

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

October 27, 2023

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, New Mexico . A quorum was established.

Members Present

Mr. Alan Fowler, Acting Chair
Mr. Steven E. Morgan
Ms. Anne Beckett, [via Zoom]
Hon. Laura M. Montoya, New Mexico State Treasurer
Mr. Joshua Smith
Mr. Robert Valdiviez

Members Excused

None

Financial Adviser to Board

Mr. Russell Cummins

Board Legal Counsel

Mr. Randall McDonald

Recording Secretary

Ms. Charmaine Clair

Guests Present:

Mr. John Kreienkamp, General Counsel, NM State Treasurer's Office [via Zoom]
Mr. Marshall Shore, Nusenda Credit Union, Board Candidate
Mr. Joshua Grassham, Lea County State Bank, Board Candidate [via Zoom]
Mr. Chris Boppre, Client Portfolio Manager, Global Asset Management [via Zoom]
Mr. Brian Svendahl, Senior Portfolio Manager, Global Asset Management [via Zoom]
Mr. Chad Cooper, Executive Director, Envision Community Capital
Mr. Todd Clark, Chairman, Ventana Fund
Ms. Kendra Yevoli, Executive Director, Ventana Fund
Ms. Alexandria Romero, Operations Manager, Ventana Fund
Ms. Kristina Alley, Santa Fe Advisors, Board Candidate [via Zoom]

REVIEW AND ACCEPTANCE OF AGENDA

Mr. Cummins requested the following addition: Proposed resolution recognizing Joseph Badal for his service to NMSBIC.

Treasurer Montoya moved acceptance of the agenda, as amended. Mr. Smith seconded the motion, which passed unanimously.

BOARD MINUTES FOR SEPTEMBER 22, 2023

Mr. Smith moved acceptance of the September 22, 2023, minutes, as published. Mr. Valdiviez seconded the motion, which passed unanimously.

FINANCIAL REPORTS AS OF AUGUST 31, 2023

Mr. Cummins reviewed highlights from the financial reports as of August 31, 2023. Interest income is above budget because the investment in the RBC SBA pools is growing faster than what was budgeted. The Available Funds report reflects the amount of \$3.6 million but an increase to MFA will reduce that by \$1 million; and Enchantment Land has a line of credit in process which will reduce the amount by another \$1 million.

Treasurer Montoya moved acceptance of the Financial Reports of August 31, 2023, as presented. Mr. Smith seconded the motion, which passed unanimously.

PROPOSED RESOLUTION

Mr. Cummins read a proposed resolution recognizing Joe Badal for his service to NMSBIC as follows:

“WHEREAS Joseph H. Badal served on the New Mexico Small Business Investment Corporation (the “NMSBIC”) board of directors from 2011 through 2023; and

WHEREAS, during his tenure on the board, Mr. Badal served several terms as President and Board Chairman of the NMSBIC; and

WHEREAS Mr. Badal’s leadership and insights have been meaningful and impactful to the growth and success of the NMSBIC and supported the citizens and small business community in New Mexico;

NOW THEREFORE, the NMSBIC board of directors hereby expresses its appreciation for Mr. Badal’s outstanding and dedicated service to the NMSBIC.”

Chair Fowler commented that when he and Mr. Badal joined the board in 2011-2012, the country was in a financial crisis and the NMSBIC was experiencing investment losses. He said it has been a joy to serve with Mr. Badal during the years since then and watch him oversee New Mexico taxpayers' money and make it grow while providing jobs at the same time. He said much of the success of NMSBIC is due to Joe Badal and his leadership.

Mr. Valdiviez moved to accept the resolution as presented. Treasurer Montoya seconded the motion.

Treasurer Montoya added that Mr. Badal's knowledge and expertise and demeanor is kind and respectful and he has always been willing to share his expertise, as well as listen to other perspectives. She said she appreciated his service.

The motion passed unanimously.

