

**MINUTES OF THE APRIL 20, 2017 MEETING OF THE MEMBERS
OF THE FINANCE AUTHORITY OF MAINE**

Chair Nowak called the April 20, 2017 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
Richard Roderick, Treasurer
Jonathan Block
George Gervais
Terry Hayes
Larry Mitchell
Timothy Nightingale
Rosaire Pelletier
Christopher Pierce

Those members absent:

David Daigler
James Howard
Patrick Keliher
Gregory Miller
Cheri Walker

Staff present:

Bruce Wagner, Chief Executive Officer
William Norbert, Governmental Affairs and Communication Manager
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
Scott Weber, Senior Credit Officer
Katryn Gabrielson, Deputy General Counsel
Eva Giles, College Savings Plan Manager

Lisa Brown, Human Resource Manager
Roxanne Broughton, Commercial Loan Office
Sally Garand, Commercial Loan Officer
Adele Bickford, Executive/Legal Assistant

Guests Present:

Jim Oliver, St. Croix Tissue, Inc.
Neil Buitenhuys, Key Bank
Kris Eimicke, Pierce Atwood
Dan Amory, Baxter Academy

A2: Approval of March 16, 2017 Board Meeting Minutes

A motion was made by Treasurer Hayes and seconded by Mr. Pelletier to approve the minutes of the March 16, 2017 Board meeting. The motion was approved by a vote of 7 in favor, 0 opposed and 3 abstentions (Larry Mitchell, Raymond Nowak, and George Gervais).

R-04-20-17-01

B: CHAIR'S REPORT

B1: Acceptance of the Report of the Executive Committee Meeting of March 16, 2017

A motion was made by Treasurer Roderick and seconded by Vice Chair Violette to approve the Report of the March 16, 2017 Executive Committee meeting. The motion was approved by a vote of 9 in favor, 0 opposed and 1 abstention (Raymond Nowak).

R-04-20-17-02

B2: Acceptance of the Report of the Risk Management and Audit Committee of April 6, 2017

A motion was made by Treasurer Roderick and seconded by Treasurer Hayes to approve the Report of the April 6, 2017 Risk Management and Audit Committee meeting. The motion was approved by a vote of 10 in favor, 0 opposed and 0 abstentions.

R-04-20-17-03

B3: Acceptance of the Report of the Executive Committee Meeting of April 14, 2017

Tabled

CEO's and STAFF REPORT

C1: CEO Report

Mr. Wagner asked for questions concerning the CEO Report in the board packet. Hearing none, he highlighted some items not fully covered in the report.

Mr. Wagner announced that FAME has received an application from Catalyst for a \$25 million Major Business Expansion (MBE) loan to purchase a tissue machine to be located at their Rumford mill site. They have previously presented to the Business Committee and the full board. More financial details will be provided at the May 2nd Business Committee and it is expected to come to the board for consideration at the June board meeting.

Mr. Wagner advised that there are three policies on the agenda and that each month the board will be provided with three or four policies as part of staff's effort to bring all FAME policies to the board for approval. The policies will be prioritized by importance.

Responding to a question regarding FAME's capital formation project, Mr. Wagner acknowledged that all details of the program have not been worked out but due consideration will be given to the riskier aspect of the program and concern for our existing lender partners.

C1a: Articles of Interest

Included in board packet.

C1b: Board Committee Policy

Chair Nowak provided the background for the Board Governance policy discussion. The Maine College Savings Program Work Group made recommendations related to structural changes to the Maine Advisory Committee on College Savings (Advisory Committee). After discussions with various groups and staff, the Executive Committee is recommending the changes contained in the Board Governance Policy. The changes to the Advisory Committee structure will require legislative action because the Advisory Committee is mandated in statute. Chair Nowak advised that Treasurer Hayes participated in the special Executive Committee meeting of April 14th, which reviewed the policy that resulted in their recommendation to the board and the proposed amendments in LD 602.

Mr. Wagner reviewed the policy, which provides board oversight and direction and includes the charters for the Business, Education, Risk Management and Audit committees as well as that of the Advisory Committee on College Savings. It was noted that the Executive Committee did not have a charter, which was intentional but will now be written. The policy outlines the proposed changes to the Advisory Committee membership. Mr. Mitchell reiterated his position that having the State Treasurer on the Advisory Committee lends prestige to the committee. After ensuing discussion, Chair Nowak asked for a consensus of board members in support of the proposed changes, which was received.

C1c: LD 602

Treasurer Roderick exited the meeting at 9:55 a.m.

Treasurer Roderick re-entered the meeting at 9:57 a.m.

A handout outlining the changes in LD 602 as discussed under the Board Governance Policy was provided to members. The handout also included the term for Governor appointed members to remain at four years. The term for those members appointed by the FAME Board Chair will be for

one year to accommodate their terms as board members. Treasurer Hayes will make the necessary change to that section of LD 602.

