

NORTHERN NEW MEXICO COLLEGE



**NORTHERN NEW MEXICO
COLLEGE FOUNDATION BOARD
MEETING**

JUNE 28, 2021

NOTICE

Northern New Mexico College Foundation Board will hold a regular meeting on **Monday, June 28, 2021**, at **10:30AM, Via Zoom**.

Join Zoom Meeting

<https://nnmc.zoom.us/j/92838047189>

Meeting ID: 928 3804 7189

One tap mobile

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Meeting ID: 928 3804 7189

Find your local number: <https://nnmc.zoom.us/u/ad4eYs369e>

FINAL AGENDA

- I. CALL TO ORDER**
- II. APPROVAL OF AGENDA – Action Required**
- III. APPROVAL OF MINUTES – Action Required**
- IV. NEW BOARD MEMBER – DAMIAN L. MARTINEZ, Esq. – Action Required**
- V. UPDATE ON FINANCES – Informational**
- VI. FUNDRAISING STRATEGY – Action Required**
- VII. INVESTMENT STRATEGY – Action Required**
- VIII. ADJOURNMENT – Action Required**

In accordance with the Americans with Disabilities Act (ADA), physically challenged individuals who require special accommodations should contact the President's Office at 505-747-2140 at least one week prior to the meeting or as soon as possible.

MEMORANDUM

To: Northern New Mexico College Foundation Board

From: Richard J. Bailey, Jr., Ph.D.
President

Date: June 28, 2021

Re: Foundation Board Meeting Minutes

Issue

Northern New Mexico College Foundation provides Board Minutes from the previous meetings for approval.

Recommendation

Staff recommends that the Board of Regents approve the attached Board of Regents Minutes for July 9, 2020 and November 4, 2020 as submitted or if applicable, as amended.

**NORTHERN NEW MEXICO COLLEGE
FOUNDATION BOARD MEETING MINUTES
JULY 9, 2020**

Northern New Mexico College Foundation Board held a regular meeting on July 9, 2020, at 9:30AM Via Zoom. Those in attendance from the Board of the Foundation were: Alfred Herrera, Tania Sanchez, Dorian Newton, PhD, James Owen, Ricky A. Bejarano, and Richard J. Bailey, Jr., PhD. David Eyler was unable to attend.

Staff in attendance: Amy Peña, Executive Office Director

Other attendees: Adam Ciepiela and Cameron Killeen

I. CALL TO ORDER

President Bailey stated with Board President Herrera's permission the meeting will begin and as others come in, they will join the meeting. Board President Herrera stated absolutely and asked President Bailey to lead the meeting as he did the last time. President Bailey called the meeting to order at 9:39AM.

II. APPROVAL OF AGENDA

President Bailey confirmed everyone could see the screen. President Herrera entertained a motion to approve the Agenda as displayed on the screen.

Board Member Bejarano moved to approve the Agenda. Second – Board Member Sanchez. A roll call vote was taken. Board Member Herrera - yes, Board Member Bejarano - yes, Board Member Bailey – yes, Board Member Sanchez – yes, Board Member Owen – yes. Motion passed unanimously.

III. APPROVAL OF MINUTES (June 4, 2020)

President Herrera asked if there were any questions about the minutes and entertained motion to approve the minutes of June 4, 2020.

Board Member Bejarano moved to approve the minutes from June 4, 2020. Second – Board Member Sanchez. A roll call vote was taken. President Herrera - yes, Board Member Bejarano - yes, Board Member Bailey – yes, Board Member Sanchez – yes, Board Member Owen – yes. Motion passed unanimously.

IV. CHARLES STEPHEN REIT DISCUSSION

President Bailey stated we have a good Agenda today and this came out of the meeting of June 4, 2020. The Board was interested in hearing from Charles Stephen on specifically on the REIT discussion. We are grateful to have Adam Ciepiela present for an information discussion about where we are at and specifically with the REIT. President Bailey turned the floor over to Mr. Ciepiela. Mr. Ciepiela stated he would like to go after Cameron to keep him on his schedule. He asked that the Board go to Item V. There was no objection from the Board for this change.

Mr. Ciepiela stated he would like to talk about the REIT and what they are doing. First thing he is going to do is share where we sit with it. A REIT is a Real Estate Investment Trust. Basically, what you are doing is giving professional real estate investors your money to use to buy certain properties and as a result you are lending your money and you get the value and dividends as they operate things. These are a non-traded REIT and are hard to value on a daily basis. They have always been held directly with Griffin Capitol. They own all three REITs and they are constantly just, they have a portfolio and we get a dividend (about 6%). A 6% dividend is pretty good. Mr. Ciepiela reviewed all three REITs for the Board. The dividends get paid to the general account. One pays in the general account, one in the Maley Account and one in the SERPA account. Mr. Ciepiela asked if there are any questions.

President Bailey asked if he could explain Griffin then report to him. How does the relationship work? Mr. Ciepiela stated it is an investment so they report back with a statement. They are in the same laws as any stocks or bonds. They get reports back from what the Foundation is invested in. Mr. Ciepiela will share the website with the Board for Griffin. The Foundation could sell them on the open market and we could get our money out. Charles Stephen would speak with Griffin about the open market and let the Foundation know what it could get out of it.

President Bailey asked in terms of their advice to us, we got in this in 2014 and decided to take \$270,000 of the corpus and buy these REITs, was the purpose to provide stability dividend share, lower the risk or was it to diversify the portfolio, what was the reason why we got into the REITS? Mr. Ciepiela stated it was pre-them and they did not recommend this, he doesn't have any idea why they did it. His guess it to provide stable income moving forward. To buy a REIT, they would recommend clients to buy REIT is it is a diversifier and a long-term play. This is for income and long-term diversification. Real Estate is a great asset class. The downside is it is illiquid and hard to get in and out of. The concern now is if anyone of these would file bankruptcy and some of those companies are too big and aren't really going anywhere.

President Bailey asked if now that we are in there and have them is your advice that we hold on to these and accept the long play or would you advise that the Board reconsider and something for the Board to consider at some point moving these things over? At some point if the Board is willing to be a little more risk tolerant, do we want to double down, sell these and put them in a liquid market and take our chances? Mr. Ciepiela stated he thinks this is the right call, \$270,000 out of the \$3.7M is a very small percentage from an asset allocation standpoint. That is something to consider, do we want to do a little more with this money. The rents haven't and aren't going to change for a couple of years because of COVID. You can always look at it and it is something to consider. They will keep the Foundation Board informed of any opportunities to exit and what it looks like. From where he sits 6% on \$270,000 out of \$3.7M is pretty good and the Foundation is not hurting itself by being in these and upward potential is what we are missing out on. In this current market, where we are, he doesn't know what it looks like moving forward in the next couple of years where it is single digits where this is going to provide steady income that is going to be reinvested into the Rochdale.

Board Member Owen stated he has questions and he apologizes that we are running out of time and running late. He believes these are important discussions we do need to have to lay out the investment strategy. Here is the biggest area of concern for him and why he asked Dr. Bailey and fellow Board Members to discuss the REITs. His concern with the current commercial real estate market, if you look at the trends based on the mere fact that we are all calling in from Zoom, WebEx or Google Applications, big companies are starting to realize that they need less office space and we learned through this COVID forcing function that we can still be productive while working from home. We are seeing that trend in LANL. When you itemize the Class E investments that we are in that are predominantly office buildings, not industrial centers, warehouses or medical facilities. His concern is when you look at the downside risk today, he thinks we have great upside risk with the strong economy and strong industry growth but looking forward his concern is that companies are going to be less interested in paying for office space when they can keep people working from home. He does see that as a very near-term risk and he does not know how long this could be sustained and asked if there is any way to isolate us from that risk.

Mr. Ciepiela stated that would be selling out of the REIT itself. Board Member Owen asked if there is any way to move from one class of REIT to another without selling out or being exposed to the downside of trying to sell out of this class. Mr. Ciepiela stated no, Class E that you see is the share class, we are in the essential asset REIT, to move it you would have to sell out of the REIT in order to move it. You can't just move it out of the REIT into warehouses. It is something we can look at and it is the same conversation do you put it in a new REIT or do you put it in Rochdale and let them kind of crank along as they go. It is something they are looking at, there are a lot of studies as to what it will look like.

