

**MINUTES OF THE JUNE 18, 2015 MEETING OF THE MEMBERS  
OF THE FINANCE AUTHORITY OF MAINE**

Chair Nowak called the June 18, 2015 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  
James Violette, Jr., Vice Chair  
Jonathan Block  
George Gervais  
Reis Hagerman  
Terry Hayes  
James Howard  
Meredith Mendelson for Patrick Keliher  
Larry Mitchell  
Rosaire Pelletier  
Christopher Pierce  
Richard Roderick  
Susan Snowden  
Cheri Walker, Treasurer

Those members absent:

Gregory Miller

Staff present:

Bruce Wagner, Chief Executive Officer  
Christopher Roney, General Counsel  
Carlos Mello, Director of Business and Finance  
Elizabeth Vanderweide, Director of Business Development/Marketing  
Martha Johnston, Director of Education  
Charles Emmons, Senior Commercial Loan Officer  
Jennifer Cummings, Senior Workout Officer  
Katryn Gabrielson, Deputy General Counsel

William Norbert, Governmental Affairs & Communications Manager  
Scott Weber, Senior Credit Officer  
Angela Dostie, NextGen Manager  
Joshua Dixon, Senior Accountant  
Jana McQuilkin, Marketing Communications Officer  
Mila Tappan, College Access Counselor and Outreach Manager  
Nichole Vachon, College Access Counselor  
Adele Bickford, Executive/Legal Assistant

Guests Present:

Michael Harder, Wireless Partners  
Jeff Gosselin, Mechanics Savings Bank  
Tom Buckley, Wireless Partners  
Bob Parsloe, Wireless Partners  
John Ruth, Casella Waste Systems, Inc.  
Ned Coletta, Casella Waste Systems, Inc.  
Beth Gibbs, Thomas College

#### **A2: Approval of May 21, 2015 Board Meeting Minutes**

**A motion was made by Mr. Roderick and seconded by Mr. Pelletier to approve the minutes of the May 21, 2015 Board meeting. The motion was approved by a vote of 10 in favor, 0 opposed and 4 abstentions (Susan Snowden, Larry Mitchell, Meredith Mendelson and Terry Hayes).**

**R-06-18-15-01**

#### **CHAIR'S REPORT**

#### **B1: Acceptance of the Report of the Risk Management and Audit Committee Meeting of May 19, 2015**

**A motion was made by Mr. Pelletier and seconded by Ms. Snowden to accept the Report of the Risk Management and Audit Committee Meeting of May 19, 2015.**

Treasurer Walker commented that both audit firms were present and are committed to being timely.

**The motion was approved by a vote of 14 in favor, 0 opposed and 0 abstentions.**

**R-06-18-15-02**

#### **B2: Acceptance of the Report of the Executive Committee Meeting of May 21, 2015**

**A motion was made by Vice Chair Violette and seconded by Mr. Howard to accept the Report of the Executive Committee Meeting of May 21, 2015. The motion was approved by a vote of 14 in favor, 0 opposed and 0 abstentions.**

**R-06-18-15-03**

### **B3: Board Evaluation Tool Update**

Chair Nowak asked for feedback from members regarding the modified Board Evaluation Tool. He had received a few comments from members, and the comments have been incorporated. The Board agreed to have the results compiled internally rather than by Baker, Newman and Noyes (BNN) as it has in the past.

### **C: CEO's and STAFF REPORT**

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

FAME has recently completed an ADA audit, which will, among other things, enable it to accommodate persons with disabilities in the hiring process.

The FAME/MELA merger has been signed by the Governor and will take effect 90 days after the Legislature adjourns. FAME will assume full responsibility at the beginning of 2016. Maine Education Services (MES), MELA's servicer, has extended its contract through the summer. Mr. Wagner and Chair Nowak will meet with the MELA Board next Tuesday to talk about the transition.

