

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

February 21, 2025

A meeting of the New Mexico Small Business Investment Corporation was called to order on this date at 9:05 a.m. at WESST Enterprise Center, 609 Broadway Blvd NE, Albuquerque, NM 87102. A quorum was established.

Members Present

Mr. Joshua Smith, Chair
Ms. Anne Beckett, Vice Chair (via Zoom)
Mr. Robert Valdiviez, Secretary/Treasurer (via Zoom)
Mr. Arsenio Garduño, designee of Hon. Laura M. Montoya, NM State Treasurer
Ms. Sayuri Yamada (via Zoom)
Ms. Kristina Alley
Mr. Joshua Grassham (via Zoom)

Members Excused

None

Executive Director/Financial Adviser to Board

Mr. Russell Cummins

Board Legal Counsel

Mr. Randall McDonald

Recording Secretary

Position is currently vacant.

Guests Present:

Mr. Cesare Sandro Tonini, Vice President of Lending, WESST
Mr. Julian Baca, Senior Research Scientist, UNM Bureau of Business and Economic Research
Mr. Todd Clarke, Board Chair, Ventana Fund (via Zoom)
Ms. Alexandria Porras, Operations Manager, Ventana Fund (via Zoom)
Ms. Beth Beloff, CEO, New Mexico Climate Investment Center
Ms. Kelly O'Donnell, Board Chair, New Mexico Climate Investment Center (via Zoom)

REVIEW AND ACCEPTANCE OF AGENDA

Mr. Garduño moved to approve the agenda, as published. Ms. Beckett seconded the motion, which passed unanimously by roll call vote.

BOARD MINUTES FOR DECEMBER 12, 2024

Ms. Beckett moved to approve of the Board Minutes for December 12, 2024, as presented. Mr. Valdiviez seconded the motion, which passed unanimously by roll call vote.

WESST UPDATE

Mr. Cummins said WESST has hired a new president, Ms. Lindsey Kay. He invited Ms. Kay to today's board meeting, but she was not able to attend. Mr. Cummins introduced Mr. Cesare "Sandro" Tonini, WESST's Vice President of Lending to provide an update on WESST's lending program.

Ms. Yamada joined the meeting at 9:10 am.

Mr. Tonini said WESST is a home for entrepreneurs, founded in 1989 by women and for women. The nonprofit offers training, consulting and lending to anyone in the state who wants to start, stabilize, or grow a business. Ninety percent of what WESST does is training and consulting on a variety of business topics. Training classes can be followed up with one-on-one consulting. WESST was started with a \$60,000 loan from the Sisters of Charity in Ohio. Now WESST has \$1.4 million in outstanding loans with an average balance of about \$7,000. Interest rates range from 0% to 9%. WESST is often a lender of last resort in New Mexico. Often borrowers have had a loan denied, even by other nonprofit lenders. The difference is the consulting and one-on-one relationship that WESST provides. Despite the risk, WESST's historical loss rate is only 2.1% over thirty plus years that it has been doing business.

WESST has started restructuring its loan program and is getting ready to start doing more lending volume. The advertised loan limit is \$50,000, but there appears to be a market for declined loans in the \$50,000 to \$150,000 range. WESST has originated a handful of loans in this higher range and has done them successfully. It's ready to grow the loan program and have it become a generator of increased revenue. WESST has a sister organization, the Wisconsin Women's Business Initiative Cooperative (WWBIC). WWBIC's loan program generates about one-third of the organization's revenue.

Mr. Tonini said he joined WESST in 2020, during the COVID lockdown, as a bilingual consultant and trainer working with businesses impacted by the COVID pandemic. When Kim Blueher retired, he was promoted to vice president of lending. WESST has been able to deploy NMSBIC funds with great success. WESST has paired the NMSBIC program with the Economic Development Department's Collateral Assistance Program. These programs have allowed WESST to support more clients.

WESST's newest office is in Hobbs. It has had a great partnership with Lea County State Bank and is having success supporting women owned businesses in Lea County.