The isolation would be to sell out and remove that risk from the Foundation so that would be the answer to the question. The only way to isolate would be to sell out and hedge that money to something with less risk.

President Bailey stated Board Member Owen's question is apt and companies are going to look at how they define what brick and mortar they do need. It is a fair question. He doesn't know the time or temporal dimension is for that. The other variable to consider is what is the market going to give us for getting out of the REIT and if it is enough to consider abandoning this dividend as it is now in order to let Rochdale or another class of REIT try to move this forward. This is the question.

Mr. Ciepiela stated it is less than you put in based on the numbers but you have gotten way more out of it but you are not at a loss for the value you have gotten. You are getting your money out of it for sure. You are not losing any money by doing this. Mr. Ciepiela will reach out to Griffin to see if we wanted to propose a sale what it would look like today.

Board Member Owen would recommend to the Board to ask Mr. Ciepiela to investigate what it would look like if we decided to cash out on these assets. President Bailey agrees.

President Bailey stated it comes down to a decision point. Right now, Rochdale is not going to give us 6% right now, at what point do the slopes start to cross and the dividends start to come down because of this economic change that is sweeping in terms of everyone moving to an online format versus where the economy is going to start to grow to the point that reinvesting this money will overcome the money we are getting in the dividend. That would be the decision point at which we pull the trigger and sell them off.

Board Member Owen stated if you go through the roster, he will look into it in more detail and will look at the companies that are renting the real estate assets. The good news is on average, he would assume, the term on the lease agreements is fairly lengthy and he would think the dividend or the return would be reasonably stable but he would expect the value to decrease over time or at least near-term decrease because of the inherent shift in office space utilization.

President Bailey thanked Mr. Ciepiela for this presentation. Mr. Ciepiela stated if there are any questions, the Board is welcome to email or call.

V. CITY NATIONAL ROCHDALE PRESENTATION ON PERSONALIZED ASSET ALLOCATION

President Bailey stated the Board approved at the last meeting City National Rochdale to partner with Charles Stephen on the management of the portfolio. They gave a great presentation to President Bailey and now Cameron Killeen will give it to the Board. Mr. Ciepiela stated Rochdale is one of the asset managers Charles Stephen has access to. What makes them unique is they only deal at a certain level and are high powered for the level where they are. The Board approved moving the accounts to Rochdale, that is in process, the money is moving over. Today's call is to introduce the Board to Rochdale and show the Board the packet with a lot of information. The Board received a big packet from them and they will show the process of what we will go through and what the experience will be working for them and making sure everyone is on board with the plan for the investments and is ok with how this is going. Cameron represents City National Rochdale to New Mexico. He lives in Los Angeles and covers Arizona, Nevada and New Mexico. They have worked with Rochdale about two years and have substantial assets with them and are glad the Board moved there because they are an exceptional manager and they are a unique thing for the Foundation.

Mr. Killeen stated that was a fantastic introduction and he appreciates it. Mr. Killeen stated he would give a 10,000-foot overview of who they are and how they came to partner with Steve and Adam and what their process is like and then he will dive into each one of the accounts and certainly take questions and discuss what the strategy will be for each one and make tweaks as needed. Rochdale is the high-net-worth money management arm of City National Bank which does not have a presence in New Mexico but fairly large regional bank that was purchased by Royal Bank of Canada. Technically they are the North American high network division of RBC which is the tenth largest financial institution in the world. They still operate fairly independently out of New York City and Beverly Hills with about 400 employees, a boutique high net worth money management firm. Their identity is based on a couple of key concepts that in his opinion set them apart. The first is everything they do is on a totally custom basis. They don't have any models, they don't have any products, every client they work with gets a portfolio that is built for them 100% from scratch. They assign each client their senior portfolio

management team. They require those professionals to be very credentialed, they require them to have 15 years' experience minimum and have an MBA and CFA. Their job is to construct the portfolio on the front end, management them on an ongoing basis and report back on an ongoing basis what they are doing for the Foundation, what trades they made, performance, how they view the economic environment and how it affects what they are doing for the Foundation. It is a thorough in-depth process. He used to work at Fidelity investments and the number you had to have with Fidelity before that type of relationship is \$100M so that is their unique value proposition is that they offer this for each client and allows them to get very granular. Another thing that is unique is they don't have their own clients. The partner with independent advisors but they really look for exceptional firms and advisors and act like one of their preferred solutions for clientele and their minimum is \$1M. They have a 97% retention rate and part of this is the synergy with their partnership with advisors. They do all their own investment work. It is all done in house and done using mostly individual positions. They have an asset allocation committee who is responsible for delivering on the research. Mr. Killeen asked if there were any questions thus far. Mr. Killeen reviewed slides presented to the Board (attached). They are not the home run guys, their focus is when is the next recession, how long is it going to last, where are we in the business cycle and how can we be effective to minimize risk for clients on an active basis.

James Owen asked regarding economic and financial indicators, they weigh indicators differently and asked how they are weighting them given them the different market. Mr. Killeen stated they are not weighted equally, interest rates is a big one, high or low interest rates have a good effect on economic growth. For example, at the end of 2018 when rates went up there was a lot of volatility on the market. Labor market is obviously huge which trickles down to consumer spending, this is a symptom of the unemployment rate and 70% of the economy is driven by consumer spending. Unemployment and where that is at is one that has weight. How does this relate to current? One, they are of the mind that it is going to take until about early to mid-2022 to get back where we were from a GDP perspective pre-virus. It is going to take that long to get even where we were. The labor market in May and June have been surprisingly positive and were better than expected which is an indication that things are improving faster than we thought. The market, especially the equity stock market has essentially written off 2020, they are focused on 2021 on what earnings profit and unemployment is going to look at 2021 and basing today's stock market on that.

Mr. Killeen stated they did put together some information on the three different accounts. The first one is the general account and these numbers are from the end of April so the actual total might be slightly off but is pretty close. They put together two portfolio options which are starting points to a conversation and can be agile over time. The color coding means the orange rows at the top are investments that they deemed to have high growth in nature and high volatility in nature and little or no cash flow. Anything small and medium size, international, merging markets in Asia will fit into the orange. This is also the category that lost 40% in the first quarter. The green is the safety bucket. This is cash, CDs, municipal bonds, corporate bonds, things that the good news is they are never going to go down, they are highly stable. Bad news is you also don't earn much in this category. The yellow is in between the two, it is medium risk, a medium long-term growth but generally high end in the cash flow. They are half as risky, companies like Verizon, Coca Cola, AT&T and are more stable and pay a lot of profit back to shareholders. The other things that fit into yellow are preferred stock, floating rate bonds, things that are a little riskier than the green but not as risky as the orange which will pay more. The purple is the square peg in a round hole. The things that don't fit in any of the categories, outside the norm. When they constructed these, they build the first with 40% in stocks. This would be a little more stable. The second with 60% in stocks would grow more but more volatility. They built them with the mind of driving a very health amount of cash flow.

Mr. Killeen stated to be clear and give a refresher there is two components too any investment return, appreciation and cash flow. The cash flow is very known and they can predict with a high level of accuracy what that will be. The appreciation they have no idea. This is unpredictable. The second portfolio almost \$56,500 in dividends and interest and it has a little bit more of a growth component and lower cash flow but better overall return in the long run.

President Bailey stated we are talking about our strategy as a Foundation and this is something Board Member Owen called us to think about. Realizing where we are at and realizing the College is putting College money on student scholarships, it means right now with very few exceptions we are not drawing from the corpus. The only exceptions are the Maley Scholarship (\$25,000 for Nursing) and the SERPA Endowment (money from a State grant to fund operations in Engineering). Those two aside, everything else we are basically going to let it grow while the College is giving students scholarships in the form of discounts. This is a good time for the Board to discuss where we are going to go for the next few years knowing that we are not going to do huge draws in terms of the endowment. Mr. Ciepiela stated this is technical and the thing to remember is what we showed is there are two options safe secure and predictable and the other more risk

for growth with less income and the income gets reinvested. It is a place to start with discussion. We can get granular and they can do the work behind the scenes and report back to the Board. This is more of two options and what does it look like to the Board and they will deploy it and report back.

