

**MINUTES OF THE JUNE 16, 2016 MEETING OF THE MEMBERS
OF THE FINANCE AUTHORITY OF MAINE**

Chair Nowak called the June 16, 2016 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

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 at 9:09 a.m.*)
Denise Garland for George Gervais
Terry Hayes (*entered at 9:25 a.m.*)
James Howard
Gregory Miller
Larry Mitchell
Rosaire Pelletier
Christopher Pierce
Richard Roderick

Those members absent:

Reis Hagerman
Patrick Keliher
Susan Snowden

Staff present:

Bruce Wagner, Chief Executive Officer
Christopher Roney, General Counsel
Elizabeth Vanderweide, Business Development and Marketing
Jonathan Harvell, Chief Information Officer
Charles Emmons, Senior Commercial Loan Officer
Lisa Brown, Human Resource Manager
Scott Weber, Senior Credit Officer
William Norbert, Governmental Affairs & Communications Manager
Jennifer Cummings, Senior Workout Officer
Ellen Curtiss, Credit Analyst

Roxanne Broughton, Commercial Loan Officer
Sally Garand, Commercial Loan Officer
Matt Lindquist, Commercial Loan Officer
Shelly Desiderio, Chief Accounting Officer
Joshua Dixon, Senior Accountant
Adele Bickford, Executive/Legal Assistant

Guests Present:

Travis Frautten, Androscoggin Bank
Kim Vandermeulen, Alternative Manufacturing
Michael Harder, Wireless Partners
Robert Parsloe, Wireless Partners
Jeffrey Gosselin, Mechanics Savings Bank

A2: Approval of May 19, 2016 Board Meeting Minutes

A motion was made by Treasurer Walker and seconded by Mr. Pelletier to approve the minutes of the May 16, 2016 board meeting. The motion was approved by a vote of 10 in favor, 0 opposed and 0 abstentions.

R-06-16-16-01

CHAIR'S REPORT

B1: Acceptance of the Report of the Business Committee Meeting of May 5, 2016

A motion was made by Mr. Pierce and seconded by Vice Chair Violette to accept the Report of the May 5, 2016 Business Committee meeting. The motion was approved by a vote of 10 in favor, 0 opposed and 0 abstentions.

R-06-16-16-02

B2: Acceptance of Report of the Executive Committee Meeting of May 16, 2016

A motion was made by Treasurer Walker and seconded by Vice Chair Violette to accept the Report of the May 16, 2016 Executive Committee meeting. The motion was approved by a vote of 10 in favor, 0 opposed and 0 abstentions.

R-06-16-16-03

C: CEO's and STAFF REPORT

C1: CEO's Report:

Mr. Wagner reviewed the CEO Report in the board packet, emphasizing the importance of the Workforce Coalition and enhancements to FAME's commercial loan products.

Mr. Wagner met with the U.S. Department of Education (DOE) last week to seek their approval for an orderly transfer of the FFELP portfolio to ECMC, a Minnesota based company. An answer is expected by June 30, 2016. The DOE is requiring FISMA compliance around federal IT security standards, and FAME is preparing a response to the DOE that is narrower in scope than requested. Staff expects to know more in July.

The Refinanced Student Loan Insurance (RSLI) program will go live tomorrow. The FY 2017 budget forecasts \$500,000 in revenues.

C1b: NextGen Update

Treasurer Walker moved to enter into Executive Session to discuss records for which confidentiality has been requested by the owner or the person to whom it pertains, and as to which the Authority determines the information in which gives the owner/user an opportunity to obtain business or competitive advantage over another person who does not have access to the information other than through the Authority, or that access to the information by others would result in a business or competitive disadvantage, loss of business, or other significant detriment (10 MRSA §975-A(2)(B)). The motion was seconded by Mr. Howard and approved by a vote of 10 in favor, 1 opposed (Terry Hayes) and 0 abstentions. Chair Nowak did not vote.

Members entered Executive Session #1 at 9:28 a.m.

Members exited Executive Session #1 at 9:29 a.m.

Mr. Wagner requested an Executive Session to discuss a potential Major Business Expansion Loan (MBE).

Mr. Pelletier moved to enter into Executive Session to discuss records obtained or developed prior to receipt of a written application for financial assistance from the Authority or in connection with transfer of property to or from the Authority (10 MRSA §975-A(2)(A)). The motion was seconded by Mr. Roderick and approved by a vote of 12 in favor, 0 opposed and 0 abstentions.

Members entered Executive Session #2 at 9:30 a.m.

Members exited Executive Session #2 at 9:34 a.m.

Mr. Block exited meeting for a conflict of interest at 9:30 a.m.

Mr. Block re-entered the meeting at 9:35 a.m.

C2: Customer Survey

Vice Chair Violette exited the meeting at 9:49 a.m.

Vice Chair Violette re-entered the meeting at 9:51 a.m.

