

**MINUTES OF THE MAY 21, 2015 MEETING OF THE MEMBERS
OF THE FINANCE AUTHORITY OF MAINE**

Chair Nowak called the May 21, 2015 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

A1: Ascertainment of Quorum

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
Jonathan Block
Reis Hagerman
James Howard
Rosaire Pelletier
Christopher Pierce
Richard Roderick
Cheri Walker, Treasurer

Those members absent:

George Gervais
Terry Hayes
Patrick Keliher
Gregory Miller
Larry Mitchell
Susan Snowden

Staff present:

Bruce Wagner, Chief Executive Officer
Christopher Roney, General Counsel
Carlos Mello, Director of Business and Finance
Elizabeth Vanderweide, Director of Business Development/Marketing
Martha Johnston, Director of Education
Charles Emmons, Senior Commercial Loan Officer
Sally Garand, Commercial Loan Officer
Jennifer Cummings, Senior Workout Officer

Katryn Gabrielson, Deputy General Counsel
William Norbert, Governmental Affairs & Communications Manager
Scott Weber, Senior Credit Officer
Mary Dyer, Financial Education Specialist
Mila Tappan, College Access Counselor and Outreach Manager
Angela Dostie, NextGen Manager
Joshua Dixon, Senior Accountant
Jeffrey Murch, Credit Analyst
Adele Bickford, Executive/Legal Assistant

Guests Present:

Kate Leveille, MaineCAN
Bob Parsloe, Wireless Partners
Michael Harder, Wireless Partners
Tom Buckley, Wireless Partners
Julia Munsey, Wireless Partners
Jeffrey Gosselin, Mechanic Savings Bank
Ron Roope, Bangor Savings Bank
Sheryl DeWalt, Beal Education, LLC
Arnold Shorey, Foxcroft Academy
Dan White, Foxcroft Academy
Cheryl Carrier, Toddle Inn Day Care, Inc.
Dean Waterman, Camden National Bank
Mark Carrier, Toddle Inn Day Care, Inc.

A2: Approval of April 16, 2015 Board Meeting Minutes

A motion was made by Mr. Pelletier and seconded by Mr. Howard to approve the minutes of the April 16, 2015 Board meeting. The motion was approved by a vote of 9 in favor, 0 opposed and 0 abstentions.

R-05-21-15-01

CHAIR'S REPORT

B1: Acceptance of the Report of the Executive Committee Meeting of April 16, 2015

A motion was made by Treasurer Walker and seconded by Mr. Howard to accept the Report of the Executive Committee Meeting of April 16, 2015. The motion was approved by a vote of 9 in favor, 0 opposed and 0 abstentions.

R-05-21-15-02

B2: Acceptance of the Report of the Business Committee Meeting of May 4, 2015

Chair Nowak noted that there were a number of process issues raised and discussed and staff and committee members will be following up.

A motion was made by Vice Chair Violette and seconded by Mr. Pierce to accept the Report of the Business Committee Meeting of May 4, 2015. The motion was approved by a vote of 9 in favor, 0 opposed and 0 abstentions.

R-05-21-15-03

Mr. Pierce added that also discussed was how staff works in conjunction with the committee and the committee's role. The additive role of the committee based on risk level and amount was discussed and recommendations to the board will be made in the next couple of months.

B3: Board Evaluation Tool Update

Chair Nowak received some comments from board members regarding the current Board Evaluation Tool, which after consideration of those comments and discussions with Mr. Wagner, staff will review other board evaluations and propose a more robust model. The modified Evaluation Tool will come to the board in June for any last adjustments and agreement to use will be sought at that time.

C: CEO's and STAFF REPORT

C1: CEO's Report

Members were provided a copy of the 2016 – 2018 Strategic Plan as FAME enters its deployment phase. Mr. Wagner asked for board feedback. In the ensuing discussion, Mr. Wagner explained that the Strategic Plan is directly connected to the budget, which will come to the board for approval in June. He took under advisement a suggestion to portray Maine's economic trends more favorably.

Mr. Wagner previewed the schedule for the board's two day off-site visit to Bangor in October: first day - visits to businesses/partners and dinner in the evening with other developmental agencies; second day – regular board meeting followed by a detailed look at the Strategic Plan, which will be re-visited on a quarterly basis thereafter.

