

**MINUTES OF THE APRIL 16, 2020 MEETING OF THE MEMBERS
OF THE FINANCE AUTHORITY OF MAINE**

Chair Violette called the April 16, 2020 meeting of the Finance Authority of Maine to order at 9:06 a.m. This meeting was conducted virtually through Zoom. Provisions were made for the public to attend. This method was deemed necessary and appropriate due to the COVID-19 pandemic, and were determined authorized by PL 2020 ch 617, section G (**1 MRSA §403-A**).

Executive Assistant, Kim Bard 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

Ms. Bard 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, Chair
David Daigler, Vice Chair
James Howard, Treasurer
Omar Andrews - 9:47 a.m.
Rebecca Asen
Amanda Beal
Henry Beck - 9:47 a.m.
Dustin Brooks
Heather Johnson
Blue Keim
Timothy Nightingale
Christopher Pierce
Richard Trafton
Lee Webb

Those members absent:

Cheri Walker

Staff present:

Bruce Wagner, Chief Executive Officer
Christopher Roney, General Counsel
Lisa Brown, Human Resources Manager
Jennifer Cummings, Director of Business Programs
Shelly Desiderio, Chief Accounting Officer
Eva Giles, College Savings Program Manager

Jonathan Harvell, Chief Information Officer
Martha Johnston, Director of Education
Karen Kunesh, Workout Officer
Matthew Lindquist, Commercial Loan Officer
Carlos Mello, Chief Risk Officer
William Norbert, Governmental Affairs and Communications Manager
Elizabeth Vanderweide, Director of Business Development
Scott Weber, Senior Credit Officer
Kim Bard, Executive/Legal Assistant

Guests: Eric Doyon, Saco Biddeford Savings Bank; Jamie Whelan, Saco Biddeford Savings Bank;
Joan Gordon, Maine Molecular Quality Controls; Clark Rundell, Maine Molecular Quality Controls

A: CALL TO ORDER

A1: Ascertainment of Quorum

A2: Approval of February 20, 2020 Board Meeting Minutes

A motion was made by Mr. Trafton and seconded by Mr. Howard to approve the minutes of the February 20, 2020 Board meeting with the noted change. The motion was approved by a vote of 12 in favor, 0 opposed and 0 abstentions.

R-04-16-20-01

A3: Approval of March 19, 2020 Board Meeting Minutes

A motion was made by Mr. Nightingale and seconded by Mr. Daigler to approve the minutes of the March 19, 2020 Board meeting with the noted change. The motion was approved by a vote of 12 in favor, 0 opposed and 0 abstentions.

R-04-16-20-02

B: CHAIR'S REPORT

B1: Acceptance of the Report of the Education Committee Meeting of April 1, 2020.

A motion was made by Mr. Webb and seconded by Mr. Howard to approve the Report of Education Committee meeting of April 1, 2020. The motion was approved by a vote of 11 in favor, 0 opposed and 1 abstention. (Beal)

R-04-16-20-03

C1: CEO's Report 9:20 a.m.

Mr. Wagner reported FAME staff are maintaining the Business Continuity Plan and it is working well to date. There is a contingency plan if there is a need to make changes with staff.

Mr. Wagner noted the special programs for COVID-19 have been very active. Applications are being received and processed as efficiently as possible. The team has reorganized the workflow to accommodate the volume.

FAME needs to make a decision on the FAFSA filing date, and whether to consider a possible extension. Mr. Wagner will be discussing this with Ms. Johnston, Mr. Mello and Mr. Harvell. There is a lot of uncertainty but filling out the FAFSA will keep possibilities open for applicants come fall.

Mr. Wagner also updated the board on Maine Loan, SSBCI, Commercial Loan Insurance and Direct Loans. That information can be found in the board packet.

An update was requested regarding Saddleback. Mr. Wagner turned it over to Ms. Cummings for comment.

Mr. Webb moved to enter into Executive Session to discuss records including any 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 provided or to be provided by or with assistance of the Authority (10 MRSA §975-A(2)(D)). The motion was seconded by Mr. Daigler and approved by a vote of 11 in favor, 0 opposed and 1 abstention. (Johnson)

Members entered Executive Session No. 1 at 9:32 a.m.

Members exited Executive Session No. 1 at 9:44 a.m.

C1a: Articles of Interest

The articles of interest can be found in the Board packet. There were no questions or comments.

C1b: Strategic Update

C2: Legislative Update 9:45 a.m.

