

**MINUTES OF THE APRIL 19, 2018 MEETING OF THE MEMBERS
OF THE FINANCE AUTHORITY OF MAINE**

Chair Violette called the April 19, 2018 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 Violette 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

Chair Violette 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:

James Violette, Jr., Chair
David Daigler, Treasurer
Jonathan Block
James Howard
Meredith Mendelson for Patrick Keliher
Larry Mitchell
Timothy Nightingale
Raymond Nowak
Christopher Pierce

Those members absent:

George Gervais
Terry Hayes
Rosaire Pelletier
Richard Roderick, Vice Chair
Cheri Walker

Staff present:

Bruce Wagner, Chief Executive Officer
Carlos Mello, Chief Risk Officer
Katryn Gabrielson, Deputy General Counsel
Jonathan Harvell, Chief Information Officer
Elizabeth Vanderweide, Director of Business Development and Marketing
Martha Johnston, Director of Education
William Norbert, Governmental Affairs and Communications Manager
Charles Emmons, Director of Commercial Lending
Lisa Brown, Human Resource Manager
Scott Weber, Senior Credit Officer
Adele Bickford, Executive/Legal Assistant

Guests Present:

John Endicott
Doug Hauer, Mintz Levin
Wade Merritt, Maine International Trade Center
Kelly L'Heureux, Maine International Trade Center
Ivy Bassett, Maine International Trade Center

9:06A2: Approval of March 15, 2018 Board Meeting Minutes

A motion was made by Mr. Nightingale and seconded by Mr. Howard to approve the minutes of the March 15, 2018 Board meeting. The motion was approved by a vote of 9 in favor, 0 opposed and 0 abstentions.

R-04-19-18-01

B: CHAIR'S REPORT

9:07B1: Acceptance of the Report of the Executive Committee Meeting of March 15, 2018

A motion was made by Treasurer Daigler and seconded by Chair Violette to accept the Report of the Executive Committee meeting of March 15, 2018. The motion was approved by a vote of 9 in favor, 0 opposed and 0 abstentions.

R-04-19-18-02

9:08B2: Acceptance of the Report of the Education Committee Meeting of March 6, 2018

A motion was made by Mr. Mitchell and seconded by Mr. Howard to accept the Report of the Education Committee meeting of March 6, 2018. The motion was approved by a vote of 9 in favor, 0 opposed and 0 abstentions.

R-04-19-18-03

9:09B3: Acceptance of the Report of the Risk Management and Audit Committee Meeting of April 5, 2018

A motion was made by Mr. Block and seconded by Mr. Howard to accept the Report of the Risk Management and Audit Committee meeting of April 5, 2018.

Mr. Nowak raised several questions regarding the minutes. He noted that the vote to go into executive session was not documented and asked for clarification of the voting status of the Deputy State Treasurer when in attendance in place of the State Treasurer. He also requested that the minutes reflect that the auditors were present at the executive session in which staff was dismissed. The motion was withdrawn and amended minutes will come back to the board for approval in May. Mr. Block and Mr. Nowak will provide the minutes for the executive session.

Chair Violette commented that “Confidential” should continue to be marked on the board materials even now when they are being sent electronically.

B4: Gift Policy

Mr. Wagner advised that the revisions to the Gift Policy have been fully vetted and are coming to the board to afford all members the opportunity to voice their concerns. In connection with the Gift Policy and the Conflict of Interest Policy, Chair Violette explained that there will be an annual disclosure process in which members will be asked to report companies with which they are affiliated. Discussion ensued regarding “affiliation”. It was noted that the Gift and Conflict of Interest policies are incorporated into FAME Rule Ch. 1, Bylaws and Administration of the Finance Authority of Maine. Ms. Gabrielson noted that the revised Gift Policy has been incorporated into the proposed amendment to FAME Rule Ch. 1 which is before the board for approval for rulemaking as an Action Item later on today’s agenda, but that the revisions to Conflict of Interest are not part of the policy itself (procedural only) and are not incorporated in the proposed rule amendment.

Although members expressed no concerns with the Gift Policy changes, it was determined that the Conflict of Interest Policy changes should be brought back in May for further clarification and approval.

B5: Conflict of Interest Policy

Will be brought back in May for approval.

B6: Director Development

Mr. Wagner advised that members indicated a desire for training as noted on the recent board evaluation. He would like feedback from members for the content of the training. Chair Violette suggested that a deep dive be done quarterly and a 15 – 20 minute training be done monthly on topics of interest. Chair Violette, after receiving comments from members, agreed to quarterly sessions, and Mr. Wagner will bring some topics back to the board for their consideration.