Recent businesses supported by WESST in Lea County include an insurance agency and a boba drink company.

WESST is also focused on supporting childcare centers. New Mexico is in a childcare crisis and is considered a childcare desert. There are three children between the ages of zero and five for every childcare slot available in New Mexico. The State has made some incredible efforts. WESST has a service contract with the State to provide technical assistance to childcare businesses. WESST's program is helping childcare businesses to grow, stabilize, maximize available slots, and make sure the businesses can cover operating expenses. There are grant programs in New Mexico to assist with childcare cost for households with income less than \$120,000, but there are not enough available childcare slots to fully take advantage of the grant program. Lea and Eddy counties are having a particularly difficult time with the childcare crisis. WESST has been working with New Mexico Junior College to replicate programs at New Mexico Tech and San Juan Community College, where childcare is provided on college campuses for students and staff. WESST is also having discussions with the mayor's office and public schools in Eunice. WESST has noted that banks don't appear to have an appetite for loans to childcare centers. New Mexico Finance Authority (NMFA) is reactivating a dormant childcare lending program, and WESST is advising NMFA on credit policy and providing technical assistance. WESST also received a grant from the Federal Home Loan Bank of Dallas to develop a Childcare Catalyst Fund. Mr. Tonini said he would like to follow up with NMSBIC about possibly participating in this fund.

Mr. Valdiviez asked why banks are not making childcare loans. Mr. Tonini said it appears to come down to risk tolerance, and how childcare businesses have a hard time obtaining business insurance. To address the risk, the State has a rigorous process around licensing, to make sure childcare businesses are well suited and qualified. The State licensing process is something that WESST's coaches spend a lot of time on. The licensing process is there for good reason, but the process is also complicated and can slow things down. There is a risk of an undesirable injury to a child, and there is big exposure to injury lawsuits.

Chair Smith said his bank has underwritten childcare centers and noted there is often a focus is on the star rating. Mr. Tonini said that as the star rating increases, there is an increase in the subsidy paid, but the number of available slots decreases. Many childcare centers opt to stay at three to four stars because that's where they are more profitable and have more impact. Chair Smith said he thinks some bankers don't understand that childcare centers might intentionally operate below a five-star rating.

Mr. Cummins said he will follow up with Mr. Tonini about WESST's plans to increase its lending program. Mr. Tonini thanked the board and left the meeting.

NMSBIC PURPOSE FROM THE SMALL BUSINESS INVESTMENT ACT

Mr. Cummins said this information is provided for reference in the board package.

BUREAU OF BUSINESS AND ECONOMIC RESEARCH PROPOSED IMPACT STUDY

Mr. Cummins introduced Julian Baca, Senior Research Scientist with the University of New Mexico (UNM) Bureau of Business and Economic Research (BBER) and said that Mr. Baca worked on the 2017 Impact Study that BBER prepared for the NMSBIC.

Mr. Baca reviewed slides included in the board package with information on a proposal from BBER to prepare an updated impact study for NMSBIC. The study that BBER completed for the NMSBIC in 2017 only addressed economic impact. The proposed new study would address economic impact and fiscal impact. Mr. Baca provided information about additional services BBER provides, including other types of studies, surveys, focus groups, and dashboards.

Mr. Cummins said today's recommendation is focused on the economic impact and fiscal impact studies. However, in the future, the NMSBIC might consider engaging with BBER to provide a dashboard, which would provide annual updates to the economic and fiscal impact studies and keep impact information current.

