

**MINUTES OF THE JANUARY 18, 2018 MEETING OF THE MEMBERS  
OF THE FINANCE AUTHORITY OF MAINE**

Chair Violette called the January 18, 2018 meeting of the members of the Finance Authority of Maine to order at 9:10 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**

Before calling roll, Chair Violette thanked Ms. Walker for her service on the Executive Committee. She will no longer be attending meetings.

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  
Richard Roderick, Vice Chair  
David Daigler, Treasurer  
Terry Hayes  
James Howard  
Larry Mitchell  
Rosaire Pelletier  
Christopher Pierce  
Cheri Walker

Those members absent:

Jonathan Block  
George Gervais  
Patrick Keliher  
Timothy Nightingale  
Raymond Nowak

Staff present:

Bruce Wagner, Chief Executive Officer  
Christopher Roney, General Counsel  
Carlos Mello, Chief Risk Officer  
Jonathan Harvell, Chief Information Officer  
Elizabeth Vanderweide, Director of Business Development and Marketing  
Martha Johnston, Director of Education  
Katryn Gabrielson, Deputy General Counsel

William Norbert, Governmental Affairs and Communications Manager  
Charles Emmons, Director of Commercial Lending  
Lisa Brown, Human Resource Manager  
Scott Weber, Senior Credit Officer  
Jennifer Cummings, Senior Workout Officer  
Matthew Lindquist, Commercial Loan Officer  
Eva Giles, College Savings Plan Manager  
Adele Bickford, Executive/Legal Assistant

Guests Present:

Sheryl DeWalt, Beal College  
Jarrod Guimond, Bangor Savings Bank  
Kris Emicke, Pierce Atwood  
Chris Harris, Advantage

**A2: Approval of November 14, 2017 Board Meeting Minutes**

A motion was made by Treasurer Hayes and seconded by Treasurer Daigler to approve the minutes of the November 14, 2017 Board meeting. The motion was approved by a vote of 9 in favor, 0 opposed and 0 abstentions.

**R-01-18-18-01**

**B: CHAIR'S REPORT**

**B1: Acceptance of the Report of the Executive Committee Meeting of November 14, 2017**

A motion was made by Vice Chair Roderick and seconded by Ms. Walker to accept the Report of the November 14, 2017 Executive Committee meeting. The motion was approved by a vote of 9 in favor, 0 opposed and 0 abstentions.

**R-01-18-18-02**

**B2: Acceptance of the Report of the Business Committee Meeting of December 7, 2017**

A motion was made by Mr. Pelletier and seconded by Ms. Walker to accept the Report of the December 7, 2017 Business Committee meeting. The motion was approved by a vote of 9 in favor, 0 opposed and 0 abstentions.

**R-01-18-18-03**

**B3: Acceptance of the Report of the Executive Committee Meeting of December 18, 2017**

A motion was made by Vice Chair Roderick and seconded by Ms. Walker to accept the Report of the December 18, 2017 Executive Committee meeting. The motion was approved by a vote of 9 in favor, 0 opposed and 0 abstentions.

**R-01-18-18-04**

## **B4: Board Evaluation Tool**

Included in the board packet is the Board Evaluation Tool for members review. It will be sent to members electronically and the results will be available at the March board meeting.

## **CEO and STAFF REPORT**

### **C1: CEO Report**

Mr. Wagner opened his report and Articles of Interest up to questions. In response to a business opportunity related question regarding student loan default rates, Mr. Wagner added that former guaranty agencies are developing platforms to help colleges and universities bring down their student default rates. If their rates are too high, colleges and universities are subject to a loss in student funding. FAME is looking into the different platforms and will use the New Product Development and Launch process to evaluate.

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

Included in board packet.

### **C1b: EB-5 Update**

Mr. Wagner reminded members that EB-5 is a federal program that allows foreign investors (of \$500,000+) preferred visa status. Mr. Wagner advised members that the EB-5 team is working on how EB-5 will be structured and has sought outside counsel with expertise through an RFP. General operations will be kept in-house to control compliance. Carlos Mello will be the Chief Risk Officer and John Endicott, who currently works for the Department of Economic and Community Development (DECD), will be the Chief Operating Officer for EB-5. Mr. Endicott will become an employee of FAME, a position to be funded by DECD. Treasurer Hayes asked for a timeline for success and a high level presentation to the board after outside counsel is selected, most likely in March.

