

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

**October 28, 2022**

A meeting of the New Mexico Small Business Investment Corporation was called to order on this date at 9:00 a.m. at WESST Enterprise Center, 609 Broadway Blvd NE, Albuquerque, NM. A quorum was established.

**Members Present**

Mr. Joseph H. Badal, Chair  
Mr. Alan Fowler, Vice President (by telephone)  
Mr. Steven E. Morgan, Secretary/Treasurer  
Ms. Heather Benavidez, for 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 (arrived at 9:21 a.m.)

**Recording Secretary**

Ms. Charmaine Clair

**Guests Present**

Mr. Leroy Pacheco, Pres. CEO, The Loan Fund  
Mr. Marvin Lozano, Consultant, The Loan Fund  
Mr. David Hicks, Contract Consultant, The Loan Fund  
Ms. Conchie Searle, CFO, The Loan Fund  
Mr. George Kenefic, Technical Assistance, The Loan Fund  
Mr. Joaquin Amador, Technical Assistance, The Loan Fund  
Mr. Juan Albert, Technical Assistance, The Loan Fund

## **REVIEW AND ACCEPTANCE OF AGENDA**

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

## **BOARD MINUTES FOR SEPTEMBER 23, 2022**

**Mr. Smith moved acceptance of the September 23, 2022, minutes. Ms. Beckett seconded the motion, which passed unanimously.**

## **NEW MEXICO COMMUNITY DEVELOPMENT LOAN FUND (THE LOAN FUND) STRATEGIC PLAN AND STAFFING UPDATE: LEROY PACHECO, PRESIDENT & CEO**

Mr. Pacheco introduced board members and members of his team, and made a slide presentation.

Ms. Beckett asked how The Loan Fund finds where the need is. Mr. Pacheco responded that 95-97 percent of their loans are generated by referrals or word of mouth.

Mr. Morgan stated that an economic developer representing a county in Eastern New Mexico recently commented to him about the lack of affordable real estate. He had pointed out that low income housing is not the same as affordable housing for workers, and that this was impeding development in his community. He asked Mr. Pacheco to comment.

Mr. Pacheco responded that this is a problem in Eastern and Northern New Mexico in the rural towns there. Forty percent of The Loan Fund's businesses don't have a storefront, and The Loan Fund supports Homewise, another CDFI that provides residential home loans to people who do business out of their home.

Mr. Smith asked about delinquency rates. Mr. Pacheco responded that The Loan Fund is seeing a rise in delinquency. In the last year, two long-time clients filed Chapter 7 and another filed Chapter 11. The Loan Fund has spent a substantial amount in the last year on technical assistance and is making regular house calls. Their write-offs this year will probably exceed the previous year, and they have had several businesses close.

Chairman Badal noted that, historically, The Loan Fund's delinquency rate has been below the average delinquency rate for banks in the state.

Mr. Kenefic commented that the sooner they get to the problem, the better the chance they have of solving it, so they have developed a forecasting tool to identify certain problem markers in their biweekly analysis sessions.

Mr. Pacheco stated that 93 percent of their operating costs are covered by interest income, with grants covering the difference.

Chairman Badal responded that this is a great improvement, adding that this is created to some degree by the NMSBIC lending some money to The Loan Fund at low rates, which obviously isn't going to last forever. The NMSBIC continues to want The Loan Fund to be totally self-sufficient, and they are moving in the right direction. He commented that their board is extremely impressive and suggested getting its members geared up to go out and find other sources of grants and contributions. He commented that the more people that hear The Loan Fund's story, the more support it is going to get.

### **FINANCIAL REPORTS AS OF SEPTEMBER 30, 2022**

[Mr. Fowler, the only board member attending telephonically, said he would abstain from the voting for the remainder of the meeting, as he understood this would mean the rest of the votes could be by voice vote instead of by roll call. Mr. McDonald concurred.]

Mr. Cummins noted that there is \$5.4 million in available funds, with \$8 million in estimated additional funding expected from the Severance Tax Permanent Fund in January or February 2023.

**Mr. Valdiviez moved acceptance of the Financial Reports as of September 30, 2022, as published. Mr. Morgan seconded the motion, which passed unanimously.**

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

#### Committed, Outstanding & Remaining Funds

- There is \$107 million committed, with \$52.5 million outstanding.

#### Clearinghouse CDFI

- Outstanding balance is \$5 million or 50 percent of the \$10 million committed amount. There are additional New Mexico loans in the pipeline.