FAME staff has had an in-depth review with Maine Education Services (MES) regarding staffing and other elements that will be required resulting from the merger of MELA and FAME. MES currently services the Maine Education Loan Authority (MELA). Staff is also working with a MELA sub-committee of their board putting together a project plan. The Legislature must pass the bill approving the merger in June before adjournment if the merger is to take place this year. FAME will prepare a proforma budget for the merger for the June board meeting.

C2: Strategic Deployment Update

See previous CEO Report.

C3: Legislative Update

Mr. Norbert advised members that the Legislature will adjourn in a month and committees have until the end of the week to get their bills out. FAME has received support for its bills, either by enactment or for those on their way to be enacted. The Appropriations Committee may vote this

afternoon for a \$5 million increase to the Maine State Grant Program. FAME has worked cooperatively with the Governor's office regarding MELA and STEM, and for proposed enhanced tax credits for student educated out of state but returning home to Maine. Mr. Norbert invited members to FAME Day, which will be held in the Hall of Flags at the State House on June 10th, showcasing FAME's programs.

Mr. Norbert updated the board on the New Markets Tax Credit (NMTC) legislation. The third work session scheduled for yesterday was cancelled. FAME has been giving input and drafting language since it offered the amendment to abolish the one day loan. However, there are other ideas being proposed dealing fee structuring and allocation amounts.

C4: MaineCAN – Goals and Success Matrix

Ms. Johnston announced that FAME is hosting Future Faces of Maine 529 Celebration in May that will be held at three locations: Aroostook County, Portland and Bangor. The event will increase awareness for saving for college.

In January, the FAME board approved a \$27,000 contribution, which, in partnership with Maine College Access Network (MaineCAN), GEAR Up and MELMAC, provides the funds to hire a MaineCAN Project Coordinator. MaineCAN coordinates the efforts of college access networks to improve access to higher education to those persons disadvantaged economically and geographically. Ms. Johnston introduced Mila Tappan, FAME's College Access Counselor and Outreach Manager, who represents FAME on MaineCAN's Steering Committee and Kate Leveille, MaineCAN's newly hired Project Coordinator.

MaineCAN's 10 member Steering Committee provides the leadership and direction for the organization, which was begun in 2010. Ms. Tappan handed out a list of the committee members and reviewed the six objectives, which are included in the board materials: Best Practices Conference, Aspire Higher Maine!, Summer Training, Summer Melt, College Access Directory, and 501(c)3.

C5: Quarterly Financial Report for March 31

Vice Chair Violette exited the meeting at 10:16 a.m.

Mr. Mello reviewed the 3rd quarter financials, referring members to the chart in their board materials, which compares the first nine months of this fiscal year 2015 to the YTD budget as well as to the 2015 forecast. He provided detail for individual line items and noted that FAME is essentially "on budget" at this time. Included in the review is a chart providing the activity for Commercial Loan Insurance (CLI) losses from the actuals and budgeted amounts from FY 2012 through FY 2014 and budget and forecast amounts in FY 2015. Mr. Mello indicated that the loan losses trend is positive. In the ensuing discussion, a reporting issue was identified. The losses associated with Economic Recovery Loan Program loans are not reflected in either of those reported for CLI or charge-offs and, therefore, those losses are not tracked or monitored for the board. Mr. Wagner stated that details of ERLP will be presented at the next board meeting.

C6: Scorecard

Mr. Mello reviewed the Scorecard results year to date, noting that most goals have been met or are close to being met. He also noted that there is improvement overall from the previous year.

C7: Ratification of Investment Purchases

Vice Chair Violette re-entered the meeting at 10:22 a.m.

Mr. Mello referred members to the Listing of Purchases and Maturities/Calls and the current portfolio make-up, which are in line with all portfolio guidelines and in compliance with the Investment Policy. Treasurer Walker reported that the Risk Management and Audit Committee met last week and is recommending ratification of the activity.

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

R-05-21-15-04

C8: Quarterly Contributions, Sponsorships & Donation Report

Mr. Mello provided a handout of FAME's Contributions, Sponsorships and Memberships, which includes the budgeted amount agreed to by the board, YTD spending and the FY 15 spending forecast. This information is reported to the board on a quarterly basis.

