

**MINUTES OF THE JUNE 19, 2014 MEETING OF THE MEMBERS
OF THE FINANCE AUTHORITY OF MAINE**

Chair Nowak called the June 19, 2014 meeting of the members of the Finance Authority of Maine to order at 9:03 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
Cheri Walker, Treasurer
Jonathan Block
Neria Douglass
George Gervais
Reis Hagerman
James Howard
Patrick Keliher
Gregory Miller
Larry Mitchell
Rosaire Pelletier
Christopher Pierce
Susan Snowden

Those members absent:

Patrick Murphy, Vice Chair
James Violette, Jr.

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
William Norbert, Governmental Affairs & Communications Manager
Scott Weber, Credit Manager
Scott Bursey, Commercial Loan Officer

Jeff Murch, Credit Analyst
Shelly Desiderio, Accounting and Finance Manager
Jennifer Cummings, Senior Workout Office
Angela Dostie, Education Finance Programs & Policy Manager
Rita Fournier, Customer Service Manager
Joshua Dixon, Senior Accountant
Adele Bickford, Executive/Legal Assistant

Guests Present:

Dick Arnold, Old Town Fuel and Fiber
John Harrington, Old Town Fuel and Fiber
Brian Mulligan, Maine Dept. of Economic and Community Development
Michael Conde, Nova Business Venture Associates
John Collins, Franklin Processing, Inc.
Derek Hayes, Camden National Bank
Debbie Dykeman, MaineHealth
Lou Inzana, MaineHealth
Frank McGinty, MaineHealth
James Saffian, Pierce Atwood
John Heye, MaineHealth

A2: Approval of May 15, 2014 Board Meeting Minutes

A motion was made by Mr. Pelletier and seconded by Mr. Mitchell to approve the minutes of the May 15, 2014 board meeting. The motion was approved by a vote of 12 in favor, 0 opposed and 1 abstention (George Gervais).

R-06-19-14-01

B: CHAIR'S REPORT

B1: Report of the Finance and Audit Committee Meeting of June 5, 2014

Treasurer Walker reported that the committee discussed the audit engagement letter, which will begin the 2014 FAME audit process. Members were advised that Merrill Lynch's remediation efforts are proceeding well and have resulted in little corrective activity. The committee reviewed the budget and discussed various components. Approval of the budget will be sought later in the agenda.

A motion was made by Mr. Mitchell and seconded by Mr. Hagerman to approve the report of the Finance and Audit Committee meeting of June 5, 2014. The motion was approved by a vote of 13 in favor, 0 opposed and 0 abstentions.

R-06-19-14-02

Chair Nowak reminded members to complete their board self-evaluation survey and return it to Baker Newman and Noyes by the July 11th deadline. One hundred percent participation will be of value to the organization.

C: CEO's and STAFF REPORT

C1: CEO's Report

Mr. Wagner presented his timeline for the strategic planning process: At the July board meeting, members will be provided a Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis and staff will present three goals (customer service, growth and productivity). The board will be asked to approve those goals as the triggering event for the rest of the planning process. At the August board meeting, the staff will present the Environmental Trends analysis. This reference material will provide background for the entire Business environment where our strategies must succeed. Finally, we are planning a full day strategic retreat for the board on October 16th. The board will conduct normal business in the morning followed by the strategy review.

Mr. Wagner asked for an Executive Session in order to discuss some forward looking applications and activities that will ultimately be coming to the board.

Treasurer Walker moved to enter into Executive Session to discuss records obtained prior to receipt of a written application. The motion was seconded by Commissioner Gervais and approved by a vote of 13 in favor, 0 opposed and 0 abstentions.

Members entered Executive Session #1 at 9:17 a.m.

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

C2: Committee Restructuring

Mr. Pelletier exited the meeting at 9:30 a.m.

Commissioner Gervais exited the meeting at 9:30 a.m.

