

MINUTES OF THE
NEW MEXICO SMALL BUSINESS INVESTMENT CORP.

REGULAR MEETING

March 26, 2012

A regular meeting of the New Mexico Small Business Investment Corporation was called to order on this date at 8:00 a.m. in the conference room of the WESST Enterprise Center, 609 Broadway Blvd., N.E., Albuquerque, New Mexico.

A quorum was present:

Members Present:

Mr. Joseph H. Badal, Chair
Mr. Sam Cobb
Mr. Alan Fowler, Secretary/Treasurer
Mr. Clarence Smith for Hon. James Lewis, State Treasurer
Mr. Lupe Garcia
Ms. Launa Waller

Members Excused:

Ms. Roxanna Meyers, Vice Chair

Legal Counsel to Board:

Mr. Randy McDonald

Financial Advisor to Board:

Mr. Paul Goblet

Consulting CFO:

Ms. Dee Brescia

Recording Secretary:

Ms. Charmaine Clair (for Judith Beatty)

Guests Present:

Ms. L Hardison

APPROVAL OF AGENDA

Mr. Cobb moved for approval of the Agenda, as published. Mr. Smith seconded the motion, which passed unanimously by voice vote.

REVIEW AND ACCEPTANCE OF BOARD MINUTES: February 23, 2012

Mr. Garcia moved approval of the February 23, 2012 Minutes, as submitted. Mr. Fowler seconded the motion, which passed unanimously by voice vote.

REVIEW AND ACCEPTANCE OF FINANCIAL REPORT

Ms. Brescia noted more activity than usual in the February financials because the Q4 reports have been coming in from various investment funds. She said five of the nine equity funds (NMGF I, NM Mezzanine Fund and the three Verge funds) have submitted their reports and the remainder would be recorded in the March financials.

Ms. Brescia stated that operating expenses are within budget and that the interest on the Loan Fund predominantly created the positive variance shown.

Chairman Badal ask where the management fee was paid through the Mezzanine Fund and Mr. Goblet responded that it has been paid for the second half of the year through September 25.

Ms. Brescia stated that the companies keep their books on an accrual basis, as does the NMSBIC, which means the money is recorded as an investment in the company rather than an expense. When the company reports its financials to the NMSBIC, the figures reported end up in the Statement of Activities on a quarterly basis.

Mr. Goblet said that each of the funds typically charges its management fees six months in advance – these are the capital calls that he reports to the Board.

Ms. Brescia pointed out that if the financials were received from the funds every month, even though prepaid, the funds would only expense one sixth of that each month. She also explained that the NMSBIC is always a bit behind because she reports Q4 expenses for the funds based on the financials presented.

Mr. Fowler additionally noted that all of the equity funds operate on a calendar year basis, so the reporting is always one quarter behind.

Ms. Brescia said the Board should keep in mind there is a different date for audited financials and that sometimes there are adjustments as a result. She said she would record that activity.

To Ms. Brescia's point, Mr. Goblet said it is possible that NMGF II may have to justify the valuation of the two companies they have in their portfolio, which could result in adjustments.

Mr. Goblet stated that there is no capital left to be called in NMGF I; and while there is additional money to be called in NMGF II, the partners have blocked them from making any add-on investments. He stated that \$25,000 will be called -- they can call management fees until November 2012, and then that ceases.

Chairman Badal said he understand if a fund has investments that are all worthless and the NMSBIC has written them down, but there may be potential value in some funds that won't be known until after the economy begins to recover. He said Funds may have reached the point where contractually they can no longer call management fees, but that doesn't mean the NMSBIC might not have to pay management fees just to keep them going because it doesn't want them to cease managing the fund.

Chairman Badal said he wanted to be sure the Board understood that the remaining commitment numbers could be different, because if the companies cannot turn their investments over, the NMSBIC could be in an investment longer than it originally thought.

Mr. Cobb said potentially NMSBIC might want to put money in reserve for ongoing management fees outside of the original contract with the various funds. He said they want to be sure they always have money and wouldn't want a fund to die because of lack of operating capital.

