

**MINUTES OF THE JULY 18, 2013 MEETING OF THE MEMBERS
OF THE FINANCE AUTHORITY OF MAINE**

Chair Snowden called the July 18, 2013 meeting of the members of the Finance Authority of Maine to order at 9:06 a.m. at the Finance Authority of Maine, 5 Community Drive, Augusta, Maine.

Chair Snowden 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 Snowden 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:

Susan Snowden, Chair
Cheri Walker, Vice Chair
Anthony Armstrong (*entered the meeting at 9:20 a.m.*)
Neria Douglass (*entered the meeting at 9:09 a.m.*)
George Gervais (*entered the meeting at 9:18 a.m.*)
Reis Hagerman
Patrick Keliher
Glenn Lamarr
Larry Mitchell
Raymond Nowak
Rosaire Pelletier
Christopher Pierce
Evelyn Silver

Those members absent:

Michael Mahoney
Patrick Murphy, Treasurer

Staff present:

Elizabeth Bordowitz, Chief Executive Officer
Christopher Roney, General Counsel
Robert Corey, Senior Credit Officer
Charles Emmons, Senior Commercial Loan Officer
Elizabeth Vanderweide, Director of Business Development & Customer Relations
Carlos Mello, Director of Finance and Lending
Angela Dostie, Program and Policy Manager

Lisa Brown, Human Resource Manager
Jana McQuilkin, Marketing Communications Officer
Sally Garrand, Commercial Loan Officer
Jeff Murch, Credit Analyst
Scott Weber, Credit Analyst
Adele Bickford, Executive/Legal Assistant

Guests Present:

None

A2: Approval of June 20, 2013 Board Meeting Minutes

A motion was made by Mr. Nowak and seconded by Mr. Lamarr to approve the minutes of the June 20, 2013 board meeting. The motion was approved by a vote of 9 in favor, 0 opposed and 1 abstention (Larry Mitchell).

R-07-18-13-01

B. CHAIR'S REPORT

B1: Report of the Commercial Loan Committee of June 20, 2013

The meeting of the Commercial Loan Committee was held prior to the June board meeting. The Commercial Loan Committee reviewed the portfolio and the members recommended approval of the amendments to rules Ch. 101-Loan Insurance Program and Ch. 325-Maine New Markets Capital Investment Program. The remaining agenda items were considered at the board meeting.

A motion was made by Mr. Lamarr and seconded by Dr. Silver to approve the report of the Commercial Loan Committee meeting of June 20, 2013. The motion was approved by a vote of 11 in favor, 0 opposed and 0 abstentions.

R-07-18-13-02

Mr. Nowak moved to enter into Executive Session for a personnel matter. The motion was seconded by Mr. Hagerman and approved by a vote of 11 in favor, 0 opposed and 0 abstentions.

FAME staff, other than the General Counsel and the Human Resource Manager, exited the meeting at 9:10 a.m.

Members entered Executive Session #1 at 9:10 a.m.

Members exited Executive Session #1 at 9:32 a.m.

A motion was made by Vice Chair Walker and seconded by Mr. Lamarr to authorize the board Chair to execute a revised retention agreement with the current Chief Executive Officer consistent with the discussion in Executive Session. The motion was approved by a

vote of 13 in favor, 0 opposed and 0 abstentions. There are no recorded discussions for this motion.

Staff re-entered the meeting at 9:35 a.m.

C: CEO'S AND STAFF REPORT

C1: CEO's Report

Ms. Bordowitz advised members that the August board meeting will be held at Bangor Savings Bank in Augusta. The board will be joined by members of the Advisory Committee on College Savings, at which time both groups will consider a proposed modification to the program and Merrill Lynch will make a presentation supporting their response to FAME's RFR for a Program Manager for the NextGen Direct Series. The board will vote on the modification. The Advisory Committee will hold their meeting after lunch and board members are invited to stay if they choose.

The September board meeting is slated to be held in Millinocket and includes tours of the Great Northern Paper Company (GNP) facility and other Cate Street Capital property. Ms. Bordowitz will provide an update to the Thermogen project proposed for the Millinocket paper mill site later in the agenda but did announce that FAME had received an email from Thermogen earlier in the morning in which Thermogen withdrew its application for a \$25 million bond. Although GNP was a highlight of the board's two day trip to the Millinocket, Ms. Bordowitz noted that there are other important businesses in the area. Also to be considered are the numbers for a quorum, which is marginal currently with two members yet to respond. A discussion will be held later in the agenda.

