

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

Vice Chair Roderick called the October 18, 2018 meeting of the Finance Authority of Maine to order at 9:33 a.m. at the Maine Technology Institute, 8 Venture Avenue, Brunswick, 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
David Daigler, Treasurer
Jonathan Block
Teresea Hayes
James Howard (*entered the meeting at 9:36 a.m.*)
Larry Mitchell
Timothy Nightingale
Raymond Nowak
Rosaire Pelletier
Christopher Pierce
Cheri Walker

Those members absent:

James Violette, Jr., Chair
Denise Garland
Patrick Keliher

Staff present:

Bruce Wagner, Chief Executive Officer
Christopher Roney, General Counsel
Charles Emmons, Director of Commercial Lending
Carlos Mello, Chief Risk Officer
William Norbert, Governmental Affairs & Communications Manager
Martha Johnston, Director of Education
Katryn Gabrielson, Deputy General Counsel
Scott Weber, Senior Credit Officer
Roxane Broughton, Commercial Loan Officer

Sally Garand, Commercial Loan Officer
Ellen Curtiss, Credit Analyst
Jeffrey Murch, Credit Analyst
Jennifer Cummings, Senior Workout Officer
Lisa Brown, Human Resource Manager
Shelly Desiderio, Chief Accounting Officer
Adele Bickford, Executive/Legal Assistant

Guests Present:

Zach Orington, Androscoggin Bank
Todd Savage, First National Bank
Charles Washington, Martin, LLC
Miranda Rood, B&B Precise
Molly King, B&B Precise
Val Kovod, Spinglass
Mark Stickney, Spinglass
Richard Stone, Spinglass
Wellman Rood, B&B Precise
B. Washington, Spaceman Self Storage

A2: Approval of September 20, 2018 Board Meeting Minutes

A motion was made by Mr. Pelletier and seconded by Treasurer Hayes to approve the minutes of the September 20, 2018 Board meeting. The motion was approved by a vote of 10 in favor, 0 opposed and 0 abstentions.

R-10-18-18-01

B: CHAIR'S REPORT

B1: Acceptance of the Report of Executive Committee Meeting of September 20, 2018

A motion was made by Mr. Nowak and seconded by Ms. Walker to accept the Report of the Executive Committee meeting of September 20, 2018. The motion was approved by a vote of 10 in favor, 0 opposed and 0 abstentions.

R-10-18-18-02

B2: Acceptance of the Report of the Business Committee Meeting of September 6, 2018

A motion was made by Mr. Pelletier and seconded by Mr. Mitchell to accept the Report of the Business Committee meeting of September 6, 2018. The motion was approved by a vote of 10 in favor, 0 opposed and 0 abstentions.

R-10-18-18-03

B3: Acceptance of the Report of the Risk Management and Audit Committee Meeting of October 4, 2018

A motion was made by Mr. Mitchell and seconded by Mr. Block to accept the Report of the Risk Management and Audit Committee meeting of October 4, 2018. The motion was approved by a vote of 10 in favor, 0 opposed and 0 abstentions.

R-10-18-18-04

B4: Board Officer Nominations

Mr. Mitchell reported that the Nominating Committee is recommending the continuation of the existing slate of officers: James Violette, Jr. – Chair; Richard Roderick – Vice Chair; and David Daigler – Treasurer. Approval of the slate as presented will be considered at the November board meeting.

C: CEO and STAFF REPORT

C1: CEO Report

Mr. Howard entered the meeting at 9:36 a.m.

Mr. Wagner asked for any questions related to the CEO Report provided to members in their packets. Hearing none, he proceeded to update members regarding FAME's partnership with the Alford Scholarship Foundation (ASF). The Statement of Work (SOW) is in its final legal review by ASF. Mr. Wagner, as an ASF board member, recently attended their board meeting and commented that the Strategic Plans for each entity are aligned. In regard to the right to solicit that AFS has sought and outside counsel Sidley Austin has researched, FAME has taken the position not to allow ASF to solicit NextGen accounts based on market confusion around account openings. He added that FAME administers the Alford Leaders Program, which currently is undergoing a study to determine its effectiveness.

Mr. Wagner requested an executive session to provide an EB-5 update.

Ms. Walker moved to enter into Executive Session to discuss information contained in records of the Authority which are declared confidential by statute (1 MRSA §405(6)(F); 1 MRSA §402(3)(A)). Such records pertain to information submitted to or developed by the Authority in connection with records obtained or developed prior to receipt of a written application for financial assistance from the Authority or in connection with economic development (1 MRSA §405(6)(C). The motion was seconded by Mr. Block and approved by a vote of 11 in favor, 0 opposed and 0 abstentions.