Chairman Badal said it was important the Board understand that and keep in mind the funds may be needed when they talk about putting funds into a long-term investment.

Mr. Fowler suggested to Ms. Brescia that she footnote fund amounts that have gone past their investment period and can only be drawn on for fees and expenses, and potentially could be relied on as reserves.

Chairman Badal said he thought that was a very good suggestion.

Mr. Cobb moved to accept the Financial Report, as presented. Mr. Garcia seconded the motion, which passed by unanimous voice vote.

DISCUSSION AND POSSIBLE VOTE ON MATURING CDS

Mr. Goblet said NMSBIC has a CD maturing on March 28 and suggested the Board move approximately \$1,020,000 of that to the operating account. He said there is \$49,000 in business checking and \$351,000 in money market.

Mr. Goblet stated that First National of Santa Fe has \$4,020,000 maturing March 28, which pays 15 basis points, and on March 8, \$4,300,000 was moved from a CDARs account that will mature a year from now and pays 35 basis points.

Mr. Goblet stated that New Mexico Bank and Trust has a 6-month CD for \$3,000,000 that pays 20 basis points and the CDARs account, with \$3,016,914, matures on August 30 and pays 25 basis points.

Mr. Goblet said a small amount of cash (\$3,429) is in the LGIP but is not reflected on the balance sheet. The NMSBIC wrote off the \$10,000 from the Reserve Primary Fund last year, but there could be a small balance left from it.

Mr. Goblet reviewed 3-, 6- and 12-month quotes received from four banks but noted that only NM Bank & Trust and First National Bank of Santa Fe agreed to provide 100% collateral in US government securities.

Mr. Goblet suggested that the NMSBIC place \$3,000,000 in 100% collateralized CDs at First National Bank of Santa Fe at .50% for 12 months, and move the remaining \$1,020,000 to US Bank Corp's Money Market Fund, which is 100% collateralized and currently pays 20 basis points. He said that would provide for any capital calls between April and September 2012, when another block of CDs matures.

Chairman Badal said he would be interested to know if any of the other banks would pay a better rate than 20 basis points on money market, and asked Mr. Goblet to check that going forward.

Mr. Goblet responded that they might pay better on the money market, but without any staffing, the NMSBIC has tried to keep this as simple as possible – for instance, the NMSBIC uses only local banks.

Chairman Badal said he understood that, but thought it was the NMSBIC's responsibility to get the biggest bang for the buck. He said he would have no problem moving \$1,020,000 into US Bank today, but that it would be nice to see what other banks are paying.

Chairman Badal also asked Mr. Goblet to find out if any of the banks have interest bearing checking accounts.

Mr. Fowler moved to approve the recommendation as stated. Ms. Waller seconded the motion, which passed by unanimous voice vote.

DISCUSSION AND POSSIBLE VOTE ON NM MEZZANINE FUND AMENDMENT

Mr. McDonald said at the last meeting the Board voted to extend the investment period for New Mexico Mezzanine Partners, and he was asked to put together a document and that he and Mr. Goblet meet with them to implement that. He said the proposed trade-off was that NMSBIC would extend the investment period, but wanted an adjustment of the management fee in the event NMMF failed to deploy the money into portfolio companies by the end of the

extended investment period. Mr. McDonald said an amendment was put together, but the complicating factor is how to adjust the management fee based on the amount of money the fund puts out between now and the end of the investment period.

Mr. McDonald said about \$3.4 million of capital inside the fund could be called from all of the partners if the investment period were extended, but not all is available to go into portfolio companies because they need to have management fees and expenses paid out of that. He said they arrived at a figure of \$1,989,000 as an amount they could reasonably be put into portfolio companies.

Mr. McDonald stated that they then had to decide how to make an adjustment to the management fee based on that amount, and came up with "bands" of investment based on certain circumstances:

- If they make new investments of \$995,000 or less (50% of investable capital) the management fee would be reduced to \$200,000;
- If they make new investments of more than \$995,000 but less than or equal to \$1,490,000 (75% of the investable capital) the management fee would be reduced to \$225,000; and
- If they make new investments of more than \$1,490,000 (75%-100% of investable \$1,989,000), the management fee would remain at \$250,000.