Present Bailey asked what Adam and Mr. Ciepiela know where the Foundation is at what advice they would have for the Foundation vis a vis allocation one or allocation two. Mr. Ciepiela stated allocation one, in the context of where we are in the market and the uncertainty, the uncertainty is the virus. We started with the virus and now we have to wait for the vaccine and we all have to feel comfortable going our again regardless of what it looks like. With portfolio one it allows the Foundation to be more stable and predictable that if we have another pull back, what does that look like. Part of the review process as things move forward, he views this as a volume, we are on volume one and we could always move the volume based on the market. There is always that ability and that is what makes Rochdale so unique. They are buying individual stocks and bonds. They are being very selective. This is always an option and based on what he knows he would personalize one is where they would go.

President Bailey stated he agrees with Mr. Ciepiela and based on discussions with Adam, Steve and Cameron; this is a good move based on where the market is right now. For the Board to think about is that once we do have all those conditions in place that were mentioned, when things start coming and if as a Foundation if we are still focusing on the College to give out scholarships and the Foundation is interested in long term growth, if the board decides to go with allocation one, as we get out of this in mid-2022, it may be a good point to accept a little more risk because we are a little more comfortable with long term growth. Mr. Ciepiela stated that is why we use Rochdale; because they are so economic based, they take the emotion out of the decision. Rochdale will make these decisions unemotionally. Board Member Owen is on board with President Bailey's strategy. He has two questions to superimpose on this strategy and to be sure we are thinking about this carefully and being good stewards of the College's funds. The first question pertains to his personal investment and as a board member. It seems we are at a point again where stocks are yet again overvalued. If you do believe that then the question becomes how does this near-term strategy take that into account and mitigate some of the risk for us.

Mr. Killeen stated first worth noting, implementation wise they are very deliberate. When talking about these options it is not something, they are going to wake up tomorrow and do. This will take three to four months to purchase. They will be very deliberate about buying individual stocks. They are looking for the right opportunity to get in and can speed up or slow down if they need to. They are very deliberate. To the point of stocks being expensive, he would agree, kind of, many stocks are expensive and, in their opinion, there is a premium on precision. In other words when talking about the S&P500 there are some of those stocks you do not want to own. To them there are segments of the market, tech, health care, that are getting to be expensive by traditional metric. They are about 20 prices to earnings ratio that starts to get expensive. There are other segments, value, high dividend that are actually undervalued. They got more beat up in the down turn and haven't recovered as quickly as the growth names. The value of Rochdale is they are not going to buy the whole market. They are going to be very precise about how they deploy. He sort of agrees with Board Member Owen with the segment of the market, the answer is precision on how to invest and deploy. It is not buying the whole S&P 500. That worked for the last decade. That strategy of buy everything has worked, this is not that time. Mr. Ciepiela stated in the short-term clients that have been with Rochdale for a while so a few years, Rochdale was kind of the hero in March, they sold off and held about 20% in cash of the client's portfolio as a mitigator for their client's protection. For implementing this will not happen but if this happens it will be done again. They do this very well.

Board Member Owen stated long term his concern and he discussed in his speedometer view which he liked by the way, very simple, easy way to package the data so the average investor can look at it. Federal Government involvement is a big lever that we are depending on to help stabilize the economy and GDP. Are you concerned the feds may run out of runway or rope and may not be able to bolster the economy as strongly as we need? Mr. Killeen asked what Board Member meant as far as run out of rope. Board Member Owen stated he means we are taking on tremendous national debt because of our current monetary policy when do we reach a point, we can no longer do this either because our bond ratings are not as strong or our investment in the bonds are not as strong or other mechanisms. Mr. Killeen stated it is a certainly logical conclusion that is an eventual issue for us as a country and the US as a whole, we are of the mind it is a long way away. It does not mean it is not something that should be discussed and not something that should even be worried about, it is something that should be discussed and it is a problem that should be resolved. In the current time, and the evidence for it, the reason the 10-year treasury is less than 1% is because the treasury is simply that high. Yes, the fed had some artificial keeping rates low. Really that affects the short end of the curve, the fed controls up to about two years of interest rates. When you are talking about 10 year treasury it is controlled by the market, the fed has very little impact on that it is the demand or lack of

demand for treasuries and there is simply so much demand for safety right now so they have been driven below 1% so the dollar, the treasury is still the gold standard for what is safe and riskless and it is not even close and it doesn't mean eventually that is not the case because it is something that should be discussed and it is the logical conclusion but it is decades not years away. Board Member Owen stated this is what he wanted to hear is that it is decades. Mr. Ciepiela stated there is a lot of misconception about who owns our bonds and it is the Federal Reserve does so China does not own most of the bonds. So technically it is an interest free loan. We are not going to charge interest to ourselves so a lot of that money is on an interest free loan and one of the things America is good at is paying its interest payments. He agrees with Cameron that there is no doubt, from an individual standpoint, they are telling clients tax rates are going to go up because they have to because we have this unprecedented amount of stimulus and they are going to want to pay for it somehow. That does not affect the foundation but they are concerned about it, it is not an issue but further down the road.

Mr. Killeen discussed the Maley account and scholarship as of late April and the figure (attached) might be different but they constructed them so there is considerable cashflow from both. President Bailey stated the Maley account this is the account where the bulk was given by the Maley family and is specifically for an endowment for nursing scholarships. The plan is to draw \$25,000 a year for five nursing students for a full year scholarship. President Bailey talked to Dr. Maley and she is super excited about this. If the Foundation plans and projects we are drawing \$25,000 on this a year, it is good. Mr. Killeen stated this allows us to be more aggressive on the comfort level and we can focus on growing it. He would like to be more aggressive because we have so much more cashflow. It is about a 60/40 portfolio and moderate growth. Mr. Killeen stated a similar framework was done on the SERPA account. It is pretty similar in cashflow and could be dialed up and down based on need. President Bailey stated SERPA is the account we draw on for operational funds for the Engineering Department. This one varies each year and the Engineering Department understands it goes up and down depending on the market. From President Bailey's vantage point this is where we talk to Mr. Killeen and Mr. Ciepiela as to where to go. Mr. Ciepiela stated he would go with this setup so we are sure to keep the income steady and know where we are going year to year from a budget standpoint and the allocation can be changed. Mr. Killeen stated this is very predictable as well.

Mr. Ciepiela stated this is the bulk and can take questions from the Board.

Board Member Herrera stated he is curious and looking at allocation one and a yield of 3.78% is he too assume this is, there is a lot of assumptions coming up with these numbers and he realizes and asked if the period they are looking at in terms of annual projections and asked what that period is they are looking at. Mr. Killeen stated when it comes to dividends and interest, they are looking at calendar year so January 1 to December 31 and that number there are actually not that many assumptions, they look at what they like currently, what they hold currently for a lot of their clients and they are able to predict based on the size of the account with pretty high accuracy. To his question it is January 1st through December 31st calendar year, however, when they get to the prediction business is when it comes to the overall return. For that allocation one, the yield of 3.8 is accurate, the growth is where they get in the prediction business and what they do there is they don't look at historical, they look at the economic outlook. They look at those dials and where they see the economy and then they relate that to the various markets and where they see stocks and what they will do going forth. Together they add up to 5.7% and that is a projection going forward, so they think growth is going to be muted for the next several years. It is a projection of everything that is going on. Board Member Herrera asked if you are looking at January through December, does that in some way take into consideration post-election from November and whether or not there is a direct correlation in the administration in DC and how the market is going to behave? How does it factor in and are they looking at it day by day and month by month? Mr. Killeen stated election does not have as big of an impact as people think. People put more stock in the election than it has an effect. If there is going to be a big swing in either direction, one party wins House, Senate and President, they will look at it.

Board Member Owen stated it would be useful to have a risk measure for allocation one and allocation two just so they generally know the risk/return equation.