Ms. Vanderweide reviewed the materials in the board packet related to the results of the Customer Survey. A lower satisfaction rating was given by Commercial Lenders and Educators for Maine (EFM) group. The feedback from lenders pertained to streamlining the application process and annual fees, both of which are in process. Two new surveys were conducted this year, to the Maine Loan and NextGen account owners, who previously were surveyed by Merrill Lynch. Project Managers will use the responses to make improvements.

D: ACTION ITEMS

D1: Wireless Partners – Request for Commercial Loan Insurance

Vice Chair Violette exited the meeting at 10:15 a.m.

Vice Chair Violette re-entered the meeting at 10:18 a.m.

Deputy Commissioner Garland exited the meeting at 10:41 a.m.

Mr. Lindquist introduced Bob Parsloe and Michael Harden of Wireless Partners and Jeff Gosselin of Mechanic Savings Bank. Wireless Partners has completed the original 32 towers and they are operational. Verizon, in partnership with Wireless, is seeking an expansion of service to include 13 more towers. FAME approved Commercial Loan Insurance on a \$3.4 million loan by Mechanics Savings Bank in June, 2015. A condition of that loan was that the company not take on additional debt without the consent of the bank and FAME. Wireless is seeking consent to enter into a \$2.7 million capital lease with a supplier and obtain \$1.142 in subordinate debt from an affiliate company to provide working capital. The additional towers will expand the market in underserved counties in Maine. FAME staff is recommending approval.

Mr. Parsloe provided background information on the original project that included the construction of 32 towers before asking to go into Executive Session.

Treasurer Walker moved to enter into Executive Session to discuss any financial statement or tax return obtained or developed by the Authority in connection with any monitoring or servicing activity by the Authority pertaining to any financial assistance to be provided by or with the assistance of the Authority (10 MRSA §975-A(2)(D). The motion was seconded by Mr. Howard and approved by a vote of 12 in favor, 0 opposed and 0 abstentions.

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

Members exited Executive Session #3 at 10:55 a.m.

Vice Chair Violette moved to table the Wireless Partners' request for consent to enter into additional debt until later in the meeting and after receiving additional information. The motion was seconded by Mr. Pierce and approved by a vote of 10 in favor, 1 opposed (Larry Mitchell) and 0 abstentions.

R-06-16-16-04

BREAK: 10:59 A.M. – 11:07 A.M.

D4: Electric Services Corp – Request for Commercial Loan Insurance

Chair Nowak exited the meeting at 11:08 a.m.

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

Mr. Lindquist introduced Kim Vandermeulen of Electronic Services Corporation (ESC) and Travis Fraulten of Androscoggin Bank. The bank is requesting approval of 75% pro-rata insurance on a \$2.8 million term loan to refinance a former shareholder's buyout. The shareholder has agreed to accept a discounted buyout. This request is part of a larger loan by Androscoggin Bank that will be used to refinance existing debt. Support of the company will retain 70 good paying jobs with benefits, and Mr. Vandermeulen, the largest shareholder, is providing his personal guarantee and allowing generous terms on the remaining notes. Staff is recommending approval with special conditions as noted in material provided to members in their board packets.

Treasurer Walker moved to authorize loan insurance for a \$2,800,000 term loan to Electronic Services Corporation. The motion was seconded by Mr. Howard and approved by a vote of 9 in favor, 1 opposed (Ray Nowak) and 1 abstention (James Violette).

R-06-16-16-05

D3: Approval of Modifications to Maine College Savings Program

Mr. Roney referred members to the memo in their board materials outlining the modifications in the BlackRock and Franklin Templeton portfolios, which are in part the result of the traditional annual review. The staff recommendation to approve the NextGen portfolio changes is supported by the Maine College Savings Advisory Committee as well as FAME's independent investment consultant, Pension Consulting Alliance, LLC.

Treasurer Hayes moved to approve the modifications to the Maine College Savings Program and to authorize the Chief Executive Officer to take such actions necessary to implement such modifications. The motion was seconded by Mr. Pelletier and approved by a vote of 11 in favor, 0 opposed and 0 abstentions.

R-06-16-16-06

D5: Approval of Supplemental Indenture of Trust for the Maine Loan to extend recycling period

The board is being asked to approve a resolution authorizing the execution of the Ninth Supplemental Indenture of Trust that would amend the bond documents formerly executed by the Maine Education Loan Authority (MELA). FAME's financial advisor, S L Capital Strategies, LLC, analyzed the costs to recycle payments to fund new loans for the 2016-2017 academic year versus issuing new bonds and determined that the use of recycled payments from prior bond issues would allow FAME to offer the same fixed interest rates and would be sufficient to meet demand. The cost to issue an \$8 million bond would be high. Rating agency approval is required.

Mr. Howard moved to approve the Resolution, to authorize the execution and delivery of a Ninth Supplemental Indenture of Trust to extend the recycling period for the making of

additional student loans with respect to bonds originally issued by Maine Educational Loan Authority. The motion was seconded by Mr. Roderick and approved by a vote of 11 in favor, 0 opposed and 0 abstentions.