Responding to Chairman Badal, Mr. McDonald said he looked at the ratios in terms of what had already been invested, and there was a little bit of difference in the bands he put together and what the Fund came up with. He said NMMF has commitments and investments now of \$2.5 million, which raises the total (with the \$1,989,000) to \$4.3 million. He said the bands the Fund came up with were slightly lower, but not significantly so; furthermore, the Fund has made an investment that has repaid money to the NMSBIC with a gain.

Chairman Badal said there are three significant differences in the agreement: 1) the time period is being extended to allow the Fund to put the rest of the money out; 2) management fees would be based on a pro-rata basis of monies committed; and 3) it gives the Fund more flexibility when they are in a first lien position in terms of having more flexible underwriting criteria in order to put the money out.

Mr. Fowler said the Board should be careful not to set a precedent. He said in this case when talking performance, they were talking about the ability to invest the money. The Board wouldn't want to incent someone to make bad investments and the management fees shouldn't be the motivation to make a bad investment.

Chairman Badal said that was a good point and the Board should be very careful; but the Board to some degree should assume the people they work with are doing the right things.

Mr. Fowler said at least the Board has a track record with the Mezzanine Fund; they would want to be careful with someone new.

Chairman Badal said that Ms. Meyers suggested in an email that the actual management fees be based pro-rata on the actual commitments, which presumably includes the amount of money that has already been committed.

Mr. McDonald noted that NMMF has 55% committed/invested, and adding in half of the \$1.9 million in remaining money would bring the total to 77% of \$250,000, for a management fee of \$194,000. Adding in the \$800,000 they have already put out and gotten back, it comes to \$4.2 million of the \$4.4 million, or 95% of the \$250,000, or \$239,141. He said it seemed unfair to penalize the Fund for successful use of the money and getting money back and then reducing them to 77%.

Chairman Badal asked what the Fund thought they could put out in dollars by September 25, and Mr. Goblet said NMMF feels that two deals can be done and that there is potentially a third deal.

Mr. McDonald stated that, by September 25, they would have to have legal commitments in place.

Mr. McDonald reviewed the figures in the agreement he had worked out with Mr. Goblet:

- If they make new investments of \$995,000 or less (50% of the investable \$1,989,000), the management fee would be reduced to \$200,000;
- If they made new investments of more than \$995,000, but less than \$1,490,000 (50%-75% of the investable \$1,989,000), the management fee would be reduced to \$225,000; and
- If they make new investments of more than \$1,490,000 (75%-100% of the investable \$1,989,000), the fee would remain at \$250,000.

Chairman Badal noted that if that included what the Fund had invested and paid back, the numbers could be higher. He thought the Board should go with the drafted agreement.

Mr. Fowler moved to approve the proposed amendment, as presented. Mr. Garcia seconded the motion, which passed unanimously by voice vote.

**LEA COUNTY ECONOMIC DEVELOPMENT CORP. PRESENTATION:
Lisa Hardison, EDCLC Executive Director**

Mr. Cobb introduced Dr. Lisa Hardison, head of the Economic Development Corporation of Lea County. He said he has served on the EDCLC Board three times, and feels it to be one of the finest economic development groups in New Mexico, if not in the U.S. He cited their success in recruiting URENCO, the uranium enrichment plant, which has invested more than \$3.5 billion into the local economy over the last 5 to 7 years. He said the project is a consortium of the governments of Holland, Germany, England and France.

Mr. Cobb said EDCLC has been working since 1963 to diversify the local economy, and Lea County has emerged as a leader in innovation by attracting projects in nuclear, wind, solar and biofuels. He said this is helping offset the cyclical nature of the petroleum industry, the cornerstone of Lea County's economy, and has led Lea County to become known as the "EnergyPlex."

