

**MINUTES OF THE JUNE 20, 2013 MEETING OF THE MEMBERS  
OF THE FINANCE AUTHORITY OF MAINE**

Chair Snowden called the June 20, 2013 meeting of the members of the Finance Authority of Maine to order at 9:40 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  
Patrick Murphy, Treasurer  
Neria Douglass  
George Gervais (*entered the meeting at 9:51 a.m.*)  
Glenn Lamarr  
Raymond Nowak  
Rosaire Pelletier  
Christopher Pierce  
Evelyn Silver

Those members absent:

Anthony Armstrong  
Reis Hagerman  
Patrick Keliher  
Michael Mahoney  
Larry Mitchell

Staff present:

Elizabeth Bordowitz, Chief Executive Officer  
Christopher Roney, General Counsel  
William Norbert, Governmental Affairs and Communications Manager  
Robert Corey, Senior Credit Officer  
Katrjn Gabrielson, Deputy General Counsel  
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  
Rita Fournier, Customer Service Manager  
Lisa Brown, Human Resources Manager  
Scott Webber, Credit Analyst  
Adele Bickford, Executive/Legal Assistant

Guests Present:

Norm Belair, Southern Maine Medical Center

## **A2: Approval of May 16, 2013 Board Meeting Minutes**

**A motion was made by Dr. Silver and seconded by Mr. Lamarr to approve the minutes of the May 16, 2013 board meeting. The motion was approved by a vote of 9 in favor, 0 opposed and 0 abstentions.**

**R-06-20-13-01**

## **B. CHAIR'S REPORT**

### **B1: Results of Board Evaluation Survey**

Chair Snowden referred members to the results of the Board Evaluation Survey in their packets and specifically to comments on page 4 related to the most significant areas for improvement for the board and how the board can improve their performance. She added that the board very often deals with very complex issues and that working sessions for members prior to an issue being brought to the board would be most helpful. She also noted that attendance at meetings overall is pretty good.

Ms. Bordowitz asked members for their input regarding the use of iPads for board materials in response to an item in the Survey. A previous attempt to provide members with the board packets electronically had not been well received. A financial feasibility analysis performed at the time indicated that it would take almost two years to recover the cost of providing iPads to members even though there are significant savings in time, paper and copying. After some discussion, it was decided to identify software that would allow for easier navigation throughout the documents to encourage use of electronic board packets.

Ms. Bordowitz referred to the Board Evaluation Survey, asking members if they found it helpful and if there were other questions that should be on it. Overall, the message she was taking from it is that members are happy with how the board is running and being run.

### **B2: Personnel Matter**

**Vice Chair Walker moved to enter into Executive Session for a personnel matter. The motion was seconded by Treasurer Douglass and approved by a vote of 10 in favor, 0 opposed and 0 abstentions.**

*FAME staff, other than the General Counsel and the Human Resources Manager exited the meeting at 9:52.*

*Members entered Executive Session #1 at 9:52 a.m.*

*Members exited Executive Session #1 at 10:20 a.m.*

*FAME Staff members returned to the meeting at 10:20 a.m.*

**A motion was made by Mr. Nowak and seconded by Mr. Lamarr to authorize the board Chair to execute the retention agreement with the current Chief Executive Officer consistent with the discussion in Executive Session. The motion was approved by a vote of 10 in favor, 0 opposed and 0 abstentions. There are no recorded discussions for this motion.**

**R-06-20-13-02**

## **C: CEO'S AND STAFF REPORT**

### **C1: CEO's Report**

Ms. Bordowitz directed members' attention to a form distributed to them that would allow for direct deposit of board expense reimbursement and per diem payments. She encouraged members to complete the forms and return them to accounting.

