

**MINUTES OF THE AUGUST 21, 2014 MEETING OF THE MEMBERS
OF THE FINANCE AUTHORITY OF MAINE**

Chair Nowak called the August 21, 2014 meeting of the members of the Finance Authority of Maine to order at 9:01 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
Patrick Murphy, Vice Chair
Cheri Walker, Treasurer
Jonathan Block
Neria Douglass
George Gervais
Reis Hagerman
James Howard
Gregory Miller
Larry Mitchell
Rosaire Pelletier
Christopher Pierce
James Violette, Jr.

Those members absent:

Patrick Keliher
Susan Snowden

Staff present:

Bruce Wagner, Chief Executive Officer
Christopher Roney, General Counsel
Charles Emmons, Senior Commercial Loan Officer
Carlos Mello, Director of Finance and Lending
Elizabeth Vanderweide, Director of Business Development and Customer Relations
Katrjn Gabrielson, Deputy General Counsel
William Norbert, Governmental Affairs & Communications Manager

Scott Weber, Credit Manager
Scott Bursey, Commercial Loan Officer
Joshua Dixon, Senior Accountant
Shelly Desiderio, Accounting and Finance Manager
Sally Garand, Commercial Loan Officer
Jennifer Cummings, Senior Workout Office
Richard Whitehouse, Research Data Analyst
Adele Bickford, Executive/Legal Assistant

Guests Present:

Bill Berry, Saddleback
Faith Berry, Saddleback
Mark Berry, Saddleback
Christopher Farmer, Saddleback
David Cyr, Skowhegan Savings Bank

A2: Approval of July 17, 2014 Board Meeting Minutes

Ms. Gabrielson asked that the sentence in the section of the minutes relating to the approval for the modification to the Maine Administration fee in NextGen be struck.

A motion was made by Treasurer Douglass and seconded by Mr. Howard to approve the minutes of the July 17, 2014 board meeting as amended. The motion was approved by a vote of 13 in favor, 0 opposed and 0 abstentions.

R-08-21-14-01

B: CHAIR'S REPORT

B1: Board Annual Evaluation

Chair Nowak asked for members' comments after receiving the results of the board survey. He noted that an area of concern for members is having sufficient time to review such items as Major Business Expansion loans, adding that the procedure to improve the process is underway. Mr. Wagner stated that Best Practice is to have the materials to the board in advance of the meeting. He added that he is seeking board involvement in the strategic planning process.

C: CEO's and STAFF REPORT

C1: CEO's Report

Mr. Wagner referred members to the Articles of Interest, informing members that FAME continues to help to find equity for the Nova Star. He also pointed to a news release in the Bangor Daily News regarding the expansion of the OnLine Answer program approved by the board last month. FAME has received two applications to date under the expanded program.

C2: 2014 Strategic Plan Update

Mr. Wagner updated the board on the objectives of the 2014 Strategic Plan in their board packet. He noted that the number of Economic Recovery Loan Program (ERLP) loans and Commercial Loan Insurance (CLI) are both down and staff will be looking at data to determine the reason. Most goals were met.

C4: FAME Scorecard

Mr. Mello reviewed the seven Scorecard goals with members. Six of the seven goals were met, with the seventh falling just short of the very ambitious goal set for contributions to Maine NextGen accounts.

C5: 2014 Incentive Approval

Mr. Wagner asked the board to approve the incentive payment based on the level of the goals achieved. The payout is based on 93.9% on monies accrued of \$86,000.

A motion was made by Treasurer Walker and seconded by Vice Chair Murphy to approve the 2014 incentive payment . The motion was approved by a vote of 13 in favor, 0 opposed and 0 abstentions.

R-08-21-14-02

C3: Environmental Assessment/SWOT

Mr. Block exited the meeting at 9:44 a.m.

Mr. Block re-entered the meeting at 9:45 a.m.

Members were provided a handout of an environmental and trends analysis as part of the strategic planning process. The first step in the process that the board was instrumental in developing was the Brand Promise. The environmental assessment outlines the trends in education and business and is the reference book supporting the broad overview. Each of the 11 categories is plotted as to how fast the trend is growing relative to the strategic impact on FAME's brand. Mr. Wagner's goal is to have the board deeply involved in the process by asking questions similar to those posed in the Executive Summary. Mr. Wagner asked members to review the materials in the Trends Analysis and come back in September with questions of their own. Staff has completed the barriers and solutions for Education and will do the same for Business in September.

C8: Organization Update

Mr. Wagner referred members to the before and after charts of FAME's organization. The "before" organization chart indicates that Mr. Wagner has five direct reports. The HR manager position was moved from Legal to his direct report last month and a newly created position, Director of Education, will also report to him effective September 1st. Ms. Vanderweide will be the Director of Business Development and Marketing. The Executive Committee was consulted prior to this update to the board.

BREAK: 9:59 a.m. – 10:07 a.m.

C6: Ratification of Investment Purchases: April-June

Vice Chair Murphy exited the meeting at 10:07 a.m.

Mr. Mello stated that there were \$6.8 million in securities purchased offset by \$5.9 sold or matured in the last quarter. An effort was made to re-balance the portfolio to get a higher yield by purchasing more commercial bonds and less agency securities.

A motion was made by Treasurer Walker and seconded by Mr. Pelletier to ratify investment purchases, April - June. The motion was approved by a vote of 12 in favor, 0 opposed and 0 abstentions.

R-08-21-14-03

C7: Quarterly Financial Report – June 30, 2014

Vice Chair Murphy re-entered the meeting at 10:13 a.m.

