

**MINUTES OF THE**

**NEW MEXICO SMALL BUSINESS INVESTMENT CORP.**

**September 26, 2016**

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 [by teleconference]**

Mr. Alan Fowler, Chair  
Ms. Roxanna Meyers, Vice Chair  
Mr. Joseph H. Badal, Past Board Chair  
Mr. Lupe Garcia  
Mr. Steven E. Morgan, Secretary/Treasurer  
Ms. Launa Waller

**Members Excused**

The Hon. Tim Eichenberg, New Mexico State Treasurer

**Financial Adviser to Board**

Mr. Russell Cummins

**Board Legal Counsel:**

Mr. Randy McDonald

**Recording Secretary (by teleconference):**

Ms. Judith Beatty

**Guests Present:**

Mr. Jake Dopson, Partner, Pulakos CPAs  
Mr. Ryan Thorpe, Assurance Manager, Pulakos CPAs

**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 JULY 22, 2016 BOARD MINUTES**

The following correction was made on page 5, under NMSBIC Proposed Policy Limiting Vendor Indirect Costs:

“Mr. Badal suggested that the board adopt this policy but look into renegotiating the price ~~this~~ if it goes to Phase 2 and Phase 3.”

**Mr. Garcia moved approval of the July 22 minutes, as amended. Mr. Badal seconded the motion, which passed unanimously by voice vote.**

### **PULAKAS CPAS, AUDITOR BOARD COMMUNICATIONS**

-- **JAKE DOPSON, PARTNER**

-- **RYAN THORPE, ASSURANCE MANAGER**

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### **NMSBIC DRAFT AUDITED FINANCIAL STATEMENTS**

Mr. Dopson made a presentation to the board, with the following highlights:

- No instances of fraud, opinion shopping, or improper activity were noted during the audit.
- There were no audit adjustments (corrections of errors), which is significant and should give the board comfort that its accounting is accurate.
- There were substantial post-closing entries because of the sale of an equity portfolio company, and a net excess of funds calculation that resulted in the NMSBIC owing money back to the severance tax permanent fund. These post-closing entries are normal, given the timing of when equity partner reports are received.
- No new accounting policies in 2016.
- No management letter will be issued for June 30, 2016; a “No Material Weaknesses” letter will be issued.
- Pulakos will send the audit directly to NM State authorities.
- There was full and complete cooperation by NMSBIC representatives.

Mr. Morgan noted that the chart reflecting management, general and investment advisory expenses shows that expenses have been relatively flat since 2013. Mr. Cummins stated that there has been only a small increase in operating expenses each year over the past four years. Total assets are growing while management expenses have remained relatively flat.

Mr. Cummins noted that the draft audited financials state on page 3 that a \$2.1 million liability is due to the Severance Tax Permanent Fund (STPF). Based on the net excess of funds legislation, the monies are due to the NMSIC 30 days after the report is filed, or on November 1.

Mr. Cummins stated that, for the past two years, Pulakos has issued an AUP (Agreed Upon Procedures) letter, stating that they have reviewed the net excess funds calculation, and it is being provided in accordance with the legal opinion of Mr. McDonald. Given the calculation is shown in footnotes to the audited financials, it is not considered necessary for Pulakos to provide the AUP. NMSBIC will send a copy Mr. McDonald's legal opinion regarding the net excess funds calculation to the NMSIC.

**Mr. Badal moved to accept the financials, as presented. Ms. Meyers seconded the motion, which passed unanimously by voice vote.**

#### NMSBIC DRAFT ANNUAL REPORT

Mr. Cummins said the NMSBIC is statutorily required to issue an annual report every year, which is sent to the Governor, LFC and NMSIC.

Mr. Cummins stated that the report states that the NMSBIC has funded 3,793 loans to New Mexico start-up and small businesses that have supported an estimated 10,139 jobs throughout New Mexico.

Mr. Cummins said he would be making a correction on page 12 (Equity Program Costs and Benefits), reducing the number of jobs reported by NM Mezzanine Partners from 53 to 41. NM Mezzanine Partners has reported in the last couple of days that one of their companies has dropped in size, reducing the size of the workforce.

Ms. Meyers suggested highlighting the NMSBIC's assistance to the Mortgage Finance Authority in providing a unique and much-needed interim construction loan vehicle.

**Mr. Morgan moved acceptance of the Annual Report, subject to the changes, as discussed. Ms. Meyers seconded the motion, which passed unanimously by voice vote.**

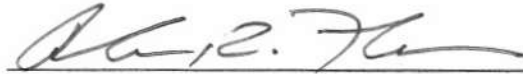
#### UPCOMING MEETINGS

Mr. Cummins noted that Verge is having their annual limited partner meeting on November 1 from 11:30 to 5:30. He will be attending and asked any board members wishing to attend to let him know.

Board members discussed the upcoming Community Meeting on October 24 at 11:00 a.m. followed by Board Meeting at 1:00.

**ADJOURNMENT**

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



Alan Fowler, Chairman and President

11/3/16

Date