Mr. Wagner reviewed the proposed agenda for the Board two day off-site meeting and asked members for their feedback. There was a strong show of hands for attendance.

#### **C1a: Articles of Interest**

Mr. Wagner noted that there continues to be articles about the Nova Star and New Markets Tax Credits.

#### **C1b: Strategic Deployment Update**

Staff continues to work on the Strategic Deployment Plan, which officially starts July 1<sup>st</sup>. It includes individual accountability and metrics, both activity and result oriented.

Mr. Wagner reported that the Maine State Grant level of funding has remained fairly constant over the past few years at \$10 million/year. The budget, which includes an additional \$5 million per year has been approved and is awaiting action by the Governor. If approved, the grant level per student will be raised from \$1000 to \$1500 this year, and FAME will consider tiering going forward.

#### **C1c: Economic Recovery Loan Program Review**

The information provided to the Board is in response to the fact that the losses within the Economic Recovery Loan Program (ERLP) are not reflected in the normal Board reporting on losses. The Board material lists historical write-offs since fiscal 2011, active outstanding ERLP loans with reserves and groupings by like industries. Mr. Mello stated that the program is functioning as designed and is consistent with past experience. Losses are higher than those in the Commercial Loan Insurance Program but are in a range that is self-sustaining. This information will be brought to the Board on a continuing basis.

## **C2: Legislative Update**

Mr. Norbert reported that five of the six FAME sponsored bills have been enacted, with the sixth being on the Governor's desk. Two bills, which would provide additional funding to ERLP (\$1 million to \$2 million) and Commercial Loan Insurance (CLI) program (\$7 million to \$10 million), have been approved but remain unfunded. Mr. Norbert noted that the item in the budget allowing for the \$250 tax deduction for Section 529 plan contributions was eliminated. Some other bills that did not make it to the floor are: creation of a State Bank, rule-making bills, tiering within the Maine State Grant, enlarged bond deals, and comprehensive changes to tax credit programs. Those in the Appropriations Committee are: a bill to provide seed money for refinance/consolidation loan authority and the STEM bill. The Senate will take up the New Markets Tax Credit bill today.

## **C3: Customer Satisfaction Survey**

*Deputy Commissioner Mendelson exited the meeting at 9:49 a.m.*

*Deputy Commissioner Mendelson re-entered the meeting at 9:52 a.m.*

Ms. Vanderweide referred members to the memo and charts outlining the results of the Customer Satisfaction Survey, noting that FAME has achieved its highest score (4.61) since the inception of its use in 2002. Additional information highlighted the percentage of change over a five year period, and the 6.2% result for the change in average score by the NextGen Distribution Agents was significantly higher, which Ms. Vanderweide partially attributed to more communication to that group. Ms. Vanderweide shared some comments from the survey with the Board.

## **C4: Website**

Ms. McQuilkin brought up the website for the members to view. The website will be live tomorrow and will be easier to use and the content more accessible. She pointed to the cleaner menus and more options that are available. The pictured contacts puts a face to FAME's key contacts, either business or education outreach. Ms. Vanderweide added that this is Phase I, which duplicates much of the old website capability. Phase II will improve the efficiency of doing loan applications and list FAME partners.

## **C5: Commercial Loan Portfolio Review**

Mr. Weber reviewed the commercial loan insurance portfolio exposure with members as provided in the Board packet. As of the end of March, the insurance exposure was at \$105.2 million, up from \$101.3 million at the end of FY 2014. As of this morning, the balance is already \$118 million, but that will fall as repayments are booked in July.

The Risk Rating Stratification chart shows that most of the portfolio is in the 5 risk rating range.

Ms. Cummings did note that there will be two pay-outs in the next couple of weeks, which will bring the pay-out amount to \$800,000 less expected recovery of \$8,600. Also provided are charts indicating the amount of insurance exposure by lender and by industry. Discussion ensued regarding risk reporting.

