

**MINUTES OF THE MAY 18, 2017 MEETING OF THE MEMBERS
OF THE FINANCE AUTHORITY OF MAINE**

Chair Nowak called the May 18, 2017 meeting of the members of the Finance Authority of Maine to order at 9:02 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
Richard Roderick, Treasurer
Jonathan Block
David Daigler
George Gervais
Terry Hayes
Patrick Keliher
Larry Mitchell
Timothy Nightingale
Rosaire Pelletier
Christopher Pierce
Cheri Walker

Those members absent:

James Howard
Gregory Miller

Staff present:

Bruce Wagner, Chief Executive Officer
Christopher Roney, General Counsel
William Norbert, Governmental Affairs and Communication Manager
Elizabeth Vanderweide, Business Development and Marketing
Martha Johnston, Director of Education
Carlos Mello, Chief Risk Officer
Katrjn Gabrielson, Deputy General Counsel
Charles Emmons, Senior Commercial Loan Officer
Jennifer Cummings, Senior Workout Officer
Scott Weber, Senior Credit Officer

Eva Giles, College Savings Plan Manager
Lisa Brown, Human Resource Manager
Roxanne Broughton, Commercial Loan Officer
Josh Dixon, Senior Accountant
Adele Bickford, Executive/Legal Assistant

Guests Present:

None

A2: Approval of April 20, 2017 Board Meeting Minutes

A motion was made by Treasurer Hayes and seconded by Mr. Mitchell to approve the minutes of the April 20, 2017 Board meeting. The motion was approved by a vote of 11 in favor, 0 opposed and 2 abstentions (Cheri Walker and David Daigler).

R-05-18-17-01

B: CHAIR'S REPORT

B1: Acceptance of the Report of the Executive Committee Meeting of April 14, 2017

A motion was made by Ms. Walker and seconded by Treasurer Roderick to approve the Report of the April 14, 2017 Executive Committee meeting. The motion was approved by a vote of 13 in favor, 0 opposed and 0 abstentions.

R-05-18-17-02

B2: Acceptance of the Report of the Executive Committee Meeting of April 20, 2017

A motion was made by Treasurer Hayes and seconded by Treasurer Roderick to approve the Report of the April 20, 2017 Executive Committee meeting. The motion was approved by a vote of 13 in favor, 0 opposed and 0 abstentions.

R-05-18-17-03

B3: Report of the Business Committee Meeting of May 2, 2017

Mr. Nightingale exited the meeting at 9:10 a.m. for Conflict of Interest

Treasurer Hayes exited the meeting at 9:12 a.m.

Treasurer Hayes re-entered the meeting at 9:14 a.m.

Mr. Pierce, Chair of the Business Committee, reported that the Business Committee discussed three items: (1) the higher standard of approval required by Major Business Expansion (MBE) loans; staff was asked to seek the support of a Rating Agency and obtain a market study of the industry for which they have received an MBE request, (2) reaffirmation of FAME's leveraged loan policy, and (3) the WatchDesk Report, which comes before Committee quarterly for review.

Mr. Pelletier 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 Commissioner Keliher and approved by a vote of 12 in favor, 0 opposed and 0 abstentions.

Members entered Executive Session #1 at 9:12 a.m.

Members exited Executive Session #1 at 9:15 a.m.

B4: Report of the Education Committee Meeting of May 4, 2017

Mr. Nightingale re-entered the meeting at 9:15 a.m.

Committee Chair, Larry Mitchell, reported that the Committee thoroughly discussed and made recommendations for two policies: Underwriting Policy – Credit-based Education Loan Programs and Fiduciary and Capitalization Policy – Education Funds. In addition, members discussed excess revenue funds as part of the Fiduciary Policy. The draft edits of the Education Committee charter were reviewed and members were briefed on the College Access program and outreach as well as the Maine Loan and Maine Private Education Loan Network. Lastly, the Committee concurred with staff’s recommendation for an Action Item appearing later on the agenda.

CEO’s and STAFF REPORT

C1a: Articles of Interest

Included in board packet.

C1: CEO Report

Mr. Wagner updated the Board on an article related to the bond request from Fiberight, LLC. The time has expired for PERC’s appeal, and Fiberight is in a position now to move forward with its bond request.

The preliminary Customer Satisfaction Survey results indicate an aggregate 4.57 score. Staff is working in teams to provide feedback and looks upon the survey as an opportunity for improvement. The Survey will be presented at the June Board meeting.

Mr. Wagner asked members for feedback on the annual fall off-site board meeting. Having heard that members feel that it is time well spent, he will consider regional sites with ties to Workforce Development.

Mr. Block exited the meeting for a Conflict of Interest at 9:27 a.m.

Mr. Mitchell 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 Ms. Walker and approved by a vote of 12 in favor, 0 opposed and 1 abstention (Jonathan Block).