#### DreamSpring

- Funds committed total \$8.1 million, down from a high of \$42.75 million, which included SBA PPP loans.
- This report included detailed information about DreamSpring's charge-offs for the 2013 Lending Program, which Mr. Cummins reviewed.

#### Homewise

- Their outstanding balance is \$1.9 million, and they are planning on drawing \$1.5 million in November.

#### Ventana Fund

- They are planning on increasing their outstanding balance by at least \$1 million in the coming month.

Responding to Mr. Morgan about how much money is dispersed by Ventana for low-income housing versus more affordable housing, Mr. Cummins said all of Ventana's loans are multifamily, and they are intentionally doing mixed income housing, where they set aside a portion for low and moderate income, and their target for that portion is 60% of area median income. They also set aside a percentage of units that are not low income housing but are needed to attract professionals (such as nurses) needed in the community.

Mr. Morgan commented that there should be increased targeting for affordable, available housing in smaller communities for professionals who are earning \$50-\$60,000 annually.

Mr. Cummins noted that Ventana Fund has recently been focusing on taking existing units and doing major rehab on them, which is easier and faster than building new units.

Ms. Beckett commented that the information on DreamSpring loans by community was really interesting, and asked Mr. Cummins to provide the same kind of information for the SBA PPP loans that DreamSpring made.

#### Finance New Mexico Update

- In October Mr. Cummins and Holly Bradshaw Eakes had very good Zoom meetings with DreamSpring and LiftFund, and Ms. Eakes indicated that there were only three of the lending partners where the communication had opportunity for improvement, which was DreamSpring, LiftFund and Homewise, and those are being prioritized. For the Zoom meetings held with DreamSpring and LiftFund, Mr. Cummins and Ms. Bradshaw Eakes were able to connect directly with marketing staff rather going through senior management, and it appears this will help with ongoing communications.

#### Ventana Fund/ULI Housing Summit

- On September 16, Mr. Cummins attended the Ventana Fund/ULI Housing Summit at the Hotel de Albuquerque. NMSBIC directors Joshua Smith, Steve Morgan, and Heather Benavidez also attended. The key issue discussed was the current housing shortage in New Mexico for both owned and rental properties. Breakout sessions highlighted the need for permitting and zoning reforms.

#### Governor's Economic Development Conference

- Mr. Cummins attended the Governor’s Statewide Conference on Economic Development on September 26-27, held at the Clyde Hotel in Albuquerque. There was discussion about the New Mexico Economic Development Department’s Strategic Plan focused in certain key areas including aerospace, biosciences, cybersecurity, sustainable agriculture, and green energy. Also discussed was the need for permitting and zoning reform to address real estate shortages in residential housing and commercial development; the need to increase labor training and participation in trades such as electricians; opportunities to expand commercial development at the Santa Teresa border crossing; and Albuquerque’s Redevelopment Area Plan for the Sawmill district.

#### UNM Business and Economic Summit

- Mr. Cummins attended half of this event on October 26 at the Rainforest building in Albuquerque, where legislators discussed the things that needed to be done to make it easier to start businesses in the state.

#### **RENEWAL OF WEBSITE MAINTENANCE CONTRACT WITH HOLLY COMPANY**

Mr. Cummins recommended approval to renew the website maintenance contract with The Holly Company for one year. Ms. Bradshaw Eakes does a very good job. The terms are the same as the previous year.

#### **Mr. Smith moved that:**

- **The NMSBIC board of directors approve renewal of the [www.nmsbic.org](http://www.nmsbic.org) website maintenance contract with Holly Company Strategies for one year, from December 1, 2022, to December 1, 2023, at a cost of \$2,000 per year, plus gross receipts tax, plus \$306 in expenses, and**
- **Joseph Badal or Alan Fowler be authorized to sign any and all documents related to the contract renewal.**

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

#### **NEW MEXICO IMPACT INVESTMENT COLLABORATIVE, ASSOCIATE MEMBERSHIP**

Mr. Cummins stated that NMIIC is a group of foundations interested in catalyzing and scaling impact investing in New Mexico. The group supports healthy, equitable, sustainable, and economically resilient communities in New Mexico by facilitating and increasing the supply and effective deployment of impact investing capital throughout the state.

