

**MINUTES OF THE SEPTEMBER 15, 2016 MEETING OF THE MEMBERS
OF THE FINANCE AUTHORITY OF MAINE**

Chair Nowak called the September 15, 2016 meeting of the members of the Finance Authority of Maine to order at 9:03 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
George Gervais
Reis Hagerman
Terry Hayes
James Howard
Larry Mitchell
Rosaire Pelletier
Christopher Pierce
Richard Roderick

Those members absent:

Patrick Keliher
Gregory Miller
Susan Snowden

Staff present:

Bruce Wagner, Chief Executive Officer
Christopher Roney, General Counsel
Elizabeth Vanderweide, Business Development and Marketing
Martha Johnston, Director of Education
Carlos Mello, Chief Risk Officer
Jonathan Harvell, Chief Information Officer
Charles Emmons, Senior Commercial Loan Officer
Katryn Gabrielson, Deputy General Counsel
Eva Giles, College Savings Plan Manager

Lisa Brown, Human Resource Manager
Jennifer Cummings, Senior Workout Officer
Matt Lindquist, Commercial Loan Officer
Jeff Murch, Credit Analyst
Shelly Desiderio, Chief Accounting Officer
Joshua Dixon, Senior Accountant
Adele Bickford, Executive/Legal Assistant

Guests Present:

Robert Hunt, N. C. Hunt, Inc.
Dzmitry Yushkouski, N. C. Hunt, Inc.

Chair Nowak advised members of adjustments to the agenda: Item B4, CEO Evaluation Process, will be added after discussion of the board evaluation process and two actions items, Husson University Bond approval and approval of a New Markets Capital Investment Program request for the Georges River Energy LLC project, have been removed.

A2: Approval of July 21, 2016 Board Meeting Minutes

A motion was made by Treasurer Hayes and seconded by Mr. Pelletier to approve the minutes of the July 21, 2016 Board meeting. The motion was approved by a vote of 12 in favor, 0 opposed and 0 abstentions.

R-09-15-16-01

CHAIR'S REPORT

B1: Acceptance of the Report of the Executive Committee Meeting of July 21, 2016

Chair Nowak amended the Additional Items section of the Executive Committee Report regarding the CEO evaluation process to read: "Mr. Wagner will meet with Chair Nowak to discuss a timetable and process for the upcoming evaluation process." Reference to a previously received schedule will be deleted.

A motion was made by Treasurer Walker and seconded by Mr. Hagerman to accept the Report of the July 21, 2016 Executive Committee meeting as amended. The motion was approved by a vote of 12 in favor, 0 opposed and 0 abstentions.

R-09-15-16-02

B2: Appointment of the Nominating Committee

Chair Nowak has asked Larry Mitchell to chair the Nominating Committee, which he has agreed to do. Others members agreeing to serve on the Nominating Committee are Susan Snowden and Jonathan Block.

Chair Nowak asked any members interested in assuming an officer role in the future to contact one of the committee members and to feel free to ask any questions of the current officers.

B3: Board Evaluation

Vice Chair Violette exited the meeting at 9:12 a.m.

Normally the board evaluations are completed in the spring but were postponed this year to allow time for the committees to work under their newly established charters. Members are asked to provide any comments about the form itself to Mr. Wagner or Ms. Bickford. The form will be e-mailed with a proposed deadline before the next board meeting.

B4: CEO Evaluation Process

Mr. Wagner outlined the process for the annual CEO evaluation, which is modified this year because there was no board meeting in August. Going forward Mr. Wagner's direct reports will receive the evaluation form in August. The board will also receive the form for their input at that time. The Executive Committee will receive Mr. Wagner's self-evaluation, feedback from the direct reports and board members, and the Strategic Plan and financial updates. The Executive Committee will meet in early October and bring its findings and recommendations for discussion with board members to the October board meeting. The Chair and Mr. Wagner will meet in November and all financial adjustments will be made at that time. Chair Nowak and Mr. Wagner are drafting a CEO evaluation policy, which will be sent to board members when completed.

C: CEO's and STAFF REPORT

C1: CEO Report

The September CEO Report is provided in the board packet. Mr. Wagner reported on his visit to Morningstar's headquarters in Chicago and noted that a new account executive will review FAME's NextGen program this year and that the visit this year included a representative from BlackRock and Pension Consulting Alliance. The results are expected in October.

