

MINUTES OF THE
NEW MEXICO SMALL BUSINESS INVESTMENT CORP.

SPECIAL MEETING

January 6, 2021

A special meeting of the New Mexico Small Business Investment Corporation was called to order on this date at 12:00 p.m. via teleconference. A quorum was established.

Members Present

Mr. Joseph H. Badal, Chair
Ms. Roxanna Meyers, Vice Chair [arrived later]
Mr. Steven E. Morgan, Secretary/Treasurer
Mr. Guadalupe Garcia
The Hon. Tim Eichenberg, New Mexico State Treasurer
Mr. Alan Fowler

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. Fowler moved acceptance of the agenda, as published. The motion was seconded by Mr. Garcia and passed unanimously by roll call vote. [Not yet present: Ms. Meyers]

PROPOSED CHANGES TO DREAMSPRING MEMORANDUM OF AGREEMENT

Mr. Cummins stated that the federal stimulus bill signed by the President on December 27, 2020, included an additional \$284 billion for PPP loans, which can be used for a second round of

PPP loans to small businesses. Congress also approved a Simplified Business Application for borrowers with PPP loans of not more than \$150,000. Borrowers are required to sign a certification of forgiveness of their PPP loan and are not required to submit any additional documentation. This applies to initial and second draw PPP loans. DreamSpring had anticipated that this language would be included in the new federal stimulus legislation, and it will streamline their forgiveness process for PPP borrowers. Mr. Cummins said it appears the Simplified Business Application might result in faster forgiveness and pay-down of PPP loans that DreamSpring made in 2020.

Mr. Cummins said DreamSpring is concerned that, as soon as SBA opens their portal for the second round of PPP loans, there will be tremendous demand and that they might not have enough loans forgiven and freed up from the previous PPP program in time to fund the new round of PPP loans. They have asked the NMSBIC to consider providing additional funding to get them through this transition period. Mr. Cummins said he has spoken with Chairman Badal and Randy McDonald. Chairman Badal said the NMSBIC should make sure it has enough funding for its other lending partners and that the second PPP round will be guaranteed by the government. While the language in the federal stimulus documentation seems to indicate that a round two of PPP funding will be guaranteed by the SBA, the NMSBIC would require this as a condition in documentation for additional funding.

Mr. Cummins reviewed committed and outstanding funds for the NMSBIC's lending partners as of November 30, 2020. He noted that all of the lending partners appear to have adequate funding with the exception of DreamSpring, which is requesting additional funding for PPP lending, and The Loan Fund, which is getting close to its maximum lending limit and is at 86 percent of its maximum funding from the NMSBIC. The NMSBIC financial report indicates that, as of November 30, it has \$9.7 million in available funds. With adjustments made for anticipated cash needs for the next several months, the NMSBIC's adjusted available funding would be \$5 million.

Mr. Cummins reviewed a financial statement recap for DreamSpring that he prepared for the eleven months ending on November 30, 2020. It appears that DreamSpring has had good financial performance during that period. Grants and contributions have remained strong, and DreamSpring benefited from origination fee income received from SBA on PPP loans.

Mr. Cummins said DreamSpring has been going through the original full documentation forgiveness process for borrowers. They returned \$1+ million to the NMSBIC in November, and plan to remit an additional \$3+ million in December. They have \$5 million of forgiveness applications in process that they think will likely be processed at the end of January, for a total of \$9 million that they think they'll have returned back from the old program.

Mr. Cummins said DreamSpring would be opening this up to people who didn't necessarily get the first round loans from them. Mr. Fowler commented that they will be in a select group with that, as a lot of the banks and other lenders are only going to go back to the people they originally made loans to.

Chairman Badal asked if he recalled correctly that the monies that DreamSpring is getting returned and then returning to the NMSBIC cannot be rolled over and used for new loans. Mr. Cummins said he asked Mr. McDonald to review that, and Mr. McDonald noted that the document the NMSBIC has for the existing PPP funding to DreamSpring did not anticipate this second round of PPP funding. The new federal stimulus language indicates that this is not a new federal PPP lending program, but an amendment to the initial PPP program. Because of that, Mr. McDonald's opinion is that he believes DreamSpring can draw again on the original program.

Mr. McDonald added that he intends to clarify this matter in a new modification agreement with DreamSpring if the NMSBIC moves forward with DreamSpring's request.

Chairman Badal said it leaves the impression that the NMSBIC wouldn't have to advance any additional funding if DreamSpring is recouping funds from the initial monies the NMSBIC gave them for the first program. Mr. Cummins responded that DreamSpring feels that the demand for the second round will be more than the \$4 million that they will have returned for November and December. They think they will have enough returned for February and March to cover the demand for the second round, but they are concerned that they might not have enough coming back to fund all of the demand for the new program in January. Chairman Badal said that the NMSBIC will continue to have the \$30 million commitment, then, increasing it by \$5 million, would have a total of \$35 million committed to DreamSpring. As they start getting monies back from the first program, they will be able to continue to fund the second PPP program until that program hits a termination date. Mr. Cummins said that was correct.

Mr. Cummins proposed the following motion, subject to changes:


RESOLVED, that the NMSBIC board of directors approve a \$5 million increase in the maximum funding amount available to DreamSpring, subject to:

- **The additional funds may only be used for Small Business Administration (SBA) Paycheck Protection Program (PPP) loans;**
- **The PPP loans must be guarantee by the SBA;**
- **The additional funding is intended to be temporary, to enhance DreamSpring's ability to transition funding from the initial PPP lending program to the PPP second round of funding, and will only be used if funding under the existing 2020 Lending Program has been exhausted, or is projected to be exhausted within thirty (30) days;**
- **DreamSpring can provide a written request for funding of the additional \$5 million at any time, and the NMSBIC will fund requests within five (5) days.**
- **Joseph Badal is authorized to execute any and all documents on behalf of the NMSBIC related to this transaction, upon review and approval of the documents by legal counsel and the Executive Director/Investment Advisor.**

Mr. Fowler so moved. Ms. Meyers seconded the motion, which passed unanimously by roll call vote.

ADJOURNMENT

The meeting adjourned at 12:35 p.m.



Joseph Badal, Chairman

2/26/21

Date