

**MINUTES OF THE**

**NEW MEXICO SMALL BUSINESS INVESTMENT CORP.**

**October 26, 2018**

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

**Members Excused**

Mr. Alan Fowler, Chair

**Financial Adviser to Board**

Mr. Russell Cummins

**Board Legal Counsel:**

Mr. Randy McDonald

**Recording Secretary**

Ms. Charmaine Clair, for Judith Beatty

**Guests Present:**

Mr. Justin Hyde, Enchantment Land Development Company

**REVIEW AND ACCEPTANCE OF AGENDA**

**Mr. Morgan moved acceptance of the agenda, as published. Mr. Eichenberg seconded the motion, which passed unanimously.**

**REVIEW AND ACCEPTANCE OF SEPTEMBER 24, 2018 BOARD MINUTES**

**Mr. Eichenberg moved for acceptance of the September 24, 2018 minutes, as submitted. Mr. Morgan seconded the motion, which passed unanimously.**

**ENCHANTMENT LAND CERTIFIED DEVELOPMENT COMPANY (ELCDC), SMALL BUSINESS ADMINISTRATION (SBA) COMMUNITY ADVANTAGE LENDING PROGRAM: RON BROWN, EXECUTIVE DIRECTOR; JUSTIN HYDE, LOAN OFFICER**

[Ms. Meyers joined the meeting during this discussion.]

Mr. Cummins introduced Mr. Hyde. He stated that Mr. Brown had been called out of town and could not be present today.

Mr. Cummins stated that he recently met with Messrs. Brown and Hyde and learned that ELCDC is planning to start originating loans in New Mexico under the SBA's Community Advantage (CA) Lending Program. Today's presentation is to provide a preview of ELCDC's plans and to discuss the possibility of entering into a participation agreement with NMSBIC at a future date.

Mr. Hyde stated that ELCDC's CA loans range from \$50,000 to \$250,000. One of the main benefits to the borrower is a longer term than is typical for conventional small business loans. For startup costs, goodwill and working capital, the term is typically 10 years. He stated that the program is also very flexible with collateral. The SBA always has a policy to take all the collateral available. Credit requirements are also very flexible.

Mr. Hyde noted that, in May 2018, the SBA approved a loan service provider agreement between Business Development Finance Corp (BDFC) out of Arizona, and ELCDC. BDFC is the fourth largest Community Advantage lender in the U.S. The two entities are strongly positioned to find a niche market in New Mexico for lending, and it appears there is a sizable market that is not being served by any of the existing CDFIs or alternative lenders.

Vice Chair Badal noted that the ELCDC is considering the idea of using SBIC funds to fund up to 100 percent of the SBA guaranteed portion of a loan that they would make under the CA program. Mr. Hyde responded that this was one possibility. He added that, for SBA 7a and Community Advantage loans, the lender provides the funds for these loans.

Mr. Cummins said the participation structure might work better, where the SBIC would own the portion that is 100 percent guaranteed by the SBA, which would be a very safe investment of taxpayer dollars and would also help expand the SBIC lending program into markets that are currently not being served.

Responding to Ms. Meyers, Mr. Hyde said there could be some overlap with some other CDFIs that are alternative lenders.

Mr. Cummins said Leroy Pacheco indicated that The Loan Fund was not interested in the Community Advantage program. Mr. Cummins said he will follow up with Mr. Pacheco about this. Vice Chair Badal stated that the yield on loans in the CA program could be a factor in that decision.

Responding to Ms. Meyers on whether ELCDC would carry the paper on these loans, Mr. Hyde stated that ELCDC would be the note holder. Holders of CA loans commonly sell the SBA guarantees on the secondary market. ELCDC would have the option to do this, or possibly sell a participation in the SBA guaranteed portion to the NMSBIC.

Vice Chairman Badal asked Mr. Hyde to discuss ELCDC's timeline. Mr. Hyde responded that he thought it would be 12-18 months before they would be ready to become a direct lender, rather than originating on behalf of BDFC. He commented that, regarding directly lending, they are still fairly early in the discovery phase at this point.

