

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

December 11, 2025

A meeting of the New Mexico Small Business Investment Corporation was called to order on this date at 9:08 a.m. at the New Mexico State Treasurer's Office, 2055 South Pacheo Street, Santa Fe, New Mexico. A quorum was established.

Members Present

Mr. Joshua Smith, Chair
Ms. Anne Beckett, Vice Chair
Mr. Robert Valdiviez, Secretary/Treasurer
Mr. Arsenio Garduño, designee of the Hon. Laura M. Montoya, NM State Treasurer
Mr. Joshua Grassham
Ms. Sayuri Yamada (arrived at 10:25 a.m.)
Ms. Kristina Alley

Members Excused

None

Executive Director/Financial Advisor to Board

Mr. Russell Cummins

Board Legal Counsel

Mr. Randall McDonald

Guests Present:

Ms. Johanna Gilligan, Deputy CEO, Homewise
Mr. Chris Anderson, Commercial Project Manager, Homewise
Ms. Conchie Searle, CFO and Acting CEO, New Mexico Community Development Loan Fund
Mr. David Hicks, Director of Lending, New Mexico Community Development Loan Fund
Mr. George Kenefic, Director of Enterprise Empowerment, New Mexico Community Development Loan Fund
Mr. Julian Baca, Senior Research Scientist, Bureau of Business and Economic Research

REVIEW AND ACCEPTANCE OF AGENDA

Mr. Garduño moved to accept the agenda, as presented. Mr. Valdiviez seconded the motion. The motion passed unanimously by roll call vote.

BOARD MINUTES FOR OCTOBER 17, 2025

Mr. Grassham moved to approve Board Minutes for the October 17, 2025, NMSBIC board meeting, as presented. Ms. Beckett seconded the motion, which passed unanimously by roll call vote.

Mr. McDonald said that since there are no board members attending via Zoom, taking a roll-call vote was not necessary.

HOMEWISE, PROPOSED MODIFICATION TO NMSBIC LINE OF CREDIT

Mr. Cummins said there are two items on the agenda for Homewise. The first item is a proposed modification to NMSBIC's line of credit with Homewise. The second item is a discussion about possibly expanding NMSBIC's relationship with Homewise to include real estate development of affordable single-family lots and homes.

Ms. Gilligan thanked the board for having her and Mr. Anderson at today's meeting and said she would like to provide an update on Homewise's commercial lending program. She said Homewise has historically helped homeowners build wealth through homeownership. Their core mission is to help people, and adding commercial lending is helping to stabilize small businesses and nonprofits, which is in line with Homewise's ethos. She provided a commercial lending update as follows:

- Homewise's commercial lending program was launched in 2020. The program has grown and matured over the last five years.
- The program has now deployed \$16 million of NMSBIC funds to 21 different borrowers.
- Homewise provides support and technical assistance to small businesses and nonprofits that might otherwise feel intimidated when purchasing a facility.
- For several years Homewise has had a real estate development department focused on primarily housing development, but also mixed-use development. In neighborhoods being developed, Homewise has added its commercial mortgage product to ensure legacy businesses that have historically been in neighborhoods, remain in those neighborhoods.
- The commercial loan program has primarily focused on the Barelás neighborhood in Albuquerque, and the Rufina neighborhood in Santa Fe, but by no means is it constrained to just those neighborhoods.
- There are about \$2 million in commercial loans in the pipeline and NMSBIC's funding has been fully deployed. The commercial lending program is driving job creation that is important to both NMSBIC and Homewise. The program is really helping to strengthen and stabilize neighborhoods.
- An example is the first loan made to Por Vida, a successful tattoo business in downtown Albuquerque. Homewise provided a commercial mortgage loan for the borrower to acquire a building. Por Vida runs several businesses now inside

