

**MINUTES OF THE JUNE 15, 2017 MEETING OF THE MEMBERS
OF THE FINANCE AUTHORITY OF MAINE**

Chair Nowak called the June 15, 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 (*entered the meeting at 9:07 a.m.*)
Terry Hayes
James Howard
Patrick Keliher
Larry Mitchell
Timothy Nightingale
Rosaire Pelletier

Those members absent:

Gregory Miller
Christopher Pierce
Cheri Walker

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
Jonathan Harvell, Chief Information Officer
Katryn Gabrielson, Deputy General Counsel
Charles Emmons, Senior Commercial Loan Officer
Scott Weber, Senior Credit Officer

Eva Giles, College Savings Plan Manager
Lisa Brown, Human Resource Manager
Matthew Lindquist, Commercial Loan Officer
Jeff Murch, Credit Analyst
Shelly Desiderio, Chief Accounting Officer
Josh Dixon, Senior Accountant
Adele Bickford, Executive/Legal Assistant

Guests Present:

Fletcher Kittredge, GWI
Patrick Sweeney, GWI
Steve Thomas, Skowhegan Savings Bank

A2: Approval of May 18, 2017 Board Meeting Minutes

A motion was made by Treasurer Hayes and seconded by Mr. Mitchell to approve the minutes of the May 18, 2017 Board meeting. The motion was approved by a vote of 11 in favor, 0 opposed and 0 abstentions.

R-06-15-17-01

B: CHAIR'S REPORT

B1: Acceptance of the Report of the Executive Committee Meeting of May 18, 2017

A motion was made by Treasurer Roderick and seconded by Vice Chair Violette to accept the Report of the May 18, 2017 Executive Committee meeting. The motion was approved by a vote of 11 in favor, 0 opposed and 0 abstentions.

R-06-15-17-02

B2: Acceptance of the Report of the Business Committee Meeting of May 2, 2017

A motion was made by Mr. Pelletier and seconded by Commissioner Keliher to accept the Report of the May 2, 2017 Business Committee meeting. The motion was approved by a vote of 11 in favor, 0 opposed and 0 abstentions.

R-06-15-17-03

B3: Report of the Education Committee Meeting of May 4, 2017

A motion was made by Mr. Mitchell and seconded by Mr. Pelletier to accept the Report of the May 4, 2017 Education Committee meeting. The motion was approved by a vote of 12 in favor, 0 opposed and 0 abstentions.

R-06-15-17-04

CEO's and STAFF REPORT

C1: CEO Report

Vice Chair Violette exited the meeting at 9:10 a.m.

Vice Chair Violette re-entered the meeting at 9:15 a.m.

Commissioner Keliher exited the meeting at 9:46 a.m.

Commissioner Keliher re-entered the meeting at 9:56 a.m.

Mr. Wagner reported that he, Martha Johnston and Ray Nowak met last week with Greg Powell, Chair of the Harold Alfond Foundation (HAF), Steve Akin, Chair of the Alfond Scholarship Foundation and Colleen Quint, President of HAF to discuss the relationship between FAME and HAF in regards to brand coordination issues. The SEC regulated environment surrounding marketing NextGen has strained FAME's and HAF's relationship. A facilitated meeting with Ms. Quint will be scheduled to sort out brand positioning. Beyond that meeting, it was decided that the Strategic Plan originally developed in 2014 needs to be refreshed and the outcome should involve how NextGen is to be marketed. There are legal issues to be worked out as well. Chair Nowak offered his perspective as a board member and as an outside observer of the unique relationship between HAF and FAME. As a result of the meeting, Chair Nowak learned things about the relationship of which he had been unaware and felt that members could benefit from knowing more about where the Foundation is coming from and where they want to go, which in turn, could help members provide guidance to Mr. Wagner. He observed that the basic element of communication is lacking in terms of philosophy and strategy and that a few tweaks to the partnership could help the communication issue. Mr. Wagner suggested inviting Mr. Powell and Ms. Quint to come to FAME's board for a discussion and expressed that FAME values their relationship with HAF.

An Executive Session was requested to report on pending legislation (LD 1163).

Mr. Roney expressed his opinion that there was no legal basis upon which to go into executive session for the referenced matter.

Commissioner Gervais moved to enter into Executive Session. The motion was seconded by Mr. Howard and approved by a vote of 11 in favor, 1 opposed (Jonathan Block) and 0 abstentions.

Members entered Executive Session #1 at 9:22 a.m.

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

Mr. Wagner provided more information on Catalyst in addition to that in his CEO report. Staff is engaging outside resources in engineering, environmental and a market study to provide information on the key elements of the project. Executive management will present to the board in July to address some of the key elements of the application and staff will be clear in their position at that time. Mr. Wagner reported that Joe Nemeth, who previously was the President of Catalyst, has left and the board chair, Les Lederer, has stepped as interim CEO. Bruce is scheduled to meet with him and other key staff for preliminary introductions. Discussion ensued regarding timing and process. Catalyst will come to the board in July to provide more detailed information, however, the

studies being commissioned will not be available at that time and it is possible that consideration of the MBE would be put off to August or September, if necessary. The Business Committee will meet June 27th and again before Catalyst comes to the Board for approval. Vice Chair Violette asked that staff provide the criteria for determining “a strong likelihood of repayment”, not necessarily specific to Catalyst, but rather in general, before the Board is asked to make a decision.