CEO and STAFF REPORT

C1: CEO Report

Mr. Wagner advised that some members of the board of the Maine International Trade Center (MITC) will join the board for the EB-5 presentation. FAME is partnering with MITC and the Department of Economic and Community Development (DECD) on EB-5. Also joining the meeting is outside counsel from the firm of Mintz Levin. It is hopeful that a decision on next steps can be made at the May board meeting, and a determination as to whether to go forward with EB-5 sponsorship could also be made at that time.

Mr. Wagner stated that cyber security is critical, and staff is currently implementing new software to address a concern with a legacy system identified by a 3rd party assessment last fall. Deployment of the new system is scheduled for May 5th.

Mr. Wagner clarified the financial section of his CEO Report related to the non-operating loss of \$700,000, which are unrealized losses in FAME's investment portfolio.

Mr. Wagner asked Ms. Johnston to elaborate on his comments on Campus Door presented in the CEO Report.

9:47C1b: Campus Door

Ms. Johnston reported that Campus Door, a company FAME uses to originate its student loan insurance (SLI) and refinance (RSLI) product, was purchased a year ago and is changing its fee schedule. Because SLI/RSLI is low volume, the higher fee schedule will impact our lenders, who may choose to drop out of the program. Mr. Wagner will contact the former CEO of Campus Door and provide more information to the board after conferring with him.

Mr. Wagner asked for any questions regarding his CEO Report. Mr. Pierce noted that Commercial Loan Insurance and Direct loans are trending down and asked what impact that has on this budget cycle. Mr. Wagner advised that it does have an effect on Profit and Loss, somewhat offset this cycle by application fees from bonds. It was noted that speed is critical in this competitive market based on comments resulting from the business survey.

Chair Violette returned to Education, specifically to the Campus Door challenge. Ms. Johnston advised that SLI/RSLI are struggling. Many colleges and universities use ELM (Electronic Loan Management) system for financial aid. FAME does not participate in ELM, which commands exorbitant fees. Ms. Johnston did note that RSLI has been gaining some traction because of its bigger market. Chair Violette suggested that the board do a deep dive into this problem at a future board meeting.

C1a: Articles of Interest

Included in board packet.

Mr. Nowak referred members to a Maine Biz article in their packet related to the food industry. He believes the food industry has the potential for economic development and is a growth area for Maine. The article references the Potato Marketing Improvement Fund (PMIF) administered by FAME, which he credits with helping to solve the potato industry's storage and packaging problems. A similar bond to that of PMIF could be used to establish a Food Marketing Improvement Fund, which could afford the opportunity for economic development in Maine.

Mr. Pierce asked for more information regarding the Maine Seed Company and a motion was made to enter executive session in order to discuss it in more detail.

Mr. Nightingale moved to enter into Executive Session to discuss records including financial statements or tax returns obtained or developed by the Authority in connection with any monitoring or servicing activity by the Authority pertaining to any financial assistance to be provided by or with the assistance of the Authority (10 MRDA §975-A(2)(D)). The motion was seconded by Treasurer Daigler and approved by a vote of 9 in favor, 0 opposed and 0 abstentions.

Members entered Executive Session No. 1 at 10:10 AM

Members exited Executive Session No. 1 at 10:20 AM

C1c: Board Assessment Results

Although the rating on the survey question related to policies did go up, work still remains to be done. A HR policies and procedures book will be completed in July and will come to the board for approval. Chair Violette asked that all approved policies to date be put in Box as well as committee materials going forward.

Mr. Wagner asked for feedback from the board regarding communication between staff and the board, which the assessment indicated was not adequate or sufficient. After a brief discussion, consensus was for staff and the board to meet separately, identify the issues, and then come together.

C2: Legislative Update

Mr. Norbert reported that the Legislature adjourned just the night before. Hundreds of bills remain. There is expected to be a special session to consider vetoes and remaining bills. Remaining for consideration and of concern to FAME are the student debt and commercialization bonds and tax conformity, which impacts NextGen. FAME will continue to monitor. Mr. Norbert will provide a memo to the board encompassing legislation this session at the conclusion of the special session.

C3: Education Update

C3a: Quarterly Report

Ms. Johnston referred members to report in their packets and asked for questions.