- of this building, which was vacant for over a decade. The building at 4th Street and Coal Avenue in downtown Albuquerque was vacant for many years and was not the best kind of welcome to the neighborhood. This was Homewise's very first commercial loan. Por Vida purchased the building and did an amazing job with the aesthetics of the renovation. There are about 16 tattoo artists working there. They also have an athletic shoe shop, a hair salon and barber shop, and a coffee shop. There is a wholesale equipment company that sells tattoo equipment to other tattoo artists in the city. They now have over 30 people employed in that building who are highly entrepreneurial and super welcoming. We often stop by when we're taking tours with investors. Por Vida also offers employment opportunities for people with a criminal background, which we think is important. There are so many people excluded from the economy who are coming out of prison. Homewise is interested in developing inclusive economic opportunities and making sure there are inroads for people who are moving back into the economy.
- Another example of a loan we've made in the last five years is the Partnership for Community Action. This is a social enterprise center in the South Valley of Albuquerque that is a partnership with Southwest Creations, which employs primarily women doing textile arts. Homewise helped them build a manufacturing facility.
 - Most recently Homewise provided a loan to Life Link. Homewise assisted them in purchasing a small building on Luana St. in the Casa Alegre neighborhood in Santa Fe, for their behavioral health center where they provide therapy for individuals and groups. Life Link is a critical resource in addressing homelessness and behavioral health issues in Santa Fe which have been increasingly challenging after COVID. The loan helped stabilize Life Link's operations and enabled the organization to build equity through ownership rather than renting.

Mr. Cummins thanked Ms. Gilligan for the lending program update. Mr. Cummins said there are three proposed changes being requested.

- Maximum Loan Amount. NMSBIC started with a \$2 million line of credit to Homewise in 2020, which has now grown to \$16 million and has been fully deployed by Homewise. Homewise estimates it can deploy an additional \$5 million in funding over the next 12 months.
- Term for Use of Funds. Mr. Cummins said Homewise started its commercial lending program in 2020 and has been developing and refining the program. NMSBIC started with a provision that Homewise could use NMSBIC funds for up to 5 years. Homewise has found the product that works for its borrowers is a 7-year loan. They are requesting the ability to use NMSBIC funds for up to 10 years, which would allow for a 7-year term plus time if needed to transition to another source of funding.
- Uniform Covenants. NMSBIC approved use of Homewise's Uniform Covenants in 2022. Mr. Cummins is unable to locate a signed version of the amendment to

NMSBIC's loan agreement approving this change. Mr. Cummins is requesting NMSBIC's board re-approve Homewise's Uniform Covenants, as documented in board package.

Mr. Grassham noted \$5 million in additional funding is being requested, and there is \$2 million in the pipeline. He asked the terms and loan sizes. Ms. Gilligan said there is a \$650,000 loan for a building purchase in Barelás Neighborhood in Albuquerque. Mr. Anderson said there is also \$685,000 loan for a childcare facility. He added that \$600,000 to \$800,000 is the typical loan size.

Mr. Grassham asked if borrowers are required to provide a down payment and what other terms are. Ms. Gilligan said there is a minimum 10% down payment that can go up to 20%. For example, if a nonprofit is highly reliant on grant funding, Homewise would probably require a higher down payment. Loans typically have a 7-year term, 25-year amortization, 6% interest rate, and 1% closing fee.

Mr. Grassham asked what makes Homewise different from a regular bank. Ms. Gilligan said the assistance provided to borrowers is a key difference and down payments are lower. For example, for the Partnership for Community Action loan, Homewise helped to bring along a \$250,000 subordinated impact investment from a religious organization to make the deal work.

Mr. Grassham asked if Homewise makes commercial loans outside of the Albuquerque and Santa Fe area. Ms. Gilligan said Homewise is currently not making loans outside of Albuquerque and Santa Fe but would not rule out other areas in the future.

Ms. Alley asked why Homewise decided to move into commercial lending, and why not stick with your wheelhouse which is residential lending. Ms. Gilligan said Homewise expanded its wheelhouse in 2018. Homewise has been building housing and doing real estate development for 20 years. It came to realize that homes alone do not make a community, and it wanted to develop more walkable communities. Homewise is increasingly trying to bring residential and commercial together in its developments. She said it also aligns philosophically with their goal to help people build wealth through ownership of real estate.

Mr. Valdiviez noted NMSBIC funds will be used for a longer time and asked if NMSBIC's rate would stay at 2%. Mr. Cummins said NMSBIC's interest rate is proposed to stay at 2%, which is what NMSBIC has done with other lending partners.

Chair Smith asked if there are any incentives built in for borrowers to pay off loans within the 7-year timeframe. Ms. Gilligan said there is no incentive, but she would be interested in hearing more about that idea. Chair Smith said he believes Ventana Fund charges a higher interest rate if a real estate loan goes beyond the initial term. Mr.

Grassham said after 7 years borrowers might have enough equity built up to qualify for a bank loan. Chair Smith said he likes seeing borrowers become bankable so lending partners can then use capital to help other borrowers.

