

**MINUTES OF THE AUGUST 20, 2015 MEETING OF THE MEMBERS
OF THE FINANCE AUTHORITY OF MAINE**

Chair Nowak called the August 20, 2015 meeting of the members of the Finance Authority of Maine to order at 9:05 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

1: 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 (*entered the meeting at 9:06 a.m.*)
Jonathan Block (*entered the meeting at 9:11 a.m.*)
Reis Hagerman
Terry Hayes (*entered the meeting at 9:12 a.m.*)
James Howard (*entered the meeting at 9:12 a.m.*)
Gregory Miller
Larry Mitchell
Rosaire Pelletier
Christopher Pierce
Richard Roderick
Susan Snowden

Those members absent:

George Gervais
Patrick Keliher
James Violette, Jr., Vice Chair

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
Jonathan Harvell, Chief Information Officer
Charles Emmons, Senior Commercial Loan Officer
Jennifer Cummings, Senior Workout Officer

John Endicott, Commercial Loan Officer
Roxanne Broughton, Commercial Loan Officer
Katryn Gabrielson, Deputy General Counsel
Lisa Brown, Human Resource Manager
Shelly Desiderio, Accounting and Finance Manager
Joshua Dixon, Senior Accountant
William Norbert, Governmental Affairs & Communications Manager
Scott Weber, Senior Credit Officer
Adele Bickford, Executive/Legal Assistant

Guests Present:

Fletcher Kittredge, GWI
Eric Samp, GWI
Patrick Sweeney, GWI
Ron Roope, Bangor Savings Bank
Gregg Isherwood, Custom Coach and Limousine
Elliott Barry, Camden National Bank
Kris Eimicke, Pierce Atwood
Kris Moussette, Hinckley Allen
Antonio Martini, Hinckley Allen

A2: Approval of July 16, 2015 Board Meeting Minutes

A motion was made by Mr. Pelletier and seconded by Ms. Snowden to approve the minutes of the July 16, 2015 Board meeting. The motion was approved by a vote of 8 in favor, 0 opposed and 0 abstentions.

R-08-20-15-01

CHAIR'S REPORT

B1: Acceptance of the Report of the Executive Committee Meeting of July 16, 2015

A motion was made by Treasurer Walker and seconded by Ms. Snowden to accept the Report of the Executive Committee Meeting of July 16, 2015. The motion was approved by a vote of 9 in favor, 0 opposed and 0 abstentions.

R-08-20-15-02

B2: Board Evaluation Tool Results

Because four members have not responded to the Board Evaluation survey, Chair Nowak, with the support of the Executive Committee, asked members for a consensus to postpone discussion today and bring the results to the Board next month. An effort would be made to achieve 100% participation. Members agreed to delay discussion until next month.

C: CEO's and STAFF REPORT

C1: CEO's Report

C1a: Articles of Interest

Mr. Wagner asked if members had any questions regarding the enclosed news articles. He commented that FAME has received a lot of coverage of its activities in the press. Maine Public Broadcasting Network (MPBN) interviewed Mr. Wagner regarding FAME's recently achieved Best Places to Work status.

C1b: Department of Education Issue

FAME has received what has been called a "Dear Colleague" letter from the U.S. Department of Education (DOE) stating their position that guaranty agencies such as FAME cannot collect collection fees from accounts where a repayment plan has been initiated within 60 days of going into default. A recent court case has supported the DOE's position. Annually, this could represent hundreds of thousands of dollars of foregone revenue in the future, but more significantly, if applied retroactively, could involve a potential claim for reimbursement of millions of dollars. Staff is evaluating the impact on FAME.

C1c: EB5

EB5 is a foreign investment stimulus program run by the US Customs and Immigration Service. It presents a new opportunity for FAME. FAME is partnering with the Department of Economic and Community Development (DECD) and the Maine International Trade Center to explore the possibility of acquiring one of the two EB5 regional centers currently owned in Maine, one held by the owners of Saddleback and another by Cate Street in the Millinocket area. Investment in an EB5 regional center allows foreign entities to receive expedited status for U.S. citizenship. Mr. Howard who has some experience in researching the development of an EB5 in Maine commented that most of Maine does not qualify because eligibility is based on census tract and also requires that ten jobs be created and retained over a five year period for each investment.