Mr. Wagner reminded members of the previous discussion to consider going Downeast for the October board off-site visit and that they should expect to hear from staff in order to firm up plans. However, there is another opportunity involving a possible MBE to come to the board, which would require a different venue. Mr. Wagner will speak more to this in Executive Session as an application has not been received as yet.

Mr. Wagner asked members if any of them would be interested in participating in Greenlight Maine, which staff has already participated in. It involves being on a panel as judge, hearing three business presentations and voting on the best. The timeframe would be late summer and Mr. Wagner asked any member interested to get back to him.

Mr. Wagner asked to go into executive session to discuss a possible MBE request for which an application has not been received.

Mr. Mitchell moved to enter into Executive Session to discuss records or information contained in records obtained or developed prior to the receipt of an application for financial assistance from the Authority (10 MRSA §975-A(2)(A). The motion was seconded by Mr. Pelletier and approved by a vote of 11 in favor, 0 opposed and 0 abstentions.

Members entered Executive Session #2 at 9:51 a.m.

Members exited Executive Session #2 at 9:56 a.m.

Chair Nowak exited the meeting for a conflict of interest at 9:51 a.m.

C1a: Customer Satisfaction Survey

Chair Nowak re-entered the meeting at 9:57 a.m.

Vice Chair Violette exited the meeting at 9:58 a.m.

Vice Chair Violette re-entered the meeting at 10:01 a.m.

Commissioner Keliher exited the meeting at 9:59 a.m.

Commissioner Keliher exited the meeting at 10:07 a.m.

Ms. Vanderweide reviewed the results of the Customer Satisfaction Survey provided in the memo to the board in the board packet. She announced that FAME received another high customer satisfaction score of 4.47. She noted that the scores for two customers, NextGen Financial Advisors and Educators for Maine, fell below the 4.4 overall goal. Ms. Vanderweide advised that staff responds to individual respondents when the results are first received and then works in teams to

develop action plans to improve results going forward. She concluded by reading actual feedback and comments from customers.

C2a: NextGen Update

Mr. Howard moved to enter into Executive Session to discuss information contained in records of the Authority declared confidential by statute (1 MRSA §405(6)(F)). The motion was seconded by Treasurer Roderick 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 #3 at 10:12 a.m.

Members exited Executive Session #3 at 10:13 a.m.

C3a: Leveraged Owner Buyout Policy

Mr. Mitchell exited the meeting at 10:07 a.m.

Mr. Mello referred members to the materials in their board packets. The draft Leveraged Lending Policy is presented as a result of discussions by the Business Committee and an increased demand for “leveraged” loans involving the transfer of company ownership. The policy establishes the underwriting requirements for leveraged loans. After ensuing discussion, Chair Nowak indicated that the policy should go back to the Business Committee, either as a stand-alone policy or part of the Credit Policy, and then come back again to the Board. Treasurer Roderick asked that links to procedures be provided in order to better understand the policy.

BREAK: 10:30 a.m. – 10:44 a.m.

Commissioner Gervais exited the meeting at 10:39 a.m.

Mr. Wagner noted for members that the documents in the board packet have been marked as “confidential” or “not confidential” and that practice will continue.

RedZone

Mr. Nightingale exited the meeting for a conflict of interest at 10:45 a.m.

Treasurer Hayes 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 8 in favor, 0 opposed and 0 abstentions

Members entered Executive Session #4 at 10:45 a.m.

Members exited Executive Session #4 at 10:52 a.m.

C4a: Red Flag Policy Annual Report

Mr. Nightingale re-entered the meeting at 10:53 a.m.

Ms. Gabrielson reported that there have been no instances of “red flags” under the Identify Theft Prevention Program at FAME. The Program was implemented in 2009 when it was approved by the Board and complies with certain Federal Trade Commission regulations related to identifying, detecting, and responding to patterns, practices, or specific activities that could indicate identity theft.

D: ACTION ITEMS:

D2: Commercial Loan Request – Biddeford Internet Corp., d/b/a/GWI

Vice Chair Violette exited the meeting 11:17 a.m.

Vice Chair Violette re-entered the meeting at 11:19 a.m.

Mr. Lindquist introduced Patrick Sweeney and Fletcher Kittredge of GWI and Steve Thomas of Skowhegan Savings Bank and referred members to the request for commercial loan insurance in their board packets. The request is for commercial loan insurance (90%) on a \$2.45 million term loan and a \$250,000 working capital line of credit by Skowhegan Savings Bank. Mr. Lindquist noted that the bank request noted in the loan analysis to allow repayment of a shareholder note has been withdrawn. Mr. Thomas provided a historical look at the company and indicated that the bank believes that GWI’s services will help companies in rural Maine to continue to be competitive, offer jobs and employment and also retain 55 good paying jobs in southern Maine. The company expects to make close to \$1 million in capital expenditures each year and FAME is being asked to bridge the resulting collateral gap. Mr. Thomas added that \$500,000 will not be released to GWI pending the outcome of the lawsuit set for appeal this summer.