A motion was made by Vice Chair Violette and seconded by Treasurer Roderick to approve the amendments to LD 602 as presented. The motion was approved by a vote of 9 in favor, 1 opposed (Larry Mitchell) and 0 abstentions.

R-04-20-17-04

A motion was made by Treasurer Hayes and seconded by Treasurer Roderick to approve the elimination of the Advisory Council if LD 602 is enacted into law. The motion was approved by a vote of 10 in favor, 0 opposed and 0 abstentions.

R-04-20-17-05

BREAK: 10:10 a.m. – 10:18 a.m.

C2: Education Update

C2a: RSLI Overview

Vice Chair Violette exited the meeting at 10:35 a.m.

Mr. Nightingale exited the meeting at 10:36 a.m.

Vice Chair Violette re-entered the meeting at 10:38 a.m.

Mr. Nightingale re-entered the meeting at 10:38 a.m.

Ms. Johnston provided an overview of FAME's Refinance Student Loan Insurance Program (RSLI) that had a soft launch last summer. Theloanforme.com is a centralized website containing information for borrowers and lender partner information to aid Maine families in locating Maine lenders for student and refinance student loans. The overview provided in the board packet includes the program's current status, eligibility requirements, criteria and features. Ms. Johnston added that FAME's expected volume is not based on the \$4.4 billion currently in outstanding student loan debt but on the private, federal Plus loan and Grad Plus loan borrower markets. She concluded by stating that staff believes that the market is strong for refinance/consolidation student loans and that FAME can expect better market penetration results in the future.

Ms. Vanderweide provided a handout, which provides marketing activities and result metrics for the RSLI. She noted that 31 completions resulted from 360 initial searches on the website. In a survey conducted, students indicated that they are most interested in a side-by-side comparison of loans related to such things as APR and a guaranty piece. This resource will launch by mid-May.

C2b: NextGen Update

None

D: ACTION ITEMS:

D1: St. Croix Tissue, Inc. – Changes to Loan Covenants

Mr. Block exited the meeting for a conflict of interest at 10:50 a.m.

Ms. Garand introduced Jim Oliver of St. Croix and Neil Buitenhuys of Key Bank. Ms. Garand provided background for the request to waive and amend the Debt Service Coverage covenants under the St. Croix's Major Business Expansion (MBE) loan, which provided funds to purchase two tissue machines located at the Woodland paper mill in Baileyville, Maine. St. Croix management has cited start-up delays, volatility in the pulp market as well as an unexpected shutdown for the need to waive and reset certain covenants. Key Bank supports the request to change the covenants. The three financial covenants are described in the board packet, and staff is recommending approval.

A motion was made by Commissioner Gervais and seconded by Mr. Pelletier to approve the changes to the Loan Covenants as presented and described in the Executive Summary of the Commercial Credit Analysis. The motion was approved by a vote of 9 in favor, 0 opposed and 1 abstention (Jonathan Block).

R-04-20-17-06

D2: Approval of Bond Resolution – Hebron Academy

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

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

Treasurer Roderick exited the meeting at 11:11 a.m.

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

Treasurer Roderick re-entered the meeting at 11:13 a.m.

Ms. Gabrielson noted that the three bonds before the board are all non-recourse bonds, carrying no liability to or credit enhancement from FAME. In particular, the \$14,700,000 Revenue Obligation Securities Program bond for Hebron Academy is for the refinance of prior FAME bonds issued in 2007.

A motion was made by Mr. Pelletier and seconded by Mr. Nightingale to approve the Resolution authorizing the issuance and sale of up to \$14,700,000 of Revenue Obligation Securities of the Finance Authority of Maine for the benefit of Hebron Academy, authorizing and approving the execution and delivery of a loan and security agreement and other matters in connection therewith. The motion was approved by a vote of 8 in favor, 0 opposed and 0 abstentions

R-04-20-17-07

D3: Approval of Bond Resolution – Trustees of Berwick Academy (Revenue Obligation Securities Program)

Ms. Gabrielson advised that the bond resolution for the Trustees of Berwick Academy, like that of Hebron Academy, carries no liability to or credit enhancement from FAME, and is a partial refinance of existing FAME issued bonds as well as additional funding for the purchase and renovation of a new building.

A motion was made by Treasurer Hayes and seconded by Treasurer Roderick to approve the Resolution authorizing issuance and sale of up to \$9,500,000 of Revenue Obligation Securities of the Finance Authority of Maine for the benefit of the Trustees of Berwick Academy, authorizing and approving the execution and delivery of a loan and security agreement and other matters in connection therewith. The motion was approved by a vote of 8 in favor, 0 opposed and 0 abstentions.