C9: Identify Theft Prevention Program – Annual Report

Ms. Gabrielson reported as part of the required annual report of the Identity Theft Prevention Program that there has not been any actual red flag activity reported. It was suggested that the Risk Management and Audit Committee might be the best vehicle for determining if a more encompassing report should be made to the board in the future.

C10: Monthly Update for Board on Lumber, Wood, and Paper Industry

Mr. Weber reported that there has been no material change in the current insurance exposure to the lumber, wood, forestry and paper industry. Exposure was at 84.9% of the policy maximum last month and is at 83% this month.

BREAK: 10:30 a.m. – 10:38 a.m.

D: PRESENTATION – WIRELESS PARTNERS

Mr. Hagerman re-entered the meeting at 10:41 a.m.

Vice Chair Violette exited the meeting at 10:58 a.m.

Vice Chair Violette re-entered the meeting at 11:00 a.m.

Mr. Emmons introduced Jeffrey Gosselin, Mechanics Savings Bank, and Bob Parsloe, Michael Harder, Tom Buckley and Julia Munsey, all of Wireless Partners, who will present to the board

prior to submitting a formal request expected to come before the board in June. Mechanic Savings Bank is seeking 95% Commercial Loan Insurance on a \$3.4 million term loan to Wireless Partners to allow for the construction of a 4G LTE network in Washington and East Hancock counties under contract with Verizon Wireless. Mr. Parsloe provided two handouts outlining the project, one of which will be reviewed in executive session.

Mr. Parsloe presented an overview of the company, noting an additional \$1 million capital contribution has been made to project from members of the Wireless Partners group. Wireless Partners has two contracts with Verizon, Business and FCC Licensing, which will enable the company to provide cost effective network coverage to the areas in Maine that currently have little reliable coverage.

Mr. Roderick moved to enter into Executive Session to discuss records for which confidentiality has been requested and disclosure of which the Authority has determined would have a harmful business effect. The motion was seconded by Mr. Hagerman and approved by a vote of 9 in favor, 0 opposed and 0 abstentions.

Member entered Executive Session No. 1 at 11:02 a.m.

Member exited Executive Session No. 1 at 11:15 a.m.

E: ACTION ITEMS

E1: Approval of Bond Resolution – Casella Waste Systems, Inc. (Revenue Obligation Securities Program)

Tabled until next month.

E2: Approval of Bond Resolution – Trustees of Foxcroft Academy (Revenue Obligation Securities Program)

Vice Chair Violette exited the meeting for Conflict of Interest at 11:15 a.m.

Mr. Roney stated that the bond request from the Trustees of Foxcroft Academy under the Revenue Obligation Securities Program does not pose any liability or credit enhancement from FAME. A Public Hearing was held and no comments were received. Mr. Roney introduced Dan White and Arnold Shorey of Foxcroft Academy. Mr. Shorey stated that Foxcroft Academy is a town school as well as a boarding school, and the bonds allowed the Academy to build two new dormitories and to renovate its dining facilities. The students, both local and boarding, impact the community economically and culturally and the income from the boarding students' tuition allows the school to offer more courses than public schools that are increasingly faced with budget cuts. Mr. White added that increased enrollment has meant an increase in employment.

A motion was made by Mr. Roderick and seconded by Mr. Hagerman to approve the resolution authorizing the issuance and sale of up to \$14,600,000 in Revenue Obligation Securities (Foxcroft Academy Issue, Series 2015) of the Finance Authority of Maine, authorizing and approving the execution and delivery of a loan and security agreement, a tax compliance certificate and other matters in connection therewith. The motion was approved by a vote of 8 in favor, 0 opposed and 1 abstention (James Violette, Jr.).

R-05-21-15-05

E3: Beal Education, LLC – Request for Commercial Loan Insurance

Mr. Block exited the meeting at 11:24 a.m.

Mr. Block re-entered the meeting at 11:26 a.m.

Mr. Emmons introduced Ron Roope of Bangor Savings Bank and Cheryl DeWalt, Beal Education LLC. The request before the board is for 90% commercial loan insurance for a \$1.4 million term loan and 90% insurance for a \$200,000 line of credit for the purchase and working capital for Beal College. Mr. Emmons pointed out that there has been a modification to formal legal assignment of the note receivable between Ross Education LLC and Ms. DeWalt; Ms. DeWalt sold the Health Training Center owned by her to Ross Education LLC. Instead of the formal legal assignment, a covenant has been built into the loan agreement by which payment from Ross to Cheryl will be put in escrow and the use of the funds will be subject to approval from FAME and the bank. Mr. Roney noted that the covenant is not as strong as a legal assignment. The conditions have been met and approved, and FAME staff is recommending approval.