Members entered Executive Session No. 1 at 9:35 a.m.

Members exited Executive Session No. 1 at 9:39 a.m.

C1a: Articles of Interest

Included in the board packet.

C1b: Incentive Plan

Ms. Brown indicated that the Executive Committee has reviewed the 2019 Incentive Plan and Scorecard goals and a memo outlining the plan is in the board packet to update board members. Ms. Brown highlighted the base pool, which is set at 3% of the annual salary base and an additional 10% Net Contribution Adjustment capped at 4.5% of the salary base, which brings the total pool to \$178,000 in 2019 if all goals are exceeded. The Scorecard goals were reviewed. Ms. Brown noted that FAFSA Filings is a new goal. Details for each goal are provided in the board packet. No action is required.

Mr. Wagner updated the board on recent developments with FAME’s cybersecurity. FAME had only a small number of lesser findings resulting from the U.S. Department of Education audit, which Mr. Harvell is addressing by providing additional documentation. He also reported that the Loan Application Management System (LAMP), composed of four modules that was created to ensure security for loans at FAME, has posed some problems internally to staff. The OLA module is operating as expected and only one module will revert to its former system, CLUE. CLUE had been identified as a security concern because of its administration and fragile platform. Those issues will be mitigated and CLUE is expected to be replaced next year.

C1c: Public Benefit

Members received a handout outlining the factors that are considered by staff when underwriting a loan and how public benefit is quantified. The areas considered are: job creation and retention; environmental remediation; industry segment; geography; and community impact. After a brief discussion, members agreed that more emphasis should be placed on public benefit and it should be included in the Strategic Plan.

C2a: Education Quarterly Report

Ms. Johnston reviewed the Education Quarterly Report ending June 30, 2018. The board packet provided a summary and supporting detail for the four functional areas of Education at FAME: College Access, Financial Education, Education Programs and NextGen 529. Ms. Johnston referred members to the charts included in their materials, which show a comparison of growth in the NextGen Select and Direct series assets that was requested by the board.

C3: Legislative Update

A memo recapping the 128th Legislative session was included in the board packet. Mr. Norbert reported that FAME related bills were not included in the bond package, which would have provided student loan relief and additional funds for the FAME Direct Loan.

BREAK: 10:25 AM – 10:30 AM

D: ACTION ITEMS

D2: Request for Commercial Loan Insurance – Martin, LLC

Ms. Broughton introduced Todd Savage of First National Bank and Charles Washington, a certified appraiser and the owner/operator of Martin, LLC. The request is for 50% Commercial Loan Insurance (CLI) for the construction of a 314 unit climate controlled self-storage facility to be located in Bath. Sources of collateral are listed in the credit analysis provided to members in their packets. Mr. Washington engaged a feasibility study that indicates a demand for the service in the Bath area. Staff is recommending approval based on the bank's 50% CLI request that demonstrates their confidence in the project and the owner, and for collateral, which consists of a 1st mortgage on the property and all business assets and assignments of leases and rents.

Mr. Savage provided an overview of the project and cited Mr. Washington's long standing relationship with the bank as support for the project. Mr. Washington has also received support from the City of Bath.

Discussion ensued in which members questioned the occupancy rate for such facilities and the public benefit. A demand for the facility was substantiated by the feasibility study, and Mr. Wagner commented that the public benefit is in the facility's service to the community and its tax base.

Mr. Pierce 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 Mr. Howard and approved by a vote of 11 in favor, 0 opposed and 0 abstentions.

Members entered Executive Session No. 2 at 10:45 a.m.

Members exited Executive Session No. 2 at 10:50 a.m.

When members exited Executive Session it was reiterated that storage facilities, although not allowed at Brunswick Landing, provide a support service which enables growth at Brunswick Landing, which in turn, creates jobs.

A motion was made by Mr. Nightingale and seconded by Mr. Pelletier to approve the request for 50% pro rata Commercial Loan Insurance for a \$3.1 million loan from First National Bank to Martin, LLC on the conditions provided in the presentation. The motion was approved by a vote of 10 in favor, 0 opposed and 1 abstention (Raymond Nowak).

R-10-18-18-05

D1: Request for Commercial Loan Insurance - B&B Precise Products, Inc.

Treasurer Hayes exited the meeting at 10:51 a.m.

Ms. Walker exited the meeting for a conflict of interest at 10:51 a.m.