Anne Beckett said she did the original loan for Life Link when she was at MFA, and that Life Link is an amazing success story. She said she is happy to see that organization still going strong after all these years.

Ms. Alley made a motion for NMSBIC's board of directors to approve the following changes to the NMSBIC's revolving line of credit with Homewise:

- **Increase the maximum funding amount by \$5 million, from \$16 million to \$21 million; and**
- **NMSBIC funds can be used to fund Borrower NMSBIC Loans for up to ten (10) years; and**
- **Sections 3.A. and 3.L. are deleted from the Uniform Covenants Rider between NMSBIC and Homewise dated December 10, 2021; and**
- **The NMSBIC's current president and board chair, or vice president and vice chair, are authorized to execute any and all modification documents, subject to review and approval by the NMSBIC's legal counsel and the NMSBIC's executive director/investment advisor; and**
- **NMSBIC's executive director/investment advisor will report back to the board when the documents have been executed.**

Mr. Valdiviez seconded the motion, which passed unanimously.

HOMEWIS, PROPOSED FUNDING FOR REAL ESTATE DEVELOPMENT

Mr. Cummins said this agenda item is for discussion only. Homewise has long been active in real estate development to support affordable housing. Earlier discussions between NMSBIC and Homewise about using NMSBIC funding for real estate development projects had stalled because municipalities providing infrastructure such as roads, water, and sewer, required first liens. This conflicted with NMSBIC's secured loan requirement. Homewise has since obtained a bond that provides security to municipalities, resolving the lien priority issue.

Mr. Cummins said Homewise conducts roughly \$30 million per year in real estate development. Detailed descriptions of current real estate development activities are included in the board package with an excerpt from Homewise's audited financial statements. Homewise is active and experienced in real estate development and is focused on addressing the statewide affordable housing shortage.

Mr. Cummins said Homewise indicates it could deploy \$10 million in NMSBIC funds on real estate development projects. This is in addition to the current NMSBIC funding

for Homewise's commercial lending program. He said NMSBIC currently has \$4 million in available funds. The additional \$10 million in funding might not be available until February or March 2026.

Mr. Cummins said NMSBIC might create a separate line of credit for real estate development or modify the existing line of credit to allow real estate development. He added NMSBIC cannot make direct loans, and Homewise currently does development in its own name. Homewise would need to create a wholly owned subsidiary to be the borrower and receive loan funds from Homewise. This is a structure NMSBIC's board has discussed before, and it was determined this structure meets NMSBIC's statutory requirements.

Ms. Gilligan said Homewise has been developing real estate for 20 years. She said the housing affordability crisis has intensified in Santa Fe and statewide. Homewise helps about 500 people per year become homeowners, with 50–70 homes per year built directly by Homewise. She said Homewise's development scale has been increasing.

Ms. Gilligan said Homewise purchased Tierra Contenta Phase 3, which is a robust and long-standing affordable housing project on the South Side of Santa Fe. The development has 40% affordability which exceeds Santa Fe's 20% inclusionary zoning rule. She said in places where there is no affordability requirement, Homewise still provides affordable housing. An example is a new a 72-unit townhome project in Albuquerque where 50% of units will be sold to households under 80% of area median income. Homewise is developing these communities because of its deep commitment to creating affordable homeownership opportunities. Ms. Gilligan said that having affordable capital, such as NMSBIC's line of credit, will help Homewise keep home prices affordable for its clients.

Ms. Gilligan said Homewise's development activity will increase with the scale of Tierra Contenta Phase 3. Homewise is the master developer for this project that will deliver up to 1,500 housing units over the next 10 years. Homewise could use NMSBIC's line of credit to support this growth, which would be incredibly useful.

Mr. Valdiviez asked if Homewise's staff does the development internally. Ms. Gilligan said Homewise employs project directors and project managers, and hires contractors for construction. She said Homewise does the infrastructure and then hires a contractor such as Abrazo Homes to do the vertical construction. Homewise then sells the homes.

Mr. Grassham said Habitat for Humanity is building more homes in Southeast New Mexico and noted the site development is the riskiest part. Ms. Gilligan agreed, adding that Homewise has been doing this for many years and has been successful despite the challenges.

Mr. Valdiviez asked how much development is being done by nonprofit lenders versus private developers and banks. Chair Smith said he believes the percentage of development from nonprofit lenders is still quite low. Mr. Grassham added that nonprofits like Habitat for Humanity in his area are able to provide affordable housing because they don't require profit margins needed by private developers.

