

MINUTES OF THE

NEW MEXICO SMALL BUSINESS INVESTMENT CORP.

September 21, 2015

A meeting of the New Mexico Small Business Investment Corporation was called to order on this date at 9:00 AM in the WESST Enterprise Center, 609 Broadway Blvd. NE, Albuquerque, New Mexico.

A quorum was present:

Members Present

Mr. Alan Fowler, Chair [by telephone]
The Hon. Tim Eichenberg, NM State Treasurer
Mr. Lupe Garcia [by telephone]
Mr. Steven E. Morgan, Secretary/Treasurer
Ms. Launa Waller [by telephone]

Members Excused:

Ms. Roxanna Meyers, Vice Chair
Mr. Joseph H. Badal, Past Board Chair

Financial Advisor to Board

Mr. Russell Cummins

Legal Counsel Present:

Mr. Randy McDonald

Recording Secretary:

Ms. Judith S. Beatty

Guests:

Mr. Jake Dopson, Pulakos CPAs
Mr. Ryan Thorpe, Pulakos CPAs

REVIEW AND ACCEPTANCE OF AGENDA

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

REVIEW AND ACCEPTANCE OF JULY 24, 2015 BOARD MINUTES

Mr. Eichenberg moved approval of the July 24 minutes, as submitted. Mr. Morgan seconded the motion, which passed unanimously by voice vote.

PULAKOS CPAS, AUDITOR BOARD COMMUNICATIONS:

- JAKE DOPSON, PARTNER, PULAKOS CPAS
 - RYAN THORPE, ASSURANCE MANAGER, PULAKOS CPAS
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NMSBIC AUDITED FINANCIAL STATEMENTS

Mr. Cummins commented that, because the equity partners usually deliver their June 30 financials to the NMSBIC at the end of August, the turnaround time is very tight. He thanked Pulakos for doing an excellent job.

Mr. Dopson summarized the audit results.

- No instances of fraud, opinion shopping or improper activity
- No audit adjustments
- State tax severance fund revenues: \$640,000
- No new accounting policies in 2015
- No management letter issued for June 30, 2015
- Full and complete cooperation by NMSBIC representatives
- Unmodified ("clean") opinion.

Mr. Eichenberg moved to accept the draft audited financial statements, as presented. Mr. Garcia seconded the motion, which passed unanimously by voice vote.

NMSBIC ANNUAL REPORT

The Board reviewed and discussed the draft Annual Report required under Section 58-29-6(B) NMSA 1978 that was presented to the Board.

Referring to page 11 (Equity Program job numbers) Mr. Cummins stated that there are a few investments in portfolio companies where different funds have an investment in the same company. In a couple of instances, he had different job numbers come back from the equity partners. For the time being, he has used the lower of the two numbers to be conservative, but will be working with the partners to drill down and resolve the discrepancies over the next day or two. While the number is currently at 448, this figure could change.

Mr. Cummins asked the Board whether it wishes to carry language from last year's Annual Report to this year's report, recommending that § 58-29-7 of the New Mexico Small Business Investment Act be repealed and removing the requirement that "net excess of funds" be returned to the Severance Tax Permanent Fund.

Mr. Cummins the NMSBIC met with State Investment Council staff prior to last year's legislative session, and the initial feedback from State Investment Officer Steve Moise was that he saw no problem with it, but he had also indicated that the NMSIC might have a different opinion. Some time after that, Mr. Cummins said he learned that there was discussion at the NMSIC committee level about cutting off funding to the NMSBIC. The NMSBIC then decided that this was not a critical issue at that particular time inasmuch as it would be at least two years before it might have net excess of funds to return to the NMSIC.

Mr. Cummins noted that Ms. Meyers has told him she feels the NMSBIC should continue to pursue this. He suggested that the NMSBIC schedule meetings with the Governor's Chief of Staff Keith Gardner, Legislative Finance Director David Abbey, and Mr. Moise.

Board members agreed that the language should be included in this year's Annual Report.

Mr. Eichenberg moved for approval of the Annual Report. Mr. Morgan seconded the motion, which passed unanimously by voice vote.

UPDATE ON JOINT POWERS AGREEMENT WITH THE NEW MEXICO STATE INVESTMENT COUNCIL, US CORE PLUS BOND POOL INVESTMENT

Mr. Cummins stated that the joint powers agreement, which was discussed at the last meeting, would allow the NMSBIC to invest in the NMSIC's US Core Plus bond pool. At the last board meeting, he was asked to communicate with the NMSIC about two potential changes to the agreement.

Mr. Cummins said the first was whether the timeline of five business days to draw money from the pool could be shortened to two. The NMSIC's response was that they needed the five days. Mr. Cummins said he believes that the NMSBIC can work within the five-day window by keeping some of the NMSBIC's shorter term cash needs in the money market account and using the bond pool for short term investments, making adjustments on a quarterly basis.

Mr. Cummins said the second issue, which was raised by Mr. Badal at the last meeting, was regarding the agreement's three-month termination provision. Mr. Badal was concerned that the NMSIC could force the NMSBIC to liquidate at a loss, and suggested that the NMSBIC be able to liquidate the securities on its own schedule. Mr. Cummins said the NMSIC responded by explaining that the termination of service period is there to primarily ensure against market timing by clients participating in the private market pools, and changing the language in that section of the agreement would be problematic.

Mr. Cummins said he would speak with Mr. Badal about the termination provision and report back at the October meeting.

NEXT MEETINGS:

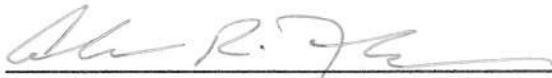
- **Community Meeting in Los Lunas, New Mexico
Friday, October 23, 2015, 11:30 a.m.
Los Lunas Transportation Center
101 Courthouse Rd., Los Lunas, New Mexico 87031**

- **Board Meeting in Los Lunas, New Mexico
Friday, October 23, 2015, 1:30-4:30 p.m.
Los Lunas Transportation Center
101 Courthouse Rd., Los Lunas, New Mexico 87031**

Mr. Cummins discussed the formats for the community meeting and board meeting. He stated that The Loan Fund, Accion and WESST Corp representatives would be present.

ADJOURNMENT

Its business completed, the NMSBIC Board adjourned the meeting at 10:00 a.m.



Alan Fowler, Chairman

11/2/15

Date