

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

**August 15, 2022**

A meeting of the New Mexico Small Business Investment Corporation was called to order on this date at 1:00 p.m. via teleconference. A quorum was established.

**Members Present**

Mr. Joseph H. Badal, Chair  
Mr. Alan Fowler, Vice President  
Mr. Steven E. Morgan, Secretary/Treasurer  
Hon. Tim Eichenberg, NM State Treasurer  
Ms. Anne Beckett  
Mr. Robert Valdiviez  
Mr. Joshua Smith

**Members Excused**

None.

**Financial Adviser to Board**

Mr. Russell Cummins

**Board Legal Counsel**

Mr. Randy McDonald

**Recording Secretary**

Ms. Charmaine Clair

**Guests Present**

None

**REVIEW AND ACCEPTANCE OF AGENDA**

Mr. Smith moved acceptance of the agenda, as published. Mr. Valdiviez seconded the motion, which passed unanimously.

**BOARD MINUTES FOR JUNE 30, 2022**

Mr. Smith moved acceptance of the June 30, 2022, minutes. Mr. Fowler seconded the motion, which passed unanimously.

## **PRELIMINARY FINANCIAL REPORTS AS OF JUNE 30 AND JULY 31, 2022**

Mr. Cummins reported that he received the Financial Reports just this morning, so would review them and email them to board members later today. He noted that available funds are about \$9.5 million and would be reduced to \$4.5 million if the board approves the Clearinghouse CDFI line of credit increase of \$5 million scheduled as part of today's agenda.

Mr. Cummins stated that the financial reports as of June 30 and July 31, 2022, would be on the September agenda for approval.

### **EXECUTIVE DIRECTOR/INVESTMENT ADVISOR REPORT**

Clearinghouse CDFI (CCDFI): As of June 30, 2022, CCDFI added three existing loans totaling \$5 million to the NMSBIC portfolio, fully utilizing the \$5 million NMSBIC line of credit. They are looking at their lending projections over the next several months and feel that another \$5 million would be utilized within 12 months. There is an agenda item today regarding a proposed increase in CCDFI's maximum funding amount from \$5 million to \$10 million.

DreamSpring: Mr. Cummins held a video meeting on July 14, 2022, when he introduced several members of DreamSpring's management team to associates at RBC. He described the NMSBIC-RBC Impact Investment program and how the NMSBIC plans to purchase SBA pools generated by the program. DreamSpring's CEO, Anne Haines, commented that the Impact Investment program was very timely, as they are planning to expand their SBA Community Advantage lending in 2023, and their management team had already been considering selling the SBA guaranteed portion of their Community Advantage loans into SBA pools.

NM Mortgage Finance Authority (MFA): Mr. Cummins spoke with MFA's chief lending officer, Jeff Payne, about a possible expansion of the NMSBIC's partnership with them. Mr. Payne reported that they are rolling out a Neighborhood Revitalization Program that is receiving funding from the New Mexico Housing Trust Fund. The additional MFA funding will be used along with Primero loan funds to purchase, rehabilitate, and sell abandoned homes. Mr. Payne indicated he would provide more information regarding the Neighborhood Revitalization Program and how existing NMSBIC Primero funds might be used.

RCAC: RCAC has not yet utilized the NMSBIC's \$1 million line of credit, but they are active in New Mexico. He noted that Holly Eakes wrote an article for Finance New Mexico about a loan RCAC did in Gallup during the pandemic with grant funds that allowed them to make direct loans to small businesses in New Mexico, which were forgivable.

Ventana Fund: Ventana Fund's outstanding balance is \$9.6 million, which is 64 percent of the NMSBIC's \$15 million commitment. The NMSBIC's agreement with Ventana Fund stipulates that loans are limited to 55 percent of the value of a property, and that Ventana Fund is required to have cash or other unsecured loans to fund the difference between the amount of

the loan to the borrower and the amount funded by the NMSBIC. Ventana Fund board chairman Todd Clarke has stated that they are in discussions with Sunflower Bank regarding a possible Community Reinvestment Act loan to Ventana Fund. Ventana Fund has also applied to the U.S. Treasury CDFI Fund for an Equitable Recovery Program grant. If either or both of these funding sources are approved, Ventana Fund will have capacity to grow its NMSBIC portfolio beyond the current \$15 million maximum funding amount.

New Mexico Community Capital: The valuation for the only remaining investment was increased from \$1.1 million to \$2.45 million. The NMSBIC's share is \$1.17 million. The NMSBIC is carrying the investment at \$0, therefore any proceeds will be recognized as realized gains.

SIC Core Plus Bond Pool: There have been large negative market adjustments in recent months. The NMSBIC currently has \$9.5 million invested in the fund.

Enchantment Land (ELCDC) and RBC Impact Fund: Justin Hyde, Executive Director of the ELCDC, has just resigned and taken another position. ELCDC is an approved SBA Community Advantage lender, and could be a potential source of business for the NMSBIC-RBC Impact Investment program. ELCDC has been doing a few SBA Community Advantage loans and brokering those to a CDFI in Arizona. Also, there have been some discussions about originating and servicing SBA 7(a) loans for banks around the state that currently don't do SBA 7(a) loans, in which case ELCDC would need a source of funding, and it might be a good fit for the RBC-NMSBIC Impact program.

