

**MINUTES OF THE MAY 17, 2018 MEETING OF THE MEMBERS
OF THE FINANCE AUTHORITY OF MAINE**

Vice Chair Roderick called the May 17, 2018 meeting of the members of the Finance Authority of Maine to order at 9:07 a.m. at the Finance Authority of Maine, 5 Community Drive, Augusta, Maine.

Vice Chair Roderick 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

Vice Chair Roderick 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:

Richard Roderick, Vice Chair
Jonathan Block
George Gervais
Teresea Hayes
James Howard
Larry Mitchell
Raymond Nowak
Rosaire Pelletier
Christopher Pierce
Cheri Walker

Those members absent:

David Daigler, Treasurer
Patrick Keliher
Timothy Nightingale
James Violette, Jr., Chair

Staff present:

Bruce Wagner, Chief Executive Officer
Christopher Roney, General Counsel
Charles Emmons, Director of Commercial Lending
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
Jennifer Cummings, Senior Workout Officer
Ellen Curtiss, Credit Analyst
Shelly Desiderio, Chief Accounting Officer
Adele Bickford, Executive/Legal Assistant

Guests Present:

Jacques Vachon, Maibec Lumbers, Inc.
Jason A. House, TD Bank

A2: Approval of April 19, 2018 Board Meeting Minutes

A motion was made by Mr. Mitchell and seconded by Mr. Pelletier to approve the minutes of the April 19, 2018 Board meeting. The motion was approved by a vote of 7 in favor, 0 opposed and 3 abstentions (Teresea Hayes, Richard Roderick and Cheri Walker).

R-05-17-18-01

B: CHAIR'S REPORT

B1: Acceptance of the Amended Report of the Risk Management and Audit Committee Meeting of April 5, 2018

The Report of the committee is unchanged from last month with the exception of the addition of a summary of the executive session.

A motion was made by Mr. Nowak and seconded by Mr. Mitchell to accept the Amended Report of the Risk Management and Audit Committee meeting of April 5, 2018. The motion was approved by a vote of 10 in favor, 0 opposed and 0 abstentions.

R-05-17-18-02

B2: Acceptance of the Report of the Special Executive Committee Meeting of April 19, 2018

A motion was made by Mr. Nowak and seconded by Mr. Howard to accept the Report of the Special Executive Committee meeting of April 19, 2018. The motion was approved by a vote of 10 in favor, 0 opposed and 0 abstentions.

R-05-17-18-03

CEO and STAFF REPORT

C1: CEO REPORT

Mr. Wagner asked for any questions or areas of concern relative to his CEO Report. Hearing none he requested an Executive Session in order to update members on the NextGen issue.

Ms. Walker 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 Mr. Mitchell and approved by a vote of 8 in favor, 2 opposed (Teresea Hayes and Raymond Nowak) and 0 abstentions.

Members entered Executive Session No. 1 at 9:14 a.m.

Members exited Executive Session No. 1 at 9:20 a.m.

FAME is working with ASF, which is considering seeking a No Action Letter from the Securities and Exchange Commission (SEC) that would allow them more latitude to enroll people in NextGen.

Mr. Wagner requested an executive session in order to update members on Maine Seed.

Commissioner Gervais 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 the assistance of the Authority (10 MRSA §975-A(2)(D)). The motion was seconded by Mr. Howard and approved by a vote of 10 in favor, 0 opposed and 0 abstentions.

Members entered Executive Session No. 2 at 9:25 a.m.

Members exited Executive Session No. 2 at 9:28 a.m.

FAME has 32 followed lines, mostly through On Line Application (OLA). The 29 very small lines are followed through the auditing process. The three larger lines, over \$250,000, are all reliant on lender compliance.

AELP has decided to move its processes and administration to Alpha One in Portland over the next year. FAME has offered to do a cost study in order to help them with the transition.

C1a: Articles of Interest

Included in board packet.

C1b: Strategic Update

Vice Chair Roderick exited the meeting at 9:45 a.m.