C2: Legislative Update

Members were provided a summary prepared by Mr. Norbert in his absence. Ms. Bordowitz added that funding for the Seed Capital Program was approved. There will not be funding in 2013 but the program will be revived in 2014 and funding will be increased in both 2015 and 2016. Ms. Bordowitz reported that the Governor had not yet signed the bill. Mr. Norbert will include a full end of session report outlining key bills in August.

C3: Marketing and Outreach Update

Ms. Vanderweide referred members to the information in their board packets that outlines results for the marketing and outreach related Strategic Plan goals on the Scorecard as well as reports on College Access and Financial Education and Debt Management (SALT). Goals set for new contributions and the Alford take rate were exceeded. Ms. Vanderweide attributed the higher Alford take rate to FAME's marketing efforts and awareness of parents who may have been through the application process with the birth of a previous child. Ms. Vanderweide continued her update by noting that the increased number of outreach events resulted in increased attendance at events for financial aid and FAFSA completion. Lastly, members were referred to a chart of participating schools in the Maine SALT Pilot program and their launch dates. For those schools involved in the program for a year, numbers of full time students with active accounts has increased to 40%.

Ms. Bordowitz informed the board that FAME is seeking a waiver to the Maintenance of Effort requirement in order to receive \$1.5 million in federal funds from the College Challenge Access

Grant (CCAG). The state did not meet the formula for private schools. If necessary, FAME has sufficient carry-forward to provide resources for next year.

C4: Business Funds Capitalization Policy – Status of Core Capital Ratio

Mr. Corey updated members on the status of the Core Capital Ratio, which was discussed at the June board meeting. FAME is in violation of its Business Capitalization Policy, which states that FAME will maintain a core capital ratio of not less than 20%. The current core capital ratio is at 17%. Staff is recommending a calculation that would allow for a higher ratio. It was noted that this is a policy matter set by FAME as a risk measurement metric. Ms. Bordowitz added that the limit was set many years ago. At that time FAME looked to banks to develop its metrics and that it may be time for FAME to develop an appropriate metric based on what it does and FAME's actual operating history. Staff is still working on an appropriate proposal for the board.

C5: Employee Satisfaction Survey Results

Mr. Nowak exited the meeting at 10:18 a.m.

Mr. Nowak re-entered the meeting at 10:20 a.m.

Ms. Brown reviewed the results of the Employee Satisfaction Survey in the board packet, noting that the overall score of 4.26 is a 6% increase over last year's 4.02. The goal of 4.0 was met. Ms. Brown advised the board that she had met with the team responsible for strategic planning relating to the employee satisfaction results, and they reviewed the comments and provided feedback. She reviewed the areas of score increases and decreases, pointing out that last year responses focused on the more global aspects and leadership at FAME. This year's results were directed more toward team efforts and physical conditions. Some comments expressed by employees related to increased workloads without increase in compensation, lack of advancement and physical conditions with praise for several staff in management positions. Ms. Brown referred members to the breakdown of the results by department for satisfaction in current job, contributions to FAME's success and physical working conditions. Ms. Brown asked for questions and informed members that the complete results are available should they want them.

C6: Update on NextGen Direct Series RFR

Ms. Dostie reported that there were two responses to the RFR for a Program Manager for the NextGen Direct Series, Merrill Lynch and Vanguard. However, Vanguard was not responding to be Program Manager but rather to have their funds included in the NextGen portfolios. On July 8th the Selection Committee met to review Merrill Lynch's response and posed some questions, which will be answered at a conference call tomorrow. Merrill Lynch will make a presentation to a joint board and Advisory Committee meeting on August 15, 2013, at which time a vote is expected. Ms. Dostie invited members to let staff know if there are questions they want answered during the presentation.

Before continuing with the agenda, Ms. Bordowitz reminded members of "FAME's Goes Paperless" effort to initiate electronic check deposit. There are forms available.

C7: Major Business Expansion – Background Information

Vice Chair Walker exited the meeting at 10:26 a.m.

Vice Chair Walker re-entered the meeting at 10:29 a.m.

Mr. Nowak exited the meeting at 10:52 a.m.