ELECTION OF NMSBIC OFFICERS
(Newly Elected Officers to Assume Roles at Meeting)

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

- Joshua Smith as Chair and President
- Anne Beckett as Vice Chair and Vice President
- Robert Valdiviez as Secretary/Treasurer, and
- Russell Cummins as Executive Director/Investment Advisor

Treasurer Montoya seconded the motion.

Mr. Smith, Ms. Beckett, Mr. Valdiviez, and Mr. Cummins accepted their positions.

Mr. Fowler commented he is most proud of NMSBIC's decision to hire Mr. Cummins as Executive Director and Investment Advisor and it is a joy and honor to serve with him. He said Mr. Cummins' importance to NMSBIC could not be overstated.

The motion passed unanimously by roll call vote.

Bank Authorized Signers Resolution

Mr. Cummins asked to modify the proposed motion and remove Joseph Badal from the authorized signers and update authorization as needed.

Treasurer Montoya moved the following NMSBIC directors be authorized signers on all NMSBIC bank accounts, with two signers required on bank account transactions, and that the Board authorizes the changing of signature cards to reflect the new officers, and that current signers will continue to be authorized to sign until such time

as the changes are made to bank accounts: Alan Fowler, Steven Morgan, Joshua Smith, and Robert Valdiviez.

Ms. Beckett seconded the motion, which passed unanimously by roll call vote.

**RBC GLOBAL ASSET MANAGEMENT, IMPACT INVESTMENT UPDATE:
CHRIS BOPPRE, CLIENT PORTFOLIO MANAGER;
BRIAN SVENDAHL, SENIOR PORTFOLIO MANAGER**

Mr. Boppre made a slide presentation on the RBC GAM support team and management strategies. Their strategy manages nearly \$4 billion in assets in both a mutual fund and managed account similar to that of NMSBIC. They offer highly competitive portfolios customized to the areas of interest for their investors, focusing on typically underserved communities, as well as geographically, demographically, and thematically targeted communities. The portfolios constructed for NMSBIC are similar to their initiatives in Minnesota and the Pacific Northwest.

Mr. Svendahl said RBC GAM has built three SBA pools for the NMSBIC, all with floating rates. With both floating rates and relatively high spreads to Treasuries, the book yields on the securities are around 7 percent. He commented that not many local CDFIs are active in SBA lending and that is what they hope to change.

Mr. Cummins stated that NMSBIC made a \$25 million commitment to RBC GAM about one year ago, and to date it has deployed about \$8 million in SBA loans.

Mr. Boppre said RBC GAM works with aggregators licensed to create SBA securities, and the best so far has been Flagstar Bank, which is out of Texas. They're trying to find as many aggregators as possible in New Mexico. The rates to borrowers are in the neighborhood of 10 percent.

Treasurer Montoya said she would disseminate information about this program to New Mexico banks.

Ms. Beckett asked if there is also an opportunity to spread the word to small businesses that this is available to them here in New Mexico. Mr. Boppre responded that anyone googling "small business loan" on their phone will first see New Tech or ReadyCap pop up to the top. He said it would be helpful if the NMSBIC could facilitate changing this so that someone googling "New Mexico small business loan" would be directed to the NMSBIC and Enchantment Land and other programs.

Chairman Smith noted that the SBA lists New Mexico banks that originate 7(a) loans every quarter, and thought there might be an opportunity to introduce the aggregator to those banks to see if they are willing to sell those loans so the NMSBIC could buy them and put them in its portfolio.

Chairman Smith asked why the floating rate coupons are priced at a premium and what is the NMSBIC's capital risk relative to changing the rates. Mr. Boppre responded that the coupons are around 10 percent which is higher than the yields, and the premium is paid to get the yield down to about 7 percent. When long-term rates move around, the floating rate price shouldn't move around. He said the Fed is likely to keep rates around 5.5 percent deep into next year, so as long as that persists, the 7 percent will remain stable. Floating rates will go down if the Fed starts making cuts.