### **C1c: Incentive Plan**

FAME's Incentive Plan was presented in November to the Executive Committee. After feedback from the Committee, it was clear that one goal stood out, revenue generation, which is needed in light of declining FFELP revenue, a lower fee structure in NextGen and contraction of the Maine Loan. The proposed Incentive Plan for FY 2018, which has the support of the Executive Committee, would provide for 10% net revenue in excess of budget that has the potential to grow the pool by 100%. This would equate to 5.2% of salary base. Mr. Wagner is seeking approval of the full board.

**A motion was made by Mr. Howard and seconded by Treasurer Daigler to approve the FY 2018 Incentive Plan as presented. The motion was approved by a vote of 9 in favor, 0 opposed and 0 abstentions.**

**R-01-18-18-05**

## **C2: Business Update**

### **C2a: Quarterly WatchDesk**

Ms. Cummings advised that the WatchDesk for quarter ending September 30, 2017 was reviewed in detail by the Business Committee in early December. She asked if there were any questions regarding specific accounts.

**Mr. Howard moved to enter into Executive Session to discuss records including financial statement or tax return 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 assistance of the Authority (10 MRSA §975-A(2)(D)). The motion was seconded by Mr. Mitchell and approved by a vote of 9 in favor, 0 opposed and 0 abstentions.**

*Members entered Executive Session No. 1 at 10:51 a.m.*

*Members exited Executive Session No. 1 at 10:57 a.m.*

Ms. Cummings referred members to the WatchDesk report in their packets, listing loans with highest risk by exposure. She asked for any questions. There were none.

### **C2b: Statistical Reports and Updates**

Mr. Weber reviewed the statistical data compiled for Commercial Loan Insurance and FAME Direct Loans as of September 30, 2017 contained in the board packet. The process for bringing the exposure information to the board is based on information that is first reviewed by the Business Committee.

### **C2c: Policy Updates**

Mr. Weber presented the seven policies that went to the Business Committee in December, noting that their recommendations are red-lined on the copies in the board packet. Recommendations by the Business Committee involve the inclusion of a board reporting statement, minor wording changes and a syncing up of targeted industries with those of the Legislature.

Chair Violette called for a vote.

**A motion was made by Mr. Pelletier and seconded by Mr. Howard to approve the seven business credit policies as recommended by the Business Committee and presented. The motion was approved by a vote of 9 in favor, 0 opposed and 0 abstentions.**

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

**BREAK: 10:17 a.m. – 10:26 a.m.**

### **Additional Items:**

*Treasurer Daigler entered the meeting at 10:29 a.m.*

## **MBE Update**

The Business Committee, after discussion at their December meeting, is recommending suspension of the Major Business Expansion (MBE) loan program, which Mr. Wagner described as dysfunctional. FAME would not entertain any more MBE loans other than the one currently open and would continue that practice until an alternate program is in place. The program must be changed statutorily. FAME has programs in place now that are more effective, such as commercial loan insurance, which could benefit from a change in the level offered.

**A motion was made by Treasurer Hayes and seconded by Mr. Mitchell to approve the suspension of acceptance of applications under the Major Business Expansion loan program. The motion was approved by a vote of 9 in favor, 0 opposed and 0 abstentions.**

**R-01-18-18-07**

### **2018 CEO Goals**

Mr. Wagner referred members to a memo addressed to Chair Violette and provided to them as a handout outlining five goals that will be his focus going forward. They were reviewed by the Executive Committee today and will serve as Mr. Wagner's goals and objectives and part of his performance appraisal. Mr. Wagner reviewed each of the five goals. No action was needed.

### **C3: Education Update**

#### **C3a: Quarterly Report**

*Treasurer Hayes exited the meeting at 10:41 a.m.*

*Treasurer Hayes re-entered the meeting at 10:42 a.m.*

Rather than reviewing the memo in the board packet, Ms. Johnston asked for any questions, and introduced a video produced by staff of "Claim Your Future", a financial education game, which FAME plans to commercialize.

#### **C3b: NextGen Maximum Contribution Increase**

The memo in the board packet informs the board of the NextGen maximum contribution limit, which increased to \$475,000, and the methodology applied to determine the limit. No action is required of the board.

#### **C3c: Tax Reform Bill**

Ms. Gabrielson advised the board that HR 1, the Tax Reform Bill, does not alter how the maximum contribution limit is determined. It remains based on education costs. She was not aware of any implications for 529 plan maximum contribution limit in the Higher Education Reauthorization bill, which Mr. Norbert states we are tracking closely. Mr. Norbert will prepare a memo outlining FAME's points when addressing our congregational delegation in regards to Higher Education Reauthorization. Ms. Gabrielson added that the Tax Reform Bill made changes to 529 plans, most notably that distributions from NextGen accounts can be made for enrollment or attendance at

elementary or secondary public, private or religious schools, which will cause considerable more work for staff. It is not clear at this time if such distributions would receive the same treatment under Maine tax laws. FAME has put a notice on its website and a supplement will be issued to inform account holders of changes affecting their 529 plan.