Mr. Killeen stated this is where they look at historical. The standard deviation number is a risk metric and it is based on historical volatility of all the asset classes and then the mix. It is tough to grasp what that means. Mr. Killeen presented the slide related to this. They put these portfolios through a stress test to answer one question and it is how will this portfolio behave in a bare market, a 25% drop in the S&P. If the S&P goes down 25% what is the connectivity to that with a pretty high degree of accuracy based on historical. The first allocation, the market goes down 25% and it will go about 10%. Where some of this customization comes in is, they are not telling us that, they can mold that. The Board can say

they are uncomfortable with the number and let them know the comfort level and they can take it and reverse engineer a portfolio that meets those risk characteristics.

Board Member Owen stated when looking at the return attributes, he understands this is estimated and you compare under the very bottom line on the spreadsheet, asset allocation one versus asset allocation two, he finds interesting, the yield percentages are not all that different between allocation one and allocation two but the growth is. If we feel that the amount of money is available to us every year from yield dividends, etc. are sufficient and more than we need, we may want to take a closer look at asset allocation two.

Mr. Killeen stated he agrees, as long as you can stomach the increased volatility then he agrees allocation two is going to produce a summer yield and better. It is being able to stomach that volatility and it makes sense.

Board Member Owen asked what mechanisms they would use to somewhat isolate themselves from that volatility, meaning, if they know the bottom line is we need roughly \$22K for the Engineering Fund and \$25K in the Nursing Fund, if we had a couple years of reasonable good yield that were above that is there any way to hold, would it be wise to hold that money to buffer some of our exposure to variability and yield from year to year as in (inaudible) or risk investment so that if we did run into a bump in the stock market we could draw from very secure dollars and help supplement our annual need.

Mr. Killeen stated the yield will not have much variability at all. With any excess, what they would recommend is reinvesting those in the portfolio. As referenced, we use cash as an asset class and as a risk off so to speak tool. Right now, a lot of the portfolios have about 10% cash so there is already a buffer built in. That yield is not going to vary much from year to year, it is the value of the portfolio. The yield is going to stay steady; the value of the account is going to fluctuate on a year-to-year basis.

Board Member Owen stated this is a good explanation and makes sense. What Board Member Owen is pointing out to the Board is we may just want to look, he narrowed in on allocation one but after looking at risk to return factors we may want to look more carefully at allocation two just as a decision point.

President Bailey stated he fully agrees and it is something for the Board to consider. He thinks it is something for the Board to consider going forward and we are in a volatile time as well. Allocation one is one of those based on where we are at and all the uncertainty it is kind of a cushion for us. He is open to that moving forward, especially as we come out of this, especially with what we are planning to do with Foundation funds and the fact that we are not really doing huge draws, we would be well served to do allocation two down the road.

President Bailey asked if there are any other Board comments.

Mr. Killeen stated this is all he has and if there are any questions, the Board can certainly contact him. President Bailey thanked Mr. Killeen and his time and expertise.

VI. FOUNDATION INVESTMENT STRATEGY DISCUSSION

President Bailey stated everyone knows about the near- and long-term strategy and asked if anyone would like to jump in. President Bailey stated from his perspective because we are only drawing from Maley and SERPA and looking at growing he thinks we should consider Allocation One and as we climb out of this, we could be more risk tolerant and the margin for growth is much greater that we look at it. The long-term strategy for this Foundation is for the Foundation to grow its corpus too \$10M to the point at which it is \$10M, at that point, the Foundation would be able from its own interest basically to have an operational account and be able to pay for an Executive Director to really get this thing into overdrive. Similar to what UNM did decades ago. Right now, we are just not there, we just can't do that and the College can't spend more on the Foundation than the Foundation raises on funds for students. This is why we are in this unique position but he thinks it is an opportunity thanks to Board Member Bejarano and thanks to what the College is doing on the business side to offer scholarships through the College. The good news is one, last year we gave more scholarships to students than in the history of the College and he dare says we are going to do even more this year. The only extra thing we have this year that we didn't have last year is that the Governor pushed and the Legislature supported the Governor's Opportunity Scholarship. We are going to beat our own record; students are going to have more opportunities this year even in this economy. All that is good.

Board Member Sanchez asked if the difference between allocation one and two is only about 1% difference, estimated return, correct? Board Member Bejarano stated 1.1%. Board Member Sanchez asked if that is typical and she knows that they based this on our situation. It seems like it is such a close, less than 2% difference.

Mr. Bejarano stated for him it boils down to whether we want the long-term growth strategy and to adhere to that. Right now, the numbers may not make a difference but as time goes on, that growth factor increases or the strategy would be to increase the growth factor. Where do we want to set ourselves, do we want to set ourselves at current revenue coming in or are we more interested in foregoing a little bit of that go into the savings account. President Bailey stated the good news is there is enough cash flow in either option, enough to do what we need to do in terms of the draw.

Mr. Bejarano stated if we would have looked at this before we were as concerned about the pandemic, in February, the allocation would have looked different from now. With the uncertainty we have with the spikes and stuff, he knows, on a personal level, he is being advised to sit still. This is not the time to make any significant changes. This is just to keep on the back of our minds. He would not hang our hats that it is going to be consistent, the way the economy has gone, things are constantly changing and it is dynamic and not in a good way. That is what keeps coming back to him, on a personal level or for the Foundation or College. He does not think anything can be seen as signed, sealed and delivered for any long-term period of time.

President Bailey stated in terms of where we go from here if the Board would concur, he would like to pick up this discussion something in the fall. As we look toward the horizon and in terms of the Foundation investment strategy, we are going to continue to talk about the difference between allocation one and allocation two and talk about risks we are willing to accept, take James advise on what he discovers in terms of the REITs and whether or not we want to sell those off, move them or leave them there. The other thing, from President Bailey's perspective, he knows that we made a decision to hold off on the RFP for the Charles Stephen account so far and based on what Board Member Bejarano said, don't change in the middle of the hurricane, stay where you are at, we may want to consider the long-term strategy for what we are doing. If the Board is comfortable with Charles Stephen and Rochdale, do we want to pull the RFP. This is something to look for in long term.

Board Member Bejarano stated the only other thing he would ad in that regard is the decision to RFP on a periodic basis and it is set at one year, that is a Board policy that was set long ago that was just not being followed. This Board can opt to say no this decision is going to be made by the Board at whatever time interval we think is appropriate. He was surprised we RFP this because anytime, it is like switching hairdressers and dentists if things are going ok. Board Member Bejarano stated his recommendation would be that the board give itself the flexibility and authority to give whatever investment firm the board sees fit at that point in time and make that decision that way. RFP for investment strategy is different than RFP for computers. Depending upon relationships and trust and other things you cannot measure. President Bailey stated he thinks we should exercise this authority as a board and decide when we want to do it. At the same time, we want them to know we are holding them accountable.

VII. PRESIDENT'S EAGLE FUND

President Bailey stated he wanted to give the Board an idea of the funding that has come in for the President's Eagle Fund. We are now right around \$170,000 or \$180,000 in donations to the President's Eagle Fund and are confident we are going to get to \$250,000 which is the goal. Part of this was a flow through for the Mill Levy, there is a project for Prosperity Works for student's and single parents who are students. There is money that is going for equity and diversity including money given to us by the Santa Fe Community Foundation and New Mexico Foundation which is allowing us to run the farm and money used for the Food Depot in Santa Fe and masks that were purchased that we are distributing to everyone.

Board Member Owen stated this has been one of the most productive meetings since he has been on the Board. He agrees with the recommendation with the long-term investment strategy. We should have something written down that identifies the investment strategy. He likes the goal of \$10M and then the opportunity to revisit and draw interest and paying for full time staff. Regarding the Eagle Fund, Board Member Owen would like to donate to the fund and he will send a check in. He thanked everyone for allowing him to ask a lot of questions for this meeting. Board Member Owen left the meeting at this time – 11:16AM.

VIII. CENTURY BANK ACCOUNTS UPDATE

Board Member Bejarano stated we have four accounts at Century Bank and from an accounting perspective he thinks we could with two. He will let the Board know the balances. Currently we have an investment account and the balance is at \$47,801.49 and the investment account, anything that is where money is parked that will end up in the portfolio, that was the intent of the account. Ultimately that money should move to help building up the portfolio. We have an operational account sitting at \$9,431.00 since we don't have a director, those types of expenditures, this is about right as things come up. We have an unrestricted account where we know that the money can be spent for any Foundation purpose whether it is administrative or the money could be used for scholarships, it is unrestricted as the name implies at it is \$18,925.81 and the final account is temporary restricted. This was set up for where we don't know what the donor wanted to do with this money. This is one of the accounts Board Member Bejarano stated could go because we should know where it goes.