### **FINANCIAL REPORTS AS OF AUGUST 31, 2018 AND SEPTEMBER 30, 2018**

Mr. Cummins reported that funds available for investments and operations are approximately \$7.4 million, which includes the \$700,000 cash reserve and termination of the Rio Vista Growth Capital line of credit. The NMSBIC is anticipating a contribution of approximately \$2.8 million from the Severance Tax Permanent Fund later this year, which will increase available funds. Available funds will drop by \$1 million by the end of this year because The Loan Fund's maximum funding amount is scheduled to increase from \$13 million to \$14 million as of December 31, 2018.

Mr. Morgan asked about Accion's charge-off rate.

Mr. Cummins said he has requested Accion's September 30 charge-offs and will provide this information when it is available. He noted that Accion's request for a \$2 million increase in their maximum funding amount remains tabled, as the board monitors Accion's organizational risk related to total company charge-off activity. Regarding the NMSBIC's risk related to Accion's charge-offs, Accion takes all the losses in excess of the 1 percent cap set by the NMSBIC.

Responding to Vice Chair Badal, Mr. Cummins said Accion uses the services of Scott Edwards, who does loan file reviews for many community banks throughout the state, to review their loan files. He said The Loan Fund has a board of directors loan committee, but he was not aware of any external loan review process within that organization.

Vice Chair Badal said his concern was organizational risk for the NMSBIC, and commented that it would be helpful to know if either organization is having their loan files examined in more depth. Mr. Cummins responded that he was not aware of any regulatory requirements addressing that for CDFIs, but noted that Accion is part of the Accion network nationwide, and they do have benchmarking reporting they do with affiliates around the country.

**Ms. Meyers moved acceptance of the financial reports, as presented. Mr. Morgan seconded the motion, which passed unanimously.**

## EXECUTIVE DIRECTOR/INVESTMENT ADVISOR REPORT

### Verge Fund

Mr. Cummins stated that Verge Fund will host its annual Limited Partner meeting on Wednesday, November 14 from 8:00 to 11:00 a.m. He said he was planning to attend, and asked any NMSBIC Directors to let him know if they planned to attend, as well, and he would RSVP for them.

### Takeaway Report items

Mr. McDonald said he would provide recommendations regarding proposed changes to the document retention policy at the next meeting.

## ELECTION OF NMSBIC OFFICERS/AUTHORIZED BANK ACCOUNT SIGNORS/ ANNUAL OPEN MEETINGS ACT RESOLUTION

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**Mr. Eichenberg moved approval of the Open Meetings Act resolution. Ms. Meyers seconded the motion, which passed unanimously.**

**Mr. Eichenberg moved approval of the existing slate of officers for another year: Chair and President, Alan Fowler; Vice Chair and Vice President, Joe Badal; and Secretary/Treasurer, Roxanna Meyers. Mr. Morgan seconded the motion.**

Vice Chair Badal recalled that the board agreed previously to rotate the position of Chair and Vice Chair every year or two years.

Ms. Meyers volunteered to serve as Vice Chair.

**Mr. Eichenberg amended his motion to appoint Joseph Badal as Chair; Roxanna Meyers as Vice Chair; and Alan Fowler as Secretary/Treasurer. Mr. Morgan accepted the amendment and seconded the amended motion, which passed unanimously.**

**Ms. Meyers moved to appoint Russell Cummins as Executive Director/Investment Advisor. Mr. Eichenberg seconded the motion, which passed unanimously.**

In response to a suggestion by Vice Chair Badal, Mr. Eichenberg agreed to be an authorized signor on NMSBIC bank account signors in the event a second signature was needed.

**Ms. Meyers moved that NMSBIC officers Chair and President, Vice Chair and Vice President, Secretary/Treasurer, and Tim Eichenberg be named as authorized signors on all NMSBIC bank accounts, with two signors being required on bank account transactions, and that the board authorizes the changing of signature cards and the adoption of any required**

**banking resolutions necessary to reflect the new officers, and that current signors will be continue to be authorized to sign until such time as the changes are made to bank accounts. Mr. Morgan seconded, and the motion passed unanimously.**

#### **WEBSITE HOSTING AND MAINTENANCE, CONTRACT RENEWAL**

Mr. Cummins recommended renewal of the website maintenance contract with The Holly Company for one year, from December 1, 2018 to December 1, 2019, with the same terms as the previous year, with no change in pricing. The cost is \$2,000 for the year, plus expenses for repairs or upgrades, which have been about \$250 per year.

