

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

December 7, 2022

A meeting of the New Mexico Small Business Investment Corporation was called to order on this date at 9:00 a.m. via teleconference. A quorum was established.

Members Present

Mr. Joseph H. Badal, Chair
Mr. Steven E. Morgan, Secretary/Treasurer
Hon. Tim Eichenberg, NM State Treasurer
Ms. Anne Beckett
Mr. Robert Valdiviez

Members Excused

Mr. Alan Fowler, Vice President
Mr. Joshua Smith

Financial Adviser to Board

Mr. Russell Cummins

Board Legal Counsel

Mr. Randy McDonald

Recording Secretary

Ms. Charmaine Clair

Guests Present

Ms. Laura Montoya, NM State Treasurer-elect

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 OCTOBER 28, 2022

Mr. Valdiviez moved acceptance of the October 28, 2022, minutes. Mr. Morgan seconded the motion, which passed unanimously.

FINANCIAL REPORTS AS OF OCTOBER 31, 2022

Mr. Cummins presented highlights from this report. Available funds at the end of October were \$5.2 million. The NMSBIC is expected to receive an \$8 million contribution from the Severance Tax Permanent Fund in the January-February timeframe, bringing available funds to about \$13 million.

Mr. Cummins stated that the SIC Bond Fund had another large market value adjustment during October. Even though short-term interest rates continue to increase, it appears that the medium and long-term part of the yield curve has started to come down a little bit, which could signal some recovery in the bond fund.

Mr. Morgan moved acceptance of the financial reports as of October 31, 2022, as presented. Ms. Beckett seconded the motion, which passed unanimously.

EXECUTIVE DIRECTOR/INVESTMENT ADVISOR REPORT

Committed, Outstanding & Remaining Funds

- There is \$107 million committed, with \$44 million outstanding in the traditional loan funds, \$12.6 million outstanding in the COVID-19 lending program, with about \$314,000 left in the PPP lending program with DreamSpring from an original balance of \$35 million. While 99 percent of PPP loans have been forgiven, several of the small number of remaining loans have become delinquent. Once a PPP loan reaches 60 days delinquent, DreamSpring can file a claim with the SBA, which will pay off the loan balance. The process of filing these claims is now underway.

Clearinghouse CDFI

- Outstanding balance is \$5 million or 50 percent of the \$10 million committed amount. They expect to deploy the full \$10 million by this month, an increase of \$5 million to fund three more loans closed. Jay Harrison, CCDFI's chief lending officer, is very confident that they would be able to deploy an additional \$8 million in 2023 if the NMSBIC would want to allocate the full amount of its \$8 million expected contribution from the Severance Tax Permanent Fund.

DreamSpring

- The 2013 Lending Program balance is at \$3.5 million of the \$7.75 maximum lending amount.
- Ms. Beckett had asked for a breakdown by city of DreamSpring's PPP loans at the last meeting. Page 34 of the board package provides this detail. While there is a

concentration of loans in Albuquerque, Rio Rancho and Santa Fe, a large number of cities around the state are also represented.

Chairman Badal noted that the average PPP loan is about \$32,000, which tells him they were able to help a lot of small businesses survive. He asked how DreamSpring managed to place that number of loans in so many communities in such a short time.

Mr. Cummins responded that this was done through direct outreach as well as working with an Internet lender that originated loans for DreamSpring.

Homewise

- Homewise had five recently closed loans and is now at \$3.5 million of their \$7 million balance. The \$7 million balance is for commercial real estate loans with a focus on redevelopment in downtown Albuquerque and charter school construction.
- Mr. Cummins reached out to Homewise about improving communications with Finance New Mexico, as Holly Eakes indicated there was room for improvement. Johanna Gilligan at Homewise referred Ms. Eakes to Homewise's director of communications, and Ms. Eakes has since reported that communications have improved.

RBC Global Asset Management

As mentioned at the last meeting, when the NMSBIC funded the \$25 million investment with RBC and the money went into a custodial account at Wells Fargo, RBC initiated trades to invest in U.S. Treasury ladder with maturities up to 12 months. Wells Fargo had coded the NMSBIC's account incorrectly. When RBC executed trades, they were supposed to come from the NMSBIC's federal money market account at Wells Fargo; instead, the trades generated a transaction to charge the NMSBIC's checking account at First National. It overdrew the First National account by more than \$22 million, and on that day, the NMSBIC was hit with NSF fees of \$360..

Mr. Cummins stated that the NMSBIC received its account analysis statement from First National Bank on November 18 that reflected a \$6,000 negative collected balance fee; however, which will be partially offset by additional interest the NMSBIC earned due to the error. Mr. Cummins is working with First National to make sure all costs are captured and are correct.

Mr. Cummins said he wants to make sure the charge is correct before reaching out to Wells Fargo about reimbursement. He discussed the matter with Randy McDonald. Mr. McDonald noted that, even though the NMSBIC doesn't know what the final correct number is, it should probably put Wells Fargo on notice that the NMSBIC will be asking them for reimbursement after verifying the amount.

Chairman Badal recommended that the NMSBIC also ask for reimbursement of any legal fees.

Ventana Fund

- Chairman Todd Clarke is optimistic that Ventana Fund will receive additional funding from either Sunflower Bank or from a CDFI grant request. Assuming they can get one or both of these additional sources of funds, Mr. Clarke feels they might be able to deploy up to \$20 million of NMSBIC funds over the next 12 months, which is an increase of \$5 million over the current \$15 million in funding committed to Ventana Fund.