Mr. Nowak re-entered the meeting at 10:54 a.m.

Mr. Roney provided background information for the Major Business Expansion (MBE) Bond Program, referring to the materials in the board packet. FAME has not received a request for this type of bond in many years, and Mr. Roney took the opportunity to educate the board before they are asked to consider one. The board often does Revenue Obligation Securities Program (ROSP) bonds, where FAME is the conduit and there is no credit enhancement. Mr. Roney described MBE bonds as a mixture of conduit bond with a high level commercial loan insurance project, the difference being in the amount of the bond. The numbers for Major Business Expansion bonds are much higher, up to \$25 million. FAME's commercial loan insurance (CLI) per borrower exposure is set at up to \$4 million and statutorily, up to \$7 million. A CLI transaction is backed by FAME's capital reserves; a MBE bond pledges the moral obligation of the state to support the bond project. A capital reserve account is established, either with contributed cash or by issuing bonds for an amount greater than needed for the project in order to provide for a debt service reserve equal to at least one year's worth of debt service. If drawn upon, the Governor is required to restore that capital reserve account annually by either allocating monies from the state's Contingent Account or requesting that the Legislature appropriate an amount sufficient to restore the reserve account. Just as with commercial loan insurance, FAME determines the credit worthiness of the project and, in this case, FAME has the total ability to issue up to \$120 million statutorily. Mr. Roney included in the board materials information regarding the failure of a project in Rhode Island that was backed by the moral obligation of the state, which he included as a cautionary tale. Mr. Roney responded to questions from Chair Snowden regarding any losses or examples of previous MBE bond projects. He indicated that FAME has never closed on any MBE bonds although it has had a few applications that never went to closing. Ms. Bordowitz referred members to the page in the rule outlining the performance criteria needed for approval, noting that to meet the requirements the applicant would be considered to have superior credit. As a further point of clarification regarding whether start-ups are eligible for MBE bonds, Mr. Roney advised that start-ups are not excluded by statute.

C8: Thermogen Application Status

Mr. Nowak exited the meeting for a Conflict of Interest at 11:05 a.m.

Mr. Mitchell moved to enter into Executive Session to discuss an application: for which confidentiality has been requested, and FAME has determined that significant detriment would be suffered by the applicant if the material was made public; and that includes financial statements and an assessment of credit worthiness of the applicant by a third party. The motion was seconded by Mr. Pelletier and approved by a vote of 12 in favor, 0 opposed and 0 abstentions.

Mr. Armstrong exited the meeting for a Conflict of Interest at 11:05 a.m.

Members entered Executive Session #2 at 11:05 a.m.

Dr. Silver exited the meeting at 11:38 a.m.

Mr. Mitchell exited the meeting 11:39 a.m.

Dr. Silver re-entered the meeting at 11:41 a.m.

Mr. Mitchell re-entered the meeting at 11:43 a.m.

Chair Snowden exited the meeting at 11:53 a.m.

Chair Snowden re-entered the meeting at 11:56 a.m.

Commissioner Keliher exited the meeting at 12:02 p.m.

Commissioner Keliher re-entered the meeting at 12:06 p.m.

Members exited Executive Session #2 at 12:14 p.m.

Mr. Nowak re-entered the meeting at 12:14 p.m.

Mr. Armstrong re-entered the meeting at 12:15 p.m.

Chair Snowden asked the board to vote on whether they want to go to Millinocket in September for their annual off-site visit this year. Ms. Snowden clarified the motion by stating that the vote is meant to be an indication of what the board should do rather than a vote of whether or not a member will attend. Dr. Silver voiced a concern she expressed previously that it is a time of transition, for the CEO and board members, and for that reason, the members should consider postponing the off-site visit in September.

A motion was made by Dr. Silver and seconded by Mr. Pelletier to not undertake an off-site visit in September this year. The motion was approved by a vote of 8 in favor, 3 opposed (George Gervais, Chris Pierce and Glenn Lamarr) and 2 abstentions (Ray Nowak and Larry Mitchell).

R-07-18-13-04

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

Mr. Corey noted that the figures for the monthly update are in the board packet. There is virtually no change from last month, and he will continue to update the board on a monthly basis.

D: ACTION ITEMS

D1: Approval of Bond Resolution – Sweetser Revenue Obligation Securities Program

Vice Chair Walker exited the meeting at 12:18 p.m.