AUTHORIZED SIGNERS ON NMSBIC LOAN DOCUMENTS

Mr. Cummins said he is aware of two sets of documents in process where Joseph Badal is authorized to sign documents, and proposed the following motion:

To authorize the newly elected chair and president or newly elected vice chair and vice president, be authorized to sign any and all documents related to a loan modification for the New Mexico Mortgage Finance Authority loan, and a new line of credit for Enchantment Land Certified Development Company (ELCDC), as approved by NMSBIC on August 18, 2023.

Mr. Valdiviez so moved. Mr. Fowler seconded the motion, which passed unanimously by roll call vote. [Not present for the vote: Treasurer Montoya]

Mr. McDonald suggested that Ms. Beckett sign the ELCDC documents because Chairman Smith is on the ELCDC loan committee.

OPEN MEETINGS ACT RESOLUTION

Mr. Valdiviez moved to accept the Open Meetings Act Resolution as stated on page 16 of the board packet. Mr. Morgan seconded the motion, which passed unanimously by roll call vote. [Not present for the vote: Treasurer Montoya.]

VENTANA FUND, PROPOSED CHANGES TO NMSBIC LINE OF CREDIT: TODD CLARK, CHAIRMAN; KENDRA YEVOLI, EXECUTIVE DIRECTOR; AND ALEXANDRIA ROMERO, OPERATIONS MANAGER

Mr. Cummins stated that NMSBIC recently approved an increase to Ventana Fund's line of credit from \$15 million to \$20 million and increased the loan to value ratio to 70 percent. Ventana Fund is now requesting to extend the maturity date so that 10 years will be remaining. Either party can terminate the line of credit for any reason with 90-days written notice and any existing loans would run off in the normal course of business. Ventana Fund's second request is to allow for a one-time refinance of loans.

Mr. Cummins said Ventana Fund is allowed to use NMSBIC funds for up to 5 years for Borrower NMSBIC loans. However, Ventana Fund's borrowers typically pay off the loans in about 3 years. Regarding the maturity date, to ensure there are no Borrower NMSBIC loans with maturity dates that might extend beyond the maturity date of the NMSBIC line of credit, Ventana Fund is requesting that the maturity date be extended to December 31, 2033.

Mr. Cummins said there are several reasons why it would be beneficial for Ventana to refinance a loan. He stated that (1) Ventana received two CDFI grants and it would be helpful to refinance targeted-area loans to meet grant requirements, (2) extending the loans would allow Ventana Fund to maintain requirements for units to be leased to low- and moderate income tenants, and (3) refinancing to a higher rate in the current rate environment would help Ventana Fund build net assets.

Ventana is also looking at new programs that would be encumbered by having the NMSBIC 90-day notice requirement for any change in lending policies. Mr. McDonald has recommended removing the 90 day written notice and that Ventana provide a copy of their loan policy with any changes highlighted at the end of each year.

Mr. Clark said growth has been 13-14 fold, so they feel they will be back in a position of needing to raise additional capital. They now have experienced, professional staff, and a team of consultants, which has increased expenses. Much of their income is related to the recent CDFI grant, and the goal is to restructure their interest income over a period of three years and be fiscally fit in four years, so that any grant opportunities that come in after that are just gravy for them. The refinancing is part of that plan, and they have identified the borrowers who have equity and would fit the refinancing profile. If all of the borrowers who meet the requirements take advantage of the refinance, they could be close to covering all of their expenses with interest income.

Mr. Clark said their strategic planning challenge is to grow threefold in the next three years, to grow more in rural areas and serve different populations with the flexibility to develop new loan products. He said they will be reporting in the next month or so on the three housing summits they have done in the last 12 months that are starting to bear results.

Mr. Morgan asked if other housing summits are being planned. Mr. Clark responded that they are looking at Las Cruces/El Paso, and Artesia/Carlsbad/Hobbs.