Mr. Cummins said he has had some Zoom meetings with Bob Davis, investment advisor for the McCune Charitable Foundation, and Adam Rubel, Executive Director of the Hai Fund, to discuss the idea of the NMSBIC becoming an associate member of NMIIC. Possible benefits

might include networking with possible sources of grant funding, which might increase awareness of the benefits and impact provided by the NMSBIC's CDFI partners; collaboration between the NMSBIC's CDFI partners and NMIIC investments in small businesses; and development of a NMIIC loan guarantee fund for CDFIs. W.K. Kellogg Foundation currently provides a loan guarantee for the Nusunda City Alive/Co-Op Capital program.

Mr. Cummins said NMIIC's annual dues are \$25,000 a year, much of which covers the cost of Avivar Capital's investment advice. Because the NMSBIC would only be interested in networking and collaborating, he suggested a much lower amount, such as \$1,000 per year. Mr. Rubel suggested \$5,000. Discussions are on-going.

Chairman Badal commented that if Mr. Cummins could generate one contact from that group that would invest in The Loan Fund or DreamSpring, then it would probably be worthwhile. Mr. Smith said NMIIC could also be a source for new NMSBIC board members. Chairman Badal added that NMSBIC has a great story to tell and an audience to tell it could result in a partnership with one of the companies.

**Mr. Smith moved to allow Mr. Cummins to negotiate an associate membership with NMIIC up to \$3,500. Ms. Benavidez seconded the motion, which passed unanimously.**

#### **ELECTION OF NMSBIC OFFICERS**

Mr. Cummins noted that the feedback from current officers is that they are willing to serve another year, but are also willing to step aside if someone else is interested in serving in a position.

**Mr. Valdiviez moved that the following persons be elected as NMSBIC officers:**

- **Chair and President Joseph Badal;**
- **Vice Chair and Vice President Alan Fowler;**
- **Secretary/Treasurer Steve Morgan**
- **Executive Director/Investment Advisor Russell Cummins**

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

Chairman Badal asked board members to recommend names of potential new board members.

#### **BANK AUTHORIZED SIGNERS RESOLUTION**

Mr. Cummins recommended keeping the same five current signers.

**Ms. Benavidez moved the following NMSBIC directors be 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: Joseph Badal; Alan Fowler; Steven Morgan; Joshua Smith; Robert Valdiviez.**

**Ms. Beckett seconded the motion, which passed unanimously.**

#### **OPEN MEETINGS ACT RESOLUTION**

Mr. Cummins said it is not required for the NMSBIC, but the Attorney General's office has recommended that the board follow the Open Meetings Act. The NMSBIC re-approves an Open Meeting Act board resolution each year.

**Ms. Beckett moved acceptance of the Open Meetings Act Resolution. Mr. Smith seconded the motion, which passed unanimously.**

#### **BOARD CONFLICT OF INTEREST CERTIFICATIONS**

Chairman Badal said everyone has received an email about the certifications.

Mr. McDonald said it was fine for board members to return the certifications by email.

#### **NMSBIC PROPOSED BOARD MEETING SCHEDULE FOR 2023**

Mr. Cummins said the following are proposed meeting dates for 2023. All meetings are scheduled to begin at 9:00 a.m. He said he would bring these dates to the next meeting for re-review after board members have had an opportunity to look at their calendars.

##### Meeting Date

Friday, February 24, 2023

Friday, April 28, 2023

Friday, June 23, 2023

Friday, August 25, 2023

Friday, September 22, 2023 [Limited Agenda, Call-in Meeting]

Friday, October 27, 2023

Wednesday, December 6, 2023

Chairman Badal said he would not be available for the February 24 meeting. Mr. Fowler would chair.

Mr. Morgan moved to accept the board meeting schedule. Mr. Smith seconded the motion, which passed unanimously.

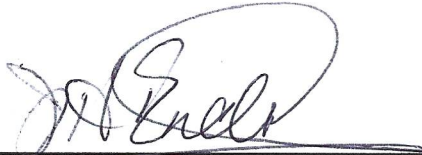
**BOARD CONTINUING EDUCATION**

Mr. Cummins commented that he has provided copies of media coverage related to NMSBIC and its lending and equity partners and Finance New Mexico articles on small business success stories.

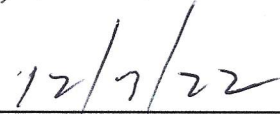
**CHAIRMAN'S COMMENTS**

Chairman Badal said it was a pleasure working with everyone at this meeting.

**ADJOURNMENT: 11:35 a.m.**



\_\_\_\_\_  
Joseph Badal, Chairman



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Date