

**MINUTES OF THE**  
**NEW MEXICO SMALL BUSINESS INVESTMENT CORP.**  
**REGULAR MEETING**

**March 21, 2011**

A regular meeting of the New Mexico Small Business Investment Corporation was called to order on this date at approximately 9:00 a.m. in the conference room of WESST Enterprise Center, 609 Broadway Blvd., N.E., Albuquerque, New Mexico.

A quorum was present:

**Members Present:**

Mr. Andrew Baca, Chair  
Mr. Kit Caldwell  
Ms. Mary A. Garza, Secretary  
Mr. Billy Knight  
Mr. Greg Kulka [State Investment Council designee]  
Mr. Clarence L. Smith [designee of State Treasurer James Lewis]

**Members Excused:**

Mr. Sam Cobb, Vice Chair  
Ms. Marie Longserre, Treasurer

**Legal Counsel to Board:**

None.

**Financial Advisor to Board:**

Mr. Paul Goblet

**Consulting CFO:**

Ms. Dee Brescia

**Recording Secretary:**

Ms. Judith Beatty

**Guests Present:**

None.

**COMMENTS FROM WESST CORP.: Kim Blueher, Sarah Gin**

Ms. Blueher discussed some highlights regarding WESST Corp.

-- The facility opened 18 months ago and reached capacity three or four months ago, way ahead of schedule.

-- There are ten companies located in the building, all doing very well. There is a lot of mutual support among them, and WESST brings in a lot of community partners to help them with strategic planning, legal and financial advice, etc.

-- The first and second levels of the east side of the building are empty; while the original intent was to lease it out as retail space, plans have changed. One or two incubator clients will take the first floor, and the second floor will be converted into more offices and meeting space.

-- Companies include a medical billing company; three different kinds of IT companies; a roofing company; a lung cancer detection technology company (publicly traded); and a company that houses emotionally handicapped people. SBIC-related companies are Lotus Leaf and Agavue.

Ms. Blueher distributed and reviewed a list of WESST Corp's historical loan information from 1990 through 1/31/2011.

-- WESST Corp wrote off \$23,000 in 2010, \$18,000 from one loan.

-- Total default rate over the life of the portfolio is 2%.

-- 5.5% of loans are running past due, a major improvement over early 2010.

-- There is \$1.1 million in the portfolio, with 91 loans, which is consistent with previous years.

-- WESST Corp has a loan program, through the Office of Refugee Resettlement, for political refugees who settle in Albuquerque. WESST Corp works extensively with them in helping them understand the American financial system and build credit. They have worked with Cuban refugees and are now starting to work with African refugees.

-- WESST Corp had 20 people from startup businesses sign up for their six-week "how to write a business plan" class – the most in a long time.

## **APPROVAL OF AGENDA**

Upon motion by Ms. Garza, seconded by Mr. Caldwell, the Agenda was approved by voice vote, as presented.

## **APPROVAL OF MINUTES: February 14, 2011**

[Deferred.]

## **LEGISLATIVE UPDATE**

Mr. Goblet stated that Sen. Keller had indicated he would try to attend today's meeting to discuss legislative matters, but has a busy schedule.

Mr. Goblet stated that SB 24, as originally proposed, called for the reconstitution of the NMSBIC with three public members to be appointed by the Governor and three public members appointed by the Legislative Finance Committee. He said he had a lengthy telephone conversation with Sen. Keller about three months ago, where he explained that the NMSBIC Board in no way opposed SB 24, but replacing the entire Board would essentially bring the organization to a standstill because all institutional knowledge would be lost. As a result, Sen. Tim Keller amended the bill last week to postpone implementation a year until July 1, 2012. In addition, the two statutory members (State Treasurer and Head of the State Investment Council, or their designees) will remain on the Board.

Mr. Goblet said that, in the interim, he hoped there would be opportunities to talk to the Governor and legislators about the SBIC's role and to clarify that if the intent was simply to depoliticize this organization, it has never operated in a political fashion.

Mr. Kulka noted that another bill, which passed, removes the State Treasurer and the State Investment Officer from several organizations. He said he had no further information at this point but would provide it later to Mr. Goblet.

Mr. Goblet said a second bill, SB 25, primarily focuses on Economically Targeted Investments (ETIs), which include film industry investments and tax credits, as well as equity investments overseen by the SIC and the SIC's Private Equity Investment Advisory Committee. The bill does not specifically mention the NMSBIC, but calls for more transparent reporting on both the financial and economic impact of ETIs.

Mr. Kulka noted that the bill has passed in both houses. He added that the State Investment Office testified that, because there are no economists on staff to determine any potential multiplier effect, they would have to hire someone at a minimum cost of \$500,000

initially, but that it would be an ongoing expense. Because the NMSBIC is one of the SIC's investments, that would be included.

Mr. Goblet said he would make arrangements to appear before the SIC within the next month or two.

### **REVIEW AND ACCEPTANCE OF FINANCIAL REPORT**

Ms. Brescia presented the February financials.

Ms. Brescia noted that the statement of activities reflects a positive change in net assets of \$818,884 for February, which is primarily the result of Q4 2010 equity investment activity recorded upon receipt of financial statements from seven out of nine of the investment funds. The investment valuation adjustment reported from the funds resulted in an increase in investment value by \$920,000.