Mr. Clark said they meet frequently with the Mortgage Finance Authority, and Ventana has a dedicated MFA board member. They discuss working with people in the affordable housing community, and funding and partnering with others.

Mr. Cummins added that MFA provided almost \$4 million of the original startup capital for the Ventana Fund.

Treasurer Montoya moved that the NMSBIC board of directors approve the following changes to the NMSBIC's line of credit with Ventana Fund:

- **Extend the maturity date to December 31, 2033;**
- **Allow Ventana Fund to refinance NMSBIC Borrower Loans one-time, and extend the maturity date up to five (5) years;**
- **Remove the 90-day notice requirement of loan policy changes and replace it with a requirement for Ventana Fund to provide its loan policy to NMSBIC annually, with any changes during the previous year noted;**
- **The NMSBIC's current president and board chair, or vice president and vice chair, be authorized to execute any and all modification documents, subject to review and approval by the NMSBIC's legal counsel and the NMSBIC's executive director/investment advisor; and**
- **NMSBIC's executive director/investment advisor will report back to the board when the documents have been executed.**

Mr. Fowler seconded the motion.

Treasurer Montoya asked if there is a better time to provide Ventana's loan policy than at the end of the year, such as at the end of the fiscal year.

Mr. Cummins responded that he sends certifications each year as of June 30 asking all partners (including Ventana Fund) to confirm that they have only made loans to New Mexico businesses and have not made any loans exceeding the NMSBIC's legislative limit.

Treasurer Montoya amended her motion to include that Ventana Fund provide the loan policy information during the loan certification process as of June 30th each year. Mr. Fowler accepted the amendment.

The motion, as amended, passed unanimously by roll call vote.

EXECUTIVE DIRECTOR/INVESTMENT ADVISOR REPORT

Mr. Cummins presented highlights from his report:

- **NMSBIC is moving forward with the \$1 million line of credit it approved for Enchantment Land Certified Development Company in August following approval by the SBA in September of ELCDC's status as an SBA Community Advantage program lender.**
- **The Loan Fund: The NMSBIC's COVID-19 Lending Program ended in September 2022, for new or modified loans. The Loan Fund extended that program, finding there is still a need from borrowers who were struggling with higher costs, staffing shortages, and continuing supply delays and shortages. The Loan Fund kept the rate it charges**

borrowers at 3.75% but increased it to 4.75% in September 2023. The Loan Fund's loan portfolio has grown from \$18 million to \$28 million. Mr. Cummins noted that the NMSBIC required The Loan Fund to originate loans at 3.75% as part of the NMSBIC COVID-19 Lending Program, which was less than what they had historically been offering, so they were giving up money from interest income. The NMSBIC is currently providing funds to The Loan fund at 0% for outstanding COVID-19 loans, and 0.50% for traditional loans. The NMSBIC initially reduced the rate on traditional loans from 2.0% to 1.0%, and then later to 0.50%, in order to support The Loan Fund's reduced interest income and possible charge-offs related to the COVID-19 loans.

- Envision Community Capital: Chad Cooper will visit with the Board today about a new non-profit lending organization he is starting.
- Mr. Cummins attended the Governor's Conference on Economic Development, which discussed AI, including things communities can do to take advantage of AI changes, and that communities might need to develop job retraining programs for those whose jobs might be displaced by AI.
- The New Mexico Impact Investing Collaborative (NMIIC) is meeting on November 8, and NMSBIC joined as an associate member this year. Mr. Cummins will attend the conference and speak on a panel that will discuss impact investing in New Mexico. He would like to look for opportunities for foundations that are members of NMIIC to make investments that will support the NMSBIC's lending partners in New Mexico.
- Mr. Cummins said he is continuing to have discussions with the Economic Development Department (EDD) and the New Mexico Finance Authority (NMFA) about using part of the federal State Small Business Credit Initiative (SSBCI) grant funds to support CDFIs in New Mexico.
- Steve Morgan remains engaged in economic development activities in Eastern New Mexico from his time living in Conchas Dam. He attended an economic development meeting in Las Vegas, New Mexico, which was well attended by staff from The Loan Fund, economic development staff from around the state, and small business owners from the area.

