

**MINUTES OF THE SEPTEMBER 17, 2015 MEETING OF THE MEMBERS
OF THE FINANCE AUTHORITY OF MAINE**

Chair Nowak called the September 17, 2015 meeting of the members of the Finance Authority of Maine to order at 9:04 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

1: 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
Jonathan Block
George Gervais (*entered the meeting at 9:18 a.m.*)
Reis Hagerman
Terry Hayes
James Howard
Larry Mitchell
Rosaire Pelletier
Christopher Pierce
Richard Roderick

Those members absent:

Patrick Keliher
Gregory Miller
Susan Snowden

Staff present:

Bruce Wagner, Chief Executive Officer
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
Roxanne Broughton, Commercial Loan Officer

Katryn Gabrielson, Deputy General Counsel
Lisa Brown, Human Resource Manager
William Norbert, Governmental Affairs & Communications Manager
Scott Weber, Senior Credit Officer
Matthew Lindquist, Commercial Loan Officer
Adele Bickford, Executive/Legal Assistant

Guests Present:

Shirley Erickson, MELA
John Atkinson, MELA
Jack Moore, Good Will Hinckley
Suzette McAvoy, Center for Maine Contemporary Art
C. D. Thomas, Center for Maine Contemporary Art
Kris Eimicke, Pierce Atwood

A2: Approval of August 20, 2015 Board Meeting Minutes

A motion was made by Mr. Pelletier and seconded by Mr. Mitchell to approve the minutes of the August 20, 2015 board meeting. The motion was approved by a vote of 11 in favor, 0 opposed and 0 abstentions.

R-09-17-15-01

CHAIR'S REPORT

B1: Acceptance of the Report of the Executive Committee Meeting of August 20, 2015

A motion was made by Treasurer Walker and seconded by Vice Chair Violette to accept the Report of the Executive Committee Meeting of August 20, 2015. The motion was approved by a vote of 11 in favor, 0 opposed and 0 abstentions.

R-09-17-15-02

C: CEO's and STAFF REPORT

B3: Introduction of John Atkinson, MELA Board Chair, and Shirley Erickson, Executive Director, MELA

MELA and FAME will be formally joined on October 15th with FAME managing all functions by the end of the year. Mr. Wagner formally introduced John Atkinson, MELA board Chair, and Shirley Erickson, MELA Executive Director.

Ms. Erickson provided the mission, history and numbers for MELA. She noted the positive aspects of the merger: FAME's existing infrastructure (staffing and facilities), bond expertise, extensive outreach program with emphasis on financial literacy, ability to access affordable capital to ensure continuity of programs, capacity to reduce program administrative costs, lower interest rates for borrowers and the opportunity to incorporate value added features.

Mr. Atkinson spoke to the challenges today and going forward: return free risk, legislation allowing private lenders into the marketplace and tiering in the loan market that offers certain students (engineering and math) different interest rates.

Chair Nowak thanked Mr. Atkinson and Ms. Erickson and added that the merger is good for MELA, FAME and stakeholders.

C1: CEO's Report

Mr. Wagner visited Morningstar, which rates 529 plans, last Tuesday as an on-going effort to improve communications. FAME currently holds a "neutral" rating, which is one of the five levels used by Morningstar for determining ratings: negative, neutral, bronze, silver and gold. Mr. Wagner is cautiously optimistic that FAME can move up in its rating to "bronze" based on the fact that Merrill Lynch has eliminated the \$50 account administration fee for the Client Select Series and the continued strengthening of NextGen's portfolios.

FAME is scheduled to launch its loan consolidation product December 1st. FAME will be competing with large, out of state banks and will use local banks eager to enter this market. A bill to provide loan repayment for students in Science, Technology, Engineering and Math (STEM) did not pass this Legislative session, and FAME is exploring other means to fund the program through private money and donations as alternative to subsidizing the loans. FAME has met with the Harold Alfond Foundation (HAF) to discuss the possibility of their working in conjunction with our repayment program. HAF would fund \$4 million to offer 150 scholarships to STEM graduates who work in Maine.

Mr. Wagner made the board aware of the accelerated decline in FFELP generated funds. The recent Federal decision to disallow the collection of fees for students entering a rehabilitation program within 60 days of default has impacted FAME's budget by \$350,000. In addition, the budget will be impacted by another \$300,000 as a result of Navient reducing its rate for the purchase of rehabilitated loans.