Mr. Wagner requested an executive session in order to update the board on a commercial application not yet received.

Mr. Block exited the meeting for a conflict of interest at 9:26 a.m.

Mr. Block re-entered the meeting at 9:29 a.m.

Treasurer Walker 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 10 in favor, 0 opposed and 0 abstentions.

Members entered Executive Session #1 at 9:26 a.m.

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

Mr. Wagner commented on how FAME is pursuing economic development and recommendations resulting from the First Infrastructure research. The Report went to the Business and Risk

Management and Audit committees for review. Those recommendations involving new product development went to the Business Committee and those involving an existing product with elevated risk went to the Risk Management and Audit Committee. The Governor has an Economic Growth Initiative, which would fund economic growth through a large bond package. Mr. Wagner is meeting next week with John Butera, the Governor's Senior Economic Advisor, Commissioner Gervais (DECD) and John Burns of the Maine Venture Fund to work on a proposal that outlines how funds are to be utilized, through equity, sub-debt or the Maine Technology Institute (MTI) to support research and development.

C1a: Articles of Interest

C1b: Strategic Planning Update

Mr. Roderick exited the meeting at 10:02 a.m.

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

Commissioner Gervais exited the meeting at 10:12 a.m.

Chair Nowak exited the meeting at 10:14 a.m.

Chair Nowak re-entered the meeting at 10:17 a.m.

Commissioner Gervais re-entered the meeting at 10:21 a.m.

Mr. Wagner referred members to the Fourth Quarter Strategic Update in their board packets and indicated that it follows the format previously used. Each person accountable for the goals supporting FAME's mission to create high paying jobs for the citizens of Maine will review the Results and Next Steps for their particular section related to customer satisfaction and increasing the number of quality in-state jobs: Lisa Brown – health and safety; Martha Johnston – education service function efficiency; Carlos Mello – improvement of business processes and risk management system; Jonathan Harvell – protection of security systems and overall support to the Education and Business goals; and Elizabeth Vanderweide –marketing and website effectiveness. Mr. Wagner added that staff is pursuing three new product enhancements: availability of leverage insurance through OLA, option to pay annual fee over 1, 3 or 5 years, and commitment for line of credit of up to three years.

Mr. Wagner summarized this high level review as being about what FAME is doing. It is achieving its goals and is on track.

C1c: Legislative Update

In the absence of Mr. Norbert, Mr. Wagner briefly reviewed the listing of possible FAME bills to go to the 128th Legislature at its first regular session. He pointed out that the bill restoring a Maine tax deduction for contributions to college savings accounts, which was at \$250 and eliminated in the last legislative session, will be re-introduced at a \$1000 level.

C1d: Upcoming Meetings

Mr. Wagner reviewed the itinerary for the October board visits and meeting and asked for numbers expecting to need hotel accommodations. Ms. Vanderweide reminded members to respond to their complimentary invitation to the November annual meeting in Portland, where Richard Blanco will be the guest speaker. She asked members for any suggestions for nominations for education and business leaders that work for Maine.

BREAK: 10:38 a.m. – 10:48 a.m.

C2: Education Update

C2a: FFELP

Mr. Harvell and Mr. Mello met with representatives of the Federal Student Aid division of the U.S. Department of Education (DOE) in Washington, DC on August 29th to respond to their management plan related to IT security controls. They were able to convince them that FAME has been able to isolate its access to DOE data and that they should refocus on Navient, FAME's servicer. The DOE has conceptually accepted FAME's re-submitted addendum, and FAME will move forward with a new management plan to limit its access to Navient's student data.

C2b: NextGen

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. Hagerman and approved by a vote of 9 in favor, 1 opposed (Terry Hayes) and 0 abstentions. Chair Nowak did not vote.

Members entered Executive Session #2 at 10:52 a.m.

Members exited Executive Session #2 at 11:22 a.m.

C2c: Education Committee Update

Mr. Hagerman advised that the Education Committee recently held its quarterly meeting. Mr. Hagerman highlighted a few items from the meeting: staff is looking at ways to generate revenue from the Claim Your Future program by possibly offering it to other states and agencies; Ms. Vanderweide shared information regarding the Maine Invest In Me campaign to change the college going culture in Maine; and the effect of the additional \$2 million received from the state, which allowed FAME to allocate \$1700 for full time students and \$850 for part time students under the Maine State Grant program. The actual total amount paid out will not be available until the end of October. Other committee items will come to the full board in October.