RENEWAL OF WEBSITE MAINTENANCE CONTACT WITH HOLLY COMPANY

Mr. Cummins said Holly Bradshaw Eakes made a presentation at the August meeting and informed NMSBIC she would be winding down the Finance New Mexico project as of December 31, 2023, but would continue providing website hosting and development. He recommended renewing the website maintenance contract with Holly Company at a cost of \$2,000 per year, plus GRT, plus expenses not to exceed \$500, for a period of one year, from December 1, 2023, to December 1, 2024.

Mr. Fowler moved that:

- **The NMSBIC board of directors approve renewal of the www.nmsbic.org website maintenance contract with Holly Company Strategies for one year, from December 1, 2023, to December 1, 2024, at a cost of \$2,000 per year, plus gross receipts tax, plus expenses not to exceed \$500, and**
- **The NMSBIC president and board chair, or vice president and vice chair, be authorized to sign any and all documents related to the contract renewal.**

Mr. Morgan seconded the motion, which passed unanimously.

NEW MEXICO MORTGAGE FINANCE AUTHORITY, PROPOSED CHANGES TO LINE OF CREDIT

Mr. Cummins stated that, at the August meeting, NMSBIC changed the agreement with the New Mexico Mortgage Finance Authority (MFA) to extend the maturity date to 2028, increase the maximum funding amount to \$3.5 million, and modify the liabilities-to-net asset ratio to exclude GASB Statement No. 31 fair value adjustments.

Mr. Cummins said the MFA's Accounting Department pointed out to him that the mechanics for excluding the GASB Statement No. 31 fair value adjustment would be more complex than it might appear. He said they discussed the steps that Moody's takes to exclude the GASB Statement No. 31 fair value adjustment, which include MFA's reporting of details that are not provided in MFA's audited financial statements. Rather than have the NMSBIC recreate the steps Moody's takes, he suggested the NMSBIC consider changing the loan covenant to require that MFA maintain a certain Moody's rating level. He advised MFA that NMSBIC board approval would be required, so he could not commit to the change at that time. MFA indicated the change would be acceptable.

Mr. Cummins proposed NMSBIC require MFA to maintain an A3 rating or higher and to remove the 90-day notice for loan policy changes, as NMSBIC did with the Ventana Fund. That would be replaced with a requirement that MFA provide a copy of their loan policy, with any policy changes highlighted, and that be done as part of the NMSBIC's annual certification process as of June 30th. Mr. Cummins said he would like to make the loan policy notice change with all the Limited Partners as other changes to agreements come up.

Chair Smith commented that he was glad that this was at the higher level of Moody's investment grade. He also noted at some point the NMSBIC should look at lending partners who are not drawing down on their usage. He noted that the NMSBIC hasn't seen any material usage from them this year, and in 2022 only \$1 million was drawn. Mr. Cummins noted MFA has plans to deploy the NMSBIC funds in early 2024.

Treasurer Montoya moved that the NMSBIC board of directors approve the following changes to the NMSBIC's line of credit with the New Mexico Mortgage Finance Authority (MFA):

- **Remove the liabilities-to-net assets ratio as a loan covenant, and replace it with a requirement for MFA to maintain a Moody's Investor Service issuer rating of A3 or higher; and**
- **Require MFA to provide the NMSBIC with its most current Moody's Investors Service issuer rating report within 30 days after any new report is issued; and**
- **Remove the 90-day notice requirement for loan policy changes and replace it with a requirement for MFA to provide its loan policy to NMSBIC annually during the NMSBIC's annual certification as of June 30th, with any changes during the previous year noted; and**
- **that NMSBIC's current president and board chair, or vice president and vice chair, be authorized to execute any and all modification documents, subject to review and approval by the NMSBIC's legal counsel and the NMSBIC's executive director/investment advisor; and**
- **That NMSBIC's executive director/investment advisor will report back to the board when the documents have been executed.**

Mr. Fowler seconded the motion, which passed unanimously.