Vice Chair Roderick re-entered the meeting at 9:47 a.m.

Mr. Block exited the meeting at 9:48 a.m.

Mr. Block re-entered the meeting at 9:52 a.m.

Mr. Wagner referred members to the strategic materials in their board packets. He noted that the Brand Statement did not change but he offered a revision to the Vision Statement, which resulted from the April 12th Strategic Retreat with board and staff, for input from members. After a brief discussion, Mr. Wagner will incorporate some changes in wording resulting from the discussion and bring it back to the board.

C2: LEGISLATIVE UPDATE

Mr. Norbert referred members to the legislative recap memo he provided in the board materials. The Legislature has a lot of work remaining regarding bonding, commercialization and student debt, and it is unclear if they will return.

C3: LEGAL UPDATE

C3a: Red Flag (Identity Theft) Report

Ms. Gabrielson presented the annual report of the Identity Theft Prevention Program required by the Federal Trade Commission, known as the Red Flags Rule that identifies identity theft activities. FAME has not had any “red flags” under the program in the last reporting year.

C4: EDUCATION UPDATE

C4a: NextGen Update

Previously updated under the CEO Report.

C5: BUSINESS UPDATE

C5a: EB-5

Vice Chair Roderick exited the meeting at 10:24 a.m.

Vice Chair Roderick re-entered the meeting at 10:26 a.m.

The Business and Risk Management and Audit committees met on May 10th to review the EB-5 Program and make a recommendation to move the program forward. Mr. Howard, Chair of the Business Committee, advised that FAME’s high standards mitigate risk. He noted cost and time requirements, which could be a detriment to small businesses. Mr. Howard and the committee members present at the meeting voted to recommend moving forward with the Program.

Mr. Block, Chair of the Risk Management and Audit Committee, reported that members uniformly felt that the risks are well contained. The affiliated model that FAME chose is limited to reputational and budgetary risk as the Center’s role will be in evaluation and reporting. The Risk Management and Audit Committee members present voted unanimously to move forward with the Program.

In the ensuing discussion, members were reminded that the establishment of an EB-5 Center was mandated by the Legislature in 2011 to provide sponsorship for the Program. FAME’ participation,

along with that of Department of Economic and Community Development (DECD) and the Maine International Trade Center (MITC), provides sponsorship for the Program that will bring capital and jobs to rural areas of Maine. FAME will mitigate its risk by sponsoring projects through an affiliation agreement rather than by assuming the role of general partner.

A motion was made by Mr. Pelletier and seconded by Mr. Block to approve the Resolution related to Agency activities under the EB-5 Program. The motion was approved by a vote of 9 in favor, 1 opposed (Teresea Hayes) and 0 abstentions.

R-05-17-18-04

BREAK: 10:55 – 11:01

D: ACTION ITEMS

D1: Request For Commercial Loan Insurance – Maibec USA LLC

Mr. Block exited for a conflict of interest at 11:01 a.m.

Mr. Lindquist introduced Jacques Vachon of Maibec Lumber Inc. and Jason House of TD Bank. TD Bank is requesting 90% insurance on a \$944,000 loan to Maibec USA LLC for the purchase of equipment for which FAME would have 1st position on the collateral. The loan would be 63 months, with the first three months at interest only. Total FAME exposure will be \$850,000 and FAME and the bank have agreed to eliminate a condition of cross collateralization. The company increased volume and value added products and approval will retain 145 jobs in Masardis. The request is before the board because of the lack of personal guarantees, which requires a board vote of 2/3 to approve even if the FAME exposure is below \$1 million.

A motion was made by Treasurer Hayes and seconded by Commissioner Gervais to approve the Resolution authorizing loan insurance for a \$944,000 term loan for Maibec USA, LLC.

Mr. Roney pointed out that in order for members to approve the commercial loan request without corporate or personal guarantees, they must find by 2/3 significant public benefit, which could be (based on the retention of 145 in Masardis) and the commitment of substantial equity by the parent company, (which could be met by equity call agreement required by the Lender). Mr. Roney indicated the Resolution contained such findings.

