

**MINUTES OF THE DECEMBER 18, 2014 MEETING OF THE MEMBERS
OF THE FINANCE AUTHORITY OF MAINE**

Chair Nowak called the December 18, 2014 meeting of the members of the Finance Authority of Maine to order at 9:05 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
Cheri Walker, Treasurer
Neria Douglass
Jonathan Block
George Gervais
Reis Hagerman (*entered the meeting at 9:08 a.m.*)
James Howard
Larry Mitchell
Rosaire Pelletier
Richard Roderick

Those members absent:

Patrick Keliher
Gregory Miller
Christopher Pierce
Susan Snowden

Staff present:

Bruce Wagner, Chief Executive Officer
Christopher Roney, General Counsel
Charles Emmons, Senior Commercial Loan Officer
Carlos Mello, Director of Business and Finance
Elizabeth Vanderweide, Director of Business Development/Marketing
Martha Johnston, Director of Education
William Norbert, Governmental Affairs & Communications Manager

Lisa Brown, Human Resource Manager
Scott Weber, Senior Credit Officer
Sally Garand, Commercial Loan Officer
Roxanne Broughton, Commercial Loan Officer
Scott Bursey, Commercial Loan Officer
Jennifer Cummings, Senior Workout Office
Angela Dostie, College Savings Program Manager
Jeff Murch, Credit Analyst
Adele Bickford, Executive/Legal Assistant

Guests Present:

Terry Hayes, State Treasurer Elect
Kris Eimicke, Pierce Atwood
Chris Brownawell, Farnsworth Art Museum
Nedra Bellows, Farnsworth Art Museum
Fred Morton, Jr., Farm Credit East
Lee Haskell, LMJ Enterprises
Shandra Haskell, LMJ Enterprises
Bruce Hochman, Eaton Peabody
Peter Hallowell, Farm Credit East
Eugene Wendland, Allagash International
Peter Moore, Corporate Finance Association
Chris Droznick, People United Bank

A2: Approval of November 13, 2014 Board Meeting Minutes

A motion was made by Mr. Mitchell and seconded by Commissioner Gervais to approve the minutes of the November 13, 2014 board meeting.

Chair Nowak noted that there were words missing from paragraph two of page three of the minutes. The sentence will read: “Messaging will be consistent with the level of its audience and to be in compliance with Legal requirements.” Also, “stay” was added before the word “relevant” in paragraph three of the same page.

The motion was approved as amended by a vote of 10 in favor, 0 opposed and 0 abstentions.

R-12-18-14-01

B: CHAIR’S REPORT

B1: Approval of the Report of the Executive Committee Meeting of November 13, 2014

A motion was made by Treasurer Walker and seconded by Mr. Pelletier to approve the Report of the Executive Committee meeting of November 13, 2014. The motion was approved by a vote of 10 in favor, 0 opposed and 0 abstentions.

R-12-18-14-02

B2: Approval of Business Committee Meeting Report of November 13, 2014

A motion was made by Vice Chair Violette and seconded by Treasurer Douglass to approve the Report of the Business Committee meeting of November 13, 2014. The motion was approved by a vote of 11 in favor, 0 opposed and 0 abstentions.

R-12-18-14-03

B3: Education Committee Assignment

Chair Nowak announced the appointment of Richard Roderick to the Education Committee.

Ms. Brown outlined the process to be followed by the board for the CEO's evaluation. One hour will be scheduled at the January board meeting for discussion. A checklist of items and a brief letter from Chair Nowak providing a description of the process will be e-mailed and included with the board packet.

Treasurer Douglass introduced Terry Hayes, the Treasurer Elect, who will officially assume the State Treasurer position on January 8, 2015. Chair Nowak welcomed her to the board.

C: CEO's and STAFF REPORT

C1: CEO's Report

Mr. Emmons provided an update to the Lincoln Paper project that was approved by the board last month. The requested \$1 million was funded through a combination of an Economic Recovery Loan Program (ERLP) loan and the State Small Business Credit Initiative (SSBCI). The loan closed last Thursday and Siena Lending Group has committed and closed as well. The project is going as anticipated with the turbine in transit to the site.

Mr. Wagner provided a follow-up on FAME's Legislative wishlist. The two primary areas are the infusion of \$37 million to help increase Commercial Loan Insurance (CLI) loans and \$13 million to expand the maximum amount of an ERLP loan from the current level of \$1 million to \$2 million. Both requests would help FAME to strategically expand its presence in the marketplace.

Mr. Wagner requested an Executive Session to update the board on a loan request that they may be asked to consider shortly.

Commissioner Gervais moved to enter into Executive Session to discuss records obtained prior to receipt of a written application. 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 #1 at 9:20 a.m.

Members exited Executive Session #1 at 9:25 a.m.

