

MINUTES OF THE

NEW MEXICO SMALL BUSINESS INVESTMENT CORP.

July 21, 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. Guadalupe Garcia
Mr. Joseph H. Badal, Past Board Chair
The Hon. Tim Eichenberg, New Mexico State Treasurer
Mr. Steven E. Morgan

Members Excused

Ms. Roxanna Meyers, Secretary/Treasurer

Financial Adviser to Board

Mr. Russell Cummins

Board Legal Counsel:

Mr. Randy McDonald

Recording Secretary

Ms. Charmaine Clair, for Judith Beatty

Guests Present:

Ms. Shawn Colbert, Director of Housing Development, Mortgage Finance Authority
Mr. George Maestas, Program Manager, Mortgage Finance Authority
Ms. Holly Bradshaw-Eakes, The Holly Company

REVIEW AND ACCEPTANCE OF AGENDA

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

REVIEW AND ACCEPTANCE OF May 31, 2017 BOARD MINUTES

Mr. Badal moved acceptance of the May 31, 2017 minutes, as published. Mr. Garcia seconded the motion, which passed unanimously by voice vote.

MFA MORTGAGE FINANCE AUTHORITY, PRIMERO PROGRAM UPDATE: SHAWN COLBERT, DIRECTOR OF HOUSING DEVELOPMENT; GEORGE MAESTAS, PROGRAM MANAGER

Mr. Cummins introduced Ms. Colbert and Mr. Maestas. Mr. Cummins noted the purpose of the NMSBIC's loan to MFA is to provide funding for multifamily housing in areas of the state where lack of affordable housing is considered to be an obstacle to job growth.

Mr. Maestas presented an update to the board on the Primero Loan Program.

-- Primero only funds short-term construction loans of up to \$1 million to finance new, rehabilitation and acquisition projects of rental housing.

-- NMSBIC provided a loan to MFA on December 1, 2013, extending a \$1.5 million revolving line of credit, which has been used to fund the following projects through Primero:

- ZHA LIHTC Limited Partnership #1, LLLP: A \$400,000 24-month loan to fund the acquisition and rehabilitation of an existing 38-unit multifamily rental property (100 percent low income) on the Zuni Indian Reservation. This loan has been paid in full (12/6/16)
- Cielo del Oro Senior Housing, LLLP: a \$500,000 18-month loan to finance the rehabilitation of a 30-unit multifamily housing project in Roswell. Cielo del Oro provides low-income housing and social services to elderly and special needs persons. This loan has been paid in full (9/16/16).
- Kristen Park 2013, LLLP: A \$600,000 18-month loan to finance the acquisition and rehabilitation of Kristen Park Apartments, a 44-unit multifamily rental property consisting of 43 low-income units and one manager's unit. Located in Las Vegas. This loan has been paid in full (2/19/16).
- Domingo LLLP: An \$800,000 24-month loan to finance the construction of a 41-unit multifamily rental housing project to be located at Santo Domingo Pueblo. The project will consist of 19 buildings and a community center and will serve low-income households. This loan matures on May 1, 2018.

Mr. Maestas said an upcoming project, Villa San Jose, is a \$1,000,000 24-month construction loan to finance the acquisition and rehabilitation of a 60-unit rental housing project in Carlsbad. It will provide low-income housing to elderly and special needs persons and

was awarded a Primero loan in June 2017 as a partial funding source during the most recent Low Income Housing Tax Credit awards.

Mr. Maestas said that this Primero award would potentially be a candidate for NMSBIC funding. No funding source has been decided on yet, but the plan is to close the loan in the spring of 2018. He added, though, that the project would mature after the NMSBIC line of credit term expired, which would require them to request an extension or renewal of the line of credit in order to use NMSBIC funds.

Responding to Mr. Badal, Ms. Colbert said the Low Income Housing Tax Credit (LIHTC) funds are the biggest source of funding they have in any given year. They receive 12-17 applications a year and award 5-7 applications. She added that some projects do not qualify for NMSBIC funding under the agreements between MFA and NMSBIC. They get more applications than they can fund. The maximum they are able to award in any year is \$5 million for the entire state, and MFA is the sole funnel for LIHTC funded projects in New Mexico.

Mr. Maestas presented and reviewed spreadsheets prepared using a model provided by the National Association of Homebuilders, showing that the four projects funded through the Primero Loan Program using the NMSBIC's revolving line of credit have supported a grand total of 245 local jobs.

Mr. Cummins noted that Julian Baca, research scientist at BBER, has stated that this is an appropriate model to be used for the job numbers, and this is the model used by BBER when it did its research analysis for NMSBIC.

Chairman Fowler thanked Ms. Colbert and Ms. Maestas for providing this update.

FINANCIAL REPORTS AS OF MAY 31, 2017 AND JUNE 30, 2017

Mr. Cummins reviewed the financial reports for May and June.

Mr. Badal moved approval of the financials, as presented. Mr. Morgan seconded the motion, which passed unanimously by voice vote.