Mr. Roope outlined the bank's request: a \$1.4 million, 5year, term loan with 90% FAME commercial loan insurance secured by all business assets and Ms. DeWalt's personal guarantee. The \$200,000 line of credit, a one year facility, is cross collateralized by the term loan and will be used for working capital. Special conditions imposed by the bank are provided in the materials in the board packet.

Ms. DeWalt, who has an audit background, indicated to members that she wants to grow Beal by including on-line classes and establishing a Portland campus. Beal is able to stretch out its revenues by its use of a modular system, which allows students to pick up classes every 6 to 8 weeks.

A motion was made by Mr. Pelletier and seconded by Mr. Howard to approve two resolutions 1) authorizing loan insurance for a \$1,400,000 term loan and 2) authorizing loan insurance for a \$200,000 Line of Credit loan for Beal Education, LLC. The motion was approved by a vote of 7 in favor, 0 opposed and 1 abstention (Richard Roderick).

R-05-21-15-06

E4: Toddle Inn Day Care, Inc. – Request for Amendment for Commercial Loan Insurance

Ms. Garand introduced Mark Carrier and Cheryl Carrier of Toddle Inn Day Care, Inc. and Dean Waterman of Camden National Bank. Camden National Bank is seeking 15.72% CLI on a \$6.3 million loan after construction of a pool, office, gym and classroom space are completed in Scarborough. FAME originally approved 20% CLI on a \$5 million loan and under the present request, would not increase its exposure. After recent appraisals, collateral is in a break even position, representing a material change from the original collateral position and, therefore, requiring board approval. Staff is recommending approval with Special Conditions as provided in the board packet.

Mr. Pierce moved to enter into Executive Session to discuss records for which confidentiality has been requested and disclosure of which the Authority has determined would have a harmful business effect. The motion was seconded by Treasurer Walker and approved by a vote of 8 in favor, 0 opposed and 0 abstentions.

Member entered Executive Session No. 2 at 11:56 a.m.

Member exited Executive Session No. 2 at 12:00 p.m.

A motion was made by Mr. Roderick and seconded by Mr. Hagerman to approve amendments for commercial loan insurance to Toddle Inn Day Care, Inc. as presented. The motion was approved by a vote of 8 in favor, 0 opposed and 1 abstention (James Violette, Jr.)

R-05-21-15-07

E5: Business Division Direct Loan and Loan Insurance Credit Policy Modifications

Treasurer Walker exited the meeting at 12:02 p.m.

Vice Chair Violette re-entered the meeting at 12:03 p.m.

Mr. Weber reported that the Business Committee met on May 4, 2015 and suggested changes to the Loan Policy as provided in the board packet, and a memo also included outlines those changes. The Loan Policy is reviewed annually by the board. The Business Committee is recommending the changes as presented.

A motion was made by Mr. Pierce and seconded by Mr. Pelletier to approve the modifications to the Business Division Direct Loan and Loan Insurance Credit Policy. The motion was approved by a vote of 8 in favor, 0 opposed and 0 abstentions.

R-05-21-15-08

E6: NextGen College Investing Plan – Modification to Distribution Plan for Oppenheimer Champion Income Fund Class Action Settlement Funds

Treasurer Walker re-entered the meeting at 12:05 p.m.

Ms. Gabrielson stated that there are insufficient funds to cover the cost of distribution previously approved by the board of funds related to an Oppenheimer Champion Income Fund class action settlement. The cost of distribution amount had been determined based on prior experience. Staff is seeking approval to recalculate the distribution net of the cost of distribution, up to \$26,000.

A motion was made by Treasurer Walker and seconded by Mr. Block to approve the modification to Distribution Plan for Oppenheimer Champion Income Fund Class Action Settlement Funds. The motion was approved by a vote of 9 in favor, 0 opposed and 0 abstentions.

R-05-21-15-09

COMMISSIONERS' & TREASURER'S UPDATES

None.

The meeting adjourned at 12:07 p.m.

Respectfully submitted,

James Violette, Jr., Vice Chair