Chair Smith asked about the fiscal impact study, and what information the study would provide regarding the value of sales tax, property taxes, and other revenues paid to the state. He asked, for example, if the study might show that each job created provides a net present value of revenues to the state of x dollars over ten years. Mr. Baca responded that the fiscal impact study will provide feedback about estimated annual revenues to the State. He said revenues to the State can vary for the NMSBIC's lending partners' borrowers. Some borrowers are sole proprietorships with no employees, and others have businesses with multiple employees. Some of the borrowers own real estate and pay property taxes, and others do not. Mr. Baca said it might be possible to do a deeper dive into the individual businesses, but providing that level of detail would be more involved and is not included in the current scope of work. Mr. Baca said that type of study would be super interesting. He really enjoys working with NMSBIC and would like to continue and deepen the relationship. However, BBER is at capacity right now with the studies it is doing. BBER can do an update to the 2017 study now. If NMSBIC would like BBER to do additional work, it can be scheduled in the future. Mr. Cummins asked if we have the number of jobs created and the total fiscal impact, if we could calculate a high-level, rough figure for the fiscal impact per job. Mr. Baca said he thought that would be possible but added that doing the work at a more detailed level would be more interesting than calculating an aggregate number. However, doing more detailed work is not included in the current \$60,000 price quote.

Ms. Beckett left the meeting at 10:00 am.

Ms. Alley asked about the UNM facilities and administration rate of 20%. Mr. Baca responded that UNM adds a charge to BBER's invoices of 50% or higher in some cases, which BBER passes through to its clients. He said that NMSBIC approved a policy limiting such UNM additional charges to no more than 20%, or about \$12,000 of the \$60,000 total cost that BBER quoted to NMSBIC. Mr. Baca said that for the \$60,000 quote BBER has provided to NMSBIC, he used a 20% charge for UNM because of the NMSBIC's policy. Mr. Cummins added that the NMSBIC board approved a policy limiting additional UNM charges in 2017, and the policy is still in force.

Mr. McDonald asked if New Mexico Gross Receipts Tax is charged. Mr. Cummins said he reviewed the invoices from 2017, and no Gross Receipts Tax was charged previously. Mr. Baca confirmed there is no Gross Receipts Tax.

Ms. Alley moved that the NMSBIC board of directors approve:

- **Entering into a Professional Services Agreement (PSA) with Regents of the University of New Mexico (UNM) on behalf of the Bureau of Business and Economic Research (BBER) to provide analysis and reporting detailed in the Scope of Work approved the NMSBIC board of directors on December 12, 2024, to include an update of the Economic Impact Report completed in 2017, with the addition of a Fiscal Impact Study, at a cost of \$60,000; and**
- **That the NMSBIC's board chair and president, or vice chair and vice president, be authorized to sign any all documents related to the PSA, subject to review and approval by the NMSBIC's legal counsel and the NMSBIC's executive director/investment advisor; and**
- **That the NMSBIC's executive director/investment advisor report back to the board when the PSA has been completed and executed.**

Mr. Grassham seconded the motion that passed by unanimous roll call vote.

Ms. Yamada left the meeting at 10:10 am. Mr. Cummins asked Chair Smith to move the Financial Report to later in the meeting, and Chair Smith agreed.

VENTANA FUND PROPOSED CHANGE TO NMSBIC LINE OF CREDIT

Mr. Cummins introduced Todd Clarke and Alexandria Porrus of Ventana Fund, who joined the meeting via Zoom. Mr. Clarke said Ventana Fund has been growing and has recently secured a \$1 million bank Equity Equivalent (EQ2) loan. It is requesting the NMSBIC increase the amount of Ventana Fund's credit facility.

Chair Smith asked Mr. Clarke about the need for housing and Ventana Fund's activity outside the Albuquerque metro area. Mr. Clarke said Ventana Fund has partnered with the Urban Land Institute to sponsor housing summits around the state. There was a

housing summit in Hobbs last year. There are additional summits scheduled for this year, in Carlsbad in April, and in Alamogordo in September. He said the September summit will be a good cross-over meeting with the new nonprofit lending organization, Hexagon Housing Fund. Mr. Clarke said the housing summits work very well. There are typically 80 or 90 people from the community who troubleshoot, and problem solve how to address housing issues for their community. Regarding loans that Ventana Fund has made outside Albuquerque, Mr. Cummins referred to information in the board package showing Ventana Fund has made \$8.4 million in loans in communities including Cleveland, Las Cruces, Portales, Socorro, Las Vegas, Alamogordo, Truth or Consequences, and Espanola. Mr. Clarke added that NMSBIC encouraged Ventana Fund to expand and make loans throughout the state, which resulted in Ventana Fund's expansion into communities such as Alamogordo and Las Vegas.

