

MINUTES OF THE

NEW MEXICO SMALL BUSINESS INVESTMENT CORP.

October 23, 2020

A meeting of the New Mexico Small Business Investment Corporation was called to order on this date at 9:02 a.m. via teleconference. A quorum was established.

Members Present

Mr. Joseph H. Badal, Chair
Ms. Roxanna Meyers, Vice Chair [joining 9:08 a.m.]
Mr. Alan Fowler [present 9:02 to 9:04 a.m.]
Mr. Guadalupe Garcia
The Hon. Tim Eichenberg, New Mexico State Treasurer

Members Excused

Mr. Steven E. Morgan, Secretary/Treasurer

Financial Adviser to Board

Mr. Russell Cummins

Board Legal Counsel

Mr. Randy McDonald

Recording Secretary

Ms. Charmaine Clair, for Judith Beatty

REVIEW AND ACCEPTANCE OF AGENDA

Mr. Cummins requested that the 9:05 a.m. agenda item for New Mexico Economic Development Department be postponed to the next board meeting.

Mr. Eichenberg moved acceptance of the agenda, as amended. The motion was seconded by Mr. Garcia and passed unanimously by roll call vote.

BOARD MINUTES FOR AUGUST 28, 2020 AND SEPTEMBER 25, 2020

Mr. Garcia moved acceptance of the minutes for August 28 and September 25, 2020, as submitted. Mr. Eichenberg seconded the motion, which passed unanimously by roll call vote.

FINANCIAL REPORTS AS OF AUGUST 31, 2020 AND SEPTEMBER 30, 2020

Mr. Cummins reviewed highlights from the financial reports.

- Interest income is about \$95,000 ahead of budget, primarily because of higher-than-budgeted interest income on the SIC Core Plus Bonds, and higher-than-budgeted outstanding loan balances for The Loan Fund and Ventana Fund.
- While the financial report states that funds available for investment and operations are at \$14.8 million, as of 9/30 that did not include an increase of \$5 million approved for Ventana Fund and a \$1 million line of credit approved for Nusenda, bringing available funds down to \$8.8 million. NMSBIC has also approved up to \$1.2 million in purchases of limited partner interests related to the combination of the five Verge Funds into one fund. If all of those subscriptions are filled, available funds would be down to about \$7.6 million.

Ms. Myers moved acceptance of the Financial Reports as of August 31 and September 30, as presented. Mr. Garcia seconded the motion, which passed unanimously by roll call vote.

EXECUTIVE DIRECTOR/INVESTMENT ADVISOR REPORT

DreamSpring: The 2013 Lending Program balance has been shrinking because they have been originating loans for the NM Finance Authority's Small Business Recovery Fund. DreamSpring has stopped making loans less than \$5,000, and is evaluating continued origination of these loans due to a New Mexico statute that does not allow collection of origination fees on small loans. In 2020, of the \$30 million NMSBIC committed for Paycheck Protection Program (PPP) loans, DreamSpring closed PPP loans totaling \$29,999,819, which is all of the committed funds except \$181.. Repayment of the PPP funding from DreamSpring to the NMSBIC is on hold, pending the next recovery bill that is tied up in the U.S. Congress.

Homewise: Funded their first loan under the NMSBIC line of credit, drawing \$400,000 for a commercial building in downtown Albuquerque.

LiftFund: Has funded eight loans totaling \$181,000. They are operating primarily in Southern New Mexico. Seven loans totaling \$133,000 are PPP loans and \$47,000 was a COVID-19 loan.

The Loan Fund: Their balance is over \$21 million, with a draw of \$1.7 million this quarter. The Loan Fund has closed or is in the process of closing over \$3 million in COVID-19 loans. It continues to have strong loan demand and the portfolio continues to grow.

MFA: Did a draw of \$1 million during the quarter for a multifamily construction project in Española.

Ventana Fund: They had three loans paid off during the quarter totaling \$1.2 million, which shows their loans, which are intended to be short-term, are in-fact turning over.

RCAC: They have finalized their review, signed the NMSBIC's loan documents, and now are an active NMSBIC partner.

Flywheel Ventures: There are two portfolio companies with convertible notes. One has approved the transaction and NMSBIC is waiting for the second company to give approval so their convertible note can be assigned to NMSBIC.