Ms. Cummings provided background and introduced guests: Zach Orlington – Androscoggin Bank; Miranda Rood, Molly King, and Wellman Rood of B & B Precise; Val Kovod, Mark Stickney, and Richard Stone of Spinglass, a business management consulting group. The request is for continued 90% pro rata insurance on a restructured \$1,017,441 loan from Androscoggin Bank and a new \$150,000 Line of Credit, the larger of which is a restructure of an existing line of credit (LOC), term loan and a small equipment loan to provide working capital. B & B has experienced improved cash flow over the last year and this restructure will provide \$165,000 in debt savings. Ms. Cummings added that there have been discussions around the purchase of new equipment. Spinglass is working on projections, and B & B could be coming back to the board in the next couple of months with an additional request.

A motion was made by Mr. Howard and seconded by Mr. Block to approve the request for a \$150,000 Line of Credit and a 90% pro rata Commercial Loan Insurance for a \$1,017,441 loan from Androscoggin Bank to B & B Precise Products, Inc. on the conditions provided in the presentation. The motion was approved by a vote of 9 in favor, 0 opposed and 1 abstention (Cheri Walker).

R-10-18-18-06

D3: Approval for Rulemaking – Ch. 611, Amendment 17, Maine College Savings Program

Ms. Walker re-entered the meeting at 11:16 a.m.

Ms. Gabrielson informed members that the amendment to the Maine College Savings Program rule conforms the rule to the recent changes to the federal and state tax codes. Maine has conformed to the new tax regulations. References to higher education throughout the rule have been changed to include tuition at elementary and secondary public, private or religious schools. Ms. Gabrielson added that matching grant funds are not eligible for withdrawal for elementary and secondary enrollment expenses. The rule is before the board for approval for rulemaking and will come back to the board for adoption in December after the comment period expires.

A motion was made by Treasurer Daigler and seconded by Mr. Howard to approve for rulemaking Rule Ch. 611, Amendment 17, Maine College Savings Program. The motion was approved by a vote of 10 in favor, 0 opposed and 0 abstentions.

R-10-18-18-07

D4: Ratification of FAME Audited Statements

Ms. Desiderio advised members that the FAME Financial Statements provided in their board packet were reviewed in detail by the Risk Management and Audit Committee and they are recommending ratification. A Management Letter identified a calculation error pertaining to the reserve for loan

losses. The \$300,000 lower loan loss allowance resulted from the implementation of the new LAMP system. The auditors believe that FAME is conservative in their allocation of reserves for loan losses and the adjustment to the financial statements had no material effect.

A motion was made by Mr. Pelletier and seconded by Treasurer Daigler to ratify the FAME Financial Audited Statements as presented. The motion was approved by a vote of 10 in favor, 0 opposed and 0 abstentions.

R-10-18-18-08

D5: Ratification of NextGen Audited Statements

Ms. Desiderio stated that this was the last audit by Thomas & Thomas who, after a merger, will be named Landmark. Ms. Weed from Thomas and Thomas appeared before the Risk Management and Audit Committee to discuss the NextGen audit in detail. There were no material errors. The committee is recommending ratification.

A motion was made by Mr. Pelletier and seconded by Mr. Howard to ratify the NextGen Financial Audited Statements as presented. The motion was approved by a vote of 10 in favor, 0 opposed and 0 abstentions.

R-10-18-18-09

D6: Ratification of Investment Activity for Quarter ending September 30, 2018

Ms. Desiderio reported that FAME's investment activity for the quarter ending September 30th was reviewed by the Risk Management and Audit Committee. FAME met all required metrics and the Risk Committee is recommending ratification.

A motion was made by Mr. Mitchell and seconded by Mr. Howard to ratify Investment Activity for the quarter ending September 30, 2018 as presented. The motion was approved by a vote of 10 in favor, 0 opposed and 0 abstentions.

R-10-18-18-10

COMMISSIONERS' & TREASURER'S UPDATES

None.

E: OPEN TIME FOR UNFINISHED BUSINESS

Treasurer Daigler moved to enter into Executive Session for discussion or consideration of a personnel matter (CEO evaluation) in which public discussion could reasonably be expected to cause damage to the reputation or the individual's right to privacy would be violated (1 MRSA §405(6)(A)). The motion was seconded by Mr. Howard and was approved by a vote of 10 in favor, 0 opposed and 0 abstentions.

Members entered Executive Session No. 3 at 11:30 a.m.

Members exited Executive Session No. 3 at 12:18 p.m.

The meeting adjourned at 12:18 p.m.

Respectfully submitted,

Richard Roderick, Vice Chair