Mr. Clarke said Ventana Fund will likely be increasing its maximum loan size from \$1.5 million to \$2.0 million, to keep up with inflation in the cost of housing.

Chair Smith asked about borrowers being able to access equity appreciation to purchase another property. Mr. Clarke responded that Ventana Fund has limits on providing that type of financing for a number of reasons, one of which is a limit established by the NMSBIC. Given the NMSBIC's mission to create jobs, Ventana Fund limits refinances that would keep funds tied up in the same deal over a longer period of time. Funds are being recycled into new projects, to create more jobs. Mr. Cummins noted the NMSBIC allows Ventana Fund to refinance loans one time, and said he would follow up with Mr. Clarke to make sure we are on the same page regarding the NMSBIC's requirements on refinances.

Mr. Clarke noted that when a Ventana Fund property is refinanced with another lender, Ventana Fund continues to track the rental rates on the properties. It has been noted that when a Ventana Fund loan is repaid, and the borrower is no longer subject to Ventana Fund's affordability requirements, rental rates have remained affordable. It appears Ventana Fund's program is creating affordability for longer than originally envisioned.

Mr. Clarke said there is a funding gap for 5- to 20-unit multi-family properties. There is conventional and FHA financing available for 1- to 4-unit properties, and banks are more interested in financing properties that are greater than 20 units. Due to lack of available financing, historically there has been a lot of seller financing for 5- to 20-unit properties. The seller financing is typically at higher interest rates and there is often lack of property maintenance resulting in subpar living conditions for residents. Ventana Fund developed its Threshold Product to provide financing for 5- to 20-unit properties in New Mexico. Ventana Fund tested the product about six years ago. The more renovations done by a borrower, the lower the interest rate from Ventana Fund. The Threshold Program renovations are more than just paint and stucco. Ventana Fund wants to see new double-glazed windows, new heating/cooling units, and new energy-

efficient appliances. Ventana Fund also wants to see professional management of properties. Often borrowers come to Ventana Fund with a shoebox of receipts and properties that are in subpar condition. In two or three years, borrowers have sharp-looking properties, professional management, and solid profit loss statements. Ventana Fund says that not only does it rehabilitate properties, but it also rehabilitates borrowers. This then makes it easier for borrowers to access traditional bank financing.

Mr. Clarke said that Keith Flynn, Ventana Fund's Finance Manager, has done some projections showing continued growth. Assuming the NMSBIC board approves today's requested increase in funding, he expects Ventana Fund to work through the funds this summer and return to the NMSBIC later this year with a request for another increase in funding.

Mr. Valdiviez moved that the NMSBIC board of directors approve a modification of the NMSBIC line of credit with Ventana Fund to:

- **Increase the maximum funding amount from \$29 million to \$34.5 million; and**
- **That the NMSBIC's board chair and president, or vice chair and vice president, be authorized to sign any all documents related to this change, subject to review and approval by the NMSBIC's legal counsel and the NMSBIC's executive director/investment advisor; and**
- **That the NMSBIC's executive director/investment advisor report back to the board when the changes have been completed.**

Ms. Alley seconded the motion, which passed by unanimous roll call vote.

Mr. Clarke thanked the board for its continued trust in Ventana Fund. He and Ms. Porras left the meeting.

FINANCIAL REPORTS AS OF NOVEMBER 30, 2024, DECEMBER 31, 2024, AND JANUARY 31, 2025

Mr. Cummins said available funds shown in the board package as of January 31, 2025, were \$5.7 million, and the board just approved \$5 million for Ventana Fund. He added that the NMSBIC received a \$28 million contribution from the severance tax permanent fund yesterday and now has about \$28 million in available funds.

Mr. Grassham moved to accept the financial reports as of November 30, 2024, December 31, 2024, and January 31, 2025, as presented. Mr. Garduño seconded the motion, which passed unanimously by roll call vote.