Mr. Wagner referred members to the memo in their board packets outlining the restructuring of the board committees, which was done in an effort to have the committees more effective in light of the challenges being faced. Mr. Wagner contacted members prior to the meeting and is asking the board to agree to the restructuring and the memberships as presented. Chair Nowak added that the Executive Committee has worked closely with staff on this concept, which will lend more flexibility to the time and duration of membership. Chairs will be named by the Executive Committee and CEO. Ms. Snowden pointed out that reference is made in the memo to the members who hold the certified public accountant seat and commercial banker seat to be named chair of the Risk Management & Audit Committee and Business Committee, respectively, and that under the new concept should be stricken. Members indicated their agreement with the restructuring and membership.

C3: Approval of Brand Promise

Mr. Pelletier re-entered the meeting at 9:40 a.m.

Commissioner Gervais re-entered the meeting at 9:40 a.m.

Mr. Wagner presented the Brand Promise as provided in the board packet. He described it as an overarching technical statement that captures the essence of who we are and emphasized that it is not a tag line but a working statement. After an ensuing discussion, the Brand Promise as outlined in the board packet was changed to: *“To aspiring Mainers, FAME is the leading financial resource that expands business and educational capabilities through our willingness to invest at greater risk based on public benefit”*.

A motion was made by Ms. Snowden and seconded by Commissioner Keliher to approve the Brand Promise as modified. The motion was approved by a vote of 13 in favor, 0 opposed and 0 abstentions.

R-06-19-14-03

C4: Executive Summary – FFELP, NextGen and Operations

Ms. Fournier reviewed the Education Programs and Operations Calls memo in the board packet, which provides statistical information related to FFELP, State Education Loan Programs, Operations Calls by Product Group and NextGen.

C5: Customer Satisfaction Survey

Ms. Vanderweide referred members to their board packets for the results of the Customer Satisfaction Survey. FAME reached its highest score of 4.58 since the inception of the survey in 2002. The information provided outlined the survey process, results from the past five years of surveys vs. 2014, and key strengths and opportunities. There were 2000 surveys sent out with a good response rate of 23%.

C6: Commercial Loan Portfolio Review

Mr. Weber reviewed the packet information related to insurance risk: exposure was at \$102.1 million at the end of March and at \$103.8 million as of yesterday. Risk Rating Stratification and Delinquency were outlined, with Ms. Cummings noting that there has been a \$750,000 dollar decrease since the end of March, due primarily to three loans. Mr. Weber and Ms. Cummings continued the review of the insurance portfolio referring members to the Trend Analysis, and percentages of exposure by bank and industry.

C6a: Quarterly WatchDesk Report

Ms. Cummings asked members for any specific questions regarding the WatchDesk Report. None were heard.

C6b: Top Ten Relationship

Mr. Emmons asked members for any questions in regards to the listing of Top Ten Relationships as provided in the board packet. Chair Nowak questioned why a list of FAME’s largest loans that appeared in a recent publication is so different from the one being presented. Mr. Weber explained that FAME was asked for its top loans originated in 2013 as opposed to those listed in the Top Ten Relationships report in the board packet, which lists the Top Ten Relationships for all active loans as of May 16, 2014, the date the report was run.

C6c: Loan Closed Report

Mr. Weber updated the board on figures as of yesterday for Loans Closed: 342 total loans closed; 269 CLI/OLA; 51 CLI/traditionally submitted; 22 ERLP. Mr. Mello added that the goal for this fiscal year was 340, which was met as of yesterday.

C6d: Applications YTD Report

Mr. Weber updated the numbers of Applications/Denials/Approvals as of yesterday. He noted that the number of denials has remained consistent over the years. As of yesterday, FAME has received 586 applications in FY 2014, down 22 from last year's number of 608. CLI applications are down 48; CLI/OLA loans are up 55 and ERLP loans are down 29.

C7: Monthly Update for Board on Lumber, Wood and Paper Industry

Mr. Weber referred members to the memo in their packets providing insurance exposure to the lumber, wood, forestry and paper industry, which is provided monthly. FAME exposure as of May is at 90% of concentration, which Mr. Weber advised would go down in June as the portfolio is amortized.

Additional Item:

Mr. Norbert explained that the material before members giving biographies of each member is meant to help members to get to know each other better and can be updated at any time.

BREAK: 10:26 a.m. – 10:35 a.m.