### **C5a: Quarterly Watchdesk**

Ms. Cummings advised the Board that the Watch Desk Report has been reorganized based on feedback from the Business Committee. The report lists loans greater than \$500,000 and is organized by risk rating in ascending order. The Business Committee reviewed the report in more detail. The Watch Desk Report currently excludes information on accounts to individuals who are conflicted. After discussion, Mr. Roney indicated that staff would reconsider whether a listing poses an actual conflict of interest.

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

*Chair Nowak exited the meeting for conflict of interest at 10:35 a.m.*

*Chair Nowak re-entered the meeting at 10:38 a.m.*

*Ms. Snowden exited the meeting for a conflict of interest at 10:38 a.m.*

*Ms. Snowden re-entered the meeting at 10:40 a.m.*

*Vice Chair Violette exited the meeting at 10:41 a.m.*

Mr. Emmons requested an Executive Session in order to comment on certain accounts appearing on the Top Ten Relationship Report.

**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 Mr. Howard and approved by a vote of 14 in favor, 0 opposed and 0 abstentions.**

*Members entered Executive Session No. 1 at 10:30 a.m.*

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

*Vice Chair Violette re-entered the meeting at 10:44 a.m.*

Mr. Weber referred members to the Closed Loan Report in their Board packet and also provided a handout summarizing the data for CLI and ERLP closed loans ending March 31, 2015.

### **C5d: Applications YTD Report**

*Members exited Executive Session No. 1 at 10:48 a.m.*

Mr. Weber also provided a handout summarizing loan applications over five years and by program. He noted that approvals and denials have remained steady over the five years and that the volume of OLA loans has declined over the last year, having been impacted by the Small Business Administration's (SBA) offering no fees on loans of \$150,000 or less.

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

Mr. Weber reported that the concentration in the lumber, wood and paper industry has been relatively flat. The insurance exposure at the end of May was \$12,382,365 or 83.8% of the policy maximum. The prior month it was at 83%.

**BREAK: 10:55 a.m. – 11:06 a.m.**

## **D: ACTION ITEMS**

### **D4: Approval of Bond Resolution – Casella Waste Systems, Inc. (Revenue Obligation Securities Program)**

*Mr. Block exited the meeting for a conflict of interest at 11:06 a.m.*

Mr. Roney introduced Ned Coletta and John Ruth of Casella Waste Systems, Inc. A \$30 million bond resolution to fund capital expenditures for Casella Waste Systems, Inc. at a number of different sites is before the Board for approval. The bonds carry no FAME liability or credit enhancement. They will be issued, in some cases, on the public market to institutional investors.

Mr. Coletta highlighted how the funds would be used: to support infrastructure for a new gas treatment system and zero sort facility in Lewiston, to replace diesel fuel in their fleet of trucks with compressed natural gas, and to continue support to existing sites to better service customers.

Mr. Roney directed members to the resolution in their Board packets that authorizes the issuance and sale of the \$30 million revenue bonds for the Casella Waste Systems, Inc. projects. A Public Hearing was held yesterday, and some opponents voiced their concerns. Staff will make their findings based on the Public Hearing, and the Board is being asked to approve the resolution contingent upon staff's formal determination.

**A motion was made by Mr. Howard and seconded by Mr. Roderick to pass the resolution authorizing the issuance and sale of up to \$30,000,000 solid waste disposal revenue bonds (Casella Waste Systems, Inc. Project) Series 2015, of the Finance Authority of Maine; authorizing and approving the execution and delivery of an indenture, a financing agreement, a bond purchase agreement; authorizing and approving the delivery of a preliminary limited offering memorandum and a final limited offering memorandum; and other matters in connection therewith. The motion was approved by a vote of 13 in favor, 0 opposed and 1 abstention (Jonathan Block).**

**R-06-18-15-04**

### **D5: Approval of Bond Resolution – Thomas College (Revenue Obligation Securities Program)**

*Mr. Block re-entered the meeting at 11:19 a.m.*

*Ms. Snowden exited the meeting for a conflict of interest at 11:19 a.m.*

*Vice Chair Violette exited the meeting for a conflict of interest at 11:21 a.m.*

Mr. Roney introduced Beth Gibbs, head of Finance at Thomas College, which is a 501(c)3. The bond approval request before the Board is a refinance transaction and part of a larger bond request. A portion of the funding for Thomas College will come from municipal issue bonds by the City of Waterville. FAME will issue non-recourse bonds (\$3,342,500) to refinance a portion of the cost for a new dormitory.