Mr. Cobb said he wants to offer a hybrid fund partly based on job creation and also partnering with an economic development group successful in job creation and with local banks. They want to find that sweet spot where the cost of funds is right and could drive growth in a business and thus give the local economy an opportunity to diversify.

Mr. Cobb said Dr. Hardison would discuss the EDCLC's request to set aside capital for future use to put loan participations together with local banks as the primary lender, with a gap fund that would mimic a mezzanine fund in some ways, but with certain criteria.

Dr. Hardison presented a short video. She said that, since the video was developed, a new biofuels project, Jewel Unlimited, will locate Lea County and has just hired their first 20 employees. The first phase of the project will have 100 employees, with 500 expected at final build-out. Mr. Cobb added that Jewel Unlimited has received \$90 million from the international community.

Dr. Hardison said the EDCLC is one of the oldest in New Mexico and was created in 1963. She said they have lasted that long because of the synergy between businesses and the county and city, who are their main funders. She said they also receive funding from private businesses as well as benefit from their expertise.

Dr. Hardison stated that she has been with the EDCLC for five years, two as vice president, after which she moved on to the role of president. There is a staff of five full-time and three part-time employees that work in all parts of economic development from retention and expansion efforts, to funding, to promoting and marketing. Their funding is \$1 million annually (from Lea County and the City of Hobbs); one fourth of that from private sources.

Responding to Mr. Garcia, Mr. Cobb said the universities participate in-kind. He said a partnership with New Mexico State is being worked on to partner on emerging technology projects.

Chairman Badal asked Dr. Hardison what her specific proposal is. He asked how she proposed to use the money in Lea County and who would make the investment recommendations and vet the deals.

Dr. Hardison said it would be a combination; the prospective company would have to have a traditional lender and deals would be vetted somewhat by a local bank. She said EDCLC could partner with a local bank and EDCLC also has their own due diligence process that they undergo. She added that the State of New Mexico has asked the EDCLC to conduct economic impact analyses because the state lacks the resources to do that.

Dr. Hardison stated that a due diligence committee could perform due diligence on a particular company and the committee could have members with investment, banking, financial, and legal expertise to vet prospects. She said that would make the NMSBIC Board feel confident a project had been vetted and the NMSBIC Board would have the final stamp of approval.

Chairman Badal asked Dr. Hardison if she is open to the NMSBIC coming in as first lien holder as opposed to second lien holder, and Dr. Hardison responded that the EDCLC is open to whatever the NMSBIC would want to consider – they just wanted to present this opportunity to the Board.

Chairman Badal commented that he personally couldn't think of a better place in New Mexico than Lea County to put money – they have a can-do attitude, a sound economic base, and a lot of synergy between the oil & gas industry and these new areas they are diversifying into. He said he would like to sit down and brainstorm some kind of partnership.

Mr. Cobb said the reason EDCLC made the proposal for the NMSBIC to be a gap lender was to give the Board a comfort level in terms of having a traditional commercial lender involved.

Mr. Cobb said EDCLC struggles some – they do so well that everybody wants them to do their deals for them, and the concern is that they not get so bogged down that they become a loan servicer when they need to be economic developers. He expressed concern that, with a traditional mezzanine fund deal, the capital is too expensive to have meaningful success rapidly and to create measurable job growth. By contrast, a partnership with the EDCLC will result in measurable success, where the NMSBIC will know the number of jobs created, payroll, etc. He said that if the NMSBIC is looking to create new conduits of capital in the state, this is a very viable and provable methodology.

Chairman Badal asked why Dr. Hardison proposed the bank have a first position and NMSBIC a second position, and Mr. Cobb replied that there are no deals in the queue; and once they create a tool and have it in the toolkit, Dr. Hardison would find the deals.

Chairman Badal said another concern is he wouldn't want the NMSBIC or EDCLC to be a loan committee, so there has to be a 3rd party loan underwriter and servicer.

Chairman Badal said NMSBIC would be in Lea County in May, and suggested that two or three NMSBIC Board members and Mr. Goblet sit down with EDCLC Board member Sam Spencer and a group of bankers to ask where they see a hole that NMSBIC could fill.