Ms. Bordowitz inquired about the availability and numbers for the two day board trip planned to Millinocket in September. She reviewed the draft agenda, outlining stops at both Great Northern Paper Company facilities in East Millinocket and Millinocket, where there would be a panel discussion on the forest products industry. Dinner that evening would be at Twin Pine Cabins with possible speakers from the recreational sector and from Baxter State Park. Ms. Bordowitz asked how many of those present are planning to attend both days, with all but two responding affirmatively. Ms. Bordowitz asked members to consider that several board members are either terming out or choosing not to return to the board and that FAME will be in its transition period at the time of the meeting. She also asked members to contact her or Ms. Bickford regarding their preference for accommodations. The cabins available at the site would require that members share nighttime accommodations, although with separate bedroom and bath facilities. She added that there is possibility that FAME would be reviewing an application from Thermogen I, LLC either in August or at the board meeting in September, which could prove to be mildly uncomfortable and may be cause to change the site location for the visit. There was discussion among the members about the timing of the board trip, given the coming transitions to the board and staff. Ms. Bordowitz will do a full board poll identifying the concerns raised by board members at the meeting.

### **C2: Legislative Update**

Mr. Norbert reported that the Legislature had recessed after completing much of its work, but will be coming back next Wednesday to deal with the expected veto of the budget. Other bills of interest to FAME: the Seed Capital Tax Credit Program administered by FAME went to the Special Appropriations Table for funding (there are 80 bills vying for \$1 million); the study for a state bank was defeated; a major energy bill vetoed in the House, but not yet heard in the Senate; and a change to Health Professions Loan Program driven by Legislative support for a doctor seeking loan forgiveness for a specialty practice was vetoed by the Governor. All bond bills will be carried over

to the second Legislative session including the Regional Economic Development Revolving Loan Program (REDRLP) bill seeking additional funding.

Ms. Bordowitz asked to go into Executive Session for an item for which confidentiality has been requested.

**Dr. Silver moved to enter into Executive Session for a matter for which confidentiality has been requested and the Authority has determined that the early dissemination of which would have an adverse impact on the company in question. The motion was seconded by Treasurer Murphy and approved by a vote of 10 in favor, 0 opposed and 0 abstentions.**

*Members entered Executive Session #2 at 10:47 a.m.*

*Members exited Executive Session #2 at 10:58 a.m.*

### **C3: Executive Summary – FFELP, NextGen and Operations**

*Commissioner Gervais exited the meeting at 10:58 a.m.*

*Chair Snowden exited the meeting at 11:00 a.m.*

Ms. Fournier referred members to the information in their board packets. She reported that Federal Family Education Loan Program (FFELP) loans continue in a pay-out status, with the balance declining by about 12% annually. Defaults on those loans remain relatively steady, showing a 6% increase. Under the State Education Loan Programs, students will have \$2 million in loans forgiven. There were 20 approved recipients for forgivable loans out of approximately 100 applicants under the Educators for Maine program. It is expected that there will be 16 recipients of low interest loans in the fields of medicine, veterinary and dental. Delinquency is in-house and is at 5.5%. NextGen assets grew slightly to \$6.7 billion as of March 31, 2013.

### **C4: Customer Satisfaction Survey Results**

*Chair Snowden re-entered the meeting at 11:03 a.m.*

*Mr. Nowak exited the meeting at 11:06 a.m.*

*Mr. Nowak re-entered the meeting at 11:08 a.m.*

*Commissioner Gervais re-entered the meeting at 11:10 a.m.*

Members were provided a breakdown of the responses to the Customer Satisfaction Survey. FAME received the highest satisfaction score (4.55) since the inception of the survey, receiving just over 400 responses to the 2400 surveys sent out. The satisfaction rate was a 7% increase over last year's rate of 4.24. The response rate of 19% was lower than last year's 24% and may have resulted from the fact that the surveys were conducted exclusively by e-mail. Ms. Vanderweide reviewed the response results for particular groups provided in the board packet, noting that comments were 85% positive. In the area of room for improvement, the strategic objective teams suggested that the results be shared with all staff, which has been done and that Managers meet with their teams to make enhancements and provide training, half of which has been completed. Generally, the website

