

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

October 18, 2024

A meeting of the New Mexico Small Business Investment Corporation was called to order on this date at 9:06 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
Mr. Robert Valdiviez, Secretary/Treasurer (via Zoom)
Mr. Arsenio Garduño, designee of Hon. Laura M. Montoya, NM State Treasurer
Mr. Joshua Grassham (via Zoom)
Ms. Kristina Alley (via Zoom, joined at 9:45 am)

Members Excused

Ms. Sayuri Yamada

Executive Director/Financial Adviser to Board

Mr. Russell Cummins

Board Legal Counsel

Mr. Randall McDonald

Recording Secretary

Position is currently vacant

Guests Present:

Mr. Todd Clarke, Board Chair, Ventana Fund
Mr. Keith Flynn, Director of Finance, Ventana Fund

REVIEW AND ACCEPTANCE OF AGENDA

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

BOARD MINUTES FOR AUGUST 16, 2024, AND SEPTEMBER 19, 2024

Ms. Beckett moved approval of the Board Minutes for August 16, 2024, and September 19, 2024, as presented. Mr. Garduño seconded the motion, which passed unanimously by roll call vote.

NMSBIC PURPOSE FROM THE SMALL BUSINESS INVESTMENT ACT

Mr. Cummins said this information was provided for reference if needed during the meeting.

FINANCIAL REPORTS AS OF JULY 31, 2024, AND AUGUST 31, 2024

Mr. Cummins noted outstanding loans are at \$99.3 million and we should pass the \$100 million mark in September. Total assets are \$156 million, and we expect to receive roughly \$30 million in additional funding in early 2025. Available funds are \$5.8 million.

Ms. Beckett asked about reducing commitments for lending partners not deploying funds. Mr. Cummins responded we might need to do that, but he has been encouraging lending partners including RCAC and LiftFund to deploy NMSBIC funds, especially in rural areas of New Mexico. He added the relationship with B:Side Fund is new, and it is working to deploy NMSBIC funds.

Ms. Beckett moved to accept the financial reports as of July 31, 2024, and August 31, 2024, as presented. Mr. Garduño seconded the motion, which passed unanimously by roll call vote.

NMSBIC 2024-2025 BUDGET PROPOSED CHANGES

Mr. Cummins noted that the budget process starts in May each year, and beginning asset balances as of July 1st are forecasted. This year there were large draws in May and June that were not captured in the forecast, resulting in variances in the beginning balances for the budget. He added that he typically does not recommend revising budgets, but in this case, he is recommending a revision to the budgeted beginning balances. With the proposed changes, the budget for annual operating income will drop from about \$4 million to about \$3.75 million.

Mr. Valdiviez moved to accept the proposed budget changes. Mr. Grassham seconded the motion, which passed unanimously by roll call vote.

ELECTION OF NMSBIC OFFICERS

Mr. Cummins noted the meeting is running ahead of schedule and we will skip forward on the agenda to election of officers. Chair Smith said he spoke with Ms. Beckett and Mr. Valdiviez, and both indicated willingness to continue in their positions. He said he is also willing to continue as board chair. Responding to a question from Chair Smith, Mr. McDonald indicated a board member can move to nominate a slate of officers that includes themselves. Mr. McDonald added that Mr. Cummins is included as an NMSBIC

officer, which allows him to be included in the NMSBIC's directors' and officers' insurance policy.

Mr. Garduño moved to nominate NMSBIC officers as follows:

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

Mr. Grassham seconded the motion, which passed unanimously by roll call vote.

BANK AUTHORIZED SIGNERS

Mr. Cummins recommended no changes board members approved to sign on the NMSBIC's bank and investment accounts, and no changes to online access for himself and Dee Brescia. He recommended adding Michelle Corley of Loftis & Lovato CPAs to have view-only access to the NMSBIC's bank and investment accounts.

Ms. Beckett moved approval of authorized signers on the NMSBIC's bank and investment accounts, with two approvals required, as follows:

**Joshua Smith
Anne Beckett
Robert Valdiviez
Sayuri Yamada
Kristina Alley**

And that the following individuals be authorized to access online banking, investment, and custodial account systems as follows:

Russell Cummins:

- **Serve as account administrator.**
- **View online transactions and access online statements.**
- **Input or approve Automated Clearing House (ACH) transactions (1) (2)**

Dee Brescia:

- **View online transactions and access online statements.**
- **Input Automated Clearing House (ACH) transactions and payees (1) (2).**

Michelle Corley:

- **View online transactions and access online statements.**

(1) First National 1870 ACH payments require two persons (one person to input and a second person to approve) and are only authorized after two board members have

provided email approval of payments included in the ACH transfer.