IX. CARR, RIGGS & INGRAM FOUNDATION ACCOUNTS UPDATE

Mr. Bejarano stated we had hired CRI Accounting Firm who are also now going to be doing our audit to do a reconciliation of our endowment accounts. That went by the wayside when they got going because of COVID, everybody went home. There was not a lot of activity. He spoke with the accountant that is working it, we are getting ready to roll back into it again. We are going to renew the contract and roll it into 2021. Essentially, that will let us know if we have any (inaudible), discussed it before, we had situations where potentially we had money in one account, one endowment fund that belonged to another and we needed all that reconciled and straightened out but the other piece is that actually, the contract we did with CRI gives us assurance. There are two ways to do these types of contracts, one is that basically agreed upon procedures where there is not necessarily assurance, we are telling the firm to do and what we want to get out of it. In this case they are going in and saying this is the information we need and how we need to reconcile it to assure ourselves that the numbers are correct within each endowment fund and they give us a letter, basically they sign their name to it. We chose the latter because we wanted that kind of assurance for the fund. We are getting ready to kick this off this morning and Board Member Bejarano spoke with Sara Specht this morning, she now works out of Washington, DC but she is with the firm which is in Albuquerque, Carr, Riggs and Ingram and it is proceeding nicely.

Board Member Bejarano stated the other thing discussed was not necessarily for today but we need to consider moving the Foundation accounting into a system separate from the College so it is acting like a component unit than just another fund within the College as it was originally set up. There is not so much activity that we cannot do it with a real simple system, QuickBooks has a nonprofit system and that is probably what we are going to use for the Eagle Corporation and in talking to different firms a few of the other foundations that are using QuickBooks, we are doing investigation but we would do it and do it up in the Cloud so it is backed up consistently.

President Bailey stated there is still money the Foundation owes the College and they are still looking at ways to do that. That is why we hired CRI to do this analysis for us so that at some point the Board will have a picture of what is in the bank, what is flexible and moveable, here is our upcoming expenses and strategy to pay back the College. There is another good update, President Bailey and Ms. Pepper had a meeting with Joanna Gillespie from Los Alamos and in addition to the Eagle Fund which we are going to add and get to the \$250,000 she works the employees giving network and once we hit the \$250,000 then the focus is going to be to build on the corpus of the Foundation with the goal of getting to that \$10M. That will go a long way to helping us pay the debt and long term grow that it becomes its own independent entity. What Mr. Bejarano mentioned about the separate accounting structure will be a good step in that direction.

Board Member Bejarano stated another advantage of doing this is that we will have a director and possibly an administrative assistant at some point and be able to afford it, what would be good about now extricating the Foundation, right now it is weaved in the College, when the director comes in, here are the books and what questions do you have and then they can move on independently which is the way you want it set up in the long run. President Bailey stated this is a long-term strategy.

X. ADJOURNMENT

Board President Herrera called for a motion to adjourn.

Board Member Bejarano moved to adjourn. Second – Board Member Sanchez. A roll call vote was taken. President Herrera - yes, Board Member Bejarano - yes, Board Member Bailey – yes, Board Member Sanchez – yes. Motion passed unanimously.

The Foundation Board adjourned at 11:25AM.

Approved:

Alfred Herrera
President

Tania Sanchez
Vice President

**NORTHERN NEW MEXICO COLLEGE
FOUNDATION BOARD MEETING MINUTES
NOVEMBER 4, 2020**

A Regular Meeting of the Northern New Mexico College Board was held on Wednesday, November 4, 2020, Via Zoom. Board Members Present: Alfred Herrera, James Owen, David Eyler, Richard J. Bailey, Jr., PhD, Ricky A. Bejarano, CPA, CGMA. Board Member Sanchez was unable to initially join the meeting due to technical issues but joined the meeting at 1:38PM.

Northern New Mexico College Staff Present: Amy Peña, Executive Office Director.

Others Present: Betty Espinoza, Ryan Cordova, Stephen Ciepiela, Rachel Crane, and Julianna Barbee

Board Member Bailey stated he has the Agenda in front of him and with his permission he will run the meeting. Board President Herrera agreed to Board Member Bailey running the meeting.

I. CALL TO ORDER

The meeting was called to Order by Board President Herrera at 1:38PM.

II. APPROVAL OF AGENDA – Action Required

Board Member Bailey asked if there were any changes to the Agenda. Board President Herrera entertained a motion to approve the Agenda.

Board President Herrera moved to approve the Agenda. Second - Board Member Bejarano. A roll call vote was taken. Board President Herrera – yes, Board Member Eyler – yes, Board Member Owen – yes, Board Member Bailey – yes, Board Member Bejarano – yes, Board Member Sanchez – unable to respond due to technical issues. Motion passed unanimously.

Board Member Sanchez was unable to join the meeting.

III. DRAFT FUNDRAISING AND INVESTMENT STRATEGIES

President Bailey stated this item showed action required but this is really an item for discussion. President Bailey already sent a draft of this too the Board. He stated he knows that this has to be reviewed before Board Members Eyler and Owen leave the meeting and asked that that item be reviewed first. Board President Herrera stated that would be fine.

President Bailey stated he knows Board Member Eyler, Sanchez and Owen only have a few minutes and he asked if he could give a quick look at this strategy. This is on page three of the packet. This is something Board Member Owen wanted to talk about and President Bailey stated he wanted to put something together to start a dialogue and we don't have to solve this today but wanted to get initial thoughts. President Bailey wanted to put together a fundraising strategy and an investment strategy. When he talked to Judith Pepper, Major Gifts Officer about fundraising strategy and the question was if you had a large chunk of money what would you do with it. The answer for President Bailey is he thought of it in terms of a time horizon. In the immediate term, it is holistic

student services. He is really grateful and proud of what this Foundation has done when it created the President's Eagle Fund, the College did so many things using that funding for the food pantry, the chrome books, the jetpacks and all that stuff is because of that vision. The College was able to take small investments and really do amazing things with this. This is the immediate term. The medium term is in terms of infrastructure and the goal has been set at Northern for both of our campuses to be energy net zero by the end of the decade. We are doing that slowly but surely, using capital outlay money from the State to help us with that. Also using ENMRD to do this work. If we had large donations, President Bailey would look toward that renewable energy transformation because that saves the College money for the next thirty years. Lastly, philanthropic foundation and President Bailey knows this will make everyone crazy. He would think at the point at which we were able to get to a corpus of \$10M, we just hit \$4M, even though that will take a long time at that point that is when the Foundation would hire its own Executive Director, work in a way that is analogous in a small way to the UNM Foundation. Those are the three pillars President Bailey sees in the fundraising strategy.

President Bailey stated the investment strategy is more of what Board Member Owen envisioned. We know the Maley Endowment is sitting at \$1.3M, the SERPA is at \$720,00, those are going to pretty solid and are specific. The general endowment now with the gift that we are going to put in there, it is going to be closer to \$2M and then we have the operational accounts in Century Bank. President Bailey stated if he had to put the starting pieces on it, current investment strategy. One is we do Maley and SERPA endowments which are done every year to do basically what we have been doing for the past two years. The general endowment, we leave it as much as we can, we let it grow because ultimately the more we do that we are going to get closer and closer to the \$10M and in the interim the College is raising money for those scholarships that would be pulled out of that account. There is the payment we owe the College, those dividends that they were talking about, we can use those over the next couple of years to pay the debt the Foundation owes the College and at that point we are cooking with gas. President Bailey opened this up for comments.

Board Member Owen stated this is great and what he was envisioning. His first broad review looks fine and he thanked President Bailey for taking the time to do this and he will take time to review this. He likes that President Bailey is establishing an endowment funding goal of \$10M before engaging in section three of the fundraising plan. President Bailey stated the Board should take time to review it and as they want to make tweaks or make some clarification then we are golden. When they marry together it gives time to have a strategy.

