

MINUTES OF THE

NEW MEXICO SMALL BUSINESS INVESTMENT CORP.

October 27, 2017

A meeting of the New Mexico Small Business Investment Corporation was called to order on this date at 9:00 a.m. in the conference room of WESST Enterprise Center, 609 Broadway Boulevard, N.E., Albuquerque, New Mexico. A quorum was present.

Members Present

Mr. Alan Fowler, Chair
Mr. Joseph H. Badal, Vice Chair
The Hon. Tim Eichenberg, New Mexico State Treasurer
Mr. Guadalupe Garcia
Ms. Roxanna Meyers, Secretary/Treasurer [arrived later]
Mr. Steven E. Morgan

Members Excused

None.

Financial Adviser to Board

Mr. Russell Cummins

Board Legal Counsel:

Mr. Randy McDonald

Recording Secretary

Ms. Charmaine Clair, for Judith Beatty

Guests Present:

None.

REVIEW AND ACCEPTANCE OF AGENDA

Mr. Badal moved acceptance of the agenda, as published. Mr. Eichenberg seconded the motion, which passed unanimously by voice vote.

REVIEW AND ACCEPTANCE OF SEPTEMBER 25, 2017 BOARD MINUTES

Mr. Badal moved acceptance of the September 25 minutes, as published. Mr. Morgan seconded the motion, which passed unanimously by voice vote.

FINANCIAL REPORTS AS OF JULY 31, 2017, AUGUST 31, 2017 AND SEPTEMBER 30, 2017

Mr. Cummins reviewed the financial reports.

Mr. Cummins reported that the NMSBIC has transferred \$1 million into the Local Government Investment Pool. This is a newly-opened account, so the NMSBIC now has three pools of funds: the SIC Core Plus Bond Pool, LGIP investment pool, and a money market account at First National Bank 1870.

Mr. Cummins noted that, after deducting the \$700,000 cash reserve and existing commitments, the NMSBIC has \$4,012,274 in funds available for investment and operations.

EXECUTIVE DIRECTOR/INVESTMENT ADVISOR REPORT

[Ms. Meyers arrived during this presentation.]

Mr. Cummins presented this report, with the following highlights:

- The Loan Fund's line of credit calls for an interest rate increase from 2 percent to 2.5 percent as of February 2018. He will ask Leroy Pacheco, The Loan Fund's President/CEO, to provide an update for the board at the next meeting about their plans going forward, at which time the board can discuss the scheduled interest rate increase.
- Mortgage Finance Authority is requesting another five-year extension to their existing line of credit (on today's agenda).
- NMCC paid a distribution to NMSBIC in September of \$239,347. This was primarily payment of an escrow holdback related to the IntelliCyt sale, plus a small escrow holdback related to the MIOX sale, less an NMCC holdback for management fees and expenses.
- The Verge Funds paid distributions to NMSBIC in August from Verge I, Verge 1.5, Verge II, and Verge II.5 that totaled \$233,639. This was payment of an escrow holdback from the IntelliCyt sale.
- The SIC Core Plus Bond Pool is performing well; for the three months ended 9/30/17, the annualized net yield was 5.60 percent.
- Mr. Cummins has been invited to be a speaker at the NM IDEA conference in Clovis on November 30 to make a presentation on the NMSBIC. NM IDEA, which was created to replace the Rural Economic Development Conference, which was discontinued. NM IDEA is composed of economic development professionals from around the state, and about 50 are expected to attend the November conference. NMSBIC has also been invited to join the organization.

Chairman Fowler and board members agreed that NMSBIC should join NMIDEA as a Patron. The membership fee is \$1,000.

**ELECTION OF NMSBIC OFFICERS/AUTHORIZED BANK ACCOUNT SIGNORS/
ANNUAL OPEN MEETINGS ACT RESOLUTION**

Mr. Eichenberg moved that the current Board Officers, Allen Fowler as Chair, Joe Badal as Vice Chair, and Roxanna Meyers as Secretary/Treasurer, be reelected.

Mr. McDonald suggested including Russell Cummins as Executive Director, which is a corporate officer position.

Mr. Eichenberg amended his motion to include Russell Cummins as Executive Director and Investment Advisor.

Chairman Fowler indicated that he may need to miss a meeting periodically because of his travel schedule, and sometimes may need to attend by phone. He was happy to serve with the board's understanding of his travel restrictions.

Mr. Badal seconded the motion, which passed unanimously by voice vote.

Mr. Eichenberg moved approval of the authorized signors of the bank accounts that include Chair/President, Vice Chair/Vice President, Secretary/Treasurer, and Past Board Chairs. Mr. Badal seconded the motion, which passed unanimously by voice vote.

Mr. Eichenberg moved approval of the Open Meetings Act Resolution in the form presented to the Board at the meeting. Ms. Meyers seconded the motion, which passed on the following roll call vote:

For: Mr. Eichenberg; Mr. Morgan; Mr. Badal; Ms. Meyers; Mr. Garcia, Chairman Fowler.

Against: None.

NEW MEXICO MORTGAGE FINANCE AUTHORITY, PROPOSED EXTENSION OF TERM

Chairman Fowler advised the board that he has an opportunity to do consulting work for the New Mexico Mortgage Finance Authority (MFA) on a short-term project. The project has no connection to the NMSBIC; however, he will recuse himself from any votes that have to do with MFA while he is under contract with them.

Mr. Garcia moved approval of the MFA extension. Mr. Eichenberg seconded the motion.