D: PRESENTATION BY RED SHIELD ACQUISITION, LLC a/k/a/ OLD TOWN FUEL AND FIBER

Mr. Bursley introduced Dick Arnold, President of Old Town Fuel and Fiber (OTFF), and John Harrington, Manager of Patriarch Partners, who owns OTFF as well as 75 other companies. OTFF's presentation describes their prospective new process for converting wood fiber to ethanol. The company, which currently employs 200, may come to the board in the fall for a \$25 MBE loan and in August for a \$1 million ERLP loan to enhance their existing operation.

Mr. Harrington stated that Patriarch Partners sees the acquisition of the mill as an opportunity to create and invest in a new technology to re-deploy the mill, giving employees and the northern part of the state a new life line. Mr. Arnold proceeded with a PowerPoint presentation that provided an overview of the project. Funding for the project would come from a combination of the Department of Energy (DOE), MBE and equity investors, and Mr. Harrington noted that ethanol production is an add on, the mill will continue its pulping operation.

Mr. Roney suggested that members go into Executive Session in order to discuss the company's investment parameters.

Ms. Snowden 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 Douglass and approved by a vote of 13 in favor, 0 opposed and 0 abstentions.

Members entered Executive Session #2 at 10:50 a.m.

Members exited Executive Session #2 at 11:10 a.m.

Mr. Burse added that the project is significant for Old Town and for the pulp and paper industry in general for its future viability.

E: ACTION ITEMS

E1: Franklin Processing, Inc. – Request for Commercial Loan Insurance

Mr. Pelletier exited the meeting at 11:15 a.m.

Mr. Pelletier re-entered the meeting 11:16 a.m.

Mr. Emmons introduced Derek Hayes, Vice President and Regional Manager, Camden National Bank; John Collins, President and CEO of Franklin Processing, Inc. (FPI); and Michael Conde, Managing Principal of Nova Business Ventures Associates and consultant to Franklin Processing. Camden National Bank is requesting 90% pro rata insurance on a \$1.2 million, seven year term loan to partially reimburse equity contributed by G.E. Collins and Sons Limited as well as a \$500,000 line of credit for working capital. Franklin Processing, Inc. is a start-up operation to process blueberries from Canada in Franklin, Maine. Staff is recommending approval based on the significant equity from the Collins family and their expertise in the blueberry industry. Mr. Hayes based the bank's support of FPI on the history of the family in the industry, the short amortization of improvements tied to the equipment, and the fact that the Collins family process differs from other blueberry processors who rely on third party landowners, and the fact that they use mechanical harvesters, which increases the yield. Mr. Conde and Mr. Collins provided the company's background and expressed their desire to increase employment and bring viability to the area. Responding from a question from Treasurer Douglass regarding competition with Maine blueberries, Mr. Collins stated that their supply will come from Canada and 25% of their facility will be available to local processors in the coming season.

A motion was made by Mr. Pelletier and seconded by Treasurer Douglass to approve two resolutions authorizing loan insurance for a \$500,000 Line of Credit Loan and for a \$1,200,000 Term Loan for Franklin Processing, Inc. The motion was approved by a vote of 13 in favor, 0 opposed and 0 abstentions.

R-06-19-14-04

E2: Approval of Bond Resolution – MaineHealth & Affiliates (Revenue Obligation Securities Program)

Mr. Block exited the meeting for a conflict of interest at 11:34 a.m.

Commissioner Gervais exited the meeting at 11:34 a.m.

Mr. Roney presented a bond resolution in the amount of \$103,400,000 for MaineHealth and its affiliates to fund the construction of a new electronics medical records system. The non-recourse bonds will be issued under the Revenue Obligations Securities Program and do not carry any liability or credit enhancement from FAME. Mr. Roney introduced James Saffian of Pierce Atwood who is bond counsel. Mr. Saffian introduced Frank McGinty, Executive Vice President/Treasurer for MaineHealth, Lou Inzana, incoming CFO, John Heye, current CFO and Debbie Dykeman, Account Analyst, all of Maine Medical Center. Mr. McGinty provided an overview and a handout detailing the project. Mr. Roney referred members to a revised resolution with some minor wording changes from that in their board packets.