Members entered Executive Session #2 at 9:27 a.m.

Members exited Executive Session #2 at 9:33 a.m.

C1b: Harold Alfond Update

Mr. Block re-entered the meeting at 9:33 a.m.

Mr. Pelletier exited the meeting at 9:52 a.m.

Mr. Pelletier re-entered the meeting at 9:56 a.m.

Mr. Wagner referred members to concerns for FAME's working relationship with the Alfond Scholarship Foundation (ASF) expressed in the CEO Report and spoke to members regarding the possibility of having a greater separation between FAME and ASF. He explained that FAME operates its NextGen program under a "no action" letter from the Securities and Exchange Commission (SEC) that the Alfond Foundation does not have, and therefore, they cannot market or promote NextGen as they wish to do. Staff must review all references to NextGen by ASF to manage the risk and this has put a strain on FAME's level of resources. Mr. Wagner emphasized that the relationship is in no way personally contentious. After ensuing discussion, Board members encouraged staff to take a positive approach to the problem.

C2: Education Update

Commissioner Keliher exited the meeting at 10:02 a.m.

Commissioner Gervais exited the meeting at 10:02 a.m.

The Education Quarterly Update – FY 17 Q3 Highlights was provided to members in their Board packets as a memo from Ms. Johnston dated April 4, 2017.

C2a: Maine Loan Overview

Ms. Walker exited the meeting at 10:20 a.m.

Members were electronically provided the Maine Loan Program Presentation prior to the meeting and also a hard copy at the meeting. Ms. Johnston will outline how the Maine Loan differs from Student Loan Insurance (SLI), which the Board heard last month. Under the SLI Program, private lenders offer student loans that FAME insures. FAME sets the underwriting criteria and the lenders set the rates and fees. The Maine Loan is a Private Student Loan Program supported by the proceeds of tax-exempt bonds issued by FAME. There has been \$300 million in loan disbursements since 1988, when the Maine Education Loan Authority (MELA) was created. MELA was merged into FAME in 2015. Ms. Johnston continued her presentation by highlighting the Maine Loan Financing Structure, Borrowing Eligibility, and Underwriting Criteria. She noted that interest rates for the Maine Loan are tied to the option chosen by the student rather than a student's credit tier as with SLI. Ms. Johnston also pointed out to members that the Maine Loan

offers a fixed interest rate, which is not offered by the Maine Private Education Loan Network lenders.

C2b: NextGen Update

Treasurer Roderick 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. Block and approved by a vote of 8 in favor, 1 opposed (Terry Hayes) and 0 abstentions. Chair Nowak did not vote.

Members entered Executive Session #3 at 10:23 a.m.

Members exited Executive Session #3 at 10:25 a.m.

BREAK: 10:25 a.m. – 10:33 a.m.

Ms. Walker re-entered the meeting at 10:33 a.m.

Mr. Wagner advised that although there was an international cyberattack last week, FAME did not lose any personal information and had no public relations issues. Although it was not determined that FAME was actually affected by the cyberattack, one server was down and the accounts payable system was affected.

C3: Finance Update

C3a: Review of the Financial Statement

Mr. Mello referred members to the material in their Board packets that summarizes financial performance through Q3 of FY 17. He reviewed the items impacting the budget, noting that excess revenue was budgeted to be \$200,000 at the end of the quarter but actual was \$600,000, due in part to timing. The budget came in as breakeven and is currently forecasted to be breakeven. Also provided to members is the Balance Sheet as of March 31, 2017 and the Statistics and Measures.

C3b: Scorecard

Mr. Mello reported that it is likely that the NextGen goal will be met; Lender Debt will be close; Operating Expenses are on track and the Customer Survey goal has exceeded target. The Scorecard looks favorable.

C3c: Quarterly Contributions, Sponsorships & Donations Report

Treasurer Hayes exited the meeting at 10:42 a.m.

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

Mr. Mello referred members to the FY 17 Contributions, Sponsorships, & Memberships Report in their Board materials. He noted that they were budgeted at \$175,000 and currently are at \$181,000, due to FAME's support of the Maine State Chamber.

C3d: 2018 Business Plan Challenges

Chair Nowak exited the meeting at 10:52 a.m.

Chair Nowak re-entered the meeting at 10:55 a.m.

Mr. Wagner reviewed the Bridging Statement, noting that the objective is to have a breakeven budget. There are many challenges, but a major challenge is in revenue generation. There is a \$1 million reduction that is a strategic decision.

Mr. Nightingale moved to enter into Executive Session to discuss changes to NextGen terms that have not been announced to investors yet (Discuss records declared confidential by statute; 1 MRSA §405(6)(F)). The motion was seconded by Mr. Daigler and approved by a vote of 10 in favor, 0 opposed and 0 abstentions.