New Mexico Community Capital: At the last meeting, it was suggested that Messrs. Cummins and McDonald discuss collection on a receivable with Michael Schafer. Mr. Schafer has engaged legal counsel to pursue this claim and would like to postpone a conference call with NMSBIC until this is further along.

Verge Funds: Messrs. Cummins and McDonald reviewed the disclosure statement and documents related to combining the five Verge funds into one combined fund, and the NMSBIC's commitment to purchase interests from limited partners (LPs) at a discounted price. The documents have now been issued to the LPs. Verge will hold three Zoom meetings in the next three weeks and Mr. Cummins will be attending. The LPs are required to make a decision by November 13.

Proposed State Bank Legislation and Credit Union Contacts: Dan Mayfield, who represents government affairs for the Credit Union Association of New Mexico, contacted Mr. Cummins regarding proposed legislation to create a state bank in New Mexico. Mr. Cummins told Mr. Mayfield that NMSBIC may already be able to do some of the things in that legislation, including partnering with the credit unions that Mr. Mayfield represents.. Mr. Mayfield will make introductions to see if there are opportunities for NMSBIC to partner with credit unions around the state.

Regarding the discussion about DreamSpring's origination of smaller loans, Chairman Badal recalled that, a few years ago, the board had reviewed a breakout of loan loss experience by tranches, which reflected that the largest loan loss experience was in the smallest tranche of under \$10,000. In that light, this seems problematic for New Mexico's very small businesses if DreamSpring no longer will be making loans under \$5,000 because it cannot charge fees. He asked if DreamSpring has considered seeking a statutory amendment to allow the taking of fees for loans of under \$5,000.

Mr. Cummins said DreamSpring is still discussing this. He noted that DreamSpring has seen several examples where internet lenders, auto-title lenders and check cashing companies don't always appear to pay attention to the borrower's ability to repay, which results in many borrowers getting into financial trouble. He noted that there is currently an exemption in the statute for banks, savings & loans and credit unions, and perhaps there should also be an exemption for CDFIs.

Chairman Badal said another alternative is that, as long as the underwriting on those loans is tight enough, maybe the NMSBIC might consider making money available to them at a lower interest rate for smaller loans, to help offset the lack of origination fees. While he doesn't want to encourage bad loans, the NMSBIC's mission is to help small businesses throughout the state.

ELECTION OF NMSBIC OFFICERS

Mr. Cummins said he has not received any expressions of interest from anyone interested in serving as Chair, Vice Chair, or Secretary/Treasurer.

Chairman Badal said he would be willing to continue as Chair/President.

Mr. Eichenberg said he would like to see Mr. Garcia serve as Vice Chair.

Mr. Garcia indicated that he would be amenable to serving as Vice Chair/Vice President.

Chairman Badal commented that it makes sense to have a Chairperson in the Albuquerque area, due to requirements for signing loan agreements, modifications, and other documents.

Chairman Badal said he spoke with the Governor's Chief of Staff and told him that it would not serve NMSBIC or the state to have a wholesale turnover on this board, and that he would prefer to have an orderly transition to new board members, rather than all at once.

Chairman Badal commented that he would be happy if Mr. Garcia accepted the position of Vice Chair/Vice President, as he has a great deal of confidence in him. At the same time, he will continue to look for people to replace the current board members. He noted that two individuals, a former banker in Albuquerque and a former mortgage lender who lives in Youngsville, have expressed interest in the longstanding open position on the board. He asked board members to think about other members who might join the board, keeping in mind that there should be a balance of men, women, and minorities.

Ms. Meyers moved to accept a slate of officers with Joseph Badal as President/Chair, Lupe Garcia as Vice Chair/Vice President, and Steve Morgan as Secretary/Treasurer. Mr. Eichenberg seconded the motion, which passed unanimously by roll call vote.

BANK AUTHORIZED SIGNORS RESOLUTION.

Mr. Eichenberg moved that NMSBIC officers Chair and President, Vice Chair and Vice President, Secretary/Treasurer, and Past Board Chairs, be named as authorized signors on all NMSBIC bank accounts, with two signors required on bank account transactions, and that the Board authorizes the changing of signature cards to reflect the new officers, and that current signors will continue to be authorized to sign until such time as the changes are made to bank accounts. Ms. Meyers seconded the motion, which passed unanimously by roll call vote.

OPEN MEETINGS ACT RESOLUTION

Mr. Cummins said there were no changes to the resolution, which is adopted every year, as follows.