was found difficult to navigate. A RFR will be going out to update the website. Most negative comments came from commercial bankers, Educators for Maine and the medical loan recipients, all areas where possibly those involved did not get the results they wanted. Some other suggestions for improvement are with technology, make EPIC and OLA work better; provide payment on line (which has been rolled out); high schools would like students reached earlier; commercial bankers want less paperwork, a one-time fee and an increase in the OLA limit were suggested. Both are under consideration. NextGen Distribution Agents made suggestions that, in some cases, would promote their business, such as providing a list of potential clients. FAME will be conducting a telephone survey with Distribution Agents to learn how we can better assist them. Treasurer Murphy congratulated FAME staff, stating that the results are statistically significant. He indicated that in his experience, the poor response rating from Legislators is common. He questioned why commercial bankers did not rate FAME higher. Ms. Vanderweide responded that when asked if they would recommend FAME, only one banker of the 78 respondents said “no”, which she felt was a better indication of their satisfaction with FAME. Treasurer Murphy said that overall results are good, particularly when there are more responses of “excellent” over “good”, which shows the intensity of the results.

**D1: Approval of Bond Resolution – Webber Hospital Association d/b/a Southern Maine Medical Center – Revenue Obligation Securities Program**

*Mr. Lamarr exited the meeting for a Conflict of Interest at 11:20 a.m.*

Mr. Roney referred members to the information in their board packets in which the bond resolution for the Webber Hospital Association d/b/a Southern Maine Medical Center (SMMC) is summarized. The bond for \$17,500,000 is for non-recourse, tax exempt bonds that will be privately purchased by TD Bank and pose no credit risk to FAME. Staff is recommending approval.

Mr. Belair of SMMC advised the board that in 2008 SMMC purchased a Physicians Group that now has grown to over 100 doctors serving the Biddeford/Saco area. The bond would finance a new, larger medical office building that will house mental health and care managers in addition to the physicians and will reduce the cost of health care. Included in the bonds is money for replacement hospital equipment and older HVAC equipment required to meet higher air quality standards.

Mr. Roney added that a public hearing had been held and all required findings were made.

**A motion was made by Dr. Silver and seconded by Vice Chair Walker to approve the Resolution, and authorize the issuance and sale of up to \$17,500,000 in Revenue Obligation Securities (Southern Maine Medical Center Issue, Series 2013) of the Finance Authority of Maine, authorizing and approving the Execution and Delivery of a Loan and Security Agreement and other matters in connection therewith. The motion was approved by a vote of 9 in favor, 0 opposed and 1 abstention (Glenn Lamarr).**

**R-06-20-13-03**

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

**C5: Commercial Loan Portfolio Review**

*Vice Chair Walker exited the meeting at 11:27 a.m.*

*Vice Chair Walker re-entered the meeting at 11:29 a.m.*

Mr. Corey reviewed the information provided in the board packets for the commercial loan insurance portfolio, noting that the portfolio balance as of March 31, 2013 was at \$91.2 million representing 809 outstanding loans; at \$97 million with 909 outstanding loans as of May 31<sup>st</sup>; and at \$99 million in mid-June, adding that the average loan is \$108,000. He continued the review pointing out that the risk ratings now include the addition of the new grade 7. Delinquency over 30 days continues to decline, an indication of a turnaround in the economy. Pay-outs through March have not changed. Included in the portfolio risk materials is a breakdown of loans by lenders. Mr. Corey added that the top five lenders represent 44% of the loans in the portfolio.

#### **C5a: Quarterly Watchdesk Report**

The Quarterly Watchdesk Report provides updates on loans for accounts of \$250,000 or greater of FAME exposure, either through insurance or directly. The Commercial Loan Committee met prior to the board meeting to discuss items on the report, and Mr. Corey asked board members for questions. There were none heard.

#### **C5b: Top Ten Relationship Report**

Mr. Corey opened up the Top Ten Relationship Report for questions. Mr. Emmons reported on Twin Rivers Paper Company that has recently undergone new ownership and is moving in a positive direction. Mr. Pelletier added the Canadian government announced a \$25 million loan guarantee to the company with matching funds from investors.