The Office of Program Evaluation and Government Accountability (OPEGA) will conduct a hearing on November 12th regarding the New Markets Tax Credit Program, more specifically as the Program relates to the Great Northern Paper (GNP). Staff and possibly some board members may be called.

C1a: Articles of Interest

C3: Commercial Loan Portfolio Review

Mr. Wagner introduced Matthew Lindquist who recently came to FAME from the Bank of Maine as a Commercial Loan Officer.

Mr. Weber reviewed the Insurance Portfolio Exposure provided in members' board packets, noting that the \$111.4 million level would have been \$116.4 if Polycor and RedZone had been fully advanced in FY 2015. Mr. Wagner noted that when FAME reaches \$150 million, it will have reached its limit relative to the reserves that support the program. As the biggest, single strategic issue (growth and development), FAME is looking for other sources of capital.

Mr. Weber continued to review the CLI Portfolio, noting a correction to the percentage growth for Grade 5 risks. The percentage should be 71%, not 64.1% as shown. Mr. Weber agreed to include a weighted average chart to include ERLP loans. Ms. Cummings referred members to the chart indicating Insurance Delinquency, adding that the delinquency rate of 5.9% included Saddleback, which has matured. Saddleback continues to make payments during the forbearance process. If Saddleback had been included, the rate would be 4.29%, indicating a downward trend.

C3a: Quarterly WatchDesk

Ms. Cummings referred members to the WatchDesk Report in their packets. The format has been reworked and a brief description of the higher risk/higher exposure relationships was provided. Those with higher exposure were reviewed in detail by the Business Committee at their meeting last week.

C3b: Top Ten Relationship

Ms. Cummings asked for questions related to the Top Ten Relationship Report. None were heard.

C3c: Applications YTD Report

Mr. Weber referred members to the Applications YTD Date report and noted that the number of applications is down from 2014, but the dollar amount for that timeframe increased. He attributed the decrease in smaller loans to the fact that the Small Business Administration (SBA) is offering loans less than \$150,000 without fees.

D: ACTION ITEMS

D1: NextGen College Investing Plan Approval to Distribute Additional Funds

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

Vice Chair Violette re-entered the meeting at 10:21 a.m.

FAME has received \$36,506.47 from a U.S. Securities & Exchange Commission (SEC) Administrative Proceeding related to the Oppenheimer Champion Income Fund (formerly in NextGen). Ms. Gabrielson referred members to an updated memo provided as a handout that asks for approval to apply the SEC funds to the net asset value (NAV) of the affected NextGen Portfolios (the Portfolios which received the assets of the affected Oppenheimer Portfolios).

A motion was made by Mr. Roderick and seconded by Mr. Hagerman to approve the distribution of funds from the SEC proceeding as presented. The motion was approved by a vote of 11 in favor, 0 opposed and 0 abstentions.

R-09-17-15-03

FAME is using Epiq Class Action & Claims Solutions (Epiq) to administer a distribution to current and former NextGen account holders of funds received in connection with a class action settlement related to the Oppenheimer Champion Income Fund. Epiq has a master banking services agreement with Bank of America and staff is seeking approval to establish a bank account with Bank of

America for the portion of the distribution to former account holders, through Epiq's master agreement.

Ms. Gabrielson included a resolution and a copy of the proposed Disbursement Disclosure Letter between Epiq and FAME for member's review and approval.

A motion was made by Mr. Pelletier and seconded by Mr. Howard to authorize the Chief Executive Officer to establish a financial services relationship with Bank of America. The motion was approved by a vote of 12 in favor, 0 opposed and 0 abstentions.

R-09-17-15-04

BREAK: 10:25 a.m. – 10:33 a.m.

E1: Public Hearing: Rule Ch. 325, Amendment 3 – Maine New Markets Capital Investment Program

The Public Hearing was convened at 10:33 a.m.

Mr. Pelletier entered the meeting at 10:34 a.m.

Commissioner Gervais entered the meeting at 10:34 a.m.

Vice Chair Violette exited the meeting at 11:08 a.m.

Vice Chair Violette re-entered the meeting at 11:10 a.m.

Mr. Roney stated that the Public Hearing is being held for Rule Ch. 325, Amendment 3 (non-emergency), Maine New Markets Capital Investment Program, and is structured to hear comments from those in favor, opposed and neither for nor against. Mr. Roney asked for anyone in favor to come forward.