A motion was made by Treasurer Walker and seconded by Mr. Hagerman to approve a resolution authorizing the issuance and sale of up to \$103,400,000 in Revenue Obligation Securities (MaineHealth Issue, Series 2014) of the Finance Authority of Maine, authorizing and approving the execution and delivery of a loan and security or loan and trust agreement and other matters in connection therewith. The motion was approved by a vote of 11 in favor, 0 opposed and 1 abstention (Jonathan Block).

R-06-19-14-05

E3: NextGen College Investing Plan Portfolio Modifications

Mr. Block re-entered the meeting at 11:55 a.m.

Commissioner Keliher exited the meeting at 11:55 a.m.

Treasurer Walker exited the meeting at 11:55 a.m.

Treasurer Walker re-entered the meeting at 12:00 p.m.

Chair Nowak exited the meeting at 12:01 p.m.

Commissioner Gervais re-entered the meeting at 12:01 p.m.

Ms. Snowden exited the meeting at 12:02 p.m.

Mr. Pelletier exited the meeting at 12:02 p.m.

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

The Advisory Committee on College Savings met and heard presentations and recommendations from six of the fund families. Three modifications were proposed and two are being recommended for approval from the Advisory Committee, Advisory Council and Pension Consulting Alliance, Inc., FAME's independent investment consultant: Before the board for approval are modifications to the Client Select Series of NextGen proposed by AllianzGI and Franklin Templeton. The proposal from BlackRock will be re-visited at a later time.

Mr. Howard moved to enter into Executive Session because securities changes have not yet disclosed to all investors. The motion was seconded by Treasurer Douglass and approved by a vote of 11 in favor, 0 opposed and 0 abstentions.

Members entered Executive Session #3 at 12:00 p.m.

Members exited Executive Session #3 at 12:02 p.m.

Treasurer Walker directed members to the two resolutions in their board materials that authorize the approval of the modifications to the Maine College Savings Program.

A motion was made by Mr. Mitchell and seconded by Treasurer Douglass to approve the two resolutions approving modifications to the Maine College Savings Program and authorizing the Chief Executive Officer to take such actions necessary to implement such modifications. The motion was approved by a vote of 10 in favor, 0 opposed and 0 abstentions.

R-06-19-14-06

E4: NextGen College Investing Plan Account Authorization

Ms. Dostie referred members to their board packets outlining the NextGen account authorizations and resolutions to be provided to Merrill Lynch to update its records in regards to the Gold Star Scholarship Accounts and Access Scholarship Fund. The accounts are owned by FAME.

A motion was made by Treasurer Douglass and seconded by Mr. Hagerman to approve the two resolutions authorizing the Chief Executive Officer to maintain certain Section 529 accounts with Merrill Lynch and to name “Authorized Representatives” for the accounts. The motion was approved by a vote of 10 in favor, 0 opposed and 0 abstentions.

R-06-19-14-07

E5: Approval of FY 2015 Budget

Ms. Snowden re-entered the meeting at 12:10 p.m.

Mr. Pelletier re-entered the meeting at 12:10 p.m.

Members were provided a summary of the 2015 budget for their review. Mr. Mello outlined the key drivers impacting the results: continued growth of the NextGen investing plan, market and other support revenues from Merrill Lynch, decreasing Federal Family Education Loan Program (FFELP) revenues, discontinuation of College Access Challenge Grant funding, level of NextGen Program benefits provided to Maine families; projected net claims on insured loans, and expected receipt of the State transfer to support commercial insurance reserves. Mr. Mello added that the Finance and Audit Committee and Mr. Wagner want FAME to operate on a sustainable basis, and the budget for FY 2015 is a 0 balance budget, meeting that goal.

A motion was made by Mr. Pelletier and seconded by Treasurer Douglass to approve the FY 2015 budget as presented. The motion was approved by a vote of 12 in favor, 0 opposed and 0 abstentions.

R-06-19-14-08

COMMISSIONERS' & TREASURER'S UPDATES

The meeting adjourned at 12:28 p.m.

Respectfully submitted,

Patrick Murphy, Vice Chair