Chairman Badal said the banks in Lea County would know what the County's issues are better than other banks in the state, and said he liked an idea offered by Mr. Cobb about creating a template to go forward in other communities in the state.

Dr. Hardison said she appreciated the Board having an open mind in working with Lea County.

Mr. McDonald pointed out the statute specifically states that one of the Board's purposes is to cooperate with small business development centers and regional economic development districts and so this is in line with the statute.

Chairman Badal said he liked the idea of a loan participation agreement, because the bank becomes the loan manager and the NMSBIC is not paying Fund manager fees.

ADVISOR'S REPORT

ACCION NM

Mr. Goblet stated that, as reported at the February Board meeting, ACCION NM amended its policy to concur with new policies laid out by the ACCION network, which called for immediate write-off of any loan that was 180 days past due, even if the client is still paying interest. Based on the new policy, they wrote off a larger amount in January than has been typical (\$34,225).

Mr. Cobb expressed concern that ACCION not adopt an attitude that it no longer has to try collecting on these older loans.

Chairman Badal asked that ACCION provide information about the incidence of delinquencies and write-offs by the same four loan categories shown on page 3, in percentages and loan loss totals. He said he would also like a breakdown of the \$1.121 million in cumulative net write-offs (page 2). He said it would be interesting to know if they are all falling in the \$10,000-and-above category or if it is in the \$250 to \$1,999 category. He asked that the \$10,000-and-up be broken down into \$10,000 increments.

WESST Corp

Mr. Goblet noted that WESST's portfolio now stands at \$56,943, but they have just hired a part time experienced loan officer who starts in April.

The Loan Fund

Mr. Goblet reported that The Loan Fund's portfolio did not grow and, the NMSBIC's portion of their total portfolio decreased as a percentage – this was one of the NMSBIC's biggest goals. He said The Loan Fund increased its funding from others by \$900,000, or approximately 15%.

Mr. Goblet noted that The Loan Fund wrote off \$59,000 last year, and has net assets of \$2.4 million and \$4.6 million in cash, so it has ample liquidity.

Mr. Goblet said The Loan Fund had net income of \$401,000 in 2011 versus \$231,000 in 2010.

Mr. Goblet said The Loan Fund would originate \$1 million worth of loans in the next quarter, of which \$500,000 could be allocated for NMSBIC.

Chairman Badal suggested that they be asked how badly they need that -- if they aren't adding to their portfolio on a net basis year-over-year and are sitting on \$4.6 million of un-deployed cash, how practical is it to draw down addition funds.. He said his point is that the NMSBIC could use that additional commitment for other purposes in the short run pending The Loan Fund's absorption of the \$4.6 million in cash.

Mr. Cobb said the NMSBIC doesn't know, however, the kind of liquidity requirements of other lenders. He asked how much cash The Loan Fund would need to have on hand to maintain the liquidity with NMSBIC, and Mr. Goblet responded \$2 million.

Mr. Goblet said he felt the NMSBIC Board has fine-tuned this about as well as it can -- it took \$ 1.5 million dollars from ACCION and allocated an additional \$1 million to The Loan Fund. He noted that the Loan Fund just called \$500,000 of capital last month.

Chairman Badal asked Mr. Goblet to ask why The Loan Fund is calling capital from NMSBIC if they have \$4.6 million in cash and a \$2 million liquidity requirement. He also questioned why The Loan Fund would be paying 2.5% to the NMSBIC when they could effectively use their own cash for nothing. He said he realized that his questions were based on December 31 data.

Chairman Badal complimented Mr. Goblet and the previous Board on the changes made in the covenants. He said it was not only better for NMSBIC, but it was better for The Loan Fund and they are a better organization today.

Verge Funds I, 1.5 and II

Mr. Goblet said the Verge Fund I, 1.5 and II year-end reports were in the packets.

Mr. Goblet noted that, in Verge Fund I, there is a \$2.3 million differential (positive) between what would have been the historical way of valuing portfolios against the new FASB-157 rules.