Mr. Eimicke is an attorney with Pierce Atwood representing the Center of Maine Contemporary Art and Good Will-Hinckley. Their projects were adversely affected by the passage of the emergency rule last month. Although in favor of the amendment, Mr. Eimicke suggested a change, which is included with his memo provided as a handout stating his position regarding the proposed Rule amendment. The change reads as follows: *Notwithstanding the foregoing, such investment may be used to refinance costs, expenses or investments incurred in connection with the development or construction of a project if such cost was incurred no more than 24 months before the date of such investment.* Mr. Eimicke introduced Suzette McAvoy, Executive Director of the Center for Maine Contemporary Art.

Ms. McAvoy provided the Center's background. The \$6 million project will move the Center from Rockport to Rockland and add six direct jobs. She referred members to the handout containing letters of support from the city of Rockland and local businesses. The New Market Tax Credits, if the 24 month lookback is incorporated, would be used to refinance costs already incurred for the construction of the Center. Without the tax credits, the Center will have to look for additional financing.

Jack Moore, Chair of the Board of Directors for Good Will-Hinckley, addressed the Public Hearing. Good Will-Hinckley Academy of Natural Sciences provides a hands-on education to students that don't thrive in a traditional setting. In order to be self-sustaining, the school must expand and construction is underway to accommodate their goal of 210 students. Mr. Moore stated that all aspects of the proposed project may be in jeopardy without the tax credits.

Mr. Roney asked for persons wishing to speak neither for nor against. Hearing none, the Public Hearing was closed at 11:08 a.m.

Mr. Roney explained that he will consider all comments once the comment period closes on September 27th, and the Rule will come to the board in October for approval if there are no substantive changes. If there is a material change, the Rule will need to go through the notification process again.

Mr. Roney pointed out that certification can be applied for long before the actual investment is made and that the New Markets Tax Credits are provided on a first come, first served basis. There is no guaranty that the credits considered as part of the funding for a project will be available when actually applied for.

B2: Board Evaluation Results

Treasurer Walker exited the meeting at 11:38 a.m.

Mr. Roderick exited the meeting at 11:47 a.m.

Mr. Pelletier exited the meeting at 11:47 a.m.

Mr. Wagner viewed the results to decide where to drive improvement. He looked at the "Strongly Agree" and "Agree" categories, calculated a percentage and considered anything below 80% to be a candidate for improvement. A revised Evaluation, which contained results from additional two board members, and Mr. Wagner's memo dated September 16, 2015, were provided as handouts. Mr. Wagner reviewed the recommended actions, noting as most important, setting policies to guide the board. In a related area, the Business Committee is looking at how FAME manages risk in order to help the board make informed decisions on loan requests by: improving the loan packages; incorporating a one page cover memo from Mr. Mello for loan requests to help the board focus on key issues; and providing training on the business and economic processes at board meetings to help members to understand basic terms and issues. The Business Committee discussed scheduling a phone call every Monday to allow members to ask questions of Mr. Mello and his team before the applicant was invited to present, or as an alternative, to discuss the transaction prior to the applicant entering the meeting. Board discussion prior to the board meeting would require Public Notice, which fosters the right of the public to be present at public meetings. Some members expressed concerns about the appearance of conducting discussions without the applicant being present. Mr. Wagner recommended that staff proceed with improving the loan package, include a one page memo addressing key issues, and provide more education for the whole board.

C2: 2016 Incentive Plan

Mr. Wagner provided the rationale for establishing the four targets of the 2016 Incentive Plan based on Strategic Plan performance metrics. The Executive Committee suggested that a broader, more

subjective understanding of where FAME is in its overall Strategic Plan be included as a fifth goal. Mr. Wagner asked members to approve the four targets outlined in his memo in the board packet and allow him time to discuss the proposed fifth goal with staff.

A motion was made by Mr. Howard and seconded by Treasurer Hayes to approve the 2016 Incentive Plan as presented. The motion was approved by a vote of 9 in favor, 0 opposed and 0 abstentions.

R-09-17-15-05

COMMISSIONERS' & TREASURER'S UPDATES

The meeting adjourned at 12:20 p.m.

Respectfully submitted,

James Violette, Jr., Vice Chair