R-04-20-17-08

D4: Approval of Bond Resolution – Mid Coast Hospital (Revenue Obligation Securities Program)

Ms. Gabrielson introduced a resolution approving Revenue Obligation Securities Program (ROSP) bonds for Mid Coast Hospital. The \$35,000,000 ROSP bond would refinance bonds previously issued by the Maine Health and Higher Education Finance Authority (MHHEFA) and to finance a portion of the cost of renovations to their Parkview facility. Again, there is no liability to or credit enhancement from FAME.

A motion was made by Treasurer Hayes and seconded by Mr. Block to approve the Resolution authorizing issuance and sale of up to \$35,000,000 in Revenue Obligation Securities (Mid Coast Hospital Issue, Series 2017) of the Finance Authority of Maine, authorizing and approving the execution and delivery of a loan and security or loan and trust agreement and other matters in connection therewith. The motion was approved by a vote of 8 in favor, 0 opposed and 0 abstentions.

R-04-20-17-09

D5: Maine New Markets Capital Investment Program – Certification Application of New Markets Investment 108, LLC related to a up to \$4,642,546.65 Qualified Equity Investment to be used for investment to an affiliate of Baxter Academies of Maine.

Mr. Block exited the meeting for a conflict of interest at 11:17 a.m.

Chair Nowak re-entered the meeting at 11:17 a.m.

Mr. Pelletier exited the meeting at 11:27 a.m.

Ms. Gabrielson introduced Dan Amory of Baxter Academy and Kris Eimicke of Pierce Atwood and referred members to the project description, schematic of the New Markets Tax Credit Structure and the Summary of Community Benefits that supports New Markets Investment 108, LLC's request for approval of the Certification Application for Baxter Academies of Maine provided in the board

materials. Approval of the Certification Application for the New Markets Capital Investment of up to \$4,642,546.65 is recommended by staff. Mr. Eimicke reviewed the schematic of the investment structure prior to the presentation by Mr. Amory of the project description. Baxter Academy is a STEM charter high school and the resulting tax credits will support the expansion of its operations by relocation to another site in Portland, consolidating its two current facilities.

A motion was made by Treasurer Roderick and seconded by Mr. Pierce to approve Certification Application of New Markets Investment 108, LLC related to an up to \$4,642,546.65 Qualified Equity Investment to be used for investment to an affiliate of Baxter Academies of Maine subject to the conditions noted in the Recommendation section of the memo to the Board from Christopher Roney, General Counsel at FAME, dated April 5, 2017. The motion was approved by a vote of 7 in favor, 0 opposed and 1 abstention (Jonathan Block).

R-04-20-17-10

D6: Approval of Capitalization Policy – Business Funds

Mr. Pelletier re-entered the meeting at 11:32 a.m.

Mr. Block re-entered the meeting at 11:32 a.m.

Vice Chair Violette exited the meeting at 11:32 a.m.

Vice Chair Violette re-entered the meeting at 11:35 a.m.

Mr. Mello advised that the three policies being presented were brought to the Risk Management and Audit Committee and were accepted. The policy applies to the Commercial Loan Insurance (CLI) program and establishes guidelines for measuring and monitoring the capital level and sets criteria and benchmarks as outlined in the policy provided to members in their board packets.

A motion was made by Treasurer Roderick and seconded by Vice Chair Violette to approve the Capitalization Policy – Business Funds as presented. The motion was approved by a vote of 9 in favor, 0 opposed and 0 abstentions.

R-04-20-17-11

D7: Approval of Fiduciary and Capitalization Policy – Education Funds

This policy sets out all the Education programs managed by FAME and underlines FAME's responsibility to its constituents and to the moral obligation of the state. The responsibility of Education is to assure that the programs are managed in accordance with the philosophy in the policy and that all capital measures, targets and reserves are maintained, which are the responsibility of Finance. A description of each program is provided in the board packet.

Ms. Johnston will present to the board in the May-June timeframe, a more detailed look at the FFELP, RSLI and Maine Loan programs.

A motion was made by Treasurer Hayes and seconded by Mr. Block to approve the Capitalization Policy – Education Funds as presented. The motion was approved by a vote of 9 in favor, 0 opposed and 0 abstentions.

R-04-20-17-12

D8: Approval of Investment Policy

The Investment Policy establishes the scope, objectives and responsibilities for the investment portfolio. It has been presented to the Risk Management and Audit Committee, which discussed the need to generate more revenue. Included with the policy in the board packet is a procedural document related to and referenced in the Investment Policy.

A motion was made by Treasurer Hayes and seconded by Mr. Pelletier to approve the Investment Policy as presented. The motion was approved by a vote of 9 in favor, 0 opposed and 0 abstentions.

R-04-20-17-13

COMMISSIONERS' & TREASURER'S UPDATES

None

E: BOARD EXECUTIVE SESSION

None

The meeting adjourned at 12:00 p.m.

Respectfully submitted,

James Violette, Jr., Vice Chair