Board Member Eyler said he agrees with Board Member Owen and asked President Bailey how he wants feedback if any. President Bailey would ask that direct email be sent to President Bailey. At the next meeting, he will then capture everything, send it all out and the Board can hash it all out from there.

Board President Herrera stated this looks fine and he appreciates the thought process. He has a side comment related to fundraising. He doesn't know if anyone is familiar, he buys a lot of stuff through Amazon. There is a location through Amazon where you can identify a charitable organization and NNMC Foundation came up as one of those organizations. Immediately, he started buying through Amazon under this ability to do this. Part of what happens is some of the money spent through Amazon goes back to the Foundation or organization. President Bailey will talk to Ms. Pepper and ask her to research and this can be promoted by the College.

Mr. Ciepela reviewed the investment strategies with the Foundation Board. When they redesigned this, what they are going to find is you have what is called an investment summary and they broke this out. There are three accounts, General Account, SERPA Account and Maley Account. Before they used to be put together and now, they are broken down separately. In all accounts what we have right now, we have City National Rochdale and Rachel is on the phone and they are an institutional manager, they are managing money and you will see why they like City National because it is the first time in a long time, we can actually do some kind of a projection as to how much income you can expect to get out of each account to pay scholarships each year. Each account has City National Rochdale and each account has little bit of a growth, money left in the account and that is basically for distributions for this year and each account has Griffin Capital, it is a real estate investment trust. When they

took over this account it was all in annuities and real estate investment trusts. There are two different types of investment trusts there is liquid and illiquid and this real estate investment trust is illiquid which means you can try and trade it. They are not trading any of it now as you can understand and if you do you trade it at a big discount. They did get rid of some of the REITs they could, they kept these because of what they are doing, they are paying a 6% dividend like clockwork and have been since they took over the account in 2013. They haven't made any changes with them it goes into the other accounts. When you look at what you invested, the current value is very close to what initially was invested back in there. The real estate investment trust, there is really not much we can do with them except watch them, that is what they are doing. The other advantage of City National Rochdale is every quarter if you like, you get to talk with Rachel Crane who is responsible for the management of the account. At no other time has this account been in a situation other than them, they could talk to the people who are directly managing the account. Mr. Ciepiela introduced Rachel Crane.

Ms. Crane stated the market has been calm about the election and up even and that up in the market is actually they would say primarily in response to what has happened in the Senate and the fact that the Senate has maintained a Republican approach. Some of what was on the proposals for Biden if we had seen a Democrat sweep would have led to higher corporate tax rates as an example. The market likes a split government, in fact, that has been true historically. It is not a surprise today that the market is up. Of course, we do not know the full outcome yet. When they look at the outlook they are focused primarily on the economy. The economy has done well with Republicans and Democrats and all combinations. What they are really focused on and as it relates to this portfolio is are we going to continue to see the economy grow. They believe they are. They have great third quarter GDP numbers that recently came out but it is not that hard for third quarter GDP numbers to be great when second quarter were as bad as they were. We had a sharp downturn when we turned off the economy, second quarter. We have turned it back on and it has gone pretty well. About half of the jobs that were lost have now been regained but those are kind of the easy half, the next are going to be more challenging. Because of that we need more stimulus and Congress has been debating how much stimulus and where it should go as it relates to some of the things you may be thinking about. The Trump administrations versus the latest Democratic proposal and where this stimulus might go to. For example, state and local aid is a major area of debate between the two groups. That is going to filter down through state budgets and how we are going to see individual states economy continue to recover. This debate is likely going to continue now that we see the Republicans kept the Senate. The reason why this is so important because we need the economy to reopen. That is going to be the primary driver of returns in this portfolio and economic growth. In the meantime, where we can't reopen, we need more stimulus. We are likely going to see two trillion more, the market has already priced this in and expected that that is going to be the case. Where we see areas of concern today, that concern is around whether or not we are going to get through the flu season and still be able to maintain the open economy. When we look at Europe, that has been challenged most recently and we are seeing some shutdowns in Europe, that is going to slow down their economy. That may happen here, some stops and starts. Based on the data so far and better data than we originally feared in terms of hospitalizations, then we are going to continue to move forward. She understands New Mexico specifically really has had an increase in cases and that is true in a lot of different states and they are monitoring that and that may lead to some targeted shutdowns which will then slow the recovery and another reason we need more stimulus.

Board Member Owen stated he would like to ask a few questions. The first is, he agrees with the disposable income rating in place. When you look at housing and mortgages, he is surprised it is in the green zone instead of the yellow zone, what is the basis for that estimate or how that factors. Ms. Crane stated housing has been a huge winner in this recovery for two reasons. One is low interest rates are driving people to buy homes so demand has gone up. Secondly, people needing more space or wanting more space. The remote work option, people needing more space, demographic shifts and low interest rates, we are at a fifteen year high of housing. It is the highest level of new and existing home sales since 2006.

Board Member Owen stated he definitely agrees with that assessment in the now, his concern is when mortgage relief expires and we see issues with debt liens, etc., (inaudible) that that gauge will move. More specifically, his concern would be relative to our investment portfolio is if we see the consumer real estate market, the residential market starts to soften, will that also bring down the commercial real estate market and then start affecting our real estate investments.

Ms. Crane stated what is going to happen as we see some of this regulation to not allow evictions and that kind of thing to happen. That is going to be a problem. The majority of landowners or landlords have mortgages on these buildings. Of

course, if you have renters who are not paying, that is where there is going to be a big issue. Going back to the stimulus, this is where there is a pretty even agreement that those that are unemployed need some supplemental unemployment benefits, \$400 versus \$600 is being debated about incentives and how this plays out in terms of incentivizing people to go back to work. One thing that could help that is additional unemployment benefit to help people to pay their rent and that would help. That being said, depending on where you are in the world, this also is quite different. In San Francisco where there have been stronger lockdowns for longer is seeing a higher rate of job losses than say other states that have had more opportunity to reopen because of COVID data. That is going to be kind of state by state, city versus suburbia, rural versus urban. To his point, yes, it is a concern and that is where additional stimulus is needed. As it relates to the portfolio, it is very important that you are not invested in downtown commercial real estate, in strip malls, large office buildings. You have to wonder if people are going back to work in the same way that we were there before and if not, are we going to see, like we have seen technology companies do, where some of the more agile companies not renewing leases. REI sold their headquarters in Seattle. There is going to be some permanent change based on what we have just gone through. The way she describes it is we have about 10 years in lifestyle disruption in six months. That does change, whether or not we want to be invested in amusement parks or movie theaters or strip malls. We are not invested in those areas because of those concerns. How that impacts the economy will have everything to do with how quickly we can get people back to work. If this is a shorter-term scenario where we get a vaccine and next summer or next fall all students are back to normal, students are back to school safely and people are taking public transportation again, then we just enough stimulus to get us through that. If the COVID data becomes more and more difficult and a vaccine does not provide relief that is expected that is where we have some issues. We are very mindful of everything you are saying, those are reasonable questions and there is some unknown there and they are tracking it closely.

Mr. Ciepiela stated also just so Board Member Owen knows, the Griffin Capital (inaudible) asset reach, he was looking at statistics, it is a portfolio of net lease assets consisting of single tenant, no shopping malls in there, business essential properties throughout the United States diversified by corporate credit, physical geography and restoration. They have 101 properties in 25 states 27.2M in rentable square feet. Probably in the place you want to be if you are in real estate.

Board Member Owen asked if the later portfolio he spoke about if it is business office space. Mr. Ciepiela stated it could be either business or warehouse, single tenant. Board Member Owen stated this is the sector he would be most concerned about is business office space. Mr. Ciepiela stated may depending on who it is, warehouse is definitely not.

Ms. Crane asked if there were any additional questions. She stated she would like to talk about one aspect of what is happening in the stock market that is really important, it is as little bit less important for this portfolio because of the timing, we did not get in at the beginning of the year but for those of you looking at personal investments and a discussion of where we go through here. This is through the end of September but through the end of October is quite similar. That is, when the market dropped from February to March, that happened broadly across all investments. The rally back has been very uneven. Not all stocks have recovered. In fact, five technology companies, the tech titans are leading the way and pulling the market up. So, Apple, Amazon, Facebook, Google, Microsoft up over 40% for the year. The other 495 companies in the S&P 500 still down through the end of September. Small cap stocks still down, dividend paying stocks still down. The timing of us starting in this portfolio has worked out well because we have been able to pick up good stocks that have been on sale. We are not going to see this kind of disparity because of timing but not surprising if you were to look at your own investments or longer term. This is going to have a big impact on the future because this kind of dislocation between growth stocks and value-oriented stocks, it hasn't been this big since 1998. Over time, we are going to see some reversion in the market. That is why in this portfolio, in addition to the goals we set up originally, we also wanted to have a portion of the portfolio in what we would consider these on sale investments.

