

MINUTES OF THE
NEW MEXICO SMALL BUSINESS INVESTMENT CORPORATION
REGULAR MEETING

April 26, 2011

A regular meeting of the New Mexico Small Business Investment Corporation was called to order on this date at approximately 1:00 p.m. in the conference room of the McCune Foundation, 345 Alameda Street, Santa Fe, 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]

Mr. Sam Cobb, Vice Chair

Ms. Marie Longserre, Treasurer

Legal Counsel to Board:

Randall J. McDonald (Meeting Secretary)

Financial Advisor to Board:

Mr. Paul Goblet

Guests Present:

None.

Mr. McDonald was asked to take the meeting minutes.

APPROVAL OF AGENDA

Upon motion made and seconded, the Agenda as presented was unanimously approved by voice vote.

APPROVAL OF MINUTES

The Board reviewed the minutes of the Board meetings of February 14, 2011 and March 21, 2011. Ms. Longserre noted a correction to the March 21, 2011 minutes on page 2, in the fourth paragraph under the Comments from WESST Corp; namely, that the word “clients” should be inserted between the words “incubator” and “will.”

Upon motion made and seconded, the Board minutes for February 14, 2011, and, as revised, for March 21, 2011, were unanimously approved by voice vote.

REVIEW AND ACCEPTANCE OF FINANCIAL REPORT

Ms. Goblet presented the March financials.

The Board discussed the financials as presented, and specifically the reasons for several variances as between budgeted and actual expenses.

Upon motion made and seconded, the March financial report in the form presented was unanimously approved by voice vote.

LEGISLATIVE UPDATE

Mr. Goblet advised the Board that the only legislation affecting the SBIC that had passed and been signed by Governor Martinez was SB 82, which amended the New Mexico Small Business Investment Act by eliminating from the SBIC Board a representative of the State Investment Officer. As a result of that, as of July 1, 2011, the State Investment Officer will no longer have the power to appoint a representative to the Board.

DISCUSSION OF SIC PRESENTATION

The Board then discussed at length the presentation given by the SBIC at the meeting of the State Investment Council earlier in the day. The Board noted that there appeared to be some confusion by some members of the State Investment Council as to the dual purposes of the SBIC; namely economic development and a reasonable return on investment.

The Board discussed the importance of continuous and open communication to the Governor, the Legislature, and the State Investment Council about the purposes and activities of the SBIC. This would be especially important in the future, given that with the enactment of SB 82, the State Investment Council will no longer have a representative on the SBIC Board. There was discussion as to whether the SBIC should confer with the State Investment Officer as to how the two organizations might best communicate going forward. Mr. Kulka indicated that he would discuss the issue with the State Investment Officer.

At the suggestion of Mr. Goblet, the Board agreed to make the question of the SBIC's external communication planning to the Governor, the Legislature, and the State Investment Council the primary focus of the May Board meeting.

ADVISOR'S REPORT

Mr. Goblet then reviewed his written advisor's report with the Board. His review focused primarily on the SBIC's investments in New Mexico Growth Funds I and II, and the amendments to the loan documents between the SBIC and The Loan Fund.

Mesa Ventures/NM Growth Funds

Mr. Goblet stated that he and Mr. McDonald attended Mesa Ventures' annual meetings for both funds on March 24th.

Mr. Goblet reported that Mesa had announced that Aridien, a portfolio company in both Mesa funds, had ceased operations and that Mesa was endeavoring to realize some value by a sale of the assets of Aridien. Mr. Goblet advised the Board that he had engaged in frank discussions with Mesa regarding their obligations, and the fiduciary obligations of the members of the Aridien Board of Directors to preserve the assets of Aridien for the benefit of all the shareholders of the company. Mr. Goblet stated that his concern was that the assets of Aridien not end up in the hands of its major investor to the detriment of the other shareholders.

Mr. Goblet also advised the Board that with respect to New Mexico Growth Fund I, L.P., Mesa had asked the limited partners to consent to a waiver of the requirement of an audit of the fund for 2010. The Board discussed this request, and was unwilling to waive the audit given the financial performance of the fund. The Board felt it critical under the circumstances that the audit proceed, even if it meant that the SBIC had to contribute funds to pay for the audit.

Upon motion made and seconded, it was unanimously resolved by voice vote that: (i) the SBIC would not consent to a waiver of the 2010 audit requirement for New Mexico Growth Fund I, L.P.; and (ii) if necessary, the SBIC would contribute money to the fund for the costs of the audit, not to be in excess of \$15,000.

Ms. Longserre recused herself from discussions on this matter, and from the vote taken due to the fact that Mr. Les Matthews, a principal of the General Partner of New Mexico Growth Fund I, L.P., serves on the Board of Directors of her employer.

The Loan Fund

Mr. Goblet reminded the Board that it had previously approved an increase in the lending ceiling to The Loan Fund from \$7.5M to \$8.5M. In the course of finalizing the documentation, The Loan Fund had requested that the revisions to the documents also include

an extension of the final due date for the loan. Currently, the loan will be due in full in July of 2017. Although over the past several years the credit facility had been increased several times, from \$3.5M to \$8.5M, the final maturity date had never been changed.

The Board discussed the question of an extension of the final maturity date. Upon motion made, seconded and unanimously approved, it was

RESOLVED, That the Board approves an amendment to the loan documents between the SBIC and The Loan Fund such that the final maturity date for each increase in the principal commitment under the loan documents be set at 10 years after the date of the increased commitment.

Other Matters

Mr. McDonald advised the Board that in connection with the upcoming renewal of the organization's directors and officers liability insurance, he would be reviewing the insurance coverage provided under the policy and provided under the state Tort Claims Act, and would make recommendations to the Board regarding changes, if appropriate.

NEXT MEETINGS: **Monday, May 16, 2011 NMMFA**
 Monday, June 20, 2011, TBD – Possibly Santa Fe

ADJOURNMENT

Its business completed, the NMSBIC Board adjourned the meeting at approximately 3:00 p.m.



Sam Cobb, Acting Chair

July 18, 2011

Date

Mary A. Garza, Secretary

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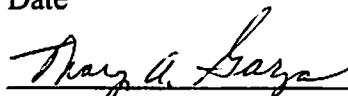
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