New Board Members, Introductions to New Mexico State Senators: Mr. Cummins sent email introductions to their State Senators. Sen. Benny Shendo indicated he would reach out directly to Ms. Beckett. He has not heard back from Sen. Gregg Schmedes, who represents Mr. Valdiviez and Mr. Smith.

Other:

Mr. Cummins said he has been invited to make a presentation to the Investments & Pensions Oversight Committee on September 6, which has requested a general update on the NMSBIC's activities. He said he would provide information on the time and location when it becomes available.

Chairman Badal asked that, at the September board meeting, Mr. Cummins provide information on what percentage of the DreamSpring loan loss numbers are in New Mexico.

Chairman Badal suggested that the MFA contact former Sen. Michael Sanchez to discuss the Primero program with him. At the last State Board of Finance meeting, Sen. Sanchez had commented about derelict single family housing in Valencia County.

## **FINANCE NEW MEXICO ANNUAL REPORT: HOLLY BRADSHAW EAKES**

Ms. Eakes presented an overview.

Chairman Badal commented that it appears that the counterparties participating in the program are not contributing anything to the program financially. He noted comments by Ms. Eakes that FNM is not getting as much participation in the program as she would like, and he said that might be because they are not paying anything.

Mr. Cummins added that the prior board received an opinion from the Attorney General's Office indicating that it would not be appropriate to charge lending partners to be a part of the program because it might be construed as a condition to getting their loans approved. Therefore, the AG's Office recommended that the NMSBIC not pass through any costs or have any of the lending partners participate in the program financially.

Mr. Cummins recommended holding one-on-one Zoom meetings with the lending partners and talk to them about participation in this program.

Chairman Badal suggested pointing out to the partners that the NMSBIC is spending \$5,000 a year for each of them, and that there isn't a reason to do that if they aren't participating.

## **FINANCE NEW MEXICO CONTRACT RENEWAL**

Chairman Badal suggested that the board consider approving this contract renewal but for six months, with no other changes, and to revisit it before the six months ends after the board has gotten feedback from Mr. Cummins and Ms. Eakes on the calls to partners who are not participating actively, and then adjusting the contract based on the number of participants.

**Mr. Smith moved that the NMSBIC board of directors approve:**

- **Renewal of the Finance New Mexico Agreement for Services at \$16,250 for six months, plus New Mexico gross receipts tax, and revisit the contract prior to the end of the six-month period; and**
- **That Joseph Badal or Alan Fowler be authorized to execute any and all documents related to renewal of the Agreement for Services.**

**Mr. Morgan seconded the motion, which passed unanimously.**

## **CLEARINGHOUSE CDFI, PROPOSED CHANGE TO REVOLVING LINE OF CREDIT**

Mr. Cummins stated that, as of April 1, 2022, the NMSBIC entered into a new \$5 million revolving line of credit with Clearinghouse CDFI (CCDFI). The board asked Mr. Cummins to set aside an additional \$5 million in the event that CCDFI was able to deploy funds during the first 12-month period. As of June 30, CCDFI had drawn the full \$5 million in loans in Las Cruces,

Española and Albuquerque. Jay Harrison, chief credit officer at CCDFI, said he is excited about the relationship and expects to continue to be active in New Mexico. He said CCDFI believes they can deploy another \$5 million within the next several months, and asked for an increase in the line of credit from \$5 million to \$10 million.

**Treasurer Eichenberg moved that the NMSBIC board of directors approve a modification to the revolving line of credit for CCDFI, as follows:**

- **Increase the Maximum Funding Amount from \$5 million to \$10 million,**
- **Subject to review and approval of the loan documents by the NMSBIC Executive Director/Investment Advisor and legal counsel, and that**
- **Joseph Badal or Alan Fowler be authorized to execute any and all documents related to the modification of the revolving line of credit.**

**Mr. Valdiviez seconded the motion, which passed unanimously.**

**NMSBIC COVID-19 LENDING PROGRAM UPDATE AND PROPOSED CHANGES TO NEW MEXICO COMMUNITY DEVELOPMENT LOAN FUND REVOLVING LINE OF CREDIT**

Mr. Cummins presented a review of the overall NMSBIC COVID-19 Lending Program, including how the funds performed and were deployed, and the impact to The Loan Fund. The program has been in place for a little over two years, and with the exception of one small loan for about \$21,000, The Loan Fund is the key partner that has been deploying funds under the program.

[Mr. Smith excused himself from the meeting.]

Mr. Cummins said Chairman Badal had suggested a subcommittee of the board for contingency planning if NMSBIC COVID-19 Lending Program charge-offs start to increase. Mr. Valdiviez and Mr. Smith have agreed to serve, and a meeting is scheduled next week.