**Ms. Meyers so moved. Mr. Eichenberg seconded the motion, which passed unanimously.**

#### **NEW MEXICO IDEA (NMIDEA) MEMBERSHIP RENEWAL**

Mr. Cummins stated that New Mexico IDEA (NMIDEA) is an association of economic development professionals from around the state. Last year, the NMSBIC joined as a Patron-level member, at a cost of \$1,000 per year. He recommended renewal for one year, at a cost of \$1,000.

Mr. Cummins said NMIDEA's annual conference is scheduled for November 13-15 in Bernalillo at Santa Ana Star Casino. He plans on attending and asked any other board members interested in joining him to let him know.

**Mr. Morgan moved to renew the membership, as recommended. Ms. Meyers seconded the motion, which passed unanimously.**

#### **CONFLICT OF INTEREST POLICY, ANNUAL BOARD MEMBER CERTIFICATIONS**

Board members signed their forms and turned them in to Mr. McDonald.

#### **2019 PROPOSED NMSBIC BOARD MEETING DATES**

Mr. Cummins reviewed proposed meeting dates for 2019. All meetings were scheduled at 9:00 a.m.

- Friday, February 22, 2019, WESST Enterprise Center
- Friday, April 26, 2019, WESST Enterprise Center
- Friday, June 21, 2019, WESST Enterprise Center
- Friday, August 23, 2019, WESST Enterprise Center
- Monday, September 23, 2019, Limited Agenda, Call-in Meeting

- Friday, October 25, 2019, WESST Enterprise Center
- Monday, December 9, 2019, WESST Enterprise Center

Mr. Cummins said the schedule did not include a community meeting, and suggested that NMSBIC look for an existing gathering of entrepreneurs and look into the possibility of being part of that, perhaps as a sponsor. Ms. Meyers suggested Central New Mexico Community College's FUSE Makerspace.

**Ms. Meyers moved to approve the meeting schedule. Mr. Morgan seconded the motion.**

Vice Chair Badal recommended that the board's next meeting, on December 10, be scheduled as a call-in meeting barring any significant items that would be better addressed in person, or if there is the possibility of changing the venue.

### **BOARD CONTINUING EDUCATION**

Mr. Cummins referred a copy of NMSA 58-29-1, the NMSBIC's enabling legislation. Given that the NMSBIC expects to have roughly \$9 million of available funds by the end of the year, he thought it would be appropriate to review the NMSBIC's legislative purposes and discuss whether the following items should be added to the agenda of future board meetings:

- Continued focus on expanding the NMSBIC's lending program.
- Ideas for expanding investments outside of the NMSBIC's lending program.

Also, regarding upcoming discussions related to Finance New Mexico:

- Should the NMSBIC allocate its funds to promote financial literacy in New Mexico?
- Should the NMSBIC allocate its funds to deliver news regarding business openings, construction projects, new jobs, etc.?
- Should the NMSBIC allocate its funds to increase awareness of its lending partners among traditional banks, specifically, small business lenders at traditional banks around the state?

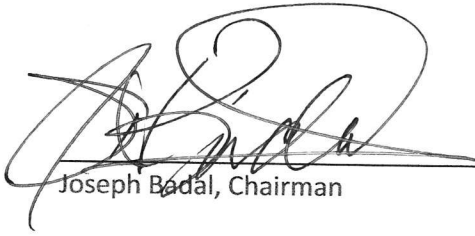
Board members discussed holding a planning session.

### **CHAIRMAN'S COMMENTS**

None.

### **ADJOURNMENT: 11:00 a.m.**

Its business completed, the NMSBIC Board adjourned the meeting at 11:10 a.m.



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Joseph Badal, Chairman

12/19/18

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Date