

**MINUTES OF THE**

**SPECIAL MEETING**

**NEW MEXICO SMALL BUSINESS INVESTMENT CORP.**

**June 30, 2014**

A special meeting of the New Mexico Small Business Investment Corporation was called to order on this date at 3:10 p.m. in the conference room of WESST Enterprise Center, 609 Broadway Boulevard, N.E., Albuquerque, New Mexico.

A quorum was present:

**Members Present**

Ms. Roxanna Meyers, Chair

Mr. Alan Fowler, Vice Chair [by telephone]

Mr. Joseph H. Badal, Past Board Chair [by telephone]

Mr. Lupe Garcia [by telephone]

Mr. Steven E. Morgan, Secretary/Treasurer

Mr. Clarence L. Smith [designee of Hon. James Lewis, State Treasurer] [by telephone]

Ms. Launa Waller [by telephone]

**Members Excused**

None.

**Financial Adviser to Board**

Mr. Russell Cummins

**Recording Secretary:**

Ms. Charmaine Clair

**Guests Present:**

Mr. Lynn Carrozza

**REVIEW AND ACCEPTANCE OF AGENDA**

Mr. Morgan moved to accept the agenda, as presented. Mr. Garcia seconded the motion, which passed unanimously by voice vote.

**PROPOSED LOAN TO NEWCO, LLC: LYNN CARROZZA, MANAGING MEMBER**

Mr. Cummins referred to a revised term sheet that reflected changes recommended by the Board at the May 23 meeting.

Mr. Cummins stated that, following the May 23 meeting, Chair Meyers had asked him to contact Mr. Carrozza to let him know she had voted against the proposed loan because she feels that existing banks should be stepping up and lending money to bankable companies.

Chair Meyers commented that her concern is that the NMSBIC is essentially funding a mezzanine bank; however, if this is what the NMSBIC will be doing, Mr. Carrozza and his team would appear to be the best choice.

Chair Meyers said she feels the Board should be proactive and contact the banking community and tell them they are "missing the boat."

Mr. Smith commented that local bankers should also be invited to the NMSBIC outreach meetings held in different communities around the state.

Chair Meyers stated that the banks she is referring to would be looking at a relatively sophisticated funding structure.

To Mr. Smith's point, Mr. Cummins stated that he personally invited every bank president in the community of Española to attend last year's community outreach meeting. Two bank presidents and some other personnel did attend, and he got feedback from Accion and The Loan Fund that those contacts are very valuable to them.

Mr. Carrozza stated that the companies NewCo is talking to are not getting funded, get most of their income outside of New Mexico, and are fairly sophisticated. He said bringing income into New Mexico and hiring people who are midlevel to professional is a benefit that is not being met.

Responding to Mr. Morgan, Mr. Carrozza said NewCo will do one deal with the \$750,000 from the NMSBIC, and their hope is they can demonstrate the need and value to the NMSBIC and do a few more down the road. He said the team collectively has a range of skillsets that will be used to support the portfolio company receiving the loan proceeds, and cash flow will be very closely watched.

Mr. Badal commented that the Board has been talking for several years about bringing on another partner, and while he would much prefer that the banks would fill this niche, he did not see that happening in the near future.

Mr. Cummins reviewed the major changes, as follows:

-- At the May 23 NMSBIC meeting, it was proposed that the NMSBIC would receive 3 percent during the loan term and 3 percent at the back end. Under the newly proposed terms, if NewCo were to charge higher interest, the NMSBIC would share the interest rate with NewCo 50/50. NMSBIC would always receive 3 percent during the term of the loan, but the back end amount would vary depending on the interest rate being charged by NewCo.

-- Proposed loan would be secured by portfolio company notes, collateral, and any other value or compensation NewCo is entitled to receive from the portfolio company (e.g., stock warrants or options). NMSBIC's loan to NewCo shall at all times be collateralized with portfolio company loan balances equal to or greater than the NMSBIC's outstanding loan balance to NewCo.

-- The NMSBIC will allow the partial-year audited financial statements as of December 31, 2014, to be deferred and provided with the audited financial statements as of December 31, 2015.

Mr. Cummins said NewCo's investment parameters were also expanded to more fully describe the types of loans NewCo would be making.

Mr. Garcia said his impression from the last meeting was that the \$750,000 was to fund one company, and asked for clarification.

Mr. Cummins clarified that this would be a revolving line of credit. NewCo had described a potential first deal that they might use with that line of credit, to where they could fund a loan, and if the loan pays off, they could draw again to fund a second loan, etc.

Mr. Cummins stated that, between now and September 2015, approximately \$3 million will come back to the NMSBIC as loans from New Mexico Mezzanine Partners pay off. While the NMSBIC in no way has committed to this, NewCo's hope is that the monies would then transition from NMMP to NewCo.

Responding to Chair Meyers, Mr. Carrozza said NewCo would expect to get some warrants to purchase stocks at a minimum value that would become due at the end of the term of the loan. If there is a monetization event, they would expect to be able to convert into equity and then liquidate that interest. NewCo does not want to carry equity for a long period of time.

**Mr. Fowler moved for approval of the loan, based on the discussion and revised term sheet. Mr. Badal seconded the motion, which passed unanimously by voice vote.**

**ADJOURNMENT**

Its business completed, the NMSBIC Board adjourned the meeting at 3:45 p.m.



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Roxanna Meyers, Chairman and President

7-18-14

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Date