NMSBIC PROPOSED BOARD MEETING SCHEDULE FOR 2024

Mr. Cummins asked members to confirm the dates and they will follow up at the next meeting.

EXPANDED SERVICES REPORT

Mr. Cummins explained there were Equity Funds with New Mexico Community Capital and New Mexico GAP Fund that reached end dates for the limited partnerships. In the case of New Mexico GAP Fund, there were two direct loans that were transferred to NMSBIC, which required NMSBIC to be involved in direct lending. It was decided Mr. Cummins would be responsible for monitoring and tracking the loans, and in one case serve as an observer at board meetings. NMSBIC modified his company's agreement for him to provide a report twice a year, one before December 1 and before May 1 of the following year to show the amount of time spent servicing the loans. He was providing this is for informational purposes, and in May he will provide another report. At that time the board can determine whether to pay a discretionary bonus to Mr. Cummins related to his expanded services.

BOARD CONTINUING EDUCATION

Mr. Cummins said he provided the FDIC's New Mexico State Profile Report on page 83. Some highlights are that New Mexico's unemployment rate has dropped from 7.1% in 2021 to 3.5% in mid-2023; single and multi-family permits have dropped significantly; the home price index is up by 6.8%, and the number of financial institutions dropped from 34 to 31.

ENVISION COMMUNITY CAPITAL: CHAD COOPER, EXECUTIVE DIRECTOR

Mr. Cooper stated that Envision Community Capital (Envision) will provide small business loans to Black, Indigenous, and People of Color (BIPOC) and provides technical assistance, education and business support. He said Envision filed with the State of New Mexico in June and have a pending 501(c)3 application with IRS to register as a tax-exempt nonprofit. He noted that other organizations provide microloans but Envision's focus is specifically on BIPOC businesses. There are about 400 Black-owned businesses throughout the state. Envision has a diverse board, and they hope to ultimately have 9 to 11 members. He said the team members come from strong banking and lending backgrounds.

Mr. Cooper stated that there are a number of community members working with Envision on creating their loan policies, documents, procedures, and communication. They just signed a memorandum of understanding with the UNM Rain Forest to leverage their entrepreneurship program and are working on a partnership with Anderson School to provide business support to Envision clients at no charge. They are working with WESST Corp. on an agreement to provide lending support as well. He said Envision is working on putting together a loan committee where he will serve as an observer.

Mr. Cooper said that Envision is meeting with businesses, foundations, and banks to get initial funding to complete their operations such as hiring staff and moving into office space. He hopes to have loans in process the next time he meets with the NMSBIC.

Treasurer Montoya asked Mr. Cooper how much capital they are seeking.

Mr. Cooper responded that they haven't identified the amount they would be requesting from NMSBIC for lending purposes, but initially it would probably be approximately \$1 million. They are looking for roughly \$700,000 to cover operating expenses. They are working with the Black Chamber of Commerce, and also with Nusenda to get into their co-op capital lending program. He said they plan to meet with the Hispanic Chamber of Commerce.

Mr. Cummins asked if Envision plans to get lending experience in order to apply for CDFI approval. Mr. Cooper said their intent is to apply for CDFI approval in order to become certified.

CHAIRMAN'S COMMENTS

Chairman Smith thanked board members for their support and asked them to think creatively about how NMSBIC can distribute funds.

NEXT BOARD MEETING: Wednesday, December 6, 9:00 to 12:00 a.m.

Meeting location to be announced.

ADJOURNMENT: 11:30 a.m.



Joshua Smith, Chairman

12/14/23

Date