EXECUTIVE DIRECTOR/INVESTMENT ADVISOR REPORT

Mr. Cummins said the NMSBIC now has \$107 million in outstanding loans and investments and \$146 million in funds committed. He said he will be working to deploy the additional \$28 million contribution received yesterday from the severance tax permanent fund. As of yesterday, the NMSBIC's total assets increased to over \$180 million.

- B:Side Fund does not have any outstanding loans yet but is actively marketing its loan program in New Mexico.
- LiftFund has had staff turnover, and Mr. Cummins said he has been referred to LiftFund's investor relations department for communicating with the company. LiftFund has no outstanding NMSBIC loans. Mr. Cummins recommended allowing NMSBIC's line of credit with LiftFund to expire at maturity. He will continue to reach out to LiftFund and hopefully reestablish an active relationship in the future.
- George Maestas from the New Mexico Mortgage Finance Authority (MFA) has reported that MFA has experienced delays in funding for two projects. MFA still plans to deploy: (1) \$1 million of NMSBIC funds in a multifamily low-income housing tax credit (LIHTC) project in Anthony, and (2) \$2.5 million in NMSBIC funds in a Tierra Del Sol single-family housing development in Southern New Mexico.

Mr. Cummins said at the last board meeting, Treasurer Montoya asked if NMSBIC's lending partners are experiencing, or anticipating, impact related to the changes in the federal administration. Mr. Cummins said NMSBIC's lending partners provided the following feedback:

- It appears many small businesses are holding off on expansion plans because of uncertainty caused by changes being made by the new federal administration.
- The Loan Fund reported that loan funding and a grant from the Small Business Administration (SBA) appeared to be delayed by about 60 days related to the change to a new administration, but the SBA funding and grant appear to be back on track.
- WESST noted that many day care centers receive federal grant funding. There is no indication yet that those federal grant dollars might be cut, but WESST is monitoring this closely as it would impact borrowers operating day care centers.
- Several of NMSBIC's lending partners rely on loans and grants from the federal CDFI fund. There is no indication these funds will be cut, but lending partners are monitoring this closely.
- Homewise reported that cutbacks to the Consumer Finance Protection Bureau might impact its consumer lending program for single family homes, but it would not impact its NMSBIC small business lending program.

Chair Smith noted that many of the NMSBIC's lending partners rely heavily on grants and contributions, including federal grants, and the NMSBIC should be cognizant of possible cutbacks in federal grant funding relative to the future growth of lending partners.

Mr. Cummins said the NMSBIC is an associate member of the New Mexico Impact Investing Collaborative (NMIIC), which is comprised of about ten foundations focused on impact investing in New Mexico. NMIIC will be having a planning session on February 24, 2025. Mr. Cummins said he will attend. Mr. Cummins said there might be opportunities for foundations to make Equity Equivalent (EQ2) investments in New Mexico CDFIs.

Mr. Cummins said at the last meeting Treasurer Montoya asked if there are examples from other states regarding the need for grants for CDFIs. Mr. Cummins referred to an article in the board package indicating proposed legislation in Pennsylvania where \$120 million was being requested from the state for CDFIs, with \$100 million to be used for loans, and \$20 million to be provided as grants to CDFIs. Mr. Cummins said it's his understanding that in New Mexico, state funds can't be used for grants because of New Mexico's anti-donation clause. In New Mexico, CDFI's rely on grants from the U.S. Treasury's CDFI fund and grants from private foundations. While these grant funds are critical for CDFI's to have the ability to provide technical assistance to borrowers, these sources of grant funds are limited, which limits the growth of New Mexico CDFIs.