Mr. Emmons reported that FAME has agreed to a bank request to continue its relationship with Saddleback until January, 2014. The loan is well collateralized.

#### **C5c: Loan Closed Report**

Mr. Corey reported that 309 loans were closed as of May 31, 2013. As of yesterday, 332 have been closed, surpassing the goal set at 308 in May. Ms. Bordowitz pointed out that in the last five years, FAME's commercial loan insurance portfolio has doubled.

#### **C5d: Application YTD Report**

Mr. Corey reviewed the summary of loans approved and denied as of May 31, 2013. There were 384 loans approved in FY 2012 and as of May 31, 2013 there have been 376 with an additional 28 approved since that time, bringing the total to date to over 400. The approval rate is at 78% and the denial rate is lower than in 2012.

#### **C6: Monthly Update for Board on Lumber, Wood and Paper Industry**

Members were referred to the board materials for the update on the figures for the lumber, wood and paper industry. FAME exposure is at 86.6%, which changed only slightly from last month. Mr. Corey cautioned that could change at any moment depending on applications coming to FAME.

## **D: ACTION ITEMS**

### **D2: Approval for Rulemaking – Ch. 101, Amendment 5, Loan Insurance Program**

*Mr. Pelletier exited the meeting at 11:46 a.m.*

Rule Ch. 101, Amendment 5, Loan Insurance Program, is being presented to the board for approval for rulemaking to encompass changes discussed at last month's board meeting related to providing loan insurance to non-profits. In the rule, the definition of "Lender" was clarified to exclude non-profit, government or government-related organizations in accordance with the comments from board members. Mr. Roney provided a handout that was given to the Commercial Loan Committee at their meeting prior to today's board meeting. After further staff discussion, the wording that was proposed in the board materials was thought to be too broad in that it excluded credit unions as eligible lenders. The handout outlines three possible options for inclusion in the rule and the Commercial Loan Committee and staff is recommending the wording in Option No. 1. Option No. 1 best gets to the heart of what staff and the board were seeking to achieve by the wording change, excluding funds already enhanced by a government entity, to avoid "double dipping".

Mr. Nowak made the motion with the additional comment that the purpose for the amendment referencing double-dipping be stated somewhere. Mr. Roney advised that the rationale for the change would be in the Basis Statement of the rule.

**A motion was made by Mr. Nowak and seconded by Mr. Lamarr to approve Rule Ch. 101, Amendment 5, Loan Insurance Program, for rulemaking with the definition of Lender to be modified as expressed in Option No. 1 of the handout. The motion was approved by a vote of 9 in favor, 0 opposed and 0 abstentions.**

**R-06-20-13-04**

### **D3: Approval for Rulemaking – Ch. 325, Amendment 2, Maine New Markets Capital Investment Program**

Mr. Roney outlined the two changes to the rule: define what is meant by "project" in accordance with the Maine statute and to align the definition of "Qualified low-income community investment" with the federal program. FAME had expanded upon the definition in rule Ch. 325 by including wording that makes qualification for tax credits dependent upon the funds being expended by a qualified low income community business in a low income community in the state. The board, in discussions at last month's meeting, indicated that they felt that the Maine program was meant to mirror the federal program and that the rule should not impose further restrictions to qualification. Chair Snowden reiterated that the elimination of the additional qualification language, although not receiving unanimous support from the Commercial Loan Committee, did receive the support of the majority. Members were also reminded that it will come back to them for adoption after the comment period closes.

**A motion was made by Dr. Silver and seconded by Commissioner Gervais to approve Rule Ch. 325, Amendment 2, Maine New Markets Capital Investment Program, for rulemaking. The motion was approved by a vote of 8 in favor, 1 opposed (Ray Nowak) and 0 abstentions.**

**R-06-20-13-05**

#### **D4: Modification of Commercial Loan Policy**

*Mr. Pelletier re-entered the meeting at 11:54 a.m.*

*Mr. Lamarr exited the meeting at 12:11 p.m.*

Mr. Corey outlined each of the four proposed changes to the Business Division Direct Loan and Loan Insurance Policy.