Mr. Kittredge addressed the lawsuit issue, adding that rather than suing, GWI withheld payment, which accrues interest, on advice of Counsel and he expects a decision in the next four months. In order to discuss company financials an executive session was requested.

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. Block and approved by a vote of 9 in favor, 0 opposed and 0 abstentions

Members entered Executive Session #5 at 11:11 a.m.

Members exited Executive Session #5 at 11:31 a.m.

Chair Nowak asked members to turn to the two resolutions in their board packets giving approval for the term loan and line of credit for GWI.

A motion was made by Treasurer Hayes and seconded by Mr. Howard to authorize loan insurance for a \$250,000 Line of Credit and to authorize loan insurance for a \$2,450,000 term loan for Biddeford Internet Corporation. The motion was approved by a vote of 7 in favor, 1 opposed (James Violette) and 1 abstention (Ray Nowak).

R-06-15-17-05

D4: Request for Loan Modification – Elmet Acquisitions, LLC

This item was withdrawn from the agenda.

D3: Approval of Modifications to the Maine College Savings Program

Ms. Giles presented the proposed modifications to three NextGen College Investing Plan® fund managers, BlackRock, Franklin Templeton and MFS, which move to an incrementally more progressive glide path.

Treasurer Hayes moved to enter into Executive Session to discuss records declared confidential by statute under 1 MRSA §405(6)(F). The motion was seconded by Treasurer Roderick and approved by a vote of 9 in favor, 0 opposed and 0 abstentions

Members entered Executive Session #6 at 11:35 a.m.

Members exited Executive Session #6 at 11:43 a.m.

The move to fee reductions was acknowledged by Chair Nowak.

A motion was made by Treasurer Hayes and seconded by Treasurer Roderick to approve the three Resolutions for Modifications to the Maine College Savings Program authorizing the Chief Executive Officer to take such actions necessary to implement such modifications for BlackRock, Franklin Templeton and MFS, as presented. The motion was approved by a vote of 9 in favor, 0 opposed and 0 abstentions.

R-06-15-17-06

D1: 2018 Budget Approval

Mr. Howard exited the meeting at 11:45 a.m.

Mr. Howard re-entered the meeting at 11:48 a.m.

Mr. Pelletier exited the meeting at 11:52 a.m.

Ms. Desiderio reviewed the FY 2018 Budget with members by directing them to the materials in their board packets. She referred them to the analysis of the FY 17 forecast to the FY 18 budget, highlighting those line items demonstrating the most variance. She also referred members to Provision for Loan Losses, citing the decline in Maine Loan provision for losses and the provision for insured loan losses in the Maine Private Education Loan Program. Lastly, included is a listing of Contributions, Sponsorships & Memberships, which is a legislative requirement.

A motion was made by Treasurer Roderick and seconded by Mr. Howard to approve 2018 Budget as presented. The motion was approved by a vote of 8 in favor, 0 opposed and 0 abstentions.

R-06-15-17-07

D5: Approval of Underwriting Policy – Credit-based Education Loan Program

Tabled.

Ms. Johnston advised members that this policy was first reviewed by the Education Committee in September 2016 and in the spring a draft was submitted to Committee outlining how the underwriting criteria are to be applied, how exceptions are to be managed and how the portfolio is to be managed. In May, members were asked for their feedback and the suggestions were re-circulated to members, which is what is before members at this meeting. Some members voiced a concern that the criteria is not listed in the policy for approval. The policy approval was tabled until the policy can be modified and brought back to the Board.

D6: Approval of Fiduciary and Capitalization Policy – Education Funds

Mr. Howard exited the meeting at 12:20 p.m.

This policy is being brought to the Board in order to target a reserve amount for NextGen and provide guidance for the strategic use of FFELP funds because of the declining FFELP portfolio. Members were reluctant to approve a policy in which Definition and Procedures will be updated in the future. It was suggested that the Procedure section could state that procedures outline how the policy premise will be met and how those procedures will be followed. Mr. Wagner assured members that that wording will be incorporated in some fashion in the procedures coming to the Board in the future. The policy approval was tabled until the policy can be modified and brought back to the Board.

COMMISSIONERS' & TREASURER'S UPDATES

Kristi Carslow will be leaving the Treasurer's Office in mid-July. She has taken another position.

E: BOARD EXECUTIVE SESSION

Mr. Daigler 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 Vice Chair Violette and was approved by a vote of 7 in favor, 0 opposed and 0 abstentions.

Members entered Executive Session #7 at 12:27 p.m.

Staff, except for Bruce Wagner, exited the meeting.

Members exited Executive Session #7 at 12:48 p.m.

The meeting adjourned at 12:48 p.m.

Respectfully submitted,

James Violette, Jr., Vice Chair