Ms. Crane gave the Board an update of the portfolio. They are looking at October 15th but the three accounts are \$3.7M plus and they are split out each of them are separated out as shown to the Board. Ms. Crane asked which the Board would like to focus on. President Bailey stated with Boards concurrence, with the interest of time, we can look at the general scholarship endowment.

Ms. Crane stated as a reminder this is a moderate investment profile here. They want growth and income. The income being generated over the next twelve months just in dividends and interest is about \$71,000. We get that through this mix of assets which we talked through on the implementation call. Growth assets with a target of 15%, income and growth with a target of 65% and safe stable assets of 20%. We are just about there in terms of the actual portfolio being a snapshot of

October 15th versus the tactical allocation. The difference is we are holding a little bit of cash and that is intentional as coming into the election, the flu season, having a little bit of cash on hand for distributions. Just making sure that is protected. This allocation right where we discussed originally up front and pointing out this yellow category in the market has been discounted so the timing of when we have gotten investment has been beneficial. We have been able to get into some of those assets on sale and seen some appreciation. We started July 23rd and we are October 15th took a few months to get fully implemented and here we are up about 1% not significant but in line with what they would expect, stable income coming in. That income will really going to pick up over the next twelve months now that we are fully implemented.

Mr. Ciepiela stated he looked up as of today the account is worth \$3.985M so it is up around another \$100,000. Since inception the account has earned close to 2% since July, four months. Ms. Crane asked if there are any changes, she should be aware of in terms of the goals of any of these accounts.

President Bailey stated he went to the College with the Major Gifts Officer and they went through the Foundation files and when they were there, they checked the mail. There is a nonprofit that reached out to President Bailey about a year ago and they were really excited we were doing a food pantry and doing some other things and they said their nonprofit is closing and they wanted to donate some things to the College. They gave us clothing racks and when they closed the account, they said they would give us the remainder of the account and they would like it in the general scholarship endowment. He thought it would be \$500 or \$1,000 and they got the check yesterday and it is \$288,000. That will be sent their way soon. They have to work out with the donor, likely a majority if not all will go into the general scholarship account.

Ms. Crane stated she thinks we are in a good spot; we have implemented as we talked about originally, we are still going to get through the year and into next year. We are optimistic that we are going to continue to see good returns. If it gets rocky, we are ok with that, we have dividends and interest, we are not taking too many risks and she is not recommending changes. Mr. Ciepiela stated one of the things for each account they have this in there, for the Foundation, this is really good because it helps plan when you know what the estimated income is going to be for the year for each account. Also, each one managed, they make sure, they are managed as a whole from a standpoint of costs and everything but they are each broken out but each one will have an annual estimated income for each one which he thought was huge.

President Bailey stated he really appreciates that and it fits into what the Board will talk in terms of the rest of the meeting. President Bailey thanked Mr. Ciepiela for his work and the future is looking good. Mr. Ciepiela stated if the Board has any specific questions, they can email him.

Board Member Sanchez joined the meeting at 1:38PM.

IV. FOUNDATION INVESTMENT AND BANK BALANCES

President Bailey stated the account is sitting at \$3.9M. Mr. Bejarano stated we do not need further discussion and he is surprised we are sitting in the position we are sitting in. We have four bank accounts that we keep. One is an unrestricted, sitting at \$22,309, the temporarily restricted which is used for putting money, if we receive money and don't know where it is place, we put it there until we know where it is place \$564,983 plus change. We are not moving money out of this account because we have CRI reviewing the endowment accounts. If we need to move money, we will be able to make it up with this amount of money. The other account is the investment account where we hold money where we don't have to use currently and it is \$134,112 and change. We are holding this account for the same reason; we are waiting for the CRI evaluations that is ongoing. Finally, we have an evaluation account in the event we have a Foundation mailing and it sits at \$9,810.00. We have had no activity. We have been letting the Foundation accounts level out so we have a good picture especially after the CRI. After the analysis the Board can make a more informational decision of where it would like to go. We are also converting the Foundation records off the Banner system of the College. It should have never been there; it was set up as a department of the College. We are in the processing of moving records out. Mr. Bejarano is consulting with CRI and it is being put in QuickBooks in the Cloud and working on extricating the Foundation records from the College. The foundation is a separate entity.

Board President Herrera asked as Mr. Bejarano is converting into QuickBooks, he is assuming one of the staff members at the College is going to oversee the transactions, is that the way it is going to work. Mr. Bejarano stated the only person being able to oversee this is him. We are stretched too the limit. He will take over the bookkeeping function as well. Part of what is keeping us from going full force is we want to make sure in conjunction with this year's audit, we are being advised, we are working with two firms REDW and CRI and want to make sure when we flow, especially the historical data into QuickBooks that we do it appropriately and not make it an audit finding next year.

President Bailey stated we wanted to get to a point where we want to marry up the accounts with the donor agreements, promises, scholarship accounts. The challenges that we have had as a College is that those two things have never been married up. President Bailey is excited we are working with the audit firms to make sure everything is square and President Bailey was going through all the Foundation files to make sure we have an understanding of everything that happened and we received money from a legislator to hire someone to give us a comprehensive overview of all the accounts. When we take those two things together, we have a more comprehensive overview. We are in a strong position.

Board President Herrera stated just an FYI and asked if we saw the comment from Board Member Sanchez that her mic was not working but she voted yes on the previous motion. President Bailey stated Board Member Owen and Board Member Eyler only have a few minutes to look at the strategy.

V. BANK ACCOUNTS

President Bailey stated on page 6 of the packet there is an Establishment of Accounts and Authorized Signers and President Bailey turned this over to Board Member Bejarano. Board Member Bejarano stated Ms. Peña had sent the resolution and President Bailey will share this document. Board Member Eyler stated he could not see the screen but he is fine with what we are looking at. President Bailey asked if he had the packet. Board Member Eyler stated he has the Agenda, Charles Stephen Account Data and the thing we just got briefed on. President Bailey stated on the Agenda, it is six pages long and it is page six. Board Member Eyler stated he got it.

Board Member Bejarano stated essentially what the motion would allow is we need for people to be able to sign off on the bank accounts, we are also including the Charles Stephen account, it would require two signatures which would be under ordinary circumstances board members, however, in the event that one board member cannot sign or is on vacation or otherwise cannot sign, then it allows President Bailey to be able to sign. This is only in the event that one of the board members can't sign. If neither of the board members is available then it has to wait until one is available. Board Member Bejarano asked if there are any questions.

President Bailey stated the bottom line is Board President Herrera and Board Member Sanchez are signatories for the Foundation accounts and it requires both of their signatures. If one of them is unavailable, then he can serve in their place but he cannot sign for both of them. It has to be one at a minimum and then Board Member Bailey can sign for one of them but ideally it is both of them.

Board Member Bejarano stated as well it allows him to be able to establish accounts in the event that we need to establish accounts. This primarily is for the bank accounts. However, he would have no signature authority, not even to make a deposit for example. All it allows is to be able to establish the account. Simply a matter of convenience and then once the accounts are established then the bank cannot accept Board Member Bejarano's signature for checks, cannot accept even him being able to make deposits. That is primarily for a segregation of duties and internal control purposes.

President Bailey asked if there are any questions from the Board and entertained a motion to approve the establishment of accounts and authorized signers as depicted and for the resolution.

Board Member Bejarano moved to approve the establishment of accounts and authorized signers as depicted and for the resolution. Second Board Member Eyler. A roll call vote was taken. A roll call vote was taken. Board President Herrera – yes, Board Member Eyler – yes, Board Member Owen – yes, Board Member Bailey – yes, Board Member Bejarano – yes, Board Member Sanchez – unable to respond due to technical issues. Motion passed unanimously.