Chair Smith said developing homes is a small business activity, but the focus on housing might be a little outside of NMSBIC's purpose. Mr. McDonald noted that under the Small Business Investment Act Section 58-29-2, the NMSBIC's purpose includes, "...to create new job opportunities by providing capital for land, buildings or infrastructure for facilities to support new or expanding businesses ..." Mr. McDonald said he views infrastructure to include housing.

Ms. Alley asked if there are any opportunities at Collage of Santa Fe Midtown Campus. Ms. Gilligan said she has a meeting with City of Santa Fe today on a proposal Homewise has provided for the Midtown project and she believes it has an affordability percentage of 40%.

Mr. Grassham asked if we need to decide if this should be a separate line of credit or included in the existing NMSBIC line of credit. Chair Smith said we can hold off on that for now. We plan to table this until NMSBIC gets more funding. Chair Smith said he thinks this is important because there is not enough housing coming to market, and asked Ms. Gilligan what term is now being used to describe workforce housing. Ms. Gilligan said a term now commonly used is "attainable" housing.

Ms. Gilligan said on a separate note, Homewise is very interested in funding and developing childcare facilities. She asked if there is a way to align with NMSBIC on childcare to please let her know. She said she deeply appreciates the leadership of NMSBIC. New Mexico is lucky to have money right now and to have NMSBIC's leadership that is driving a vision forward.

Chair Smith thanked Ms. Gilligan and Mr. Anderson for their presentation, and the Homewise representatives left the meeting.

Chair Smith asked if it would be acceptable to move The Loan Fund up on the agenda. Hearing no objection The Loan Fund was moved up on the agenda.

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

Mr. Cummins introduced Conchie Searle, David Hicks, and George Kenefic of the New Mexico Community Development Loan Fund, also known as The Loan Fund. Mr. Cummins said there have been a lot of changes at The Loan Fund this year, after the

passing of Leroy Pacheco, which was very sad news. He thought it would be helpful for NMSBIC's board to have an update and hear about the transition.

Mr. Cummins added that over the past year NMSBIC has provided temporary waivers for the NMSBIC's liabilities-to-net assets ratio for The Loan Fund. It appeared the issue was resolved. However, The Loan Fund exceeded the ratio again on September 30, 2025. It appears the ratio was back in compliance as of October 31, 2025. Mr. Cummins said there is a request to approve a temporary waiver as of September 30, 2025.

Ms. Searle thanked the board for the opportunity to be here today. Regarding the liabilities-to-net assets ratio, she noted The Loan Fund's allowance for loan losses has increased tremendously which impacted the ratio. The Loan Fund uses the Current Expected Credit Loss (CECL) model required by the Financial Accounting Standards Board (FASB). She said there was one \$500,000 loan that was written off this year, which was a big loss for The Loan Fund.

Ms. Searle said they are working hard and are turning the ship around. There are currently 13 staff members plus 2 consultants, working to stay in compliance with NMSBIC's requirements, SBA requirements, and The Loan Fund's internal policies. A change made this year was to name David Hicks as director lending. Ms. Searle asked Mr. Hicks to provide an update on The Loan Fund's lending program.

Mr. Hicks referred to a handout provided titled, *Foundational Initiative: Forward Thinking Loan Policy*. He said The Loan Fund's loan policy is being re-written, and this is a high-level summary of changes being made. Mr. Hicks described the following initiatives and changes:

- The maximum loan amount has been reduced from \$1 million to \$350,000. The loan size has been lowered to reduce risk and complexity, and to focus on quality rather than growth.
- Efforts are being made to renew relationships with banks and credit unions, to generate good quality referrals.
- Lower cost funding sources are being emphasized, and dormant funding sources are being evaluated.
- COVID-19 era 3.75% interest rates are being phased out. When possible, lower rate loans are being paid off or modified to a higher interest rate.
- Risk mitigation for existing clients is a major focus. We are working to identify which borrowers we can benefit from a modification, and which ones need to go straight to collection.
- For new loans, we have secured about \$3.5 million in additional collateral from the State's Collateral Assistance Program (CAP), which reduces The Loan Fund's loan risk.

- When loans are rewritten/renewed, we are ensuring there are continuing guarantees, and that collateral is in place, and financial statements are updated.
- Given an increase in delinquencies and charge-offs, we have focused on improving collection processes. We have added attorneys to help litigate loans faster and have started filing liens on uncollected debts.