Mr. Wagner and Chair Nowak met with Governor LePage last week. The meeting was strategic in nature. Although FAME has a good model, the Governor is challenging FAME to think more extensively to have an even greater economic impact on the State.

Mr. Wagner suggested that the Omnibus Poll results and Major Business Expansion Program items on the agenda be moved to the end of the agenda and be heard if time allows.

C2: Omnibus Poll Results

C3: Possible Change to New Markets Capital Investment Program Rule

Mr. Roney provided the background information for a board discussion related to revisiting the New Markets Capital Investment Program rule prior to formally submitting a rule change. Maine legislation tracks closely the federal program, one exception being that the Maine program requires that the actual investment be made before tax credits are issued. FAME's original rule further refined the program by requiring an investment be expended in an eligible low income community before tax credits are issued, a requirement that the board later removed. Removing the requirement aligned FAME with the federal program that allows the use of "one day loans", which provides eligibility for tax credits for investments being made and repaid the same day. Some board members have expressed a concern for this type of investment, and staff is asking the board to provide direction for a possible rule change. In the ensuing discussion, members discussed the advisability of changing the rule to exclude one day loans as opposed to seeking a legislative change. Also, discussed was the possibility of bringing in users of the program within the state and from outside with experience with the federal program to provide more information on the topic.

Mr. Mitchell moved to have staff present a draft of the rule at the next board meeting. The motion was seconded by Mr. Hagerman.

The motion was withdrawn by Mr. Mitchell and Mr. Hagerman contingent upon staff's continued efforts to move forward and involve users in the process.

C4: Major Business Expansion Program Standards

C5: NextGen College Investing Plan® - Maximum Contribution for 2015

Each year, the maximum contribution as detailed in the memo in the board packet is reviewed. After analysis by FAME and Merrill Lynch, the recommendation is to leave the maximum contribution at the 2014 level of \$400,000.

Treasurer Walker exited the meeting at 10:16 a.m.

Treasurer Walker re-entered the meeting at 10:17 a.m.

Vice Chair Violette exited the meeting at 10:17 a.m.

Vice Chair Violette re-entered the meeting at 10:18 a.m.

C6: Commercial Loan Portfolio Review

Commissioner Gervais exited the meeting at 10:27 a.m.

Mr. Weber referred members to the memo in their board packets regarding insurance portfolio risk, noting that insurance exposure is up slightly from \$101.3 million in FY 2014 to \$102.9 million as of September 30, 2014 (FY 2015). Mr. Weber and Ms. Cummings continued to review the information as charted: Risk Rating Stratification, Delinquency, Trend Analysis of Pay-outs, and Exposure by Lender and Industry.

C6a: Quarterly Watchdesk

Ms. Cummings informed members that typically the Watchdesk Report goes to the Business Committee prior to coming to the board. Because a special Business Committee meeting was held in November, the regularly scheduled December meeting was not held. She asked members to review the material in their board packets and to ask any questions they may have this time. None were heard, and she advised members that the Watchdesk Report will be reviewed in more detail at the next Business Committee meeting.

C6b: Top Ten Relationship

Mr. Emmons asked for questions. There have been no significant changes to the Top Ten Relationship report. Mr. Emmons responded to a question regarding the size of current CLI loans compared to those of years ago by stating that the type of companies has changed but not the size. Mr. Pelletier referred to the St. Croix loan as being one that would not have been done years ago but, it was noted, that the St. Croix loan is a Major Business Expansion (MBE) loan, which is one not included in the report of guaranteed insurance loans because it is backed by the moral obligation of the state. In response to Mr. Pelletier, Mr. Weber indicated that he could accommodate the board's request for a separate report outlining MBE loans since it is expected that there will be more in the future.

C6c: Loan Closed Report

Mr. Weber briefly reviewed ERLP and CLI Closed Loans for the period of 7/1/14 through 9/30/14. He pointed out that for CLI, the dollar value is 62% On Line Applications (OLA) and 38% paper; unit volume is 87% OLA and 13% paper.

C6d: Applications YTD Report

The summary of new loans approved and denied is broken down year-to-date and over the past several years. Denials are consistent over the years, which Mr. Weber stated is an indication of FAME's willingness to take risk.

C7: Education Executive Summary

Commissioner Gervais re-entered the meeting at 10:30 a.m.

Mr. Block exited the meeting at 10:32 a.m.

Ms. Johnston referred members to the memo in their board packets summarizing the Education Programs and Operations Calls. She also updated them on the Student Loan Insurance program for which a meeting was held in November with all lender partners. Ms. Johnston and Ms. Vanderweide are helping lenders to find a more effective way to market the program. The program

is currently lagging behind projections. The Student Loan Insurance Program is one in which private lenders provide education loans with a FAME guarantee and is marketed by each lender individually.