(2) For the State Treasurer’s Office Local Government Investment Pool, Russell Cummins or Dee Brescia are authorized to initiate online deposits or withdrawals, which must then be approved online by two authorized board members.

Mr. Grassham seconded the motion, which passed unanimously by roll call vote.

OPEN MEETINGS ACT RESOLUTION

Mr. Cummins said the NMSBIC board adopts an Open Meetings Act Resolution every year. Mr. McDonald noted that the Open Meetings Act requires the board to adopt a resolution every year stating it will comply with the Act. He added the NMSBIC’s governing statutes specifically state that the NMSBIC is not a government agency for any purpose, and that should exclude the NMSBIC from the Open Meetings Act and the Inspection of Public Records Act. However, when the organization was created, the New Mexico Attorney General wrote an opinion that recommended that the NMSBIC voluntarily comply with those acts.

Mr. McDonald said he was not the NMSBIC’s attorney at the time, and if he had been, he is not sure he would have agreed with the recommendation the NMSBIC voluntarily comply with the acts. Mr. Cummins said he thought it would be difficult to change now. Mr. McDonald agreed. He said he would not recommend changing now.

Mr. Cummins said an obstacle the Open Meetings Act might present is the approval of direct loans. For the board to approve a direct loan, a borrower’s loan file including confidential information would need to be presented to the board in an open meeting. However, given the NMSBIC is not doing direct loans, this doesn’t appear to present a problem for the NMSBIC. Chair Smith asked if an executive committee can be called or if a public meeting can go into a private session. Mr. Cummins said we have reviewed this in the past, and committees are required to be open to the public if decisions are made on behalf of the board. Mr. McDonald added topics that can be discussed in a private session are very limited and would not include approval of borrower loans.

Mr. Valdiviez moved to accept the Open Meetings Act Resolution. Mr. Garduño seconded the motion, which passed unanimously by roll call vote.

NATIVE PARTNERSHIP FOR HOUSING, PROPOSED NMSBIC LINE OF CREDIT

Mr. Cummins said the 2023 Native Partnership for Housing (NPH) audited financial statements were requested at the last meeting but have not yet been completed. He recommended tabling this item. Mr. Cummins noted that NPH recently received a \$3 million grant which improved its financial position. In response to feedback from Mr. McDonald, NPH has provided information regarding its history of providing loans to

small businesses, and prospective loans to small businesses other than its affiliate company, Clear Water Construction Partners. Responding to a question about changes in NPH's financial position, Mr. Cummins said he will provide more complete financial information once the 2023 audited financial statements are received.

Mr. Grassham said he checked the Small Business Administration (SBA) list of small business lenders and did not see NPH. Mr. Cummins said he would check on it, and NPH might be included on the Arizona list of SBA small business lenders.

EXECUTIVE DIRECTOR/INVESTMENT ADVISOR REPORT

- Mr. Cummins noted that loan documents with B:Side Fund have been completed and signed. Loan documents for B:Side Capital are still in process and are taking longer because using SBA Community Advantage loans as collateral requires SBA approval.
- DreamSpring has increased lending activity with outstanding loans increasing to over \$4 million. DreamSpring will hold its 30th anniversary celebration on November 13th and NMSBIC board members are invited.
- Enchantment Land Economic Development Company indicates it is getting closer to being ready to execute loan documents with the NMSBIC. Mr. Cummins said it's been over a year since the NMSBIC approved the line of credit, and he plans to bring this back to the board for re-approval before signing loan documents.
- LiftFund notified the NMSBIC of turnover in key management positions. Mr. Cummins will reach out and establish contact with the new management team.
- RBC GAM has not delivered any new SBA pools for several months. There are \$9 million in SBA pools delivered versus the NMSBIC's \$25 million commitment.
- Ventana Fund has \$26 million in outstanding loans versus the NMSBIC's \$29 million commitment. Todd Clarke will make a presentation at the board meeting later today.
- WESST indicated it is in process of charging-off a \$29,000 NMSBIC loan. WESST's charge-offs have historically been very low. Also, Agnes Noonan announced her retirement as WESST CEO, and a search for her replacement is in process.
- Earlier this year, Tom Stephenson indicated the Verge I II Combined limited partnership might be terminated early. However, there have been no more communications about a possible early termination. The partnership is scheduled to terminate on December 31, 2025. Ownership in any active companies will be distributed to limited partners.
- Loftis & Lovato was unable to provide a person for NMSBIC administrative support, therefore the current engagement letter was not modified. Financial analysis support from Michelle Corley of Loftis & Lovato is working out well.
- Mr. Cummins thanked Mr. Grassham for his involvement in planning the Housing Conference in Hobbs on August 20th. The conference was sponsored by Ventana Fund. Mr. Cummins and Chair Smith attended the conference, which was well attended and appeared to be well-received by the Hobbs community.

- Mr. Cummins made a presentation to the Investments and Pensions Oversight Committee on August 29th in Taos. He felt the presentation was well received. Ms. Yamada and Mr. Garduño attended via teleconference.
- Mr. Cummins discussed prospective new NMSBIC lending partners including the New Mexico Climate Investment Center, the New Mexico Black Chamber of Commerce, and Hexagon Housing Fund.

Ms. Beckett asked if there is an opportunity regarding tiny homes. Chair Smith suggesting asking Todd Clarke about tiny homes during his presentation later today.

Ms. Alley joined the meeting at 9:45 am.

RENEWAL OF WEBSITE MAINTENANCE CONTACT WITH HOLLY COMPANY

Mr. Cummins noted that the Holly Company has been hosting and maintaining content on the NMSBIC's website for several years. He recommended renewing the contract for one year. Chair Smith commented there is some dated material on the website including information about the NMSBIC's equity investments. Mr. Cummins said he and Ms. Bradshaw-Eakes have discussed that. Ms. Bradshaw-Eakes typically updates information on the website each year after the NMSBIC's annual report is issued. The annual report has just been provided to her, and he expects updates to be made soon. As part of the update, Mr. Cummins has asked Ms. Bradshaw-Eakes to remove old information about the NMSBIC's equity investments.

Mr. Valdiviez moved for the NMSBIC board of directors to approve:

- **Renewal of the www.nmsbic.org website maintenance contract with Holly Company Strategies for one year, from December 1, 2024, to December 1, 2025, at a cost of \$2,380 per year, plus gross receipts tax, 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, 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 documents have been completed.**

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

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

Mr. Cummins said that at the last meeting the NMSBIC board of directors approved a waiver of the Liabilities-to-Net Assets ratio for the New Mexico Community Development Loan Fund (The Loan Fund) through October 31, 2024. It was noted that

The Loan Fund is taking actions to correct the matter which would require time to take effect. The board indicated a preference to provide a waiver for a shorter period of time, and to monitor the situation. Mr. Cummins provided updated information on actions being taken by The Loan Fund, which include working to increase Equity Equivalent (EQ2) funding from banks, increasing rates on new loans, and implementing an origination fee on new loans. Mr. Cummins referred to an updated financial statement recap in the board package for The Loan Fund with results from its December 31, 2023, audited financial statements. He recommended extending the waiver for The Loan Fund's Liabilities-to-Net Assets ratio through December 31, 2024.

Mr. Grassham asked about the increase in The Loan Fund's allowance for loan losses. Mr. Cummins responded that The Loan Fund's charge-offs have increased, primarily related to loans originated during the COVID-19 pandemic. While the charge-offs have increased for The Loan Fund, the overall level of charge-offs is still relatively low when compared to some other CDFI's. Mr. Grassham and Mr. Valdiviez indicated they would like to see more detail about The Loan Fund's charge-offs. Mr. Cummins said he would provide additional information.

Regarding The Loan Fund's current EQ2 funding, Chair Smith said the NMSBIC has allowed it to be treated as capital for the Liabilities-to-Net Assets ratio. He noted that EQ2 funding is subordinate to the NMSBIC's senior debt, just so we are clear on why we are doing that. Responding to a question, Mr. Cummins noted that EQ2 funding is carried as a liability on lending partner balance sheets.

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 December 31, 2024, 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 unanimously by roll call vote.

RESOLUTION AUTHORIZING TRAVEL EXPENSE REIMBURSEMENT FOR THE NMSBIC EXECUTIVE DIRECTOR/INVESTMENT ADVISOR

Mr. Cummins said that since 2012 it has been a standard practice for the NMSBIC to reimburse the executive director/investment advisor for NMSBIC travel expenses outside the Albuquerque – Santa Fe area. He added that this is not addressed in his professional

services contract but was documented in the original request for proposals in 2012. Randy McDonald suggested having the NMSBIC board pass a resolution authorizing travel expenses for the executive director/investment advisor and drafted the proposed resolution in the board package. Mr. McDonald added that when we do the next professional services contract, we will add it in.

Mr. Cummins noted the resolution shows the NMSBIC board chair will approve any travel expenses. The practice for approving travel expenses for board members is for the secretary/treasurer to approve, and he recommended having the secretary/treasurer approve his travel expenses to be consistent with the existing practice.

Ms. Beckett moved for the NMSBIC board of directors to approve the following Resolution for Executive Director/Financial Advisor Travel Expenses:

RESOLVED, that the Executive Director/Financial Advisor of the corporation be reimbursed for travel expenses incurred in the performance of his duties with respect to travel outside of the Albuquerque/Santa Fe area in the same manner and in accordance with the same procedures as public members of the NMSBIC Board are reimbursed for such expenses; and it is further

RESOLVED, that travel reimbursement requests of the Executive Director/Financial Advisor be submitted to and approved by the NMSBIC Secretary/Treasurer prior to payment; and it is further

RESOLVED, that past reimbursements of travel expenses paid to the Executive Director/Financial Advisor for travel outside of the Albuquerque/Santa Fe area be and hereby are ratified and approved.

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

VENTANA FUND UPDATE AND PROPOSED HEXAGON HOUSING FUND

Todd Clarke, Ventana Fund board chair, and Keith Flynn, Ventana Fund director of finance, joined the meeting. Chair Smith welcomed them to the meeting. He asked Ms. Beckett if she would like to ask her question.

Ms. Beckett asked Mr. Clarke if he could provide any insight into the development of tiny homes. She noted that churches and cities having been trying to figure out how to do that and was wondering if there was a business opportunity where a city or the state might donate land and provide services. It seems like this could be a way to address homelessness.

Mr. Clarke responded that development of tiny homes does not appear to scale very well. There is a local developer offering tiny homes at a price of \$179,000, which is not

really that cheap. It appears it's really about if someone can figure out a way to make it scale to bring down the cost. There is a developer building tiny homes in Las Vegas, New Mexico, at a price around \$100,000, but the state wants to treat them like mobile homes and has been taking about 18 months to get approved. There was a tiny home village built in Zuni. The concept was a \$5,000 tough shed with heating, cooling, and a bathroom, which brought the price up to about \$20,000. If you look back before the 2008 housing crisis, New Mexico had two or three manufactured home factories, but then the housing crisis hit, and those factories are gone. If we had someone who could produce tiny homes with scale, that would probably bring the price down. Another challenge can be getting an appraisal to support the price.

Mr. Clarke turned to Ventana Fund. He noted that Ventana Fund started out several years ago with \$2 million in seed money from Housing New Mexico. With help from the NMSBIC, Ventana Fund should have \$38 million in loans by the end of this year. Its three-year strategic plan is to grow to \$50 million in outstanding loans.

Mr. Flynn noted that Ventana Fund is about \$3 million away from drawing the full \$29 million on NMSBIC line of credit. Ventana Fund plans to request additional funding from NMSBIC in 2025 but wants to raise additional capital before it does. Mr. Clarke added that Ventana Fund is now covering 100% of its operational expenses with interest on loans and has reached a point where it has been able to hire full-time staff. In addition, the organization now maintains a year's worth of operational expenses.

Chair Smith asked about the term of Ventana Fund's loans. Mr. Cummins said Ventana Fund can use NMSBIC funds for up to 5-years on any property, with the ability to refinance one time. In theory it can be up to 10 years, but in practice the average loan is outstanding for about 3 years. With one refinance, we expect loans on properties to be outstanding for a total of around 6 years.

Mr. Clarke added the rate on new Ventana Fund loans is around 4.5% to 4.9%. Borrower payoffs are not motivated by the interest rate nearly as much as having access to equity in their properties. Property renovations increase the borrowers' equity, and borrowers are motivated to pay off Ventana Fund's loan to get access to their equity.

Mr. Cummins asked if paying off Ventana Fund's loan gives borrowers the opportunity increase rents. Mr. Clarke responded that yes, borrowers do have the ability to increase rents. However, Ventana Fund has put in place a tracking system to monitor rents after Ventana Fund's loan is paid off. Based on this there is a feeling that there is more permanent affordability than he originally thought there might be.

Mr. Clarke turned to Hexagon Housing Fund. Discussion about developing a new fund started when a borrower brought a 32-unit deal to Ventana Fund near the air force base in Alamogordo. The military base in Alamogordo is in desperate need of housing. However, in many cases, two service-members were going-in together as roommates.

With both salaries added together, the income was well over Ventana Fund's affordable housing limit. Ventana Fund considered going back to the US Treasury to modify its CDFI approval that is focused on affordable housing. Ventana Fund decided against changing its focus. A group of people involved with Ventana Fund believe there is a need for a new CDFI focused on developing housing not focused on income, and rather focused on targeted areas of New Mexico that would include areas around New Mexico's military bases.

Mr. Valdiviez said he spent time growing up in military housing, and noted a large number of military homes around Kirtland air force base had been bulldozed. Mr. Clarke responded that an assessment was done and many of those homes were two-bedrooms with one bath, a carport, and poor insulation. The current demand is for three bedrooms, with two baths and a garage.

Mr. Cummins asked if Hexagon projects would be focused in Albuquerque, or other areas of the state. Mr. Clarke responded that initial activity would likely be in Alamogordo because it has identified a partner interested in developing housing units in that area.

Mr. Clarke said that Ventana Fund would provide loan origination and administrative support to Hexagon Housing Fund. He hopes to come back to the NMSBIC board in 2025 with a funding request for Hexagon Housing Fund.

Mr. Cummins noted that NMSBIC requires new lending partners to have demonstrated the capability to provide small business loans. Mr. McDonald responded that the statute says a new lending partner must be primarily engaged or proposed to primarily engage in providing services to small businesses, and he does not believe there would be a problem.

Ms. Beckett asked if she heard correctly that the Department of Defense was building housing units around Clovis. Mr. Clarke said he monitors building activity around the state and is not aware of any units being developed by DOD. He added that the federal government can make a \$5 hammer for \$500, and does not believe it should be doing housing.

Chair Smith thanked Mr. Clarke and Mr. Flynn for their presentation. Mr. Clarke and Mr. Flynn left the meeting.

EXPANDED SERVICES REPORT

Mr. Cummins said his professional services contract requires him to provide a report on time spent on expanded services, which includes direct investments acquired upon termination of venture capital limited partnerships, or winding down activities of a venture capital limited partnership. Mr. Cummins referenced the expanded services

report included in the board package indicating he spent 17 hours on expanded services during the past six months.

NMSBIC PROPOSED BOARD MEETING SCHEDULE FOR 2025

Mr. Cummins presented proposed NMSBIC board meeting dates for 2025. He said this is for information only, and he will present this again at the December meeting for approval.

BOARD CONTINUING EDUCATION

Mr. Cummins referred to charts from with Federal Reserve Economic Data (FRED) from the Federal Reserve Bank of St. Louis, with data for various New Mexico economic indicators.

CHAIR'S COMMENTS

Chair Smith said we are continuing to look for new lending partners, and he recently met with Raza Fund, a CDFI that provides funding for charter schools, healthcare, specialty finance, and affordable housing. Mr. Cummins noted that feedback from a recent Investment and Pensions Oversight Committee meeting noted a need for medical facilities in New Mexico. Chair Smith said we will continue discussions with Raza Fund, and to please keep eyes and ears open for opportunities for the NMSBIC.

ADJOURNMENT

Mr. Valdiviez moved to adjourn at 11:58 a.m. Ms. Beckett seconded the motion, which passed unanimously by roll call vote.

ADJOURNMENT: 11:58 a.m.

Joshua Smith, Board Chair



Date

12/12/24