Mr. Hicks added there is still a lot of work to be done, but there is a good team in place, and they are taking this seriously.

Ms. Yamada joined the meeting at 10:35 am.

Mr. Valdiviez asked how loan review is done at The Loan Fund. Mr. Hicks responded that delinquency reports are updated several times a week for the loan officers to provide status updates. Then there is a staff meeting every two weeks where it is all-hands-on-deck. Loan officers provide updates, and the full staff reviews and provides feedback. Loan officers are getting feedback on how they are handling their loans, and there's really no resistance. Everything is open and transparent, and problems are identified quickly. Ms. Searle added that The Loan Fund has a loan quality assurance officer. The person was working as a contractor before and has been brought on as a full-time employee in 2025. This person is checking to make sure all documentation is in place as loans are originated.

George Kenefic then provided an update on The Loan Fund's strategic focus, and referred to the handout titled, *Strategic Development Map*. He added The Loan Fund has identified initiatives that can be used to raise capital. Access to additional capital requires getting the right message to the right people. He said efforts are focused on things with the highest probability of success.

Mr. Kenefic said The Loan Fund also plans to recruit small businesses from sectors where there has not been activity, such as technology companies.

Mr. Valdiviez asked about the reference to incentivized philanthropy in the handout. Mr. Kenefic responded it involves identifying potential philanthropic donors, and making sure there is a good match between the donor's interests and programs being delivered by The Loan Fund.

Ms. Searle said 2025 has been a challenging year after the loss of Leroy Pacheco, The Loan Fund's president and CEO. Stabilizing existing clients has been the biggest challenge. Bringing on David Hicks as director of lending has helped to guide this process. The Loan Fund has hired two new, experienced loan officers. Ms. Searle commended The Loan Fund's team and the work they are doing. She said she has great respect for NMSBIC and its board, and appreciates support provided by NMSBIC. She added The Loan Fund's website has been updated, and they are in the process of updating the loan portfolio computer system.

Ms. Searle said in 2025, The Loan Fund had to take a step back before starting to move forward. New loan production was stopped for 90 days, but they are now originating new loans.

Anne Beckett asked how The Loan Fund's board of directors is addressing the changes. Ms. Searle responded that The Loan Fund recently had a board meeting, and she thanked Mr. Cummins for attending the board meeting. She said the board believes in The Loan Fund's staff and recognizes the challenges. She said that she and the senior staff meet with the board chair on a weekly basis. She said the board is aware of all the things we are faced with and supports the changes being made.

Ms. Beckett asked if the board feels it needs to make any additional changes. Ms. Searle said very shortly after Mr. Pacheco passed away, the board named her acting CEO. Ms. Searle said the board chair recently notified her that at the next board meeting in February 2026, he will support a motion to make Ms. Searle the regular CEO. Ms. Searle said the plans are for her to become CEO and retain the CFO position. A high-level accounting staff member will be hired to take on much of her current accounting workload.

Mr. Grassham asked for more information about The Loan Fund's loan losses, and if any trends have been noted. Mr. Hicks said he has not noted any concentration related to industry or geography. What he has noted is at some point, there was a hole developed in the documentation for closed loans.

Mr. Grassham said he thinks the best lenders started out as collectors and want to make sure they structure loans that are unlikely to end up in collections. Mr. Grassham said as a follow up to Mr. Vadiviez's early question, he asked if there is someone watching and reviewing financial statements as they come in and watching the covenants. Mr. Hicks said the loan documents have always had covenants and requirements for updated financial statements, but that information was not always tracked after loans closed. He said they are doing that now. Letters are going out 90 days before a loan matures asking for updated information, and financial statements and loan covenants are now being reviewed.

Mr. Grassham asked if board members are making charitable contributions to The Loan Fund. Mr. Kenefic responded that yes, board members are making contributions. Ms. Searle added there are several bankers on the board, including board members from PNC, US Bank, and Enterprise Bank. The banks are supporting The Loan Fund with charitable contributions and loans. There was a long relationship with Bank of the West, which dropped off. Ms. Searle is working to re-establish a relationship with the successor, BMO. She said she is requesting all of the banking partners to help with building capital. The banks are working with her, and she expects to see an increase in capital in 2026.