1. Approval to authorize staff to approve renewal lines of credit of \$500,000 or less in relationships of greater than \$1 million, which currently require board approval. This assumes no additional funds are to be provided, there is no downward trend in the balance sheet or income statement and terms remain the same.

**A motion was made by Vice Chair Walker and seconded by Mr. Lamarr to authorize staff to approve renewal lines of credit as presented. The motion was approved by a vote of 9 in favor, 1 opposed (Ray Nowak) and 0 abstentions.**

#### **R-06-20-13-06**

Mr. Nowak opposed the change because the size of the relationship requires board approval and feels that any change within that relationship should be reviewed by the board.

2. FAME loan officers will be given override authority to approve On Line Applications (OLA) up to their approved authority level outlined in the policy as long as the applications meets eligibility requirements of OLA and the Total Score Outcome/Decision is no lower than (-20).

Mr. Corey stated that this override authority should be given to the loan officers as they have the expertise and it would bring their approval authority in line with that listed in the policy.

**A motion was made by Mr. Lamarr and seconded by Mr. Pelletier to authorize loan officers override authority on OLA total score in the Business Division Direct Loan and Loan Insurance Credit Policy as presented. The motion was approved by a vote of 10 in favor, 0 opposed and 0 abstentions.**

#### **R-06-20-13-07**

3. Modifications to Loans to One Borrower Aggregation and Cash Flow/Debt Service Coverage Requirements

The changes to policy resulted from board discussions at a prior board meeting. Referring to the material in the board packet, Mr. Corey pointed out that the two new bulleted items further define the relationship between borrowers. The wording related to the financial dependency between entities is covered by additional wording in the underwriting section that states that the financial dependency or interdependency of entities will be considered when the economic viability of an entity is being determined as part of its credit worthiness. Ms. Bordowitz added that it is important to FAME to include this wording because FAME would not be able to ask for the financials of a



related entity if only one entity was applying for a loan even though that information would be vital to determining its credit worthiness.

**A motion was made by Mr. Lamarr and seconded by Treasurer Douglass to approve wording to “Loans to One Borrower Aggregation Rules” and “Cash Flow/Debt Service Coverage Requirements” in the Business Division Direct Loan and Loan Insurance Credit Policy as presented. The motion was approved by a vote of 10 in favor, 0 opposed and 0 abstentions.**

**R-06-20-13-08**

An update regarding OLA was provided members for their review.

Proposed Amendment to the Business Funds Capitalization Policy:

Mr. Corey presented a change to the way FAME’s Core Capital Ratio is computed after being directed to do so by the board. According to policy, FAME’s core capital ratio will be maintained at no less than 20%. Using the definition currently in the policy, the core capital ratio is now below 20%. He proposed modifying the calculation. The ratio when calculated using the proposed calculation would produce a ratio of 29.3%. Mr. Corey asked the opinion of our auditors and they preferred the current calculation and suggested that FAME consider lowering the 20% requirement to a more acceptable level. Staff is recommending changing the definition and adding language that provides a guideline for the percentages of uncommitted cash: actual percentages of uncommitted cash reserves should never go above 80% or reserved cash should never go below 20%. After discussions in which some board members expressed some discomfort with the proposed changes, Mr. Mello suggested that the item be tabled and that staff come back to the board with more extensive materials and a review of the recommendation.

**D5: Ratification of Increase in Expected Family Contribution (EFC) for State of Maine Grant**

*Commissioner Gervais exited the meeting at 12:25 p.m.*

Ms. Dostie advised members that the board is being asked to ratify an increase in the Expected Family Contribution (EFC) for the State of Maine Grant. The EFC was set at \$2000 at the February board meeting based on the available funds of \$3.2 million. The data as of May shows that there are fewer than expected number of students in the lower bracket and the cut off was increased to \$3000. This was done in May to allow colleges time to finalize their financial aid packages. Ms. Bordowitz added that the Education Committee was polled prior to increasing the EFC.