Treasurer Douglass exited the meeting at 12:19 p.m.

Mr. Roney introduced a resolution authorizing the issuance and sale of bonds for the benefit of Sweetser, a non-profit mental health facility. The bonds pose no credit risk to FAME, and it is a refinance of existing bonds of the Maine Health and Higher Education Facilities Authority (MEHHEFA).

A motion was made by Dr. Silver and seconded by Mr. Armstrong to authorize the Resolution, approving the issuance and sale of up to \$9,500,000 of Revenue Obligation Securities of the Finance Authority of Maine for the benefit of Sweetser, and approving the execution and delivery of a loan agreement and other matters in connection therewith. The motion was approved by a vote of 11 in favor, 0 opposed and 0 abstentions.

R-07-18-13-03

D2: NextGen College Investing Plan® - Approval of Portfolio Maine Administration Fee for New Portfolios

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

Vice Chair Walker re-entered the meeting at 12:21 p.m.

Treasurer Douglass re-entered the meeting at 12:21 p.m.

Mr. Pelletier exited the meeting at 12:21 p.m.

Ms. Dostie noted that in June, the board approved the addition of six portfolios for the NextGen Client Select Series, but the amount of the Maine Administration Fee to be charged on those portfolios was not determined at that time. The Advisory Committee of College Savings did not reach consensus on a recommendation on the fee amount, deferring to the board. Staff and Treasurer Douglass have met to consider the amount of the Maine Administration Fee to be charged. Staff is recommending 9 bps, making these fees equal to the lowest cost Exchange-Traded Fund (ETF) portfolio offered in an advisor sold Section 529 plan and also leaving room to lower fees in the future. Included in the board packet is a chart with the fees charged in other Section 529 programs.

A motion was made by Treasurer Douglass and seconded by Mr. Hagerman to set the Maine Administration Fee for new portfolios in the NextGen College Investing Plan® at 9 bps. The motion was approved by a vote of 11 in favor, 0 opposed and 0 abstentions.

R-07-18-13-05

D3: Maine College Savings Plan: Application of Class Action Receipts re: Franklin Templeton Funds

Ms. Bordowitz advised the Board that FAME has received a series of checks totaling \$1239.41 in settlement of a class action suit and is expecting another check in a small amount. Because of the small amount of the settlement proceeds, staff is recommending that the funds received be invested in the affected portfolios to give all participants in the portfolio the benefit of the settlement, an approach taken in the past for distributions at this level.

A motion was made by Dr. Silver and seconded by Mr. Hagerman to approve applying the receipts from the Templeton Funds class action suit to the net asset values (NAV) of the affected portfolios. The motion was approved by a vote of 11 in favor, 0 opposed and 0 abstentions.

R-07-18-13-06

ADDITIONAL ACTION ITEM: Request for an Extension of up to 60 days for Biddeford Internet Line of Credit

Chair Snowden exited the meeting for Conflict of Interest at 12:25 p.m.

Mr. Emmons explained an extension of up to 60 days is being requested for Biddeford Internet's Line of Credit. Mr. Emmons has already extended the Line of Credit 90 days, which he has the authority to do by policy but an additional extension requires board approval. The bank did not receive the company's financials in a timely manner, which necessitated the 90 day extension and since FAME has just received the financial information for their review, another extension is warranted. It will come to the board in September.

A motion was made by Treasurer Douglass and seconded by Commissioner Gervais to approve up to a 60 day extension for the Biddeford Internet Line of Credit. The motion was approved by a vote of 10 in favor, 0 opposed and 0 abstentions.

R-07-18-13-07

COMMISSIONERS' & TREASURER'S UPDATES:

Chair Snowden re-entered the meeting at 12:27 p.m.

Mr. Pelletier re-entered the meeting at 12:27 p.m.

Treasurer Douglass advised that there are \$70 million in authorized bonds that have come back from Commissioners and gone to the Budget Office. She indicated that the state is doing well in its cash pool and that there is not much movement in investments.

Commissioner Keliher reported that issues around lobster processing remain a priority. The number of processors remains relatively constant with the capacity for processing increasing.

The meeting adjourned at 12:30 p.m.

Respectfully submitted,

Cheri Walker, Vice Chair