### **C3d: Terms and Conditions of Maine Grant Programs**

Ms. Giles updated the Board regarding minor modifications that are being made to the Terms and Conditions of Maine Matching Grants Programs to reflect the G-21 marketing disclosure as well as providing clarification resulting from the new federal tax reform law. The trademark will be changed to NextGen® rather than NextGen College Investing Plan. Clarifying language will be included in the section called Grants in General to make sure recipients understand that Matching Grants are for use at eligible post-secondary institutions only. We will continue to work with the Education Committee and Advisory Committee if any other updates or potential changes arise.

### **C3e: Review Advisory Committee on College Savings Charter**

Ms. Johnston presented the Advisory Committee on College Savings Charter, which does not require approval from the board but is brought before members to assure their awareness of changes enacted statutorily. Chair Violette advised that the Advisory Committee Charter is included in the Governance Policy and the two should be synced. Staff and the chair will work through that process.

Mr. Wagner requested an Executive Session in order to provide a NextGen update.

**Treasurer Daigler 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 result in a business or competitive disadvantage, loss of business, or other significant detriment (10 MRSA §975-A(2)(B)). The motion was seconded by Vice Chair Roderick and approved by a vote of 8 in favor, 1 opposed (Terry Hayes) and 0 abstentions.**

*Members entered Executive Session No. 2 at 11:08 a.m.*

*Members exited Executive Session No. 2 at 11:10 a.m.*

## **D: ACTION ITEMS**

### **D1: Commercial Loan Insurance Request – Beal College**

*Vice Chair Roderick exited the meeting for a conflict of interest at 11:10 a.m.*

*Treasurer Daigler exited the meeting for a conflict of interest at 11:10 a.m.*

*Chair Violette exited the meeting at 11:13 a.m.*

*Chair Violette re-entered the meeting at 11:16 a.m.*

Mr. Lindquist introduced Sheryl DeWalt of Beal College, and Jarrod Guimond of Bangor Savings Bank (BSB), and provided the school's background information. Beal Education is before the board for approval of a re-advance of \$230,000 under its FAME insured term loan from Bangor Savings, to bring FAME's 75% CLI exposure on the term loan up to \$1,050,000. The funds will be used for working capital for equipment, debt consolidation and renovations for a newly offered nursing program. Beal's line of credit would be renewed with an additional \$100,000 of availability added with 90% CLI. Mr. Guimond stated that the bank is supportive of Ms. DeWalt because of the school's longevity, name recognition, track record for an affordable option for education, management and their on-going relationship with Ms. DeWalt. Beal College has been accredited for its nursing program and federal loans will be available to the students with the start of classes in May.

Two resolutions were provided to the board as handouts for approval of the requested changes to commercial loan insurance on the term loan and for the renewal and increase of the line of credit.

**A motion was made by Mr. Howard and seconded by Mr. Pelletier to approve the Resolutions, to authorize modification of Loan Insurance for a \$1,400,000 Term Loan for Beal Education, LLC and modification of Loan Insurance for a \$200,000 Line of Credit Loan for Beal Education, LLC. The motion was approved by a vote of 7 in favor, 0 opposed and 2 abstentions (David Daigler and Richard Roderick).**

**R-01-18-18-08**

**D4: Approval of Certification Application of Urban Development Fund 55, LLC under the Maine New Markets Capital Investment Program, relating to investment in Northern Farms Advanced Agriculture Facility, Madison, Maine**

Postponed.

**D5: Approval of Certification Application under the Maine New Markets Capital Investment Program of BizCapital Bidco I, LLC, relating to investment in Direct Vet Marketing, Inc., Portland, Maine**

*Vice Chair Roderick re-entered the meeting at 11:23 a.m.*

*Treasurer Daigler re-entered the meeting at 11:23 a.m.*

*Ms. Walker exited the meeting at 11:24 a.m.*

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

Mr. Roney introduced Kris Eimicke of Pierce Atwood and Chris Harris of Advantage Capital, who will speak to the project for which a New Markets Tax Credit (NMTC) Certification Application is before the board for approval. Direct Vet Marketing, Inc. is a manufacturer of health products for veterinary hospitals and pet owners and is headquartered in Portland. The project will create 255 STEM jobs and upward of 1100 indirect jobs, strongly impacting the local economy. Members were provided a resolution approving the Certification Application as a handout.