NM Mortgage Finance Authority (MFA)

- MFA's outstanding balance is \$0 versus its \$2.5 million commitment. They are planning to use NMSBIC funds on their Neighborhood Revitalization Program in addition to funds expected from the New Mexico Housing Trust. Also, now that interest rates are going back up, George Maestas, MFA Director of Housing Development, feels that the 2.5 percent rate offered by MFA on multifamily construction loans will start looking increasingly attractive to developers of multifamily housing who were previously getting loans at very low interest rates from other sources.

NM Mezzanine Partners

- The first company has been working on a proposed bank refinance to pay off a senior-secured bank loan as well as NMMP's junior loan; however, that has been delayed. The company is primarily a government contractor, and the contracts they had for military equipment have been delayed but not canceled. The delay has impacted the company's cash flow, but is expected to be temporary. Prospective business activity appears likely in 2023. If that materializes, they will be able to proceed with the refinancing and pay off NMMP, which would then pay off the NMSBIC for part of its investment.

Verge Fund

- There are no new updates for Verge. Pajarito Powder was in the news again about a new facility they plan to build.

Chairman Badal suggested Verge provide a comprehensive portfolio update at an upcoming board meeting.

Local Government Investment Pool

- Annualized net yield in September was 2.83 percent on an average balance of \$37 million.

RBC Short-term Investments

- The initial \$25 million was invested in a federal money market fund. RBC purchased 10 Treasury securities with staggered maturities over 12 months. The Treasury securities yield to maturities ranged from 3.87 percent to 4.59 percent with the average yield to maturity of 4.34 percent. After taking out RBC's management fee of 40 basis points, the a net yield is 3.94 percent on the Treasury ladder. As discussed previously, the plan is that, as the Treasury ladder investments mature, RBC will purchase SBA pools of New Mexico loans that are targeted for low-income areas and minority borrowers.

New Mexico Impact Investing Collaborative

- At the last meeting, the board authorized Mr. Cummins to negotiate an associate membership fee of up to \$3,500 per year with NMIIC. On November 30, he had a follow up Zoom call with Adam Rubel and Bob Davis, and they agreed on a fee for the first year of \$2,500. After the first year, NMSBIC and NMIIC will evaluate whether or not to continue beyond the first year.

WESST MEETING ROOM, PROPOSED ROOM EXPENSE REIMBURSEMENT

Mr. Cummins noted that the NMSBIC board of directors has held regular board meetings at WESST Enterprise Center since 2010, and probably longer. The NMSBIC had never made a payment to them during this time, nor had WESST requested it. In June 2019, the board approved a \$2,000 payment to WESST for use of their conference room. Although the NMSBIC is not allowed to make grants or charitable contributions, a payment to WESST for use of the conference room was considered an appropriate operating expense.

Mr. Cummins said Chairman Badal suggested that he bring this to the NMSBIC board and consider making another payment to WESST for use of the conference room. He has discussed this with Randy McDonald, who noted that, while the NMSBIC has not used the conference room for the past 2+ years due to the COVID pandemic, he did not see a problem making a payment for 2023. Mr. Cummins said the NMSBIC has budgeted \$10,000 for miscellaneous expense where this could be charged.

Mr. Cummins proposed the following board resolution:

RESOLVED, that the corporation is authorized and its officers directed to reimburse and pay to WESST the amount of \$2,000 for the use of the WESST conference room for NMSBIC board meetings for the calendar year 2023.

Mr. Valdiviez so moved. Mr. Morgan seconded the motion, which passed unanimously.

NMSBIC BUSINESS CONTINUITY PLAN, REPORT ON PLAN TESTING

Mr. Cummins reported that, on November 29, 2022, he performed a test, review, and update of the NMSBIC Business Continuity Plan. Because there were a fair number of changes and updates required for each of the test/reviews he has performed, he believes conducting a review every six months, rather than annually, would be advisable. He will continue to test and update the plan every six months.

NMSBIC EXPANDED SERVICES REPORT, SEMI-ANNUAL REPORT

Mr. Cummins stated that his contract with the NMSBIC includes a provision for expanded services. The provision was put in place in 2020 because there was termination of an equity fund where remaining assets were transferred to the NMSBIC for him to manage. Included in the contract was a provision that he would provide a report to the board on the expanded services he was providing on these direct investments, as well as time he is spending on winding down equity funds, every six months. This currently applies to winding-down activities for New Mexico Community Capital and New Mexico Mezzanine Partners, as well as two direct investments acquired from NM Gap Fund.

Mr. Cummins said this month's update is only for information purposes. In April each year the board determines if it would be appropriate to pay a bonus for expanded services.

NMSBIC ANNUAL CHECKLIST INFORMATION

Mr. Cummins stated that pages 59-60 of the board package contain the annual checklist he uses each time he prepared an agenda for an NMSBIC meeting.

NMSBIC BOARD MEETING SCHEDULE FOR 2023

Mr. Cummins stated that the schedule was approved at the October board meeting. An electronic calendar invitation is sent a month before each meeting.

BOARD CONTINUING EDUCATION – BUREAU OF BUSINESS & ECONOMIC RESEARCH

Mr. Cummins stated that the board package includes the most recent UNM Bureau of Business & Economic Research *Economic Snapshot* as of November 2022.

CHAIRMAN'S COMMENTS

Chairman Badal said he recently forwarded the name of a prospective board member to all of the board members. Going forward, as other prospective board members are identified and resumes provided, he requested that board members share their thoughts with him and Mr. Cummins directly. His point was to make sure everyone was comfortable with anyone being recommended to the Governor's Office.

NEXT BOARD MEETING: Friday, February 24, 2023, 9:00 a.m.

ADJOURNMENT: 10:00 a.m.



Joseph Badal, Chairman

3/29/2023
Date