Ms. Gibbs provided the background for Thomas College located in Waterville, Maine. Its full time enrollment has grown steadily, and they identified the need for more dormitory space. The \$8.5 million dormitory, opened in 2014, is deemed important to the retention of students. The refinancing of the project was broken into two parts to take advantage of better interest rates.

Mr. Roney advised the Board that a Public Hearing was held, all findings were made and a Certificate of Approval has been issued. The Board has a resolution, which authorizes the issuance of the sale of securities by FAME, before them for approval.

**A motion was made by Mr. Mitchell and seconded by Mr. Pelletier to pass the resolution authorizing the issuance and sale of up to \$3,342,500 in revenue obligation securities (Thomas College Issue, Series 2015) of the Finance Authority of Maine, authorizing and approving the execution and delivery of a loan and security agreement, a tax regulatory agreement and other matters in connection therewith. The motion was approved by a vote of 12 in favor, 0 opposed and 2 abstentions (James Violette, Jr. and Susan Snowden).**

**R-06-18-15-05**

**D3: Wireless Partners – Commercial Loan Insurance Request**

*Ms. Snowden re-entered the meeting at 11:25 a.m.*

*Vice Chair Violette re-entered the meeting at 11:25 a.m.*

*Treasurer Hayes exited the meeting at 11:58 a.m.*

*Treasurer Hayes re-entered the meeting at 11:59 a.m.*

*Treasurer Walker exited the meeting at 12:15 p.m.*

*Treasurer Walker re-entered the meeting at 12:17 p.m.*

*Commissioner Gervais exited the meeting at 12:27 p.m.*

*Treasurer Walker exited the meeting at 12:39 p.m.*

Mr. Emmons introduced Jeff Gosselin, Mechanics Savings Bank, Bob Parsloe - CEO, Michael Harder - CFO, and Tom Buckley – CFO, of Wireless Partners, LLC. An updated credit analysis was provided to Board members. The request from Mechanics Savings Bank is for 95% pro-rata insurance on a \$3.4 million term loan. The loan will finance the fit-up and deployment of a 4G LTE network to Washington and eastern Hancock counties to carry Verizon wireless service. All

permitting will be finalized before funding by the bank. The project is largely under-collateralized, and there is a construction risk meeting a September 30<sup>th</sup> deadline. FAME was able to reduce their insurance exposure to 80% with Wireless Partners' agreement for cash or cash-like collateral (\$510,000) to accrue directly to FAME. Staff compared the aggressive project cash flow projections by contacting similar "LTE in Rural America (LAR)" projects in Oklahoma and Kansas. The Oklahoma project confirmed that their cash flow far outpaced their projections. Staff is recommending approval with conditions noted in the credit analysis.

Mr. Gosselin stated that the bank is excited to be a part of the project and has confidence in management's ability to build out the network. It will be actively managed during deployment in accordance with the contracts. He added that based on projections, the loan is expected to be paid off within 36 months. Because of the lack of collateral and personal guarantee, FAME support is needed.

Mr. Parsloe presented to the Board last month. He provided an overview of his previous experience in the industry; as the founder of Northeast Wireless Networks, LLC, Mr. Parsloe has an established relationship with Verizon and successful industry experience.

Mr. Emmons reiterated that bringing 4G LTE to the rural counties of Maine is of enormous public benefit.