LEGISLATIVE UPDATE

Mr. Cummins noted discussion at the previous board meeting about how Legislative Finance Committee (LFC) staff planned to propose legislation to cut back on the NMSBIC's future funding. A special NMSBIC board meeting was scheduled in January to discuss this matter. Prior to the New Mexico Legislative Session, LFC staff communicated that the NMSBIC's funding would not be impacted by any LFC proposed legislation. The NMSBIC special board meeting in January was cancelled. Senate Bill 162 was introduced in the 2025 New Mexico Legislative Session with a proposed reduction in the New Mexico Private Equity Program from 11 percent of the severance tax permanent fund to a new cap of \$700 million. Wording in Senate Bill 162 made it unclear if the NMSBIC's funding would be unchanged, or if the NMSBIC's funding might be part of the \$700 million cap. Mr. Cummins said LFC staff indicated the wording was inadvertent and is proposing an amendment to Senate Bill 162 to make it clear that NMBIC's funding is not part of the proposed \$700 million cap. Mr. Cummins said he will continue to monitor Senate Bill 162 and any other legislation that might impact NMSBIC.

Chair Smith thanked Randy McDonald for his help interpreting complicated wording in the proposed legislation.

NEW MEXICO CLIMATE INVESTMENT CENTER

Mr. Cummins introduced Beth Beloff, CEO of the New Mexico Climate Investment Center (NMCIC), New Mexico's "Green Bank". Kelly O'Donnell, NMCIC Board Chair, joined the meeting via Zoom. He noted that roughly twenty states in the U.S. now have green banks. Ms. Beloff referred to a slide presentation included in the board package. She said NMCIC is a mission driven nonprofit organization that fills financing gaps to accelerate equitable clean energy adoption. She noted that a green bank is not really a bank in that it does not accept deposits. It's an investment fund. The mission is to reduce greenhouse gas emissions, and reduce the

energy burden for low-income, disadvantaged, or tribal communities. The vision is to be a leader and act as a catalyst to other financial entities to help decarbonize the economy in New Mexico. NMCIC is looking for partnerships with other financial institutions, and not to compete.

Mr. Beloff noted that New Mexico has one of the highest poverty rates in the country, and low-income households pay a higher percentage of their income on energy. NMCIC is prioritizing funding for low- and moderate-income communities as well as small businesses and nonprofits. It plans to provide low-interest rate loans and other financial incentives for energy efficient improvements, solarization, and adoption of other types of renewable energy. NMCIC will finance mature, clean energy technologies. It is not in the business of R&D financing. NMCIC has received \$800,000 in grant funds. It has also received \$10 million in Equity Equivalent (EQ2) funding from the New Mexico Finance Authority (NMFA), using funds provided by an appropriation approved in the 2024 New Mexico Legislative Session. The NMFA EQ2 loan is low-cost, long-term, subordinated debt with features that function like an equity investment. Ms. Beloff noted that the NMFA loan requires matching capital funds. At the end of January, NMCIC was awarded a \$10 million Coalition for Green Capital (CGC) grant, under the National Clean Energy Investment Fund (NCEIF). This grant can be used as matching capital for the NMFA EQ2 loan. However, there is a risk that the CGC federal grant funds might be clawed back, therefore NMCIC is being cautious about deploying the CGC funds until it has a better sense about the potential for claw back. NMCIC is expecting another \$10 million appropriation in the 2025 New Mexico Legislative Session. She said if the additional state appropriation is approved, the funds will likely be provided to NMCIC by the New Mexico Energy, Minerals, and Natural Resources Department (EMNRD), rather than going through NMFA.

Ms. Beloff said NMCIC has an amazing board of directors. Anne Haines, CEO of DreamSpring, was the initial board chair. Kelly O'Donnell of Homewise has succeeded Ms. Haines as NMCIC board chair. Ms. Beloff said NMCIC is looking to build lending capacity and has a pipeline of projects that can be funded now. It plans to focus on solar leases for single-family and multi-family properties. The solar leasing program is expected to provide 25% annual energy cost savings. It plans to expand its program to include community solar cooperatives, rural electric cooperatives, and tribal communities. NMCIC is hoping that current federal tax credits for solarization will remain in place.