Mr. Mello provided a handout, which is a replacement page for the income statement in the board packet. He listed seven key budget drivers affecting the excess revenue budget line, noting that the two factors having the biggest impact are NextGen contributions versus withdrawals and anticipated net claims on insured loans versus loss reserve estimation. At the request of board members, Mr. Mello will present the actuals for 2014 compared to the approved 2015 budget at next month's board meeting. The 2015 budget approved by the board was based on projections made two months ago. The actuals for 2014 differ from projections by almost \$2 million.

C9: Monthly Update for Board on Lumber, Wood and Paper Industry

Mr. Weber reported that the current insurance exposure to lumber, wood, forestry and paper is at 90%, which is where it has been for the last two months. Mr. Weber also indicated that the Farming, Forestry and Fishing initiative could impact this going forward.

D: ACTION ITEMS

D2: Request for Economic Recovery Loan Program Loan – Saddleback, Inc.

Commissioner Gervais exited the meeting at 10:47 a.m.

Commissioner Gervais re-entered the meeting at 10:49 a.m.

Treasurer Walker exited the meeting at 10:55 a.m.

Treasurer Walker re-entered the meeting at 10:57 a.m.

Mr. Pelletier exited the meeting at 11:05 a.m.

Mr. Emmons introduced Berry family members, Bill, Mark and Faith, Chris Farmer, General Manager of Saddleback and David Cyr of Skowhegan Savings Bank and then referred members to a handout that summarizes the request from Saddleback before the board. FAME staff is

recommending approval of a \$500,000 Economic Recovery Loan Program (ERLP) loan, which would be used to refurbish an existing lift and a modification to its 90% insurance on a term loan that will allow Skowhegan Savings Bank to release \$1 million in cash collateral, which will, in turn, allow Saddleback to incur additional debt. Coastal Enterprises, Inc. (CEI) will partner with Community Concepts and Androscoggin Valley Council on Governments (AVCOG) to provide an additional \$500,000. The public benefit is in the retention of 220 jobs in Western Maine. Mr. Weber added that FAME's exposure will go down by \$130,000.

Mr. Mitchell moved to enter into Executive Session to discuss any servicing or monitoring records; financials. The motion was seconded by Mr. Violette and approved by a vote of 13 in favor, 0 opposed and 0 abstentions.

Members entered Executive Session at 10:58 a.m.

Members exited Executive Session at 11:24 a.m.

Mr. Roney introduced two resolutions authorizing modification of loan insurance and an ERLP loan to Saddleback, Inc. and Saddleback Land and Timber Corporation.

A motion was made by Commissioner Gervais and seconded by Mr. Howard to authorize the modification of loan insurance for a term loan and an Economic Recovery Loan in the amount of \$500,000 to Saddleback, Inc. and Saddleback Land and Timber Corporation. The motion was approved by a vote of 11 in favor, 0 opposed and 1 abstention (James Violette).

R-08-21-14-04

R-08-21-14-05

D1: Proposed Program changes (Commercial Loan Insurance & Economic Recovery Loan) business involved in Farming, Forestry or Fishing

Commissioner Gervais exited the meeting at 11:26 a.m.

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

Mr. Violette re-entered the meeting at 11:29 a.m.

Mr. Nowak exited the meeting at 11:26 a.m. for a conflict of interest.

Mr. Wagner referred members to their board packets. FAME has been working with the Department of Economic Development (DECD) to meet the needs of the forestry, fishing and farming industries in Maine. Mr. Wagner emphasized that there will not be any change to loan standards and the applicants will be asked for a business plan to assure their viability. He also noted that the initiative is not a substitute for any existing program. \$1 million will be earmarked from ERLP for the program and \$10 million in total coverage will be provided under the Commercial Loan Program. The OnLine Answer (OLA) will take on more risk for this segment by allowing 85% exposure and the CLI commitment fee for paper applications will be reduced to .5%.

Mr. Roney indicated that one of the two resolutions before the board has a requirement for finding public benefit built into it that gives FAME the ability to lower the interest rate under ERLP.

A motion was made by Treasurer Douglass and seconded by Treasurer Walker to approve the Resolutions and as part thereof make a finding substantial public benefit will result from providing special assistance to new or expanding businesses in the state focused on Forestry, Fishing or Farming and authorizing the Chief Executive Officer to waive certain credit policies for OnLine/scoring process loan insurance applications from certain new or expanding business engaged in Forestry, Fishing or Farming.. The motion was approved by a vote of 10 in favor, 0 opposed and 1 abstention (Ray Nowak).

R-08-21-14-06

R-08-21-14-07

Additional Agenda Item: Athens Energy New Markets Tax Credit Application Update

Mr. Roney provided a handout that outlines the structural change to the Athens Energy tax credit transaction approved by the board last month. The company receiving the benefit of the investment generating the tax credits will be a newly formed real estate holding company that will lease the property to Athens Energy. The project has the same purpose and will create or retain the same number of jobs and is still linked by ownership to Maine Woods Pellet. Mr. Roney felt it was appropriate to advise the board of the structural changes. No action is required.

COMMISSIONERS' & TREASURER'S UPDATES

Treasurer Douglass reported that the SEC is seeking to regulate municipal securities by ending tax exemptions, which has implications for FAME and the state.

Mr. Wagner presented Vice Chair Murphy with a gift for his support and leadership as he leaves the board. Vice Chair Murphy thanked members and staff for their direction and stated that it has been an honor to serve on the board.

The meeting adjourned at 11:40 a.m.

Respectfully submitted,

Patrick Murphy, Vice Chair