EXECUTIVE DIRECTOR/INVESTMENT ADVISOR REPORT

Accion

Mr. Cummins stated that, on average, Accion has had a net loan growth of \$81,000 per month over the past two years, Accion might reach their maximum funding level in roughly 3 months. They are at 97 percent of their maximum funding amount at this point. Mr. Cummins will be meeting with Accion to discuss an increase in their participation agreement. CFO Greg Henderson has resigned and taken a job in Tucson. His replacement has not been named.

Mr. Badal suggested having Accion provide an update and projections for long-range planning for the NMSBIC. He said he'd be interested in knowing if there has been a change in the micro-lending environment.

WESST Corp

-- One new \$37,500 loan was added in June. Two loans are over 90 days late, and both have been set up on repayment plans.

IntelliCyt Escrow Payout

-- NMSBIC is expecting additional money from IntelliCyt hold-back payouts from NMCC and Verge. Final numbers are not yet available.

NM Mezzanine Partners (NMMP)

-- NMMP has two loans to be paid off. One company could have a commitment letter from the bank in about two weeks; the other is discussing financing with the bank.

BBER Analysis – Additional Phase(s)

Mr. Cummins has had discussions with Leroy Pacheco at The Loan Fund and Kim Blueher at WESST regarding an additional phase or phases of BBER research. Mr. Pacheco said he felt the initial BBER report was good but did not focus enough on the impact of retaining existing businesses and existing jobs; for example, some businesses might not be in business anymore were it not for funding from with NMSBIC funds. Both Mr. Pacheco and Ms. Blueher also expressed concern about the time burden on their staff related to additional BBER research.

Mr. Badal expressed concern about BBER's numbers from the first-stage of the analysis. A quick study of the numbers that MFA provided NMSBIC from the Homebuilders Association were tremendously helpful. He said there must be other organizations that can provide statistical information on how, for instance, the expenditure of one dollar impacts the overall economy and what the multiplier is. He said perhaps the National Association of Independent Businesses would have statistics that might be helpful. He suggested reaching out to other organizations to see that might be available.

STATE TREASURER LOAN GUARANTEE INVESTMENT PROGRAM; REOPEN ACCOUNT

Mr. Cummins noted Mr. Eichenberg's comments at the last meeting that the State Treasurer's Local Government Investment Pool (LGIP) was yielding 0.59 percent, or 59 basis points. The NMSBIC is earning .25 percent in the money market fund at First National 1870, which has a balance of roughly \$1.5 million.

Mr. Cummins stated that, with one day's notice, the NMSBIC would be able to access LGIP funds. If it were to keep approximately \$1 million of liquid funds invested in an LGIP account, the additional interest income to NMSBIC might be about \$3,400 per year.

Mr. Cummins added that the NMSBIC did experience losses from a prior LGIP investment due to the Lehman Brothers bankruptcy during the financial crisis. While there is risk of loss in a bond pool like this, given the LGIP's AAA investment rating from Standard and Poor's, a credit loss similar to the Lehman Brothers bankruptcy is considered highly unlikely.

Mr. Cummins recommended that the board authorize the investment of monies in the New Mexico Local Government Investment Pool.

Mr. Morgan so moved. Mr. Garcia seconded the motion, which passed unanimously by voice vote.

NMSBIC BOARD MEETING IN OCTOBER 2017 – PROPOSED MEETING DATE

Board members agreed to hold the annual meeting on Friday, October 27 at WESST.

[Break.]

FINANCE NEW MEXICO ANNUAL REPORT: HOLLY BRADSHAW EAKES, PRESIDENT, THE HOLLY COMPANY

Ms. Eakes presented highlights on changes made since the last year as well as new trends.

- Finance New Mexico (FNM) now authors the articles it publishes rather than having them authored by the various business partners. This has enhanced credibility and had a positive effect.
- NMSBIC and partners still get the lion's share of the articles and mentions.
- Newspapers continue to shrink, but they have picked up more newspapers because more weeklies and monthlies are coming out serving small communities. This has worked to FNM's advantage.
- Increased website presence. Traffic increased over 30 percent last year over the previous year.
- A major change is the intake portal. FNM receives a fair number of inquiries and responds within one business day.
- The Grow It project delivers resources locally and FNM gets many hits from the links.

Ms. Eakes said FNM also tries to identify the needs of people who make inquiries through the intake portal. This generally results in a dialogue to narrow down what the person is looking

for so they can be directed to the best resource. Although FNM always tells people that it would be happy to make a personal introduction to a lender, for example, there is rarely any interest.

Mr. Cummins said he sent Ms. Eakes BBER's first stage of the BBER impact analysis. Ms. Eakes reviewed it and suggested the NMSBIC might do a press release or else send this information to the Governor's Office so they could do a press release. As an alternative, maybe the information should be presented as part of NMSBIC'S annual report, which is sent to the Governor and Legislative Finance Committee.

Mr. Cummins noted that Ms. Eakes also did an excellent job of extracting quotes from Finance New Mexico articles about companies who have said they would not be in business were it not for funding from the NMSBIC's lending partners.