Mr. Norbert reported the Legislature adjourned suddenly on March 17 amid the COVID concerns. Three of five the FAME-related bills passed. There was not enough time to address the other two. Governor Mills said she intends to call the Legislature back for a Special Session as soon as it is “safe and prudent,” and related her strong preference that such a session be limited to only the most pressing matters. Regular bills and resolves that were enacted will become effective on June 16, 2020. Details of those bills can be found in the Legislative Memo in the board packet.

The Legislature worked on a package of emergency measures to respond to COVID-19. One emergency bill grants the Governor access to at least \$11 million in state funding to respond to COVID-19, while another omnibus emergency bill expands authorities of state and local officials to allow them greater flexibility to respond to the virus and to provide support to Maine workers affected by the virus. Another measure includes permitting all public entities, including FAME, to meet by remote participation.

Mr. Norbert shared the details of the Maine Seed Capital Tax Credit Program, noting specifically it expands the credit from \$5,000,000 to \$15,000,000 per year. The other bills carried over that are outlined in the memo may be addressed if the Legislature is called back to a special session.

Mr. Wagner inquired about the State Small Business Credit Initiative. This was a program that existed several years ago, devised by the federal government to quickly get funds out the door to small businesses to stimulate state economies. FAME participated to deploy approximately \$13 million. Mr. Norbert stated now would be a great time to reactivate that program.

C3: Investment Strategy Update 9:50 a.m.

Mr. Mello reported Meketa made a presentation to the Risk Management and Audit Committee meeting on April 9, 2020. Eric White of Meketa Investment Group gave recap of the COVID-19 pandemic and its impact on the global market. Mr. White speculated that the adverse economic impacts of the pandemic would not be short term, and that fixed income securities would have a longer recovery time. Due to the decline in US Treasury rates, Meketa advises there is an unfavorable risk/return benefit for investments in fixed income securities at this time. In response to the impacts of COVID-19, the Authority has modified its transition allocations. Meketa and FAME staff will continue to monitor the financial markets and communicate as necessary should conditions warrant a change in this implementation strategy. The Committee moved and accepted Meketa's recommendations involving investment transition modification.

C4: Watch Desk Report 9:54 a.m.

Ms. Kunesh reported the Business Committee went over the Watch Desk Report during the April 8, 2020 meeting. No board members had questions. Details of the report can be found in the board packet.

BREAK: 9:55 to 10:00 a.m.

Ms. Beal exited the meeting at 10:00 a.m...

D1: Approval of Proposed Modification to NextGen Program Management Agreement 10:04 a.m.

Ms. Giles reported BlackRock proposes to correct the formula used to calculate tracking error, to reflect the Global Investment Performance Standards (GIPS) compliant definition of Ex-post tracking error, which is the standard deviation of excess returns. The proposed formula has been used in the performance reports to FAME. The expected tracking error limits may also be modified accordingly. The pertinent section of the BlackRock presentation can be found in the board packet.

The Advisory Committee on Education Savings approved the formula revision at their meeting on February 25, 2020. Merrill also supports the recommendation, as does Meketa Investment Group. Staff seeks the Board’s approval to amend the NextGen Program Management Agreement (the “PMA”) to revise the methodology used to determine whether exchange traded funds (ETFs) are meeting benchmarks.

A motion was made by Mr. Howard and seconded by Mr. Brooks to approve the proposed Modification to NextGen Program Management Agreement. The motion was approved by a vote of 12 in favor, 0 opposed and 1 abstention. (Daigler)

R-04-16-20-04

D2: Ratification of Investment Transactions 10:08 a.m.

Ms. Desiderio shared the listing of purchases and maturities/sales/calls January 1 to March 2, 2020. This was in addition to the Vanguard investment purchase history including domestic stock fund, international stock fund and bond fund totals. There were no questions from board members.

A motion was made by Mr. Trafton and seconded by Mr. Brooks to ratify the described Investment Transactions. The motion was approved by a vote of 13 in favor, 0 opposed and 0 abstentions.

R-04-16-20-05

D3: Approval of Certification Application – Pacesetter CDE, XL, LLC for Investment in Arctaris Saddleback Company, LLC under Maine New Markets Capital Investment Program

This item was removed from the action item agenda.

D4: Approval of Amended Travel Policy 10:12 a.m.