C8: Conflict of Interest

Mr. Block re-entered the meeting at 10:35 a.m.

Mr. Roney stated that traditionally the reading of the entire Conflict of Interest Policy, which comes to the board each year for review, is waived.

A motion was made by Mr. Pelletier and seconded by Treasurer Douglass to waive the reading of the Conflict of Interest policy. The motion was approved by a vote of 10 in favor, 0 opposed and 0 abstentions.

R-12-18-14-04

Mr. Roney summarized the policy, the criteria for determining ineligibility for direct loans and other benefits from FAME by staff and board members. Also reviewed was when abstention is appropriate and the \$25 gift limit policy.

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

Treasurer Walker exited the meeting at 10:38 a.m.

Mr. Weber explained that the increase of insurance exposure to 99.9% indicated on the report is due to a loan currently before the board for approval. If the loan is approved today, the existing loan would be paid off and insurance exposure to the lumber, wood and paper industry would be at 89.6%, which is not a significant change from last month's exposure.

BREAK: 10:40 A.M. – 10:49 A.M.

D: ACTION ITEMS

D4: Approval of Certification Application – CCM Development LI, LLC (Farnsworth Library and Art Museum – Maine New Markets Capital Investment Program

Treasurer Walker re-entered the meeting at 10:49 a.m.

Mr. Block exited the meeting for Conflict of Interest at 10:49 a.m.

Commissioner Gervais exited the meeting at 10:49 a.m.

Mr. Pelletier exited the meeting at 10:49 a.m.

Mr. Pelletier re-entered the meeting at 10:52 a.m.

Commissioner Gervais re-entered the meeting at 10:52 a.m.

Mr. Pelletier exited the meeting at 11:00 a.m.

Mr. Pelletier re-entered the meeting at 11:02 a.m.

CCM Community Development LI, LLC is applying for a Tax Credit Certificate in the amount of \$3,900,000 for investment in a Qualified Low Income Community Business, Farnsworth Real Estate, Inc. The Farnsworth Art Museum is a non-profit art museum in Rockland, Maine in need of funds for structural repairs to protect their art collection. Chris Brownawell, Executive Director at the Farnsworth Art Museum, provided the museum's background and noted that the museum is responsible for \$26 million annually in economic activity in the region and actively supports education and outreach with its work in public schools and free programs to teachers. There is a critical need for funding to repair its deteriorating infrastructure, and the museum is critical to the economic sustainability of the City of Rockland. Without funding, the museum will be forced to close buildings and eliminate some staff. Members questioned if the one day transaction is essential to the project. Mr. Eimicke assured members that this particular project would not move forward without it. The museum's endowment does not have a provision for structural improvements.

Mr. Roney added that the \$10 million investment by US Bancorp for this Qualified Low Income Community Investment (QLICI) will generate \$3.9 million in state tax credits. Staff has some concerns regarding the one day loan aspect but has taken into account the board's prior decisions and rule revisions and is recommending approval based on the fact that it meets current Program requirements, as previously interpreted by the Board. A resolution was presented for the Board's consideration.

A motion was made by Mr. Roderick and seconded by Mr. Howard to approve the Resolution, and the certification of an investment by U.S. Bancorp Community Development Corporation in CCM Community Development LI, LLC and authorizing issuance of tax credit certificates under the Maine New Markets Capital Investment Program. The motion was approved by a vote of 9 in favor, 1 opposed (Larry Mitchell) and 1 abstention (Jonathan Block).

R-12-18-14-05

D1: Allagash International, Inc. – CLI (and ERLP)

Mr. Block re-entered the meeting at 11:20 a.m.

Mr. Emmons introduced Terry Ingram-CEO, Eugene Wendland-CFO of Allagash International, Chris Droznick of People United Bank and Peter Moore, consultant from Corporate Finance Associates. Allagash manufactures valves and controls and sells in the domestic and international markets. 2013 was difficult for the company and its turnaround has been slower than anticipated. The company has modified its business plan and is becoming more focused on its domestic sales. The company has shown a profit in November and December, and the bank is asking for extensions and modifications as outlined in the memo to members in their packets.

Mr. Droznick asked for an Executive Session to discuss the bank's position.

Treasurer Douglass moved to enter into Executive Session to discuss matters for which confidentiality has been requested, and which the Authority has determined would have an

adverse business effect, and to discuss servicing records, and to discuss assessments of creditworthiness by third parties. The motion was seconded by Mr. Howard and approved by a vote of 11 in favor, 0 opposed and 0 abstentions.

Members entered Executive Session #2 at 11:26 a.m.

Members exited Executive Session #2 at 11:29 a.m.

Executive session was called to allow Mr. Wendland to discuss the company's financial situation after receiving a cash infusion last April.