Ms. Brescia presented a schedule of funds available for investment and operations, and noted that approximately \$5,000,000 was available for the month ended 2/28/11. [While the figure does not represent a \$900,000 decreased commitment to ACCION and a \$1,000,000 increased commitment to The Loan Fund, the two amounts almost offset each other.]

On the schedule reflecting cumulative losses and change in equity investment value for cooperative loan agreements and equity investments, Mr. Kulka asked Ms. Brescia to add a column reflecting a multiple for each fund.

Mr. Goblet pointed out that NM Growth Fund I and New Mexico Growth Fund II, with losses of \$6.1 million and \$1.8 million respectively, comprise about 80% of the \$10.4 million in losses in equity investments.

**Mr. Knight moved approval of the February financial report. Ms. Garza seconded the motion, which passed by voice vote.**

### **INITIAL IRR CALCULATION UPDATE**

[Covered under Financial Report. Ms. Brescia stated that she hoped to have the calculations as of December 31, 2010 available at the next meeting.]

### **DISCUSSION AND POSSIBLE VOTE ON MATURING CDARS**

Mr. Goblet stated that the NMSBIC has a series of CDARs deposits that mature on March 31, amounting to approximately \$5,005,000.

Mr. Goblet said the rates (as of today) for 3, 6 and 12 months are, respectively, .40%, .35% and .35%. While the rates are not attractive, there is little motivation to extend maturities because the rate curve is very flat.

Mr. Goblet recommended that the Board approve a reinvestment of the proceeds in a 3-month CDARs series of deposits at New Mexico Bank and Trust.

**Mr. Caldwell so moved. Ms. Garza seconded the motion, which passed by voice vote.**

## **ADVISOR'S REPORT**

### **ACCION**

Mr. Goblet reported that ACCION's current portfolio now stands at \$2.5 million, comprising 390 outstanding loans, the lowest level in four years. Through the first eight months of FY 2010, the NMSBIC has incurred \$144,086 in loan losses and has received \$48,223 in interest income. Those are larger losses than anticipated and are primarily the result of bankruptcies. He will be meeting with the ACCION collection team following today's meeting.

### **The Loan Fund**

Mr. Goblet reported that The Loan Fund Board approved the proposed amendment, and the agreement should be executed within the next few days. Their overall portfolio has grown in size, and the NMSBIC currently represents approximately 60% of their total loan portfolio.

### **WESST Corp.**

Mr. Goblet reported that WESST Corp added two new loans during this reporting period, bringing the total current portfolio to \$98,068.

### **Mesa Ventures**

Mr. Goblet stated that he and Mr. McDonald will attend Mesa Ventures' annual meeting of both funds on March 24. If Aridien is liquidated, there will be no assets left in the fund.

### **Verge Funds 1 and 1.5**

Mr. Goblet noted that both funds are at the end of their investment cycle; and due to the diversity and number of currently viable portfolio companies, these two funds should provide the greatest likelihood of economic success. Three to four of their portfolio companies are projected to achieve run rate revenues of about \$10 million in the next year to two years, making them attractive candidates for sale.

### Verge Fund 2

Mr. Goblet reported that Verge 2 is about to close on its first new investment, which would call for up to \$1.2 million over two tranches.

### Flywheel

Mr. Goblet reported that Flywheel has four New Mexico portfolio companies, with Miox being the most successful, with over 60 employees and \$10 million in revenues. The economic impact on the State in GRT and payroll taxes has been very positive.

### NM Gap Fund

Mr. Goblet said Gap Fund is considering two new investments, as well as two add-on investments in Retail Planet and Lotus Leaf. One of the portfolio companies may close on a large round of new capital at a much higher valuation; and he has communicated to them the NMSBIC's willingness to consider some method of liquidation of its interest, if possible.

### NM Mezzanine Fund

Mr. Goblet said NM Mezzanine Fund is looking at three possible new investments over the next two months.

### NM Community Capital

Mr. Goblet stated that NMCC still has \$1.9 million of capacity, so have the ability to do one more investment of substance plus another one or two add-on investments. Both McCune Foundation and the Merrion family trust have made commitments to NMCC Fund II.

### Rotary Club Presentation

Mr. Goblet stated that he has been asked to present at the Albuquerque Rotary Del Sur Club on March 30. The presentation takes place at the Sheraton Uptown.

### Presentation to SIC

Mr. Goblet circulated Sun Mountain Capital's slide presentation on the New Mexico Private Equity Program, and suggested that the NMSBIC use this format in its presentation to the SIC.

**DISCUSSION AND POSSIBLE VOTE ON TVC EQUITY SYMPOSIUM**

Mr. Goblet stated that TVC is hosting its annual equity symposium, a two-day event taking place in May. He has always represented the NMSBIC at this event, and the cost is approximately \$400.

**Ms. Garza moved to authorize an expenditure of \$400 for Mr. Goblet to attend this event. Mr. Smith seconded the motion, which passed by voice vote.**

**NEXT MEETING:            Monday, April 18, 2011 NMMFA  
Monday, May 16, 2011, NMMFA**

**ADJOURNMENT**

Its business completed, the NMSBIC Board adjourned the meeting at approximately 11:00 a.m.

  
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Andrew Baca, President

  
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Date

  
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Mary A. Garza, Secretary

  
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Date