C1d: 2015 Incentive Payout

Mr. Wagner reviewed the 2015 FAME Scorecard and the results from which the incentive payout to employees is made. The pool is \$120,381, which is approximately 3.3% of salary base. Mr. Wagner explained how the percentages were calculated and informed members that next year a simpler calculation and metrics aligned to the Strategic Plan will be presented. The 2016 Incentive Plan will be considered by members at the September Board meeting.

A motion was made by Ms. Snowden and seconded by Mr. Block to approve the 2015 Incentive Payout as presented. The motion was approved by a vote of 12 in favor, 0 opposed and 0 abstentions.

R-08-20-15-03

C2: FY2016 Budget Revisions

As outlined in a memo in the Board packet, Mr. Wagner is asking the Board to approve three revisions to the FY 2016 budget. The areas affected are fringe benefits, depreciation and a Maine

Small Business bond issue. The corrections make the budget more reflective of actual circumstances.

A motion was made by Treasurer Hayes and seconded by Mr. Pelletier to approve the 2016 Budget Revisions as presented. The motion was approved by a vote of 12 in favor, 0 opposed and 0 abstentions.

R-08-20-15-04

C3: Year End Report

Ms. Desiderio referred members to the FY 2015 Financial Review information in their Board packets indicating the variances between the 2014 actuals vs. 2015 actuals. She noted some of the larger items: "Revenues" (increase in NextGen fees negotiated with Merrill Lynch); "Expenses" (salary increases); and "Non-Operating" (increase in NextGen benefits to need-based grants and to NextStep grants supported by the Board and to support of commercial loan insurance). Ms. Desiderio continued the Year End financial review by highlighting the variances occurring in the 2015 budget to actuals.

C4: FAME Scorecard

Previously reviewed.

C5: Quarterly Contributions, Sponsorships & Donations Report

Ms. Desiderio provided a handout listing the FY 2015 Contributions, Sponsorships and Memberships as of June 30, 2015. There were no new contributions or sponsorships and the variances are due to timing or to the fact that the expenses did not occur.

C6: Marketing Update

Ms. Vanderweide presented the Marketing and Business Development update as outlined in the Board packet. Marketing and Business Development has been aligned to our mission, goals and strategy and as a part of that effort, marketing materials and the website have been updated and a binder has been created to describe FAME's programs for lenders. In addition, FAME has expanded its business promotions, attended different conferences and sponsorships, conducted Voice of the Customer (VOC) interviews to improve communications and enhance existing programs, and implement the New Product Development Program. Ms. Vanderweide referred members to the Marketing Plan Goals for FY 2016, noting the integration of the MELA and FAME brand into a one stop shop. She showed a video of younger children geared to encouraging Alford universal account owners to invest in NextGen and a Greenlight video featuring Mr. Wagner speaking about FAME.

BREAK: 10:13 a.m. – 10:21 a.m.

D: ACTION ITEMS

D1: Biddeford Internet d/b/a GWI – Commercial Loan Insurance (CLI) Request

Ms. Snowden exited the meeting for a conflict of interest at 10:21 a.m.

Mr. Emmons introduced Ron Roope of Bangor Savings Bank, Fletcher Kittredge, Eric Samp and Patrick Sweeney of GWI. The request is for the renewal of 90% pro-rata insurance on a \$750,000 working capital line of credit, modification of the minimum Debt Service Coverage covenant under the loan agreement with the addition of two covenants as outlined in the Board package. The company, that began offering local internet service in 1984, has expanded to offering internet service to much of Maine and is changing its focus from residential to business customers. Staff is recommending approval.

Mr. Roope stated that the bank continues to be supportive of the company based on recent positive trends and the strong management team. The bank has set two targets this year: to review projections at Q3 and Q4 and to limit the level of their capital spending. Mr. Roope requested an executive session in order to discuss the company's financial performance.

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 Mr. Block and approved by a vote of 11 in favor, 0 opposed and 0 abstentions.

Members entered Executive Session No. 1 at 10:30 a.m.

Members exited Executive Session No. 1 at 10:48 a.m.

Mr. Emmons reminded members that FAME has supported this company since 2010 and staff is recommending extension of the line of credit.

Chair Nowak summarized the Resolution which authorizes the renewal of loan insurance for a \$750,000 line of credit, acknowledges waiver of two covenants, modifies a covenant and adds two more covenants.

A motion was made by Mr. Roderick and seconded by Mr. Howard to approve the resolution authorizing 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-08-20-15-05

D3: Ratification of Investment Purchases – Apr-Jun

Ms. Snowden re-entered the meeting at 10:50 a.m.