R-06-16-16-07

D2: Approval of the FY 2017 Budget

Treasurer Hayes exited the meeting at 11:42 a.m.

Treasurer Hayes re-entered the meeting at 11:47 a.m.

Vice Chair Violette exited the meeting at 11:52 a.m.

Vice Chair Violette re-entered the meeting at 12:00 p.m.

Mr. Pelletier exited the meeting at 12:00 p.m.

Mr. Howard exited the meeting at 12:09 p.m.

Mr. Howard re-entered the meeting at 12:11 p.m.

Ms. Desiderio referred members to the budget in their board packets outlining the variances for the FY 16 budget, FY 16 forecast and FY 2017 budget, reminding members that the philosophy in preparing the 2017 budget is for a zero balance bottom line. She noted that there is excess revenue in several funds, and if those funds are used, there will be deficit spending at some point. Details for the roll-forward items were provided. Ms. Desiderio explained that the FY 2017 budget reflects a lower allowance for loan loss reserves after consideration was given to the fact that traditionally claims are at 6% and the general reserve is set at 15%. The 5.1 risk rating, considered to be less risky than 5.2 and 5.3, was reserved at 12.5%, affecting a \$700,000 change in reserves, and lowering the projected reserve allowance to 14.5%. Members discussed the change in methodology used to determine loss reserves and the risk to the FY 2017 budget if NextGen fees fall short of the budget forecast. Also, responding to a question regarding the increase in salaries, Mr. Wagner pointed out that the increase in salaries was off-set by the decrease in professional fees, which was the result of a conscious decision by staff to use in-house resources rather than outside contractors. Members returned to their discussion regarding whether the change in the allocation for loan losses constituted a change in methodology, which should come to the board. Members concluded that the process for determining loan loss reserves has not changed but a change in methodology should come to the Risk Management and Audit Committee for consideration prior to coming to the board as part of the budget process. This change will go to the Risk Committee and will be considered by the board at a later date. Mr. Wagner added that the one-time \$2 million additional funding in NextGen prevented deficit spending in that line item. He indicated that the board should consider whether they wanted to continue to enhance the Maine State Grant Program award amounts going forward.

Mr. Roderick moved to approve the FY 2017 budget as presented. The motion was seconded by Mr. Howard and approved by a vote of 10 in favor, 0 opposed and 0 abstentions.

R-06-16-16-08

D1: Wireless Partners – Request for Commercial Loan Insurance – cont'd

Vice Chair Violette exited the meeting at 12:33 p.m.

Mr. Miller exited the meeting at 12:33 p.m.

Members were provided a handout outlining the company projected financials for 2018 and 2019.

Treasurer Walker moved to enter into Executive Session to discuss any financial statement or tax return obtained or developed by the Authority in connection with any monitoring or servicing activity by the Authority pertaining to any financial assistance to be provided by or with the assistance of the Authority (10 MRSA §975-A(2)(D). The motion was seconded by Mr. Howard and approved by a vote of 10 in favor, 0 opposed and 0 abstentions.

Members entered Executive Session #4 at 12:18 p.m.

Members exited Executive Session #4 at 12:28 p.m.

Mr. Mitchell moved to authorize action related to loan insurance for a \$3,400,000 Term loan for Wireless Partners. The motion was seconded by Mr. Miller.

Mr. Howard moved to enter into Executive Session to discuss any financial statement or tax return obtained or developed by the Authority in connection with any monitoring or servicing activity by the Authority pertaining to any financial assistance to be provided by or with the assistance of the Authority (10 MRSA §975-A(2)(D). The motion was seconded by Mr. Roderick and approved by a vote of 10 in favor, 0 opposed and 0 abstentions.

Members entered Executive Session #5 at 12:29 p.m.

Members exited Executive Session #5 at 12:30 p.m.

The motion was approved by a vote of 9 in favor, 1 opposed (James Violette) and 0 abstentions.

R-06-16-16-09

COMMISSIONERS' & TREASURER'S UPDATES

None

BREAK: 12:38 P.M. – 12:43 P.M.

E: PRESENTATION – Human Resource Review

Ms. Brown provided an overview of what Human Resources provides to FAME, its Philosophy, Role, Federal Regulations and Compensation Strategy, which are outlined in the board packet. Actual salary compensation will be discussed in Executive Session,

F: BOARD EXECUTIVE SESSION

Chair Nowak called for Executive Session to discuss personnel matters.

Mr. Howard moved to enter into Executive Session for discussion or consideration of a personnel matter in which public discussion could reasonably be expected to cause damage to the reputation or the individual's right to privacy would be violated (1 MRSA §405(6)(A). The motion was seconded by Mr. Roderick and approved by a vote of 8 in favor, 0 opposed and 0 abstentions.

Members entered Executive Session #6 at 1:05 p.m.

Members exited Executive Session #6 at 1:20 p.m.

The meeting adjourned at 1:20 p.m.

Respectfully submitted,

James Violette, Jr., Vice Chair