Ms. Alley asked if landlords with smaller properties will have access to NMCIC financing? Ms. Beloff said NMCIC plans to partner with a reputable solar leasing company. Solar leasing will eliminate the need for a landlord to pay an up-front cost and make the program accessible for properties of all sizes. She added that a key to solarization is to reduce the energy burden before calculating the amount of solarization to add on. This first step is often weatherization. There are state programs that can provide assistance with weatherization for small and large projects.

Chair Smith asked if a property landlord adds solar, will the savings get passed on to the tenants? Ms. Beloff said NMCIC would require that savings are passed on to tenants. Chair Smith asked if all of the savings will be passed through, or only a percentage. Ms. Beloff said NMCIC will be working with an experienced leasing partner in this field and will work out those

details with them. She noted the arrangement will need to make sense for the landlord as well as the tenants. She hopes that if there are 25% savings that at least 20% will be passed on to tenants, but those details are yet to be worked out and depend on continuation of the federal tax credits.

Chair Smith suggested NMCIC reach out to the Apartment Association of New Mexico because they represent thousands of housing units in New Mexico from the largest corporate owners to the smallest mom and pop owners. He suggested she also speak with Todd Clarke at Ventana Fund. Ms. Beloff said those are good suggestions.

Mr. Cummins said the NMSBIC has a requirement that if its funds are used, the funds must be provided to a New Mexico business. He asked, if NMCIC develops a partnership with a solar leasing company, if the solar leasing company would be a New Mexico business. Ms. Beloff said that an NMCIC partner would need to be a New Mexico business or would be required to establish a subsidiary in New Mexico that would meet the New Mexico business requirement.

Mr. Grassham asked if NMCIC will be able to control the profit margin of a solar leasing partner. Mr. Beloff said that if federal funds are used, NMCIC will be required to obtain three bids from potential leasing partners, and disclosure of the profit margin will be part of the bid process. She added there are nonprofit solar leasing companies that provide solar leasing services at a lower profit margin.

Mr. McDonald asked if the federal tax credits automatically expire and will need to be renewed. Ms. Beloff said the federal tax credits are part of the Inflation Reduction Act and it's her understanding the tax credits are currently under scrutiny by the new administration. Mr. McDonald said it would be helpful to know if the tax credits sunset at some point and whether some action needs to be taken.

Mr. Cummins said NMSBIC has a requirement that lending partners have demonstrated ability in providing assistance to businesses. Ms. Beloff said NMCIC is having discussions with Homewise and DreamSpring about partnering with NMCIC to provide expertise in providing funding to small businesses.

Mr. Grassham said something to consider is when solar is added to a property, it can be difficult to transfer the property to another owner. He suggested NMCIC consider having a requirement with partners that allows a solar lease or loan to be transferred to a new owner. Ms. Beloff said that it is a part of the Request for Proposal that will be used for selecting a solar leasing partner.

Ms. O'Donnell said she appreciates having the opportunity to present to the NMSBIC board. These are some excellent questions and things that NMCIC needs to focus on as it goes forward. It's a challenging time and NMCIC has to figure out how to navigate these increasing precarious waters. She said she looks forward to the opportunity to work with the NMSBIC.

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

Mr. Cummins said that at previous board meetings, the NMSBIC board of directors approved waivers of the Liabilities-to-Net Assets ratio for the New Mexico Community Development Loan Fund (The Loan Fund). He added the main reason for the waivers was growth in The Loan Fund's assets, primarily related to origination of NMSBIC COVID-19 Lending Program loans. He noted The Loan Fund has been taking actions to increase net assets, including soliciting Equity Equivalent (EQ2) funding from banks, increasing rates on new loans, and implementing an origination fee on new loans. Since the last meeting The Loan Fund has obtained \$1 million in new Equity Equivalent (EQ2) funding from a bank, along with a \$20,000 charitable contribution. It has a commitment with a different bank to (1) provide a \$50,000 charitable contribution, (2) provide \$500,000 in new Program Related Investment (PRI) funding, and (3), renew an existing \$2.5 million line of credit and increase the amount to \$3 million. It appears terms of the PRI funding will be similar to EQ2 funding, but Mr. Cummins will need to review the loan documents to confirm. The Loan Fund has also received \$800,000 in funding from the Small Business Administration (SBA) to be used to originate SBA loans. Mr. Cummins added that The Loan Fund provided its 2025 budget that shows growth in net assets over the next year.

