

MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS OF
NEW MEXICO SMALL BUSINESS INVESTMENT CORP.

August 27, 2021

A meeting of the New Mexico Small Business Investment Corporation was called to order on this date at 1:30 p.m. at Courtyard by Marriott, 5151 Journal Center Blvd, Albuquerque, NM 87109. A quorum was established.

Members Present

Mr. Joseph H. Badal, Chair

Mr. Guadalupe Garcia, Vice Chair

Mr. Steven E. Morgan, Secretary/Treasurer

Ms. Roxanna Meyers

Mr. Alan Fowler

Ms. Heather Benavidez, designee of Hon. Tim Eichenberg, NM State Treasurer

Members Excused:

None

Financial Adviser to Board

Mr. Russell Cummins

Board Legal Counsel

Mr. Randy McDonald [by Zoom]

Recording Secretary

Ms. Charmaine Clair

Guests Present

Ms. Anne Beckett

Mr. Robert Valdiviez

Mr. Joshua Smith

Ms. Holly Bradshaw Eakes, Holly Company Strategies [by Zoom]

REVIEW AND ACCEPTANCE OF AGENDA

Mr. Myers moved acceptance of the agenda, as published. Mr. Fowler seconded the motion, which passed unanimously.

BOARD MINUTES FOR JUNE 25 AND JUNE 29, 2021

Mr. Fowler moved acceptance of the minutes of the June 25 and June 29, 2021, meetings, as presented. Mr. Garcia seconded the motion, which passed unanimously.

FINANCE NEW MEXICO ANNUAL REPORT: HOLLY BRADSHAW EAKES, HOLLY COMPANY STRATEGIES

Ms. Eakes provided a brief history of Finance New Mexico (FNM), and reviewed the past year's efforts to promote the NMSBIC's lending partners, and the changes and challenges faced during COVID-19.

Ms. Myers asked what FNM tells people when they ask about a lender. Ms. Eakes said she always provides information about The Loan Fund and DreamSpring. She also uses information from the inquiry, such as the location, to refer people to other NMSBIC lending partners.

Ms. Myers recommended that Ms. Eakes use video to get stories out faster, and cited the Video Attraction Lab as a resource. She also suggested that it would draw more interest if, instead of the word "articles," she used "success stories." Ms. Eakes responded that FNM has done a few videos, which are included in the newsletter and on the Announcements page, which is a blog post.

Ms. Eakes thanked the board for its continuing support.

FINANCE NEW MEXICO CONTRACT, ANNUAL CONTRACT RENEWAL

Mr. Garcia moved that the NMSBIC board of directors approve:

- **Renewal of the Finance New Mexico Agreement for Services for one year, from October 1, 2021 to September 30, 2022, at a cost of \$32,500 plus New Mexico gross receipts tax; and**
- **That Joseph Badal be authorized to execute any and all documents related to renewal of the Agreement for Services.**

Ms. Myers seconded the motion, which passed unanimously.

Mr. Fowler clarified that there was no change in the contract amount.

PRELIMINARY FINANCIAL REPORTS AS OF JUNE 30, 2021 AND JULY 31, 2021

Mr. Cummins reported on highlights.

-- The LGIP balance increased from \$11 million to \$21 million due to PPP loan funds returned from DreamSpring. PPP loans are at \$15.8 million outstanding, down from \$35 million.

-- Funds available as of July 31, 2021 increased from close to \$0 to about \$13.8 million and are expected to grow by about \$5 million per month for the next few months as PPP loans are returned.

-- Net excess funds are anticipated at about \$660,000, which will be returned to the Severance Tax Permanent Fund in October.

Mr. Morgan moved acceptance of the Financial Reports for June 30, 2021 and July 31, 2021, as presented. Mr. Fowler seconded the motion, which passed unanimously.

EXECUTIVE DIRECTOR/INVESTMENT ADVISOR REPORT

Mr. Cummins reported on highlights.

-- The U.S. Treasury awarded COVID-19 Rapid Relief Program (RRP) funds to 863 CDFIs, including almost all of the NMSBIC's CDFI lending partners, with the exception of WESST. The RRP funds are a two-year grant with part paid this year, and the second part is expected in a year.

-- DreamSpring was the top SBA lender in New Mexico for the quarter ended March 31, 2021, with 907 PPP loans. At the Economic Forum in Albuquerque earlier this month, CEO/president Anne Haines stated that their lending program would not be possible without NMSBIC's funding and its quick response to DreamSpring's funding needs.

-- Mr. Cummins recently had a Zoom meeting with Daniel Slavin, who is head of real estate development at Homewise. Mr. Slavin indicated Homewise has a land development and construction program and completed about 60 homes last year. The program can involve developing raw land into lots or acquiring developed lots and constructing homes. Currently, they have been working with a bank for financing, and the bank rate is about 5 percent. Mr. Slavin also noted that part of the program is funded by New Markets Tax Credits, which cannot be collateralized. Mr. Slavin indicated he would give some thought to how the NMSBIC and Homewise might be able to partner in the development of residential land.