C3b: NextGen Update

Deputy Commissioner Mendelson exited the meeting at 10:35 a.m.

Deputy Commission Mendelson re-entered the meeting at 10:37 a.m.

Mr. Mitchell moved to enter into Executive Session to discuss records for which confidentiality has been requested by the owner or the person to whom it pertains, and as to which the Authority determines the information in which gives the owner/user an opportunity to obtain business or competitive advantage over another person who does not have access to the information other than through the Authority, or that access to the information by others would results in a business or competitive disadvantage, loss of business, or other significant detriment (10 MRSA §975-A(2)(B). The motion was seconded by Treasurer Daigler and approved by a vote of 7 in favor, 1 opposed (Raymond Nowak) and 0 abstentions.

Members entered Executive Session #2 at 10:35 a.m.

Members exited Executive Session #2 at 10:44 a.m.

BREAK: 10:44 A.M – 10:52 A.M.

C4: Business Update

C4a: EB-5 Update

Chair Violette re-entered the meeting at 11:00 a.m.

Mr. Block exited the meeting at 11:40 a.m.

Treasurer Daigler exited the meeting at 12:20 p.m.

Treasurer Daigler re-entered the meeting at 12:22 p.m.

Introductions were made for guests: Doug Hauer-Mintz Levin outside counsel, Wade Merritt-Maine International Trade Center, Ivy Bassett- Maine International Trade Center, Kelly L'Heureux, Maine International Trade Center and John Endicott-Chief Operating Officer for EB-5. Mr. Wagner advised members that the presentation is for information only with a decision to be made in May whether to go forward. Members were provided an overview of the EB-5 Center in their board packets. The presentation will afford members the opportunity to understand the business model and its risks relative to public benefit and to ask questions. The Risk Management and Audit Committee will meet May 7th for a more in-depth discussion on EB-5.

D: ACTION ITEMS

D1: Approval of Bond Resolution – Maine Education Loan Program

Treasurer Daigler exited the meeting at 12:35 p.m.

Treasurer Daigler re-entered the meeting at 12:37 p.m.

Ms. Johnston referred members to the memo in the board materials, which is recommending authorization to issue a bond of up to \$15 million in 2018 for the Maine/Maine Medical Loan programs, which would carry the moral obligation of the state. A \$10 million bond was issued in 2017, which afforded FAME the ability to offer lower and fixed interest loans to students. The timeframe for issuance is May-June. The issuance of the bond will allow FAME to remain competitive.

A motion was made by Mr. Nowak and seconded by Mr. Mitchell to approve and authorize up to \$15 million of Maine Student Loan Revenue Bonds. The motion was approved by a vote of 8 in favor, 0 opposed and 0 abstentions.

R-04-19-18-04

D2: Approval for Rulemaking – Ch. 1, Amendment 6 – Bylaws and Administration of the Finance Authority of Maine

Ms. Gabrielson advised that Rule Ch. 1, Bylaws and Administration of the Finance Authority of Maine, is being amended primarily to incorporate the wording of the revised Gift Policy. Ms. Gabrielson also advised that the provision of the rule regarding reporting of conflicts has not

changed, but that under the new gift provisions, board members and employees will also be expected to report receipt of gifts, services or compensation from a new category considered “permitted”.

A motion was made by Mr. Nightingale and seconded by Mr. Pierce to approve Ch. 1, Bylaws and Administration of the Finance Authority of Maine, for rulemaking.

After further discussion regarding the requirement to report even “permitted gifts”, Mr. Nightingale withdrew his motion.

The motion was withdrawn and the item was tabled.

D3: Approval of Business Loan Charge-off/Insured Claim Pay-out Policy

D4: Approval of Allowances for Insured and Direct Commercial Loans Policy

Mr. Mello advised that both policies have been conformed to the approved policy format and delineation of responsibilities without any further changes. Both were reviewed and accepted by the Risk Management and Audit Committee.

A motion was made by Mr. Nowak and seconded by Mr. Mitchell to approve two policies: Business Loan Charge-off/Insured Claim Pay-out and Allowances for Insured and Direct Commercial Loans Policy. The motion was approved by a vote of 8 in favor, 0 opposed and 0 abstentions.

R-04-19-18-05

COMMISSIONERS’ & TREASURER’S UPDATES

None.

E: OPEN TIME FOR UNFINISHED BUSINESS

None.

The meeting adjourned at 12:50 p.m.

Respectfully submitted,

Richard Roderick, Vice Chair