more meaningful savings. Models will be presented at the October meeting.

C3: 2015 Incentive Plan

Staff exited the meeting. Mr. Wagner and Ms. Bickford remained in the meeting.

Mr. Violette exited the meeting at 10:03 a.m.

Mr. Violette re-entered the meeting at 10:04 a.m.

Mr. Wagner referred members to the 2015 Incentive Proposal provided as a handout. The six incentives are budgeted targets and are components identified in the Strategic Plan as being most important. The incentives are geared to “growth”. Mr. Wagner reviewed each incentive, its current goal, the proposed goal and its weight as listed in the handout. The proposal would calculate the size of the incentive pool on adjusted revenue rather than a fixed percentage of salary, as it has in the past. Mr. Wagner is proposing that the size of the pool be in proportion to revenue growth within boundaries, which would have upside and downside potentials. Under the proposal, the current 3.3% could vary from 1.7% to 5%, depending upon performance. All goals would be prorated against the percentage attainment of the goal. Members were in agreement with the proposal.

BREAK: 10:17 a.m. – 10:22 a.m.

C4: FAME Legislation List

Mr. Block re-entered the meeting at 10:24 a.m.

Commissioner Gervais re-entered the meeting at 10:24 a.m.

Mr. Wagner reviewed eight proposed agency bills presented to the Governor’s Office for possible consideration by the 127th Maine Legislature. Major among those proposals is increased funding for Commercial Loan Insurance and to the Economic Recovery Loan Program (ERLP). Based on those discussions, only the proposal to convene a study group to examine best practices relating to education will most likely not be pursued.

C5: Commercial Loan Portfolio Review

Mr. Weber and Ms. Cummings reviewed the Insurance Portfolio Exposure, Risk Rating Stratification, Insurance Delinquency, Delinquency over 30 days, Trend Analysis of Pay-Outs, Insurance Programs by Lender, and Exposure by Industry in the board packets. Mr. Weber noted that FAME's insurance exposure grew by 5% dollar-wise and 10% unit-wise. Ms. Cummings added that pay-outs last year were \$147,000. Pay-outs are at \$50,000 so far this fiscal year.

Mr. Mello asked for questions from members on the four items listed for quarterly reporting. None were heard.

C5a: Quarterly Watchdesk

C5b: Top Ten Relationship

C5c: Loan Closed Report

C5d: Applications YTD Report

C6: Executive Summary – FFELP, Operations & NextGen

Ms. Fournier reviewed the summaries regarding FFELP, Education Loan Programs, Operations and NextGen provided in the board packet.

C7: 2014-2015 Budget Comparison

Mr. Mello presented the comparison between projected performance and actual for the fiscal 2014 period, that the board requested last month as well as the projections for the FY 2015 budget. Staff is recommending that the budget stand as approved in June.

D: ACTION ITEMS

D6: Approval of Bond Resolution – The Waynflete School (Revenue Obligation Securities Program)

Commissioner Gervais exited the meeting at 10:36 a.m.

Treasurer Walker exited the meeting for a conflict of interest at 10:37 a.m.

Commissioner Gervais re-entered the meeting at 10:40 a.m.

Mr. Roney advised the board that the bond resolution for The Waynflete School before them is for a conduit bond under the Authority's Revenue Obligations Securities Program, and it is the third bond through FAME for the school. He introduced Anne Hagstrom, CFO of The Waynflete School, to provide the details for the use of the bond funds. She provided a handout providing a map of the campus, its mission and Strategic Plan. A portion of the bond would refinance the school's 2007 bond issue, and the remaining amount would be used for certain construction and renovations to existing buildings and improvements to athletic facilities.

Mr. Roney referred members to the Resolution in their board packets approving issuance of up to \$20 million in Revenue Obligation Securities for Waynflete.

A motion was made by Mr. Mitchell and seconded by Mr. Howard to adopt the Resolution, authorizing the issuance and sale of up to \$20,000,000 in Revenue Obligation Securities (The Waynflete School Issue, Series 2014A and Series 2014B) of the Finance Authority of Maine, authorizing and approving the execution and delivery of a loan and security agreement, a tax certificate and other matters in connection therewith. The motion was approved by a vote of 10 in favor, 0 opposed and 1 abstention (Cheri Walker).

R-09-18-14-04

D1: Commercial Loan Insurance Request – Toddle Inn Day Care, Inc.

Treasurer Walker re-entered the meeting at 10:45 a.m.

Mr. Violette exited the meeting for a conflict of interest at 10:45 a.m.

Ms. Garand introduced Dean Waterman of Camden National Bank, Cheryl Carrier (Owner), Mark Carrier (Lead Maintenance Coordinator) for Toddle Inn Day Care, and Brian LaSalle, CPA. Staff is recommending approval of two Commercial Loan Insurance transactions, one leveraged and one pro-rata. The company meets FAME's underwriting criteria and has significant public benefit in the number of jobs and services it provides. Ms. Carrier described the company's historical growth, from the original 12 children to today's enrollment of 702.

Mr. Roney provided the Resolutions for each loan facility.

Chair Nowak asked for a clarification of the Cancellation of Debt on Ms. Carrier's 2012 FITR.

Mr. Hagerman moved to enter into Executive Session to discuss any servicing or monitoring records; financials. The motion was seconded by Treasurer Douglass and approved by a vote of 10 in favor, 0 opposed and 1 abstention (James Violette).

Members entered Executive Session #2 at 10:55 a.m.

Members exited Executive Session #2 at 10:56 a.m.

A motion was made by Mr. Pelletier and seconded by Treasurer Douglass to adopt the two Resolutions, authorizing loan insurance for a \$5,000,000 term loan and commercial loan insurance for a \$500,000 term loan for Toddle Inn Day Care, Inc. The motion was approved by a vote of 10 in favor, 0 opposed and 1 abstention (James Violette).