Mr. Cummins said George Maestas indicated to him in discussions this week that MFA had been considering doing a project in Albuquerque using the \$700,000 available, but ultimately

decided against it and would look at another project outside of Albuquerque in the spring. Although the original loan agreement states that MFA “will use commercially reasonable best efforts for the majority of loans to be done outside of the Albuquerque area,” there was concern in discussions at the MFA as to whether doing a project in Albuquerque would meet the spirit of the agreement.

Mr. Badal commented that the NMSBIC does a great job of focusing on areas statewide, but if there is an opportunity to put available cash to work in Albuquerque on a short-term basis, that would seem to make more sense than having the money sit in an account earning minimal interest.

Mr. McDonald noted that the language does not prohibit MFA from doing the deal in Albuquerque, and that the language reflects the philosophy of the previous board. Mr. Cummins said he had pointed out to MFA that they have done four projects outside of Albuquerque, and he saw no problem with them doing one project in Albuquerque.

The motion passed unanimously by voice vote. [Recused and not participating in the vote: Chairman Fowler.]

Chairman Fowler suggested conveying to MFA that the language in the agreement does not limit them from doing a project in Albuquerque.

Mr. Badal said the language in the NMSBIC’s agreements with MFA and other partners should reflect the mission and not include any interpretation of it. He pointed out that the NMSBIC’s mission is to benefit the economy of the state of New Mexico.

[Break.]

ACCION PROPOSED INCREASE IN MAXIMUM FUNDING AMOUNT

Mr. Cummins presented his recommendation to increase Accion’s maximum funding amount by \$2 million, from \$7.75 million to \$9.75 million. In December 2016, the NMSBIC approved a \$1.25 million increase to the \$7.75 million, which Accion used in about six months. They have had very good growth and are doing an excellent job of delivering money in all parts of the state. Accion feels this new increase would likely provide 75 percent of the funding needed for their New Mexico small business loans for the next 12 months.

The current loan agreement with Accion has the following terms:

- \$7.75 million maximum funding amount
- 3.0 percent interest rate, with losses to NMSBIC capped at 1 percent per year
- 75/25 participation, 75 percent of loans funded with NMSBIC funds, 25 percent with Accion funds

- No maturity date, can be terminated by either party with 90 days' notice, and outstanding loans will run off in the normal course of business.

Since the new participation agreement was put in place in 2013:

- Prior program loans have dropped from \$3.5 million to \$248,000. Since 2013, prior program interest has been \$271,000, losses \$133,000, and net interest income \$138,000.
- 2013 program loans have increased from \$0 to \$7.1 million. Since 2013, interest income has been \$465,000, losses \$146,000, and net interest income \$319,000.

Ms. Meyers recalled that Accion had relatively high staff turnover about three years ago, and asked Mr. Cummins if that situation had improved. Mr. Cummins responded that Accion's two top lenders, who do most of the loans in New Mexico, are now more experienced, and they are generating good volume. While lending activity was slowed previously because of the high turnover, that is no longer the case. Accion was able to utilize the previous \$1.25 million increase in about six months.

Ms. Meyers said it was important to keep in mind that Accion's loans are innately more risky than The Loan Fund and she felt the board should not act on this without seeing Accion's 2016 financial statements along with (if available) an interim financial statement for 6/30/17. Chairman Fowler said the increase in write-offs was also a concern.

Mr. Badal recommended that Accion's CEO, Anne Haines Yatskowitz, be invited to present an update to the board. Ms. Meyers indicated information presented in person, or in a written update, would be fine, so long as we have updated information about Accion's financial position, staffing, and lending program.

Board members agreed to table this item pending additional information from Accion.

WEBSITE HOSTING AND MAINTENANCE, CONTRACT RENEWAL

Ms. Meyers moved approval to renew the contract, as presented. Mr. Badal seconded the motion, which passed unanimously by voice vote.

CITIZENS BANK OF CLOVIS, CLOSURE OF MONEY MARKET ACCOUNT

Ms. Meyers moved approval of the closure of Citizens Bank of Clovis money market account. Mr. Badal seconded the motion, which passed unanimously by voice vote.

CONFLICT OF INTEREST POLICY, ANNUAL BOARD MEMBER CERTIFICATIONS

Mr. McDonald reported that he has received responses from each board member as well as Mr. Cummins.

2018 PROPOSED NMSBIC MEETING DATES

Mr. Cummins presented the proposed NMSBIC Board meeting dates for 2018. All meetings (except for the Community Meeting) are scheduled to commence at 9:00 a.m.

Friday, February 23, 2018	WESST Enterprise Center
Friday, April 13, 2018	Socorro, Community Meeting and Board Meeting
Friday, June 22, 2018	WESST Enterprise Center
Friday, August 24, 2018	WESST Enterprise Center
Monday, September 24, 2018	Limited Agenda, Call-in Meeting
Friday, October 26, 2018	WESST Enterprise Center
Monday, December 10, 2018	WESST Enterprise Center

Mr. Garcia moved to approve the meeting dates, as presented. Ms. Meyers seconded the motion, which passed unanimously by voice vote.

BOARD CONTINUING EDUCATION

The board reviewed Section 58-29-1, the NMSBIC's enabling legislation.

CHAIRMAN'S COMMENTS

None.

ADJOURNMENT

Its business completed, the board adjourned the meeting at 10:40 a.m.



Alan Fowler, Chairman

12-8-17

Date