Commissioner Gervais moved to enter into Executive Session to discuss records for which confidentiality has been requested and which the Authority has determined would have an adverse business effect and any servicing or monitoring record; financials. The motion was seconded by Mr. Howard and approved by a vote of 11 in favor, 0 opposed and 0 abstentions.

Members entered Executive Session #3 at 11:30 a.m.

Members exited Executive Session #3 at 11:39 a.m.

Mandatory benchmarks will be established by the bank and agreeable to FAME. The bank will work closely with the company and will have discussions in June to determine if material progress is being made.

In order to discuss projections, an Executive Session was called.

Mr. Howard moved to enter into Executive Session to discuss records for which confidentiality has been requested and any servicing or monitoring record; financials. The motion was seconded by Vice Chair Violette and approved by a vote of 11 in favor, 0 opposed and 0 abstentions.

Members entered Executive Session #4 at 11:44 a.m.

Members exited Executive Session #4 at 11:45 a.m.

The board has a resolution before them authorizing renewal of loan insurance for a line of credit contingent upon stipulations to other loans that the company has and extending the maturity to September, 2015. The parameters of the field exams and benchmarks will be agreed to by the bank, FAME and Allagash in writing and will become part of the loan documents.

A motion was made by Vice Chair Violette and seconded by Commissioner Gervais to approve the Resolution and authorize renewal of loan insurance for an \$800,000 Line of Credit Loan for Allagash International, Inc. The motion was approved by a vote of 11 in favor, 0 opposed and 0 abstentions.

R-12-18-14-06

D2: LMJ Enterprises, LLC - CLI

Treasurer Walker exited the meeting at 11:49 a.m.

Chair Nowak exited the meeting for a Conflict of Interest at 11:50 a.m.

Treasurer Walker re-entered the meeting at 11:50 a.m.

Ms. Walker exited the meeting at 12:10 p.m.

Mr. Emmons introduced Peter Hallowell and Fred Morton of Farm Credit East, Bruce Hochman, consultant from Eaton Peabody and Lee and Shandra Haskell, Operations and Office Manager, respectively, for LMJ. LMJ is a manufacturer of large animal bedding. The company originally made shavings from the residue of their sawmill operation but currently creates the bedding from whole logs, which now is the focus of their business. The company's present drum dryer is too small and inefficient. A new and larger drum dryer will allow for an increase in production. All of LMJ's product is sold through a broker to Tractor Supply, which could use more of the product if it were available. A consolidation of existing insured and uninsured outstanding loans into one Authority insured loan covered by 70% pro-rata insurance increases FAME exposure by \$225,000. Additionally, Farm Credit East is asking FAME to release \$500,000 in collateral and two guarantors from liability. Discussion ensued regarding the ability to increase production and the market for the product.

An Executive Session was requested to discuss financials.

Mr. Howard moved to enter into Executive Session to discuss servicing records (financials). The motion was seconded by Treasurer Douglass and approved by a vote of 10 in favor, 0 opposed and 0 abstentions.

Members entered Executive Session #4 at 12:10 p.m.

Members exited Executive Session #4 at 12:13 p.m.

Mr. Roney advised that there is a resolution before the board for approval.

A motion was made by Mr. Pelletier and seconded by Treasurer Douglass to approve the Resolution, authorizing loan insurance for a \$2,500,000 term loan for LMJ Enterprises, LLC. The motion was approved by a vote of 9 in favor, 0 opposed and 1 abstention (Ray Nowak).

R-12-18-14-07

D3: Approval of Limit for Aggregate FAME Exposure to Any One Borrower

Chair Nowak re-entered the meeting at 12:15 p.m.

Mr. Howard exited the meeting at 12:15 p.m.

Mr. Howard re-entered the meeting at 12:16 p.m.

Mr. Weber referred members to the memo in their board packet outlining staff's recommendation for the aggregate exposure to any one borrower/relationship, which is set annually. Exposure is set

at 15% of cash available, including cash reserves. The current limit is \$4.2 million. Available cash as of October 30, 2014 is \$29.3 million, which allows the maximum exposure to be raised to \$4.4 million. Staff is also recommending that the limit be increased to \$5 million upon receipt of the bond funds.

A motion was made by Mr. Pelletier and seconded by Vice Chair Violette to approve increasing the aggregate exposure limit to \$4,400,000. The motion was approved by a vote of 10 in favor, 0 opposed and 0 abstentions.

R-12-18-14-08

COMMISSIONERS' & TREASURER'S UPDATES

Chair Nowak thanked Treasurer Douglass for her service to the board and commended her for always making time for FAME matters. Mr. Wagner thanked her personally for all of her support to the FAME and AELP boards and improving our position in the market.

The meeting adjourned at 12:19 p.m.

Respectfully submitted,

James Violette, Jr., Vice Chair