VI. ADJOURNMENT

Board Member Bejarano moved to adjourn. Second – Board Member Sanchez. A roll call vote was taken. A roll call vote was taken. Board President Herrera – yes, Board Member Eyler – yes, Board Member Owen – yes, Board Member Bailey – yes, Board Member Bejarano – yes, Board Member Sanchez – yes. Motion passed unanimously.

The Foundation Board adjourned at 2:02PM.

Approved:

**Alfred Herrera
President**

**Tania Sanchez
Vice President/Secretary/Treasurer**

June 7, 2021

Mr. Rick Bailey
Ms. Tania Sanchez
Mr. Alfred Herrera
921 N. Paseo De Onate
Española, NM 87532

Re: Managed Account

xx-xx226 NORTHERN NEW MEXICO COLLEGE FOUNDATION, CORPORATION SERPA
ACCOUNT

xx-xx225 NORTHERN NEW MEXICO COLLEGE FOUNDATION CORP MALEY NURSING
SCHOLARSHIP

xx-xx778 NORTHERN NEW MEXICO COLLEGE FOUNDATION, CORPORATION

Dear Mr. Bailey and Ms. Sanchez and Mr. Herrera:

On behalf of all of us at City National Rochdale, it is our pleasure to officially welcome you to the City National Rochdale family. We want to thank you for your decision to enter into an investment management relationship with us and we look forward to a lasting association.

As your portfolio managers, Charles P. Alberton and I are responsible for making the day-to-day investment decisions for your City National Rochdale portfolio. After reviewing the paperwork you completed and consulting with you and your Financial Advisor, Stephen Ciepiela, we believe we have a good understanding of your investment goals. The enclosed investment policy statement will summarize the target asset allocation that we have come to understand is consistent with your investment objectives and tolerance for risk.

We encourage you to contact my associates, Jesse Flatt, CFA (Jesse.Flatt@cnr.com), Jack Rossiter, CFA (Jack.Rossiter@cnr.com), Corey Liu, CFA (Corey.Liu@cnr.com), Austin Chow, CFA (Austin.Chow@cnr.com), and Nicola Pavlov (Nicola.Pavlov@cnr.com) with any questions or concerns which may arise and to notify us as early as possible regarding anything which may affect the management of your funds, e.g. anticipated substantial withdrawals from the account, a change in your circumstances or investment objectives. Our phone number is 415-477-2544. You may also e-mail us at Rachael.Crane@cnr.com or Chuck.Alberton@cnr.com. As always please feel free to reach out directly to your Financial Advisor, Stephen Ciepiela.

Sincerely,

Rachael Crane

Rachael Crane, CFA, CPWA®
Portfolio Manager

Charles P. Alberton

Charles P. Alberton, CFA, CAIA, CPWA®
Northwest Divisional Managing Director,
Senior Portfolio Manager

cc: Stephen Ciepiela

Investment Policy Statement for NORTHERN NEW MEXICO COLLEGE FOUNDATION

Two important considerations in the determination of asset class allocations are the rates of return and the degree of downside fluctuation that may be expected from the various asset classes. Detailed below are City National Rochdale's forecasted average annual rate of return for each asset class and the degree of downside volatility we think is reasonable to expect the asset classes to experience from time to time.

<u>Asset Class*</u>	<u>Average Annual Return</u>	<u>Downside Exposure</u>
U.S. Equities	7-8%	37%
International Equities	6-8%	46%
Dividend and Income Equities	6-7%	30%
High Quality Fixed Income	1.5-2%	10%
Opportunistic Fixed Income	4.5-6.5%	28%
Real Assets	4-6%	45%
Low Volatility Alternative Investments	4.5-6.5%	15%
Aggressive Alternative Investments	8-10%	40%

As an investor with a moderate investment profile, your main objective for this portfolio is to provide modest capital appreciation and income. You are willing to assume some risk to achieve your objective through a more equal allocation between equities, fixed income or other income producing investments. Your portfolio is intended to provide steady growth while limiting fluctuation to less than that of the overall stock market. Your City National Rochdale portfolio will have the following allocation:

<u>Personalized Asset Allocation</u>	<u>Target</u>	<u>Long Term Policy Range</u>
Equity US	40%	0% - 80%
Equity US HDI		0% - 50%
Equity US Core LC		0% - 50%
Equity US Mid/Small Cap		0% - 10%
Equity International	0%	0% - 25%
Equity International Developed		0% - 15%
Equity International Emerging		0% - 15%
Core Fixed Income	20%	0% - 100%
Core Fixed Income		0% - 100%
Opportunistic Income	40%	0% - 75%
Alternative Investments	0%	0% - 10%

Your Asset Allocation targets and Long Term Policy Ranges are based on the investment guidelines we have established relative to the AssetMark risk profile you have selected in consultation with your Financial Advisor. Your account documents show that you have selected risk profile: **Custom - Moderate**

	<u>Profile Current Target</u>	<u>Policy Range</u>
AssetMark Profile Equity Exposure	60%	0% - 70%

* City National Rochdale's forecasted Average Annual Return and Downside Exposure are derived from City National Rochdale's own research and analysis of the asset class return projections of many of Wall Street's leading market research firms. This research and analysis results in an annual return forecast within the high and low forecast ranges of that consensus group. The Average Annual Return and Downside Exposure are City National Rochdale's forecasts for a particular asset class and not for any individual security. The forecasts are not a representation by City National Rochdale that the returns will actually be realized. Equity returns are volatile. Future rates of return and downside volatility may be greater or less than City National Rochdale's forecast. Your actual returns will vary and loss of principal is a possibility.

The strategic allocation represents the overriding target for each asset class. On an ongoing basis we will make tactical decisions around the target to optimally manage your portfolio. At certain times we may be tactically over or under the target allocation although within the long term policy ranges above.

It is understood that, due to fluctuations in prices, deposits and withdrawals, and receipt of dividend and interest income, the values of the various asset classes will vary. The allocations will be continuously monitored and, periodically (at least annually), we will take what we believe are the necessary steps to see that the percentage allocated to each asset class remains within an acceptable range of the established targets. These allocations may be revisited whenever your changing personal or financial circumstances suggest that adjustments might be appropriate. Options strategies are typically utilized for hedging and/or as an income generating strategy. Any strategy employing options will be discussed with you before implementation.

Please be advised that City National Rochdale maintains complete discretion over your billable account(s), including the positions/securities transferred in from other brokers. This means that City National Rochdale will manage these positions/securities as it deems appropriate based on your agreed upon investment objectives, its proprietary research, standards and policies. If there is any position(s)/security (ies) that you would like treated in specific way (at your discretion), you or your authorized representative must provide clear **written instructions** to City National Rochdale promptly with your wishes. For example, if you would like to place a specific sell or buy discipline or place some other restriction or prohibition on a position/security, City National Rochdale must receive such request promptly in advance. If no written request of your intention or want is received within reasonable time, City National Rochdale will act in accordance with its rules and procedures as stated hereof. City National Rochdale shall not be responsible for any loss from any action or inaction related to your position(s)/security (ies), as a result of your failure to deliver prompt written notice of your intentions or specific requests. **Verbal requests are not acceptable.**

City National Rochdale does not have discretion over, nor will it be responsible for managing, any position within your account that is deemed "non-billable" or "below the line". Therefore, City National Rochdale shall not take any action on any such position(s) deemed "non-billable" or "below the line" without written instructions from you or your authorized representative. In addition, City National Rochdale shall not be held liable or responsible for any losses incurred as a result of your failure to provide written instructions regarding such position(s). **Verbal instructions are not acceptable.** Please do not hesitate to contact your portfolio manager if you have any questions.

As the basis for your portfolio we have set out to understand your investment objectives and risk tolerances as detailed in this engagement letter. Please sign below and return this letter in the self-addressed envelope. In the event you do not sign and return this letter, we will assume your implicit consent to this investment policy for as long as you continue your relationship with us. If you are not comfortable with this investment policy, please let me know as soon as possible so that we can discuss appropriate refinements.

Mr. Rick Bailey Date

Ms. Tania Sanchez Date

Mr. Alfred Herrera Date