D1: Request for Commercial Loan Insurance Renewal – N. C. Hunt, Inc.

Treasurer Walker exited the meeting at 11:25 a.m.

Treasurer Walker re-entered the meeting at 11:27 a.m.

Ms. Cummings stated that N. C. Hunt is before the board for consideration of their request for a one year extension to their term loans, including a line of credit. The company received a one year extension with an interest rate concession last year. There is no interest rate concession associated with this renewal extension request. The extension was granted to provide cash flow relief and allow them time to deleverage through the sale of some assets. Although deleveraging through the sale of property has been slower than anticipated, the property remains on the market. As noted there were two covenant violations and a third was identified during this process. Ms. Cummings noted that overall profitability has increased and because of collateral the account does not warrant a reserve. Debt service is acceptable. Ms. Cummings and Peoples United Bank will meet in November to develop a plan going forward.

Mr. Hunt advised members that the company's financial performance has been positive the last two years and expects 2016 to be a repeat of 2015. The company, with the help of advisors, has changed its management model and has become more proactive. There has been growth in the retail area and he anticipates a strong year ahead.

The board was provided a resolution as a handout.

A motion was made by Commissioner Gervais and seconded by Mr. Pelletier to approve the resolution authorizing the renewal of loan insurance for a \$200,000 loan and extending and modifying existing \$1,120,000, \$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-09-15-16-03

C3: Business Update

C3a: Commercial Loan Portfolio Review

Mr. Pelletier exited the meeting at 11:33 a.m.

Mr. Pelletier re-entered the meeting at 11:40 a.m.

Mr. Mello referred members to the Watch Desk Portfolio Report as of June 30, 2016. The charts show the risk rating trends and the percentage totals of portfolio for ERLP and CLI loans. He noted that Watch Desk totals as a percentage of the portfolio balance has decreased slightly for the CLI portfolio and decreased 17 points for totals in ERLP balances. CLI balances have improved from 17% to 15%.

C3b: Quarterly Watch Desk

Chair Nowak exited the meeting at 11:47 a.m.

Ms. Cummings asked for any questions regarding the companies listed on the Watch Desk Report, which had been reviewed in more detail at the Business Committee meeting last week. An executive session was called to discuss a particular company on the list.

Mr. Howard 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 MRS §975-A(2)(B)). The motion was seconded by Mr. Roderick and approved by a vote of 11 in favor, 0 opposed and 0 abstentions.

Members entered Executive Session No. 3 at 11:37 a.m.

Members exited Executive Session no. 3 at 11:48 a.m.

Ms. Cummings asked for any questions on the entire Watch Desk Report in the board packet, which includes exposures with lower risk and exposure. None were heard.

C3c: CLI Snapshot

Mr. Mello and Ms. Cummings reviewed the CLI snapshot, crediting Vice Chair Violette for the template charting lender and FAME CLI balances. Included in the review: Portfolio Makeup by Loan Type & Insurance Type, Industry Concentration, Risk Rating Average and Distribution, Top Ten Relationships, Largest Individual Loans for FY 2016, Lender Concentration, Lender Activity for FY 2016, Exceptions, Insurance Delinquency over 30 days, Watch Desk Trend, Specific Reserves, Claims and Claim Trend Analysis.

C3d: ERLP Snapshot

Mr. Mello reported that ERLP activity has remained fairly consistent over the past 5 years, closing \$4 to \$5 million each year. He provided some background to the ERLP program, which was established in 1991 with \$17.5 million from the state. Over the last 25 years, FAME has loaned \$81 million, created 25,000 jobs and still has \$17.5 million available. Mr. Mello and Ms. Cummings reviewed the remaining snapshot, which includes ERLP Balances, Credit Risk, Watch Desk Totals as a Percentage of Portfolio Balance, Exception Totals, Expected Loss/Write-offs, Past Due Percentages and Write-offs. Ms. Cummings noted that staff is working on a policy to formalize the write-off procedure as part of the on-going effort to clear the number of write-offs in a timely manner.

C3e: CLI Q4 Loan Listing

This report provides loan closing activity for OLA, ERLP and CLI loans.

C3f: Top Ten Report

Mr. Mello asked for questions by exception. None were heard.

C3g: Business Committee Update

Mr. Pierce advised that the Business Committee is recommending a change to the threshold for requiring an annual review in the CLI portfolio from the current \$250,000 level to \$500,000 to keep in step with our banking partners.

The Business Committee discussed two recommendations resulting from the First Infrastructure Report, which the Business Committee and staff will work on. The first is to fill the identified \$1 - \$5 million gap in direct loans to Maine businesses. Currently, FAME's direct loan limit is \$1 million. Secondly, FAME would establish a capital access program in conjunction with its commercial partners. Also, new products could be used to make more money available. The Business Committee discussed this recommendation briefly, acknowledging that there is more work to be done.

C4: Financial Update

C4a: Quarterly Financial Report for June 30th

Ms. Desiderio reviewed FAME's financial performance materials in the board packet. She noted that it is in draft form as the audit has not concluded. The audited financials will be presented at the October board meeting. Details were provided for the 2015 vs. 2016 Actuals and for the 2016 Budget vs. 2016 Actuals. She noted the increase in NextGen benefits resulting from an increase in Next Step grants was affected by more participants and higher contributions than anticipated and a higher take rate. She pointed out that those changes indicate the effect those benefits are having on the desired behavior. Ms. Desiderio informed members that currently there is a large fund balance to absorb these expenses but that it should be looked at in the long term. Continuing with the review, Ms. Desiderio referred members to the 2016 Budget vs. 2016 Actuals, adding that details for increases and decreases were provided in their board materials.

C4b: Scorecard

The Scorecard was included in the board packet.

C4c: Quarterly Contributions, Sponsorships & Donation Report

There were no new Contributions, Sponsorships or Donations but a report indicating the FY 2016 Budget to Actual was provided.

C4d: Risk and Audit Committee Update

Treasurer Walker reported on the last meeting of the Risk Management and Audit Committee in which the First Infrastructure recommendations were discussed: expansion of the utilization of the leveraged loan program and increasing the insurance maximum, which would allow FAME to make CLI loans up to \$10 million. Changes would require an amendment to the FAME rule. The committee also discussed reducing the business cash ratio but it is not time sensitive and the committee decided to evaluate in the spring, 2017. In addition, they discussed policy changes involving loan losses and charge-offs and the ratification of investment purchases.

D: ACTION ITEMS

D2: Approval of Bond Resolution – Husson University

Removed from agenda.

D3: Approval of Certification Applications: CIF X, LLC; Stonehenge Community Development 124, LLC; Enhanced Capital New Markets Development fund 58, LLC; CCG Sub-CDE 33, LLC; (Maine New Markets Capital Investment Program, Georges River Energy, LLC Project)

Removed from agenda.

D4: Ratification of Investment Securities Purchases, Maturities, Calls & Sales

Ms. Desiderio referred members to the listing of investment purchases and maturities in their board packet.

A motion was made by Treasurer Hayes and seconded by Mr. Mitchell to ratify investment securities purchases, maturities, calls and sales. The motion was approved by a vote of 10 in favor, 0 opposed and 0 abstentions.

R-09-15-16-04

D5: Annual Review and Approval of Changes to Commercial Loan Policy

Mr. Mello proposed two policy changes involving the allowance for insured and direct loans in which modifications would be made of up to 5% for general loss reserves and up to 15% for sub-standard exposures. The charge-off policy would be modified to better define the timeline for charge-off close out. Also, a modification to the annual review threshold is being proposed. The threshold requiring an annual review currently is set at \$250,000. The modification would change that threshold to \$500,000 as outlined in the memo in the board packet.

A motion was made by Mr. Pelletier and seconded by Mr. Roderick to approve the modifications as presented. The motion was approved by a vote of 10 in favor, 0 opposed and 0 abstentions.

R-09-15-16-05

COMMISSIONERS' & TREASURER'S UPDATES

None

F: BOARD EXECUTIVE SESSION

Mr. Mitchell 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 10 in favor, 0 opposed and 0 abstentions.

Members entered Executive Session #3 at 12:30 p.m.

Members exited Executive Session #3 at 12:34 p.m.

The meeting adjourned at 12:34 p.m.

Respectfully submitted,

James Violette, Jr., Vice Chair