Mr. Valdiviez asked if The Loan Fund uses documentation software such as LaserPro. Mr. Hicks responded that documentation software is not being used, but he plans to implement such software in 2026.

Ms. Alley asked how you have loan losses related to documentation. Chair Smith asked if collateral was not perfected. Ms. Searle said for the large \$500,000 charge-off, collateral was not correctly documented. There were also some smaller loans with vehicles as collateral that were not perfected. She added there are many other loans where collateral was perfected and there have been recoveries. She said The Loan Fund is getting judgments and filing liens, and that it has been working. If borrowers want to get another loan, they contact The Loan Fund about having the lien removed, and that is resulting in some recoveries.

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 as of September 30, 2025; and**
- **That NMSBIC's board chair and president, or vice chair and vice president, be authorized to sign any all documents related to this change, subject to review and approval by the NMSBIC's legal counsel and the NMSBIC's executive director/investment advisor; and**
- **That the NMSBIC's executive director/investment advisor report back to the board when the changes have been completed.**

Ms. Beckett seconded the motion which passed unanimously.

Chair Smith thanked the members of The Loan Fund for attending. He said The Loan Fund is an important resource, and the board wants to see it succeed from a community perspective. Representatives of The Loan Fund left the meeting.

Ms. Beckett said there is a lesson here about having a single individual like Leroy Pacheco running the show, and NMSBIC needs to be observant of that. There was general discussion regarding:

- Surprise was noted that documentation and review were allowed to slip. Chair Smith noted that given operational reviews done several years ago, and a long history of very low charge-offs, it appears this was a relatively recent thing. Mr. Cummins agreed that it appeared to be relatively recent and might be associated with fast growth in recent years.
- Mr. Grassham noted there are no regulators for nonprofit lenders, and NMSBIC needs to be diligent in monitoring operations of lending partners. There was a

question about independent auditors. It was noted independent auditors don't perform detailed reviews of loans.

- Mr. McDonald asked if there was any major turnover on The Loan Fund's board. Mr. Cummins said each year one or two board members roll off and are replaced, but there has not been any major turnover. It was noted this can be a good thing, but in other cases might not be a good thing.
- Mr. Grassham asked Mr. Cummins about The Loan Fund's last board meeting, and what type of questions were asked by the board. Mr. Cummins responded that the board is very supportive of The Loan Fund's mission, the staff, and changes being made. Mr. Cummins said he was invited to comment at the board meeting. He said his comments were that changes being made to loan policies and documentation are positive, but for The Loan Fund to grow, there needs to be a focus on increasing net assets. One of the board members responded, "Message received."

FINANCIAL REPORTS FOR OCTOBER 31, 2025

Mr. Cummins said because this board meeting is happening early in the month, financial reports for November are not ready. He referred to the October 31, 2025, financial reports in the board package. He noted these reports with comments were previously emailed to the board, and he did not have anything to add.

Ms. Alley moved to accept the financial reports as of October 31, 2025. Mr. Valdiviez seconded the motion, which passed unanimously.

EXECUTIVE DIRECTOR/INVESTMENT ADVISOR REPORT

Mr. Cummins provided the following update:

- NMSBIC's line of credit with RCAC has matured. RCAC never used the line of credit. Mr. Cummins has been communicating with RCAC's new director of lending. It appears there might have been a problem, unknown to Mr. Cummins, regarding NMSBIC's line of credit being collateralized. RCAC has several unsecured lines of credit with banks with covenants about entering into secured borrowings. RCAC indicates it is interested in renewing its line of credit with NMSBIC, but to do so, it would need to be unsecured. Mr. Cummins is continuing discussions with RCAC and will update the board at the next meeting.

DIRECT LOAN COMPANY A, PROPOSED EXTENSION OF NOTE

Mr. Cummins said NMSBIC acquired two direct loans in 2021 when the New Mexico Gap Fund I, Limited Partnership ended. One of the loans matures in February 2026. The NMSBIC board has extended the loan previously. Mr. Cummins recommended the loan be extended for two years, to February 1, 2028.

Ms. Beckett asked about a possible sale of Company A. Mr. Cummins said the company has hired an investment banker, and it is having discussions with five potential buyers. He said the company probably could be sold now, but the company wants to wait and increase sales to achieve a higher sales price. The company believes it will achieve a sale in about two years.

Mr. Cummins said the NMSBIC's note plus interest totals roughly \$600,000. NMSBIC has a 5x liquidