

MINUTES OF THE
NEW MEXICO SMALL BUSINESS INVESTMENT CORP.
SPECIAL ONLINE/CALL-IN MEETING

March 23, 2020

A meeting of the New Mexico Small Business Investment Corporation was called to order on this date at 10:00 a.m. All were participating by teleconference. A quorum was established.

Members Present

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

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. Fowler moved acceptance of the agenda, as published. The motion was seconded by Mr. Garcia and passed unanimously.

CONSIDERATION OF AND ACTIONS TO PROVIDE ASSISTANCE TO NEW MEXICO BUSINESSES IMPACTED BY THE COVID-19 VIRUS, INCLUDING BUT NOT LIMITED TO:

- (a) Lending programs to assist New Mexico small businesses;**
- (b) Modifications to existing agreements with cooperative business partners;**

- (c) Line of credit to New Mexico Economic Development Department to Expand Collateral Support for Small Businesses; and**
- (d) Other related matters**

Mr. Cummins presented his recommendations for proposed actions the NMSBIC would take to address the needs of New Mexico businesses and the NMSBIC's lending partners to assist businesses impacted by the COVID-19 virus. The recommendations are in three parts:

- a) Commit up to \$25 million of NMSBIC funds through all of our lending partners to support New Mexico businesses impacted by the COVID-19 crisis.
- b) Develop an NMSBIC Lending Program for the NMSBIC's lending partners to use in providing new loans, and modifying loans, to New Mexico businesses impacted by market disruptions created by the COVID-19 crisis.
- c) Modify agreements with NMSBIC lending partners to address: (i) costs they will incur related to lost or reduced interest on their borrower loans, (ii) the potential for increased loan losses, (iii) increased overhead costs related to increased lending activity, loan modifications, and loan workouts, and (iv) additional funding capacity to assist businesses impacted by the COVID-19 crisis.

Mr. Cummins stated that, to qualify for the COVID-19 Lending Program, a lending partner would offer the loan at 3.75 percent or less to a small business. The partner would be required to document the impact of the crisis on the small business. Mr. Cummins proposed that the lending partners have discretion regarding how they document the impact of the crisis on the small business.

Mr. Cummins said the lending partners will incur costs related to lost reduced interest on their borrowers' loans, may experience increased loan losses, and will more than likely increase overhead costs related to lending activity, loan modifications, and loan workouts. He reviewed a series of proposed modifications intended to address these increased costs, provide additional funding capacity, and provide additional flexibility to lending partners in supporting businesses impacted by market disruptions created by the COVID-19 crisis.

Mr. Cummins proposed:

- Reducing the interest rate on the NMSBIC's line of credit for 12 months from 2 percent to 1 percent for The Loan Fund, and from 3 percent to 2 percent for 12 months for DreamSpring. DreamSpring can continue to pass through loan losses up to 1% per year.
- Increasing The Loan Fund's maximum funding amount by \$5 million to \$25 million, and DreamSpring's maximum funding amount by \$5 million to \$12.75 million.

-- Increasing The Loan Fund's leverage ratio to 20.0x for the next 36 months to give them additional lending capacity.

-- Change The Loan Fund's and DreamSpring's lending policy to allow up to two loan modifications every 12 months for the next 36 months.

-- Include a cap on delinquencies of no more than 7.5% for loans delinquent 60 days or more, and no more than 5.0% for loans delinquent 90 days or more.

Mr. Cummins also stated that LiftFund contacted him on March 19, informing him that Baer County, Texas just approved a program to loan funds to LiftFund at 0 percent interest, to be used to make loans to businesses impacted by the COVID-19 crisis. They asked if the NMSBIC had a similar program, because they believe they could deploy \$4 million in New Mexico. He said they requested the NMSBIC consider increasing their line of credit from \$1 million to \$5 million to provide funding to aid New Mexico businesses.

Mr. Cummins recommended offering the same terms offered to The Loan Fund and DreamSpring to the other approved NMSBIC lending partners with the exception of WESST, which has a very small line of credit, and the NMSBIC's lending agreement with them has no limit to loan losses that may be passed through to the NMSBIC. To offer the program to WESST, a limit would have to be placed on loan losses.

Ms. Meyers commented that there are new requirements with these changes. She suggested that the lending partners look into making sure their loan officers have the necessary training to deal with this.

Mr. Eichenberg commented that this crisis might continue for an extended period, and a business that shuts its doors for three months is not going to be able to recoup its losses within a short period. He suggested that the NMSBIC look into providing grants instead.

Mr. McDonald clarified that the NMSBIC is not authorized to give grants.

Mr. Garcia said the NMSBIC should continue taking a frugal and pragmatic approach as it has been doing all along, but at the same time it should make itself available and promote the program it offers, and be prepared for changes.

Mr. Fowler said the lending partners would have to forbear payments for businesses that cannot make their loan payments, and try to use all the tools they have to make that possible. The NMSBIC should support those lending partners with the programs being proposed to help them get through that.

Ms. Meyers agreed with Mr. Fowler. She commented that the lending partners do need to recognize that they are in a triage situation and that this will not be the usual lending scenario. Some companies will not make it no matter what measures are taken, and the lending partners

will need to focus on those who will be most successful financially in making it through this crisis.

Mr. Cummins recommended the board approve the proposal in the board package and as stated at the beginning of this discussion, with a change to allow lending partners to have discretion regarding how they document the impact of the crisis on the small business.

Mr. Fowler moved to approve the COVID-19 assistance lending program, as presented, with the change that SBIC requirements to qualify for the COVID-19 Assistance Lending Program be an interest rate of 3.75 percent or less, and that the lending partners document the impact on the small businesses in the manner they choose.

Following discussion, Mr. Fowler amended his motion to include other potential lenders with the same terms, and provide additional funding as listed on page 5, which are as follows:

New Mexico Mortgage Finance Authority, \$5 million
Ventana Fund, \$2 million
Homewise, \$2 million
RCAC, \$2 million
LiftFund, \$2 million

Mr. Garcia seconded the motion, which passed unanimously.

Chairman Badal said he was hopeful the federal government would develop programs that will at least augment, and maybe replace, what the NMSBIC has to do. He has heard rumors that the government might make loans to small businesses that retain their employees, and will turn those loans into grants once this crisis turns around.

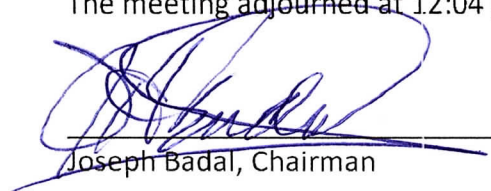
Mr. Cummins stated that the New Mexico Economic Development Department (NMEDD), which has a collateral support program, contacted him. He said they received \$3-4 million in federal funding for this a few years ago, and the Governor has announced that this collateral support will be available for COVID-19 assistance. He said the NMEDD is concerned that they may not have enough funds in that program to meet the demand, and are asking about assistance from the NMSBIC.

Mr. Cummins stated he has had discussions with the NMEDD, for the NMSBIC to provide a backup line of credit, with NMEDD in first loss position. The NMSBIC's legislation indicates NMSBIC funds shall be used to make equity or debt investments. The feedback he received, however, is that NMEDD cannot take on debt.

Mr. Cummins said Mr. McDonald is going to investigate the idea of a joint powers agreement with NMEDD.

ADJOURNMENT

The meeting adjourned at 12:04 p.m.



Joseph Badal, Chairman

Date