Ms. Desiderio referred members to the Listing of Purchases and Maturities/Sales/Calls April 1 through June 30, 2015 in their Board packets.

A motion was made by Ms. Snowden and seconded by Treasurer Walker to ratify the investment purchases as presented. The motion was approved by a vote of 12 in favor, 0 opposed and 0 abstentions.

R-08-20-15-06

D2: Isherwood – Request for Commercial Loan Insurance

Mr. Pelletier exited the meeting at 10:55 a.m.

Mr. Pelletier re-entered the meeting at 11:02 a.m.

Ms. Broughton introduced Elliott Barry of Camden National Bank and Gregg Isherwood of Custom Coach and Limousine. She provided the company background and noted that FAME has had a relationship with Isherwood since 2007 in the form of a direct loan, which has been paid off and currently for commercial loan insurance (CLI) on a \$2.5 million loan. The new term loan will refinance the FAME CLI loan. The re-advance of funds will be used to pay off a private note held by John Cyr for the company's purchase of his operations in 2013. In addition to the CLI request, the bank is seeking approval for the renewal of its existing CLI on a \$150,000 line of credit for working capital. The restructuring, as detailed in the Board packet, will provide cash flow and strengthen the company's balance sheet. Staff is recommending approval.

Mr. Barry stated that Camden National Bank has had a relationship with Mr. Isherwood since 2013. He stated that the refinance of the subordination on the private note will provide Mr. Isherwood with cash flow savings and allow the company to grow and hire more people while keeping the dollar exposure the same.

An Executive Session was requested in order to discuss covenant violations.

Ms. Snowden 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 Hayes and approved by a vote of 11 in favor, 0 opposed and 0 abstentions.

Members entered Executive Session No. 2 at 11:00 a.m.

Members exited Executive Session No. 2 at 11:03 a.m.

A motion was made by Ms. Snowden and seconded by Mr. Howard to approve the resolutions authorizing renewal of loan insurance for a \$150,000 Line of Credit Loan for Isherwood Enterprises, Inc. and authorizing loan insurance for a \$2,500,000 Term Loan for Isherwood Enterprises, Inc. The motion was approved by a vote of 12 in favor, 0 opposed and 0 abstentions.

R-08-20-15-07

R-08-20-15-08

D4: Adoption of Rule Ch. 325, Amendment 3 – Maine New Markets Capital Investment Program (Emergency) and Approval for Rulemaking (Non-Emergency)

Mr. Howard exited the meeting at 11:04 a.m.

Mr. Block exited the meeting for a conflict of interest at 11:05 a.m.

Mr. Howard re-entered the meeting at 11:05 a.m.

Mr. Roney advised members that staff is recommending the amendment to Rule Ch. 325 – Maine New Markets Capital Investment Program, on an emergency and non-emergency basis. The amendment would address the “one day loan” issue by making ineligible for credits any investment which is used to refinance existing debt, make equity distributions, acquire an existing business or pay transactions fees. Although a very similar change was considered under recent legislation, it failed to pass and staff has deemed it necessary to enact a rule change and issue a 30 day moratorium on the acceptance of new applications to affect an immediate prohibition/restriction of that type of loan. Approval of the emergency rule, which would be in effect for 90 days after adoption, must be found to be necessary to avoid immediate threat to public health, safety or general welfare. Staff believes that the amendment meets that criterion. Discussion ensued, after which members suggested that the word “inappropriate” used to describe the use of program in the Basis Statement be changed to “unintended”. Mr. Roney agreed to the wording change.

Chair Nowak summarized the action to be taken by the Board: ratify recent policy announcement related to the 30 moratorium; approve recommended action to amend the program rule as described in materials presented and amended for the emergency rule; and approve recommendation for initiation of the rule amendment on a non-emergency basis.

Mr. Roney added that the adoption of the emergency rule is in accordance with the findings described in the memo to the Board in the Board packet.

A motion was made by Treasurer Hayes and seconded by Mr. Mitchell to approve Rule Ch. 325, Maine New Markets Capital Investment Program (Emergency) and for Rulemaking (Non-Emergency) with the wording change as presented, and to ratify recent action taken by the Chief Executive Officer to temporarily halt acceptance of new applications. The motion was approved by a vote of 12 in favor, 0 opposed and 1 abstention (Jonathan Block).

R-08-20-15-09

COMMISSIONERS’ & TREASURER’S UPDATES

The meeting adjourned at 11:35 a.m.

Respectfully submitted,

James Violette, Jr., Vice Chair