**A motion was made by Mr. Nowak and seconded by Treasurer Douglass to ratify the increase in Expected Family Contribution (EFC) for the State of Maine Grant. The motion was approved by a vote of 8 in favor, 0 opposed and 0 abstentions.**

**R-06-20-13-09**

**D6: NextGen College Investing Plan® Approval of Portfolio Modifications**

*Vice Chair Walker exited the meeting at 12:28 p.m.*

*Mr. Nowak exited the meeting at 12:29 p.m.*

*Vice Chair Walker re-entered the meeting at 12:30 p.m.*

*Mr. Nowak re-entered the meeting at 12:31 p.m.*

*Dr. Silver exited the meeting at 12:32 p.m.*

*Mr. Murphy exited the meeting at 12:33 p.m.*

*Dr. Silver re-entered the meeting at 12:35 p.m.*

Ms. Gabrielson asked the board to go into Executive Session in order to discuss proposed changes to portfolios.

**Treasurer Murphy moved to enter into Executive Session for a matter the premature disclosure of which would be contrary to law. The motion was seconded by Treasurer Douglass and approved by a vote of 7 in favor, 0 opposed and 0 abstentions.**

*Members entered Executive Session #3 at 12:29 p.m.*

*Members exited Executive Session #3 at 12:36 p.m.*

**A motion was made by Vice Chair Walker and seconded by Mr. Pelletier to approve the four Resolutions as presented. The motion was approved by a vote of 7 in favor, 0 opposed and 0 abstentions.**

#### **R-06-20-13-10**

#### **D7: NextGen College Investing Plan® Application of Funds Received from MFS Class Action Settlement**

FAME has received \$412,730 from a settlement of a class action suit against MFS stemming from market timing and late trading allegations. Staff is recommending an account level distribution with a \$10 cutoff; the funds attributable to accounts not meeting the \$10 cutoff would be used to defray the costs associated with distribution. This is consistent with other distributions made in the past.

**A motion was made by Mr. Nowak and seconded by Dr. Silver to approve the distribution of funds received from the settlement of the MFS class action in accordance with the staff recommendation. The motion was approved by a vote of 7 in favor, 0 opposed and 0 abstentions.**

#### **R-06-20-13-11**

#### **D8: Modification of Procurement Policy**

Mr. Mello noted that proposed modifications to the Procurement Policy, administrative in nature, are contained in the board packet and are being presented to the board for approval.

**A motion was made by Dr. Silver and seconded by Treasurer Douglass to approve the modifications to the Procurement Policy as presented. The motion was approved by a vote of 7 in favor, 0 opposed and 0 abstentions.**

**R-06-20-13-12**

**C7: Education: Major Business Expansion Program**

FAME will be considering a Major Business Expansion Program bond shortly, and Mr. Roney is taking this opportunity to introduce how the program works before the actual application comes before the board. Chair Snowden asked that sufficient time be allocated in the future to allow for a substantive discussion before the board is asked to make a decision. Mr. Roney provided two handouts that demonstrate what went wrong with a similar transaction in another state.

**Treasurer Douglass moved to enter into Executive Session for a matter of confidentiality. The motion was seconded by Dr. Silver and approved by a vote of 7 in favor, 0 opposed and 0 abstentions.**

*Members entered Executive Session # 4 at 12:43 p.m.*

*Mr. Nowak exited the meeting at 12:43 p.m.*

*Mr. Murphy re-entered the meeting at 12:43 p.m.*

*Members exited Executive Session #4 at 12:51 p.m.*

**COMMISSIONERS' & TREASURER'S UPDATES:**

None.

The meeting adjourned at 12:51 p.m.

Respectfully submitted,

Cheri Walker, Vice Chair