Members entered Executive Session #4 at 10:51 a.m.

Members exited Executive Session #4 at 11:15 a.m.

D1: Modification to Maine College Savings Program Fee

A motion was made by Treasurer Hayes and seconded by Mr. Mitchell to accept the proposed changes in the Maine Administration fee for all portfolios in the client Select Series as presented.

Treasurer Hayes commented that the request was heard by the Advisory Committee and received unanimous support.

The motion was approved by a vote of 10 in favor, 1 opposed (James Violette) and 0 abstentions.

R-05-18-17-04

Mr. Pelletier exited the meeting at 11:20 a.m.

Mr. Wagner referred members to a handout of a presentation he made that outlines the process utilized by FAME for new product development. FAME has been successful on the Business side and the chart of the Current Portfolio shows the SLI/RSLI platform to generate revenue, which has been off to a slow start. There is a need to get more participation by lenders and to increase our marketing efforts. A new round of product development driven by the Voice of the Customer on the Education side is an option to offset FFELP constriction.

C4: Business

Mr. Pelletier re-entered the meeting at 11:23 a.m.

Chair Nowak noted that the WatchDesk Report and Portfolio Snapshot were provided to members in the Board packet for their review and have been to the Business Committee. Having heard no questions, the Board moved to the Confidentiality Policy and Conflict of Interest Policy workshop. None were heard.

C4a: WatchDesk Report

C4b: Portfolio Snapshot as of March 31

C5: Legal

C5a: Confidentiality Policy Workshop

Vice Chair Violette exited the meeting at 11:45 a.m.

Vice Chair Violette re-entered the meeting at 11:46 a.m.

Mr. Roney provided members with a memo outlining the confidentiality requirements applicable to FAME board members. Training is provided to board and staff members upon joining the organization, and is the subject of semi-annual training of staff. Because FAME is a public agency, everything is public except that which is deemed confidential by statute. Details related to what is considered confidential, what is considered public and the penalties for wrongful disclosure of confidential information are contained in the memo. The determination of confidentiality is generally made on a definitive basis only upon a public request. To manage risk of inadvertent disclosure of confidential information, members should consider all information provided by FAME as confidential and consult General Counsel for a determination of what specific matters are available for public disclosure, prior to disclosure. Mr. Roney reviewed each document in the May Board packet, noting any confidential item within each to give Board members a better understanding of what is confidential and to demonstrate how some items contain both public and confidential elements.

C5b: Conflict of Interest Workshop

Mr. Block exited the meeting at 12:18 p.m.

Mr. Roney provided an overview of the Conflict of Interest rules applicable to Board members by referring them to the memo in their Board packets, noting that actions by Board members are governed by: state statutes, FAME's rules and Maine common law. Staff and new Board members are trained and sign the Code of Ethics Regarding a Conflict of Interest. It also comes to the Board on an annual basis for review. Mr. Roney stressed the importance of the avoidance of the appearance of a conflict and pointed out that any concern for a possible conflict of interest or matter of confidentiality should be assessed by the CEO and the General Counsel. After ensuing discussion concerning the Gift Policy and possible ambiguity as to its applicability to compensation paid to members who may provide services to companies that have some relationship to FAME, Mr. Roney agreed to bring some improved language to the Board in the future. Members also asked that a list of entities involved in action items or for discussion be given to members in their Board packets in advance of the Board meeting in order for them to better identify any conflicts they may have.

D: ACTION ITEMS:

Mr. Pelletier exited the meeting at 12:14 p.m.

Mr. Pelletier re-entered the meeting at 12:15 a.m.

Mr. Block exited the meeting at 12:18 p.m.

Vice Chair Violette exited the meeting at 12:19 p.m.

D2: Ratification of Investment Securities for Quarter Ending March 31

Mr. Mello referred members to the Investment Allocations and Rates for the quarter ending March 31, 2017 and reported that FAME is in compliance with all investment standards. The Listing of Purchases and Maturities/Sales/Calls is before members for ratification.

A motion was made by Mr. Daigler and seconded by Treasurer Hayes to ratify investment purchases as presented. The motion was approved by a vote of 9 in favor, 0 opposed and 0 abstentions.

R-05-18-17-05

COMMISSIONERS' & TREASURER'S UPDATES

None

E: BOARD EXECUTIVE SESSION

Treasurer Hayes 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. Daigler and was approved by a vote of 9 in favor, 0 opposed and 0 abstentions.

Members entered Executive Session #5 at 12:27 p.m.

Staff, except for Bruce Wagner, exited the meeting.

Members exited Executive Session #5 at 12:43 p.m.

The meeting adjourned at 12:43 p.m.

Respectfully submitted,

James Violette, Jr., Vice Chair