-- Mr. Cummins requested feedback from LiftFund regarding its New Mexico lending projections for the next 12 months, and if it needs the full \$3 million commitment from the NMSBIC. The NMSBIC's origination commitment to LiftFund was \$1 million, which was increased to \$3 million during the COVID-19 crisis. CFO Tom Clausen responded that reducing the NMSBIC's commitment to \$1 million would likely provide enough funding for the next 12 months, but would like to request an increase to their line of credit if origination volume in New Mexico grows faster than expected.

-- The Loan Fund's outstanding loan balance is \$26.5 million, which is 97 percent of the NMSBIC's \$27.5 million commitment.

-- Mortgage Finance Authority's outstanding balance is \$1 million for a multifamily housing project in Española, which is 40 percent of the NMSBIC's \$2.5 million commitment. George Maestas at MFA indicated demand for their Primero loan product, which is for multifamily acquisition and development loans, has been low. Mr. Maestas believes that developers might now be able to get financing from commercial banks that they weren't able to get in prior years. MFA is considering using Primero funds to do acquisition and development of single-family lots.

-- Mr. McDonald has received feedback from the Department of Finance and Administration (DFA) indicating they are okay with the joint powers agreement between NMSBIC and New Mexico Economic Development Department. DFA made some minor changes to the JPA, and Mr. McDonald is now in the process of preparing an execution-ready version. Mr. Cummins noted that updated numbers from NMEDD reflect that they are down to about \$400,000 in remaining available funds for their collateral assistance program out of a total of \$3 million in federal funding. NMSBIC will be providing NMEDD with \$1.5 million in additional funding.

-- RCAC's outstanding balance is \$0 versus the NMSBIC's \$1 million commitment. RCAC has been focused on helping existing customers throughout the COVID-19 pandemic and is hopeful they can start focusing on new small business loans in New Mexico.

-- Ventana Fund's outstanding balance is at \$7.4 million versus the NMSBIC's \$10.5 million commitment. Mr. Cummins had a meeting with Todd Clarke, Ventana Funds' executive director, along with board member Paul Cassidy and Ventana Fund's new deputy director, Keith Flynn. Mr. Clarke noted that Ventana Fund's growth has been made possible with funding provided by NMSBIC.

-- Ventana Fund has asked if NMSBIC might consider increasing the loan-to-value (LTV) on NMSBIC funds above 50 percent at some point in the future. NMSBIC has limited the LTV to 50 percent of the value because it is doing construction rehab and mini-perm loans, that don't have take-outs. While Ventana Fund has money set aside for their operating needs and liquidity, due to the 50 percent LTV requirement, it is running out of cash to fund its portion of the loans. Ventana Fund expects to receive \$1.8 million in U.S. Treasury RRP grant money, which will help them with some additional growth. They are also looking at obtaining loans from local banks.

-- NMSBIC received two convertible notes from NM Gap Fund. Including accrued interest, the balance is about \$516,000. SBIC purchased these notes at the end of April 2021. The NMSBIC has board observation rights for one of the companies and on August 10, Mr. Cummins attended the company's board meeting. NMSBIC does not have board observation rights for the second company. Verge II Combined has an investment in the second company and provides regular information the NMSBIC. Both companies hope to achieve successful exits by 2025 or sooner.

-- The New Mexico Gap Fund I was closed on May 14 and final financial statements were delivered.

-- Michael Schafer of New Mexico Community Capital is optimistic the NMCC's remaining company will be sold. The buyer is waiting on SEC approval before it can proceed with the purchase.

-- NM Mezzanine Partners (NMMP) indicates of two remaining investments, the first company continues to work on getting a bank refinance, which would pay off a senior-secured loan and NMMP's junior loan. The second company has been impacted by the COVID-19 crisis and is working on a new strategy to generate revenue.

-- There was an article in *Albuquerque Business Weekly* regarding a Hyundai \$9.4 million follow-on investment in Pajarito Powder, a Verge Fund company. Hyundai made the commitment to invest in 2020, and Verge wrote up its investment in the company that year. The NMSBIC's share of the write-up was roughly \$2 million.

-- SIC Core Plus Bond Pool earned 2.01% in interest with a 10.34% market gain the one month ended July 31, 2021. Mr. Cummins noted this investment is subject to market value changes that can be positive or negative.

-- The LGIP balance has been growing, and the short-term investment annualized yield is .06 percent.

-- Mr. Cummins noted the passing of Dr. Jeff Mitchell, director of BBER, after a months-long battle with cancer.

-- Mr. Cummins will continue to follow up with the Governor's Office on the appointment of NMSBIC directors followed by the confirmation by the Senate.

-- In accordance with the Business Continuity Plan, a \$100,000 Key Employee Life insurance policy has been obtained. A copy of the policy summary page is included in the board packet.