Mr. Goblet noted that Verge Fund has made 16 investments and 13 are still alive -- an outstanding record in the world of early stage venture capital. He said Verge I shows a positive FASB valuation of 1.1x on invested capital, although that does not include management fees or expenses. NMSBIC carries its total investment in Fund I at a loss based on the fees and expenses paid to date. He said Verge 1.5 shows a positive valuation of \$369,130, or 1.09x versus investment cost, but this also does not reflect management fees and expenses.

Mr. Goblet said he personally believes the NMSBIC will get a 1.5x return (on all capital) on Verge I and 1.5 based on the GP's belief that several investments are reaching critical revenue and profitability and can attract acquisition offers.

Mr. Goblet said Verge II should be the best-performing fund in the NMSBIC portfolio based on its cross investments from the better performing portfolio companies of the prior funds.

NM Growth Fund I

Mr. Goblet stated that, as everyone knows, all of the fund's investments failed and there remains a small questionable value of \$37,500 in an Ardien promissory note that may become worthless as the company's assets are sold. About \$5,300 in cash remains in the fund to cover final expenses as the fund closes.

Chairman Badal asked at what point NMSBIC should erase them from the financial statements, and Mr. Goblet said there is \$57,000 inside the total fund, of which the NMSBIC represents 90%.

Given that the NMSBIC will not recover any of the remaining money, Chairman Badal asked if NMSBIC could tell the auditor to write that off.

Mr. Goblet said the auditors plan to make a presentation to the Board at the April meeting, and suggested that the Board discuss this with them.

NM Growth Fund II

Mr. Goblet stated that, based on the Q4 report, two investments make up the majority of the fund – ClingZ and Hatch Valley Farms, Because both are underperforming, he would expect to see markdowns at year end, although ClingZ has just had its best month since inception. He said the fund shows \$2.2 million in net assets, of which the NMSBIC represents 44%, or \$996,000. The NMSBIC has had \$2.9 million in called capital versus \$3.5 million in capital commitment. The fund ceased making any new or add-on investments, and the remaining management fees to be paid are coming to a close on November 30, 2012.

Flywheel/NMSBIC I

Mr. Goblet stated that Flywheel Ventures I is the parent fund, but the NMSBIC only participates in Flywheel/NMSBIC I, the side fund. The side fund can only invest in New Mexico businesses, and the portfolio contains investments in four companies. The lack of diversification has impaired the fund's results, although the parent fund will likely provide very decent returns.

Mr. Goblet said the NMSBIC committed \$1.5 million to the side fund; all of the committed capital has been called and most has been invested or used to offset management fees or expenses. While Flywheel/NMSBIC might get 50 cents on the dollar when the portfolio is liquidated, he doubted that the NMSBIC would receive a \$750,000 return of capital. The entire fund is valued at \$435,000 at the current time.

New Mexico GAP Fund

Mr. Goblet said the Gap Fund is about to close on one or two of their investments; NMSBIC has committed \$2 million and he thought they would get 100 cents on the dollar back. Valuation of the fund is \$1.5 million, and \$750,000 is cash that can be used for their last three investments.

Chairman Badal noted that the maximum that can be invested in any one company is \$200,000 and wondered if that should be revisited. He said times have changed since the agreement was first put in place, and perhaps the remaining funds could be deployed more effectively if the NMSBIC took that covenant out.

Mr. Cobb said the \$200,000 cap was set to encourage the fund to look for more deals, and the thinking also was that making a deal smaller would help mitigate the risk.

Chairman Badal said his thought was that if the fund couldn't find \$200,000 deals they might be able to find \$500,000 deals.

Mr. Cobb commented, though, that \$200,000 is considered a good investment in the world of venture capital and angel investing.

Mr. Goblet said the purpose was to fund 15 companies that might get capital from larger funds, and that was accomplished on several occasions. He noted that the fund is about to close on a \$150,000 deal in Santa Fe and they have two more investments.

New Mexico Community Capital

Mr. Goblet stated that Q4 returns have not yet been received.