**Ms. Beckett moved that the NMSBIC board of directors approve the following modifications to the revolving line of credit with the New Mexico Community Development Loan Fund:**

- **Adjust the leverage ratio calculation, so that deferred CDFI grant revenue is subtracted from liabilities and added to net assets for purposes of calculating the leverage ratio as set forth in covenants to the Loan Agreement.**
- **The NMSBIC COVID-19 Lending Program (COVID-19 Program) be extended through September 30, 2022, for new loans, or modification of existing traditional loans, into COVID-19 Program loans.**
- **Provide The Loan Fund with discretion to extend the COVID-19 Program for existing COVID-19 Program borrowers for an additional 24 months, up to a total of 60 months, provided that (1) The Loan Fund's loan to its borrower is at an interest rate of 4.75**

- percent or less, and (2) for any COVID-19 Program loan that is renewed, rewritten, modified or extended, the COVID-19 Program for such loan will expire within 60 months after date when the borrower was first included in the COVID-19 Program.
- **Modify the NMSBIC's annual interest rate on The Loan Fund's traditional loans to 0.50 percent from July 1, 2022, through June 30, 2025,**
  - **Subject to review of all documents by the NMSBIC Executive Director/Investment Advisor and NMSBIC legal counsel.**
  - **Joseph Badal or Alan Fowler be authorized to execute any and all documents related to these changes.**

**Mr. Fowler seconded the motion, which passed unanimously.**

#### **CONVERTIBLE NOTE CONSENT AGREEMENT PROPOSED CHANGE**

Mr. Cummins stated that, as of April 30, 2021, the New Mexico Gap Fund I Limited Partnership was terminated. There were two assets remaining, and the NMSBIC purchased those assets. The NMSBIC bought out the minority owners at a price of 25 percent of the estimated value, and then 100 percent ownership in the two convertible notes was transferred to the NMSBIC upon termination of the Partnership. In one of the secured notes, there is an agreement that the borrower will provide the NMSBIC with audited financial statements starting December 31, 2021. The borrower has engaged CliftonLarsonAllen (CLA) as its external auditor. Based on audit planning with CLA, the borrower is requesting the NMSBIC approve having an external auditor perform a review as of December 31, 2021, and then an audit as of December 31, 2022, that includes two years of financial information.

Mr. Cummins said he attends the company's quarterly board meetings, and the company has been welcoming to him and transparent. He has reviewed unaudited financial statements, and has no concerns. He recommended approval.

**Mr. Valdiviez moved that the NMSBIC board of directors approve:**

- **For one of the companies where the NMSBIC acquired a convertible note as part of the termination of the New Mexico Gap Fund I Limited Partnership, the NMSBIC accept a financial statement review to be performed by a CPA firm as of December 31, 2021, in lieu of an external audit as of December 31, 2021, and that**
- **Joseph Badal or Alan Fowler be authorized to sign any and all documents regarding this change to the consent agreement with the company.**

**Treasurer Eichenberg seconded the motion, which passed unanimously.**

#### **RBC IMPACT FUND INVESTMENT STATUS UPDATE**

Mr. Cummins stated that, on April 29, 2022, the NMSBIC approved a \$25 million commitment to invest in an RBC Impact Fund, with funds initially invested in laddered U.S.

Treasury Securities with maturities of one year or less, and with funds to be transitioned into New Mexico SBA pools over time.

In reviewing the Investment Management Agreement, Mr. Cummins said Randy McDonald made proposed changes to reflect what the NMSBIC board had approved, and RBC responded that it was their understanding the NMSBIC would invest in multistate pools of SBA loans, with New Mexico loans in the pool equal to the NMSBIC's investment in the overall undivided pool. Mr. Cummins said he informed RBC that the board's understanding was that NMSBIC needed to invest directly in New Mexico loans and not in a multistate pool. RBC agreed to create New Mexico-only SBA pools, so there would be no question that the NMSBIC will only be investing in New Mexico loans.

Mr. Cummins said the NMSBIC continues to work with Wells Fargo on the custodial account related to the RBC Impact Fund, which is taking longer than anticipated, but appears to be on track and should be completed soon.

#### **NMSBIC BUSINESS CONTINUITY PLAN, TESTING PLAN UPDATE**

Mr. Cummins stated that he performed a test update of the NMSBIC Business Continuity Plan on June 10. In the two tests performed over the past year, he found there were a fair number of changes and updates required. He plans to continue to test and update the plan every six months.

#### **BOARD CONTINUING EDUCATION, ATTORNEY GENERAL CORRESPONDENCE FROM 2001 TO 2007**

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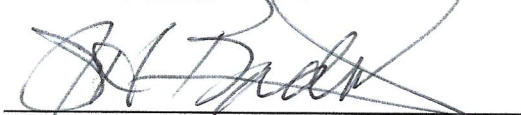
Mr. Cummins said he provided this several years ago, and thought it would be helpful for the new board members.

#### **CHAIRMAN'S COMMENTS**

Chairman Badal commented that this was a very productive meeting.

**NEXT BOARD MEETING: Friday, September 23, 2022, 9:00 a.m.**

**ADJOURNMENT: 3:10 p.m.**



Joseph Badal, Chairman

September 26, 2022

Date