-- A safe deposit box has been opened in U.S. Bank in Albuquerque and the promissory notes have been moved to the safe deposit box.

-- The severance tax permanent fund balance increased to \$6.3 billion as of June 30, 2021, based the SIC Investment Holdings Report. Based on this balance, an estimated \$16 million will be received by the NMSBIC later this year. The final contribution amount to the NMSBIC from the severance tax permanent fund will be calculated after the State Investment Council completes its annual audit.

LIFTFUND, PROPOSED MODIFICATION TO LINE OF CREDIT

Mr. Cummins noted previous discussion during this meeting on this item.

Ms. Meyers moved the NMSBIC board of directors approve a modification to the LiftFund line of credit:

- **To reduce the maximum funding amount from \$3 million to \$1 million;**
- **To extend the maturity date from March 27, 2025 to September 30, 2026; and**
- **That Joseph Badal be authorized to execute any and all documents related to the modification.**

Mr. Morgan seconded the motion.

Mr. Garcia asked if this decrease is contrary to the NMSBIC's objectives.

Chairman Badal responded that LiftFund's focus has been on current customers and the problems they've had during the COVID-19 crisis, and they have not aggressively gone out and expanded their client base. They are moving in that direction going forward, now.

Mr. Garcia commented that this could be indicative that the banks are loosening up and this is having an effect.

Mr. Smith confirmed that the banks have a lot of money to lend.

The motion passed unanimously.

HOMEWISE, PROPOSED MODIFICATION TO LINE OF CREDIT

Mr. Cummins stated that Homewise has originated two loans, and have another one in the pipeline. He asked them if they thought they could realistically use the \$4 million in funds committed from the NMSBIC. Homewise responded they are in the process of hiring a commercial lender and feels this is a business line they really want to expand. Homewise believes they will be able to deploy the \$4 million in NMSBIC funds.

Mr. Cummins noted that Homewise's total assets have grown, and they have strong financials. Homewise is responsible for all loan losses, and none are passed through to NMSBIC.

Chairman Badal suggested once Homewise hires its new commercial lending employee, that Mr. Cummins follow up and meet with that person.

Mr. Cummins noted no change to the maximum lending amount is recommended Homewise is requesting a 10-year maturity date, with either party able to terminate with 90

days' notice, and would like to switch to monthly draws with quarterly reporting. He recommended approval.

Ms. Meyers moved that the NMSBIC board of directors approve a modification to the Homewise line of credit:

- **To extend the maturity date from March 15, 2025 to September 30, 2031, where either party can terminate with 90 days' written notice, and outstanding loans are allowed to run off in the normal course of business;**
- **To allow monthly NMSBIC draws, with quarterly reporting; and**
- **That Joseph Badal be authorized to execute any and all documents related to the modification.**

Mr. Garcia seconded the motion, which passed unanimously.

NEW MEXICO COMMUNITY DEVELOPMENT LOAN FUND, PROPOSED MODIFICATION TO LINE OF CREDIT

Mr. Cummins stated that The Loan Fund has an outstanding balance with NMSBIC of \$26.5 million, which is 97 percent of its \$27.5 million commitment from the NMSBIC. It has requested an increase in its maximum funding amount to \$35 million, which it estimates will provide funding needed for anticipated growth over the next 12-18 months. Mr. Cummins discussed financial statement information for The Loan Fund included in the board package.

Ms. Meyers moved that the NMSBIC board of directors approve a modification to the New Mexico Community Development Loan Fund's line of credit:

- **To extend the maximum loan amount from \$27.5 million to \$35 million; and**
- **That Joseph Badal be authorized to execute any and all documents related to the modification.**

Mr. Fowler seconded the motion, which passed unanimously.

BOARD CONTINUING EDUCATION

Mr. Cummins noted the NMSBIC Briefing Paper update, which purpose is to provide history and background for new board members. Mr. McDonald feels the document provides a valuable history for the board.

Mr. Smith said that, in thinking about new business, he thought they should talk with other CDFIs doing business in New Mexico about who they recommend doing business with.

Chairman Badal agreed and suggested Mr. Cummins review the PPP list of lenders to see if there is anyone they should approach.

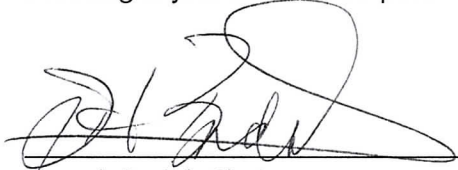
CHAIRMAN'S COMMENTS

Chairman Badal thanked Guadalupe Garcia and Rosanna Meyers for their ten years of service, and wished them great success in everything they do.

Chairman Badal welcomed Joshua Smith, Anne Beckett and Robert Valdiviez to the board.

ADJOURNMENT

Meeting adjourned at 3:35 p.m.



Joseph Badal, Chairman

9/29/21

Date