New Mexico Angels

Mr. Goblet stated that the Board is invited to attend two dinners held by the New Mexico Angels on April 25 (Yanni's in Albuquerque) and April 26 (Vanessie's in Santa Fe).

TVC Equity Symposium

Mr. Goblet noted that the NMSBIC has always participated in the TVC Equity Symposium, which will take place April 3-5 this year at Tamaya Resort. He said about a dozen companies will make presentations, with 20-30 funds. He said he attends the symposium every year, with the \$400 cost covered by the NMSBIC Board,

Chairman Badal said he would check his schedule and encouraged others from the Board to attend.

REVIEW OF PARTNERSHIP AMENDMENTS

[Not discussed.]

REVIEW OF ACCION AMENDMENT

Mr. Goblet said the document with ACCION has been prepared and needs to be signed today.

REVIEW OF NM COMMUNITY CAPITAL AMENDMENT

Mr. Goblet said this has been approved and the document needs to be signed.

REVIEW OF THE FINANCIAL ADVOSOR RFP/ITB AND RELATED PROCESS/TIMELINE

Mr. McDonald stated that he has revised and updated the RFP document done by the NMSBIC in 2009 and noted two major changes: 1) the concept of executive director/financial advisor as opposed to just financial advisor has been added; and 2) commercial lending experience has been added to the financial advisory, equity and venture capital background.

Mr. McDonald said the document had been sent to Chairman Badal for review.

Chairman Badal said he and Ms. Myers reviewed the original document and made extensive recommended changes that were incorporated by Mr. McDonald; for instance, there was a great deal of redundancy. Chairman Badal said he had suggested adding the executive director language because for all intents and purposes Mr. Goblet has been acting as an executive director. He said the commercial lending language was also added as a result of the discussion at the strategic planning session about looking for more lending opportunities.

Chairman Badal suggested advertising the ITB in the printed and digital versions of the *Albuquerque Journal* as well as posting it on the NMSBIC website. He said inquiries should be directed to the website, and responses can go to Mr. McDonald, who can distribute them electronically to Board members wishing to participate in this process. Board members who will review the submissions in response to the RFP/ITB will be Chairman Badal, Mr. Fowler and Ms. Waller.

Following discussion, Board members agreed to meet in Albuquerque on May 21, as scheduled, setting aside most of the agenda for interviews.

Board members agreed to hold the June meeting in Hobbs.

DISCUSSION REGARDING HOBBS BOARD MEETING AND PUBLIC PRESENTATION

Previously discussed.

NEXT MEETING: Monday April 16, 2012 WESST Enterprise Center

CHAIRMAN COMMENTS

Chairman Badal reported that he; Mr. McDonald, and Mr. Goblet have reviewed the Mezzanine Fund documents.

Chairman Badal stated that he had a call from Larry Goldstone, chairman of the HD3 incubator fund in Santa Fe, who wants to make a presentation to the Board in April. He stated that Mr. Goldstone is former COO of Thornburg Mortgage, where Chairman Badal worked from 2001 through 2007.

Chairman Badal added that the accusations made by the SEC against Mr. Goldstone and the former CFO had to do with events that occurred after he (Chairman Badal) retired from the company and that he would be surprised if the SEC's claims are accurate.

Chairman Badal said Timothy Hale, Secretary of the New Mexico Department of Veteran Services, met with Mr. Cobb, who referred him to Chairman Badal. He said the Department wants to help veterans find investment sources that will help them become entrepreneurs. He said he will be talking with Secretary Hale about presenting at an upcoming Board meeting.

Mr. Cobb suggested the idea of encouraging The Loan Fund and ACCION to set aside funds to work with returning veterans.

Chairman Badal suggested that the Board consider meeting less often than ten times a year, and asked Mr. Goblet to look at the calendar of events and make a recommendation on what months would be advisable to meet.

Mr. Fowler agreed to meet with Pulakos CPA to discuss continued audit services and email the Board with his recommendation.

ADJOURNMENT

Its business completed, the NMSBIC Board adjourned the meeting at approximately 11:55 a.m.



Joseph Badal, Chairman

4/16/12

Date