Board members reviewed the draft letter prepared by Ms. Eakes and other documentation she had provided, and deferred discussion regarding a press release to later in the meeting.

**PROFESSIONAL SERVICES AGREEMENTS, PROPOSED RENEWAL:
FINANCE NEW MEXICO**

Mr. Garcia moved to renew this contract at the same compensation level as before. Mr. Badal seconded the motion, which passed unanimously by voice vote.

PROPOSED PRESS RELEASE, BBER ECONOMIC IMPACT REPORT

Mr. Badal moved that the NMSBIC prepare a press release and give the Governor's Office an opportunity to sponsor it; and if no word is received within three business days, it might then be released by the NMSBIC. The press release might use data related to economic development benefits based on industry standards and the multiplier effect, given concerns that the BBER impact study does not address businesses and jobs that that have been retained that otherwise might have been lost. Mr. Cummins will research data related to economic development based industry standards and the multiplier effect. Mr. Badal asked when the NMSBIC's annual report will be published, and Mr. Cummins responded October 1, 2017. Mr. Badal amended his motion, to alternatively include the information in the NMSBIC's annual report to the Governor and Chairman of the Legislative Finance Committee. Mr. Garcia seconded the motion, which passed unanimously by voice vote.

PROFESSIONAL LIABILITY INSURANCE POLICY, ANNUAL RENEWAL

Mr. Cummins reported that the policy was renewed, at the same premium as last year (\$3,230), from June 23, 2017 through June 23, 2018.

NMSBIC ANNUAL COMMUNITY MEETING PLANNING

Mr. Cummins stated that Mr. Eichenberg has suggested that NMSBIC consider holding its community meeting in April 2018 at New Mexico Tech's Investors and Entrepreneurs Workshop. He said he spoke with Peter Anselmo at NM Tech and received positive feedback about the NMSBIC holding its Community Meeting in connection with the workshop. Mr. Anselmo said about 200 people attended last year's conference. The 2018 workshop will be a two-day informal gathering to network and exchange ideas and information and will include a shark-tank type session.

Mr. Cummins said Mr. Anselmo would welcome the NMSBIC's participation. The meeting will be held on April 13-14 in Socorro, NM (all-day Friday and half-day Saturday). Mr. Cummins suggested the NMSBIC might sponsor a lunch on that Friday, with an opportunity to provide information about NMSBIC, and introduce the NMSBIC's lending partners.

Mr. Badal suggested that Chairman Fowler and Mr. Cummins speak during the lunch.

NMSBIC ANNUAL CHECKLIST

Mr. Cummins said the NMSBIC's annual checklist has been updated to include UCC filing dates for the NMSBIC's lines of credit with The Loan Fund and Rio Vista Growth Capital. Mr. McDonald monitors these dates, but suggested NMSBIC set up an additional tracking system.

BOARD CONTINUING EDUCATION, DOCUMENT RETENTION (Cont'd)

Mr. McDonald aid discussion was generated last month regarding educational information put out by the State Records Commission and how NMSBIC potential policy relates to that. The State Public Records Act applies to state agencies. The NMSBIC's statute says the NMSBIC is not a state agency, but in some situations we have voluntarily followed state guidelines.

Mr. McDonald said the NMSBIC, by statute, can have its own policies and procedures, and it has its own document retention and destruction policy. The state has adopted a schedule that describes how long documents are to be kept. He suggested matching state requirements as much as possible in order to be consistent.

Mr. McDonald commented that the NMSBIC has never destroyed any documents, and retains everything. His biggest concern is electronic mail, because NMSBIC doesn't have a server that all emails go through.

Mr. McDonald said he would return to the board with recommendations.

CHAIRMAN'S COMMENTS

Chairman Fowler commented that the gubernatorial elections are approaching, and it is possible that the entire board could be replaced, depending upon the outcome.

Mr. Cummins noted comments by Mr. Badal (in the Takeaway Report from the May board meeting) that the board consider leaving some stability for whomever takes over this organization, and had expressed concern that the NMSBIC's partners not be faced with long delays if a new board is appointed and new board members are then having to familiarize themselves with the NMSBIC. Chairman Fowler had suggested that the board discuss this issue in January 2018.

Mr. Cummins said some transitional issues have already been addressed. For instance, the phone and e-fax numbers on the NMSBIC website can be forwarded to anyone's cell phone, and Iron Mountain retains all of the NMSBIC's records for access by anyone who might replace him. Mr. Cummins said he currently backs up his NMSBIC electronic records to an external hard-drive, and also has a secure cloud storage backup. He will research giving read-only access for the cloud storage to Ms. Brescia, as an additional source of transitional information.

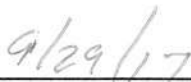
Mr. McDonald said NMSBIC has a document stating where the hard copies of the records exist. He said he would look at options for digital storage of all records that the Chairman and other authorized parties could access.

ADJOURNMENT

Its business completed, the NMSBIC Board adjourned the meeting at 12:00 p.m.



Alan Fowler, Chairman



Date