**Mr. Roderick 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 Mr. Howard and approved by a vote of 14 in favor, 0 opposed and 0 abstentions.**

*Members entered Executive Session No. 2 at 11:43 a.m.*

*Members exited Executive Session No. 2 at 12:25 p.m.*

A resolution was provided to members as a handout at the meeting.

**A motion was made by Mr. Roderick and seconded by Mr. Block to pass the resolution authorizing loan insurance for a \$3,400,000 term loan for Wireless Partners, LLC.**

Treasurer Hayes raised a concern for the number of jobs being created and who would be turned away if this is approved. Mr. Emmons responded that approval for Wireless Partners would not preclude others being considered since the commercial insurance limit exposure is \$150 million. FAME is currently at \$114 million to \$ 118,000. The public benefit is in the economic development impact fostered by the availability of broad band to the rural area. Private equity is not readily available for the construction phase of the project, particularly in the underserved areas of the state, which makes FAME's approval more important to the completion of the project in an allotted timeframe.

**The motion was approved by a vote of 9 in favor, 5 opposed (James Violette, Jr., Susan Snowden, Christopher Pierce, James Howard and Terry Hayes) and 0 abstentions.**

**R-06-18-15-06**



**BREAK: 12:39 p.m. – 12:46 p.m.**

**D1: NextGen College Investing Plan® Portfolio Modifications**

*Deputy Commissioner Mendelson exited the meeting at 12:52 p.m.*

*Deputy Commissioner Mendelson re-entered the meeting at 12:55 p.m.*

*Chair Nowak exited the meeting at 12:48 p.m.*

*Chair Nowak re-entered the meeting at 12:50 p.m.*

*Mr. Howard exited the meeting at 1:00 p.m.*

Ms. Dostie asked to go into Executive Session to discuss proposed modifications to the NextGen College Investing Plan® portfolios.

**Mr. Roderick 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 Mr. Howard and approved by a vote of 12 in favor, 0 opposed and 0 abstentions.**

*Members entered Executive Session No. 3 at 12:48 p.m.*

*Members exited Executive Session No. 3 at 1:00 p.m.*

**A motion was made by Mr. Roderick and seconded by Mr. Mitchell to pass five resolutions approving various modifications to the Maine College Savings Program (NextGen) and authorizing the Chief Executive Officer to take such actions necessary to implement such modifications. The motion was approved by a vote of 11 in favor, 0 opposed and 0 abstentions.**

**R-06-18-15-07**

**D2: Approval of FY 2016 Budget**

Mr. Mello referred members to the proposed FY 2016 budget, noting several key factors impact the budget: continued growth of NextGen, continued marketing support from Merrill Lynch, runoff of the Federal Family Education Loan Program (FFELP), continued NextGen program benefits, the level of projected net claims, the \$1 million state transfer and receipt of \$4 million for additional commercial insurance reserves.

The net result is a budget that is just above breakeven after the \$4.0 million in new commercial reserves is deducted. Mr. Wagner commented that staff strives for a breakeven budget so that as more revenue is generated, it can be used by redeploying more resources for public benefit rather than maximizing the bottom line. Mr. Mello reviewed the budget materials in detail and referred members to the combined MELA/FAME budget for FY 2016. Mr. Wagner noted that 2016 is a transition year where FAME is seeing little revenue growth, but the organization is investing in new

product development. Fortunately, the legislation giving FAME the authority to offer refinanced and consolidated loans has just been enacted, and robust revenue growth is expected in 2017-2018.

**A motion was made by Treasurer Hayes and seconded by Ms. Snowden to approve the FY 2016 Budget. The motion was approved by a vote of 11 in favor, 0 opposed and 0 abstentions.**

**R-06-18-15-08**

**COMMISSIONERS' & TREASURER'S UPDATES**

None.

The meeting adjourned at 1:32 p.m.

Respectfully submitted,

James Violette, Jr., Vice Chair