Whereas, the SBIC operates in accordance with the New Mexico Open Meetings Act, Chapter 10, Article 15, NMSA 1978 (the "Open Meetings Act"), and

Whereas under the provisions of the Open Meetings Act, the Board is to annually determine what notice of public meetings is reasonable for the body, be it

RESOLVED, that the SBIC shall provide notice of all meetings of the Board of Directors of the NMSBIC in the following manner:

1. Notice of the date, time, and location of each meeting of the SBIC Board shall be published on the SBIC website at least ten (10) days prior to any regular meeting and at least three (3) days prior to any special meeting. In addition, a copy of the notice shall be provided to any broadcast stations licensed by the federal communications commission and newspapers of general circulation that have made a written request to SBIC for such notice.

2. Each meeting notice shall include information on how members of the public may obtain a copy of an agenda for the meeting, containing a list of specific items of business to be discussed or transacted at the meeting. Except in the case of an emergency (as defined in the Open Meetings Act), the agenda shall be available to the public and posted on the SBIC website at least seventy-two (72) hours prior to the meeting. Except for emergency matters, the NMSBIC Board of Directors shall take action at meetings only on matters appearing on the agenda for that meeting.

Ms. Meyers moved approval of the Open Meetings Act resolution as presented, with no changes. Mr. Eichenberg seconded the motion, which passed unanimously by roll call vote.

BOARD CONFLICT OF INTEREST CERTIFICATIONS INFORMATION

Mr. McDonald confirmed receipt electronically from Russ Cummins, Alan Fowler, and Roxanne Meyers, and would follow up with the remaining board members.

WEBSITE HOSTING CONTRACT RENEWAL WITH HOLLY COMPANY

Mr. Cummins recommended renewing the website maintenance contract with The Holly Company for one year, from December 1, 2020, to December 1, 2021, with the same terms as the previous year, with no change in pricing (\$2,000 per year), plus expenses which are typically less than \$200 per year.

Ms. Meyers suggested that the website include buttons or links to the lending partners that would allow someone to make an appointment. Mr. Cummins responded that he would discuss this idea with Ms. Bradshaw Eakes. Since he anticipates there would be a charge for this additional service, he would expect Ms. Bradshaw Eakes would come up with a separate proposal for the board to review and approve. Ms. Meyers said Calendly.com offers free online appointment scheduling software. In addition, she would provide links to two YouTube videos by StoryBrand CEO Donald Miller.

Mr. Garcia moved approval of Mr. Cummins' recommendation. Ms. Meyers seconded the motion, which passed unanimously by roll call vote.

BOARD MEETING SCHEDULE FOR 2021

Mr. Cummins said the 2021 schedule calls for six board meetings plus one limited agenda call-in meeting to approve audited financial statements and the annual report in September. Additional meetings can be scheduled as needed.

Ms. Meyers moved for approval. Mr. Garcia seconded the motion, which passed unanimously by roll call vote.

[Ms. Meyers signed off.]

BOARD CONTINUING EDUCATION

As a follow-up item from the previous board meeting, Messrs. Cummins and McDonald reviewed the New Mexico Small Loan Act. The Act and additional documents are included in the board package as follows.

- NMSA 58-15-1, et. seq., the New Mexico Small Loan Act.
- NMAC Title 12, Chapter 18, Sec. 10, which Randy McDonald identified as additional requirements under regulations promulgated under the Act.
- Mr. Cummins' email dated October 16, 2020, which he sent to the NMSBIC lending partners regarding the Act.

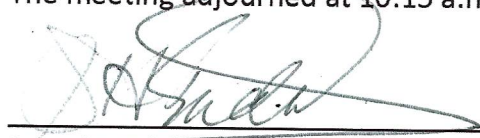
Mr. Cummins said he plans to follow up with the lending partners to see if they plan any changes regarding the Act.

CHAIRMAN'S COMMENTS

Chairman Badal thanked Mr. Cummins on a very thorough package. He thought the chart showing amounts of monies committed and drawn was very helpful, and suggested he provide an updated copy to the Governor's Office and other agencies that receive the NMSBIC's annual reports, highlighting the new loans since the additional funding was passed in the legislative session.

ADJOURNMENT

The meeting adjourned at 10:15 a.m.



Joseph Badal, Chairman

12/7/20

Date