R-09-18-14-05

R-09-18-14-06

D2: Commercial Loan Insurance Request – B & B Precise

Mr. Violette re-entered the meeting at 10:59 a.m.

Treasurer Walker exited the meeting for a conflict of interest at 10:59 a.m.

Mr. Emmons introduced Paul Collins of Androscoggin Bank and Will Rood, owner of B & B Precise. Staff is recommending approval of a 12 month renewal of 90% pro-rata Commercial Loan Insurance on the company's \$550,000 Line of Credit with Androscoggin Bank. FAME's total exposure is \$2.2 million. FAME has supported B & B Precise since 2003 and the company has paid as agreed over that time.

Mr. Collins advised members that the bank is comfortable with its relationship with B & B and the company is within compliance. He did, however, make note of one receivable that is troubling but acknowledged that there is a plan in place to rectify the situation.

Mr. Rood related the company history and described the challenges faced by the company in 2013. He reiterated that he is working through the one receivable that is of concern.

Mr. Roney presented a resolution for action if the members were inclined to move for approval.

A motion was made by Mr. Pelletier and seconded by Commissioner Gervais to adopt the Resolution, authorizing renewal and modification of loan insurance for a line of credit loan for B & B Precise Products, Inc. The motion was approved by a vote of 10 in favor, 0 opposed and 1 abstention (Cheri Walker).

R-09-18-14-07

D3: Commercial Loan Insurance Request – Apothecary by Design

Commissioner Gervais exited the meeting at 11:14 a.m.

Commissioner Gervais re-entered the meeting at 11:16 a.m.

Mr. Emmons introduced Laura Huddy of Bangor Savings Bank and Catherine Cloudman, Partner, Apothecary by Design. Staff is recommending renewal of 65% Commercial Loan Insurance for an \$850,000 Line of Credit. Apothecary is a compounding, specialty pharmacy in Portland. FAME and Bangor Saving Bank have supported the company since its inception and during its expansion. Although 2013 was a challenging year, 2014 has seen increasing revenue.

Ms. Cloudman highlighted some of the accomplishments of the company: URAC accreditation of its new facility on Marginal Way, listed in Inc 5000 of Fastest Growing Companies in America, awarded one of the Best Places to Work in Maine, and accreditation of its compounding pharmacy. Ms. Cloudman said that the company is on track for 2014, is profitable and ahead of projections.

Mr. Roney presented a resolution for action if the members were inclined to move for approval.

A motion was made by Mr. Mitchell and seconded by Treasurer Douglass to adopt the Resolution, authorizing renewal and modification of loan insurance for a line of credit loan for Apothecary by Design, LLC. The motion was approved by a vote of 10 in favor, 0 opposed and 0 abstentions.

R-09-18-14-08

D4: Commercial Loan Insurance Request – N.C. Hunt, Inc.

Treasurer Walker re-entered the meeting at 11:30 a.m.

Mr. Emmons introduced Norman Hunt, President, Robert Hunt, Vice President, and Dzmitry Yushkouski, CFO, of N.C. Hunt, Inc. Mr. Droznick of Peoples United Bank will be joining the meeting via teleconference. N. C. Hunt is a specialty sawmill operation with two retail store locations that employ 66 people. Staff is recommending approval of the renewal of the Line of Credit and restructuring of three loans outlined in the board packet. The debt restructure will significantly reduce the company's monthly payments. The total exposure to FAME is \$1,643,000. FAME and the bank are working closely together to ensure the future viability of the company. Mr. Droznick underscored what Mr. Emmons had outlined and stated that the bank is working with FAME and the borrower to structure a reasonable and balanced tool to move the company forward.

Robert Hunt explained that the company experienced difficult times two years ago. In an effort to strengthen the company's financial situation, it has deleveraged by selling some assets and making departments accountable for their performance. Retail to the direct market is strong and wholesale, which had put pressure on cash flow, is coming around so that the business is in a more manageable position than a year ago.

Mr. Roney presented a resolution for action if the members were inclined to move for approval.

A motion was made by Mr. Pelletier and seconded by Mr. Miller to adopt the Resolution authorizing renewal of loan insurance for a \$200,000 loan and modifications to existing \$1,200,000, \$880,000 and \$545,000 loans to N.C. Hunt, Inc. The motion was approved by a vote of 11 in favor, 0 opposed and 0 abstentions.

R-09-18-14-09

D5: Maine College Savings Program – Approval of Independent Investment Consultant

Ms. Gabrielson advised that FAME received four responses to its Request for Responses (RFR) for an Independent Investment Consultant for NextGen. The Advisory Committee heard presentations from Pension Consulting Alliance (PCA), FAME's consultant since 2012, and Fund Evaluation Group. The general consensus of the Committee and staff is to recommend the selection of Pension Consulting Alliance for three years for reasons outlined in the memo to the board.

A motion was made by Mr. Mitchell and seconded by Treasurer Douglass to approve the selection of Pension Consulting Alliance as FAME's Independent Investment Advisor for NextGen. The motion was approved by a vote of 11 in favor, 0 opposed and 0 abstentions.

R-09-18-14-10

COMMISSIONERS' & TREASURER'S UPDATES

None

Mr. Wagner asked for feedback from members regarding the presentation of economic development items at board meetings. In an effort to be more effective and efficient to the board, members were

asked if they would prefer an abbreviated cover page with key points as opposed to the whole packet that they now receive. Members agreed that a larger packet of information is preferable. Chair Nowak also asked if the time allotted to that portion of the meeting is sufficient to consider the economic development action items. Consensus was that it is.

The meeting adjourned at 11:48 a.m.

Respectfully submitted,

Raymond Nowak, Chair