Mr. Cummins said he recommends the NMSBIC board approve recognizing the new \$1 million in EQ2 funding as net assets. This would lower The Loan Fund's liabilities-to-net assets ratio to 18:1 from 33:1 and bring The Loan Fund into compliance with the NMSBIC's leverage ratio loan covenant.

Mr. Garduño asked when the \$2.5 million bank line of credit would be renewed and increased. Mr. Cummins responded it's his understanding it was expected to happen within the next few weeks. Mr. Garduño suggested waiting until the \$2.5 million bank line of credit is renewed. Chair Smith said he thought Mr. Garduño was making a good point. Mr. Cummins said if that's the case, he recommends extending the liabilities-to-net assets waiver through April 30, 2025, and then bringing this back for review at the next board meeting. Mr. McDonald said the original motion could be approved subject to the \$2.5 million bank line of credit being extended. After discussion, it was agreed it would be simplest to extend the waiver through April 30, 2025, and then review at the next board meeting. That will also provide an opportunity to review the new PRI funding and possibly include that in net assets as well.

Mr. Garduño said he thinks The Loan Fund is making good progress in bringing down their liabilities-to-net assets ratio. Chair Smith agreed and said he is pleased with actions The Loan Fund is taking regarding its interest rates and loan fees.

Mr. Grassham moved that the NMSBIC board of directors approve a modification of the line of credit with the New Mexico Community Development Loan Fund to:

- **Provide a temporary waiver of the Liabilities to Net Assets Ratio covenant through April 30, 2025, and**
- **That the NMSBIC's board chair and president, or vice chair and vice president, be authorized to sign any all documents related to this change, subject to review and approval by the NMSBIC's legal counsel and the NMSBIC's executive director/investment advisor; and**
- **That the NMSBIC's executive director/investment advisor report back to the board when the changes have been completed.**

Mr. Garduño seconded the motion, which passed by unanimous roll call vote.

PROPOSED REIMBURSEMENT FOR WESST CONFERENCE ROOM

Mr. Cummins said for the past several years, the NMSBIC has made a \$2,000 annual payment to WESST for use of its conference room for NMSBIC board meetings. He added that WESST does not charge for use of its conference room and the NMSBIC voluntarily reimburses WESST for use of the room. Chair Smith noted the amount has been \$2,000 per year for several years and proposed increasing the amount to \$2,500 this year. Ms. Alley noted the next board meeting will be held at DreamSpring, and asked how many board meetings are held at WESST. Mr. Cummins responded we typically hold six board meetings at WESST each year. The number can vary, as occasionally a board meeting is changed to Zoom-only or held in a different location. He said he reserves the WESST meeting room for six meetings each year and then cancels the room reservation if there is a change of plans.

Mr. Grassham moved that the NMSBIC and its officers are authorized to reimburse and pay WESST the amount of \$2,500 for the use of the WESST conference room for NMSBIC board meetings for the calendar year 2025. Mr. Valdiviez seconded the motion, which passed unanimously by roll call vote.

BOARD CONTINUING EDUCATION

Mr. Cummins said the BBER Economic Snapshot for the fourth quarter of 2024 was provided for the board's information.

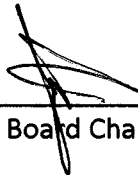
CHAIR'S COMMENTS

Chair Smith thanked everyone for the great dialogue and offered congratulations to Ms. Alley and Mr. Grassham on their Senate Confirmations. Mr. Cummins offered congratulations to Chair Smith for his promotion to New Mexico Regional President for WaFd Bank.

ADJOURNMENT

Mr. Garduño moved to adjourn at 12:05 p.m. Ms. Alley seconded the motion, which passed unanimously by roll call vote.

ADJOURNMENT: 12:05 a.m.



Joshua Smith, Board Chair

4/18/2025

Date