Mr. Norbert reported the required statutory language, derived from 5 M.R.S.A. § 12022(5)(E), makes clear that the Board must approve the agency’s annual budget for travel, meal, and entertainment costs. They also must be provided periodic reports by staff on actual costs paid directly on behalf of or reimbursed to employees. Although this is our regular practice, we haven’t until now incorporated the actual statutory language in our Travel Policy.

A motion was made by Mr. Webb and seconded by Mr. Daigler to approve the proposed Amended Travel Policy. The motion was approved by a vote of 12 in favor, 0 opposed and 1 abstention. (Daigler)

R-04-16-20-06

D6: Approval of Modifications to the Underwriting Policy for Credit-Based Education Loans 10:16 a.m.

Ms. Johnston reported FAME staff proposes changes to MPELN, both in-school (SLI) and refinance (RSLI) products. All changes have been vetted with Carlos Mello, FAME's Chief Risk Officer. Additionally, the changes were reviewed at the April 1, 2020 meeting of the Education Committee and they voted, affirmatively, to recommend these changes to the Board for consideration and approval.

The proposed changes are as follows:

1. Fee Structure Change: reduce guarantee fee from 2%, 4%, and 6% (excellent, good and fair credit respectively) to 0%, 2%, 4% which will offer more attractive costs.
2. Increase annual guarantee paid by the lender from 0.50% to 0.75%. The extra 0.25% would be added to the reserve as collected to make-up for the reduction in up-front fees.
3. Debt-to-Income (DTI) limit changes on RSLI to mirror SLI and Maine Loan
 - a. DTI = 40% income less than \$100,000
 - b. DTI = 50% income equal to or greater than \$100,000
 - c. Currently 40% regardless of income
4. Eliminate any 30-day delinquency from immediate denial criteria on both SLI and RSLI to mirror Maine Loan
5. For RSLI increase maximum loaned amount and aggregate debt from \$240,000 to \$250,000.

A motion was made by Mr. Daigler and seconded by Mr. Howard to approve the proposed Modifications to the Underwriting Policy for Credit-Based Education Loans. The motion was approved by a vote of 11 in favor, 0 opposed and 2 abstentions. (Asen/Johnston)

R-04-16-20-07

D5: Maine Molecular Services – Commercial Loan Insurance with Saco Biddeford Savings
10:31 a.m.

Mr. Lindquist introduced guests: Eric Doyon and Jamie Whelan from Saco Biddeford Savings, and Joan Gordon and Clark Rundell from Maine Molecular Quality Controls, Inc. He then outlined the request for commercial loan insurance and gave the board a brief overview of Maine Molecular Services' business. The commercial credit analysis can be found in the board packet.

Saco & Biddeford Savings Institution (SBSI) requests 90% Pro-Rata CLI on a \$2,200,000 term loan to Maine Molecular Quality Controls, Inc. (MMQCI) - SBSI has had a successful lending relationship with the Borrower since 2015. The loan will be used on conjunction with a \$17,000,000 non-FAME insured construction loan from SBSI and \$4,500,000 in cash from the Borrower to refinance their existing mortgage (with SBSI) and to build a 37,500SF addition to their existing building, which will allow continued growth.

Mr. Whelan reported his relationship with this borrower has been outstanding and they have been impressed with their responsiveness. Maine Molecular's financials have been timely, accurate, and

reliable; their track record and profit make them the ideal entity to do business with. This transaction would make them the largest borrower for the bank.

Ms. Gordon gave the board an overview of the business' products, growth, and anticipated expansion through this project.

Mr. Brooks moved to enter into Executive Session to discuss records including any 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 provided or to be provided by or with assistance of the Authority (10 MRSA §975-A(2)(D)). The motion was seconded by Mr. Howard and approved by a vote of 12 in favor, 0 opposed and 1 abstention. (Asen)

Members entered Executive Session No. 2 at 10:53 a.m.

Ms. Johnson exited the meeting at 11:00 a.m.

Members exited Executive Session No. 2 at 11:06 a.m.

A motion was made by Mr. Nightingale and seconded by Mr. Daigler to approve the Resolution, approving the request for Commercial Loan Insurance by Maine Molecular Services and Saco Biddeford Savings, with two changes from the presentation: (1) CPA reviewed financial are not required, and (2) shareholder debt will be subordinated and on default standby. The motion was approved by a vote of 11 in favor, 0 opposed and 2 abstentions. (Asen/Johnston)

COMMISSIONERS' AND TREASURER'S UPDATE

None given.

The meeting adjourned at 11:20 a.m.

Respectfully submitted,

James Violette, Chair