**A motion was made by Treasurer Hayes and seconded by Mr. Howard to approve the Resolution, certifying investment(s) by AC Small Business Fund VII, LLC in BizCapital Bidco I, LLC and authorizing issuance of tax credit certificates under the Maine New Markets Capital Investment Program. The motion was approved by a vote of 9 in favor, 0 opposed and 0 abstentions.**

**R-01-18-18-09**

**D2: Adoption of Ch. 1, Amendment 6 – Bylaws and Administration of the Finance Authority of Maine**

Mr. Roney advised that action on Rule Ch. 1, Bylaws and Administration of the Finance Authority of Maine, will not be taken today. Chair Violette informed members that after discussion at the Executive Committee meeting, more work needs to be done in regards to the Gift and Conflict Policies, thus delaying action on the Rule and precluding discussion of the Gift and Conflict policies.

**C4: Legal Update**

**C4a: Gift Policy**

Postponed.

**C4b: Conflict Policy**

Postponed.

**D3: Adoption of Ch. 611, Amendment 16 – Maine College Savings Program**

Rule 611, Amendment 16, Maine College Savings Program, is before the board for adoption. The amendment conforms the Rule to legislative changes regarding the selection of the chair of the Advisory Committee on College Savings as noted in the memo to board members in their board packet. Ms. Gabrielson advised that this rule will again come to the board once new legislation regarding tax reform is enacted. No comments were received.

**A motion was made by Treasurer Hayes and seconded by Mr. Mitchell approving the adoption of Rule 611, Amendment 16, Maine College Savings Program. The motion was approved by a vote of 9 in favor, 0 opposed and 0 abstentions.**

**R-01-18-18-10**

**D6: Approval of Amendment to the NextGen Program Management Agreement – Alternative Benchmark**

Ms. Giles referred members to the memo in their board packet outlining staff's request to approve an alternative benchmark for the BlackRock Global Allocation Fund, Inc. The Advisory Committee, Pension Consulting Alliance, LLC, FAME's independent investment consultant, and Merrill Lynch support the custom benchmark as described in the memo.



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

**R-01-18-18-11**

**C4c: Executive Session Policy**

Members received a handout adjusting the wording of Rider A of the Executive Session Policy resulting from discussion at the Executive Committee meeting of December 18, 2017. Rider A is a summary of reasons under which an executive session can be called and is in alignment with statute. Chair Violette added that the policy has been scaled back upon recommendation of the Executive Committee to align the policy with statute. In addition, designees of the ex-officio members of the board will be allowed to attend executive sessions even while the ex-officio member is in attendance after each signing a Confidentiality Agreement. Attendance at executive sessions will be approved at such board meetings in which executive sessions are called.

**A motion was made by Treasurer Daigler and seconded by Mr. Howard to approve the Executive Session policy as adjusted and presented. The motion was approved by a vote of 9 in favor, 0 opposed and 0 abstentions.**

**R-01-18-18-11**

**C5: IT Update**

**C5a: Electronic Board Packets**

*Ms. Walker exited the meeting at 12:00 p.m.*

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

*Ms. Walker re-entered the meeting at 12:03 p.m.*

Mr. Harvell advised the board that FAME is moving in the direction of providing a secure PDF of the board packet as an inexpensive means of offering an electronic version going forward. Discussion ensued regarding security and the best means to access the board packet, archived packets and policies. Mr. Harvell will contact members to determine the need for a device. It was agreed that members would use a secured site on their own device and a hard copy of the packet will accompany the first roll out of the electronic version, possibly by March.

**C5b: Cyber Security Status**

FAME has engaged Sage to provide global policy guidance for cyber security. There will be a comprehensive program using the National Industry Standards for Technology (NIST). The policies will go to the Risk Management and Audit Committee and then will come to the full board. Operational testing of FAME's Cyber Security Program will be conducted and the results reported to the board.

**COMMISSIONERS' & TREASURER'S UPDATES**

Mr. Wagner informed members that Treasurer Hayes will be on television on Saturday representing FAME on a panel of judges for Greenlight Maine.

**E: OPEN TIME FOR UNFINISHED BUSINESS**

Treasurer Hayes reiterated her request to have a board discussion regarding the best use of a proposed \$40 million bond that would be used to pay off the student debt of individuals who agreed to work and reside in Maine for five years. The funds would also be used to reimburse employers who made payments on behalf of their employees who agreed to work and reside in the state for five years. Chair Violette suggested that more board involvement in bills before they go to the Legislature would be helpful to the board and, Mr. Norbert will be asked to update the board regarding bills of interest to FAME earlier in the legislative process.

The meeting adjourned at 12:26 p.m.

Respectfully submitted,

Richard Roderick, Vice Chair