The motion was approved by a vote of 9 in favor, 0 opposed and 1 abstention (Jonathan Block).

R-05-17-18-05

C7: Gift Policy

C8: Conflict Of Interest

Mr. Block re-entered the meeting at 11:20 a.m.

Mr. Howard exited the meeting at 11:20 a.m.

Mr. Pelletier exited the meeting at 11:20 a.m.

Mr. Pelletier re-entered the meeting at 11:22 a.m.

Mr. Howard re-entered the meeting at 11:23 a.m.

Mr. Nowak exited the meeting at 11:28 a.m.

The Gift Policy has been under consideration and discussion for a number of months. Concern was raised at the April board meeting that there was no real excuse for unknowing violations. The word “unknowingly” was added to the Gift Policy and was provided to members as a handout. The revised wording will be incorporated into Rule Ch. 1, Bylaws and Administration of the Finance Authority of Maine. There are no changes to the Conflict of Interest Policy that was provided last month at the board meeting and members were asked to approve both the Gift and Conflict of Interest policies.

A motion was made by Mr. Howard and seconded by Mr. Mitchell to approve the Gift and Conflict of Interest policies as presented. The motion was approved by a vote of 9 in favor, 0 opposed and 0 abstentions.

R-05-17-18-06

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

Rule Ch. 1, Bylaws and Administration of the Finance Authority of Maine, incorporates the changes in wording related to the Gift Policy and Conflict of Interest and is before the board for approval for rulemaking. A redlined copy of the rule was provided to members in the board packet.

A motion was made by Mr. Pelletier and seconded by Mr. Mitchell to approve Ch. 1, Bylaws and Administration of the Finance Authority of Maine, for rulemaking as amended. The motion was approved by a vote of 9 in favor, 0 opposed and 0 abstentions.

R-05-17-18-07

D3: Ratification Of Investment Purchases

Ms. Desiderio reported that the Risk Management and Audit Committee met in April and supported ratification of the purchases, pay downs and maturities.

A motion was made by Mr. Mitchell and seconded by Treasurer Hayes to ratify the purchase of investments as presented. The motion was approved by a vote of 9 in favor, 0 opposed and 0 abstentions.

R-05-17-18-08

C5b: WatchDesk

Ms. Cummings advised members that the WatchDesk Report was not reviewed by the Business Committee at the meeting held jointly with the Risk Management and Audit Committee on May 10th. The focus of that meeting was EB-5. She asked for questions by exception. None were heard.

C5c: Statistics

Mr. Weber reported that there have not been any significant changes to the CLI and Maine Loan portfolios as indicated by their board materials. Insurance portfolio exposure of \$111.4 million at the end of March is at \$113.6 million today, resulting from a large loan that closed in April.

C 6: FINANCE

C6a: Quarterly Report

Ms. Desiderio reviewed the bridging statement in the board packet comparing actuals to budget ending March 31, 2018.

C6b: Scorecard

The Scorecard is provided indicating current status of the four goals. Ms. Desiderio noted that Lender Debt will mostly likely not reach goal. Ms. Vanderweide reported that the Customer Satisfaction Survey results have been compiled and FAME scored 4.61 again this year with a notable increase with FAME's business customers.

C6c: Quarterly Contributions, Sponsorships & Donations Report

There were no new contributions, sponsorships or donations.

COMMISSIONERS' & TREASURER'S UPDATES

Commissioner Gervais informed members that the announcement of Federal Opportunity Zones Program, which encourages long-term investments in low-income urban and rural communities nationwide, will be made today. Zones for Maine were submitted earlier.

Treasurer Hayes will be presenting with the Maine Department of Administrative and Financial Services next week, which will include lunch and a tour.

E: OPEN TIME FOR UNFINISHED BUSINESS

None.

The meeting adjourned at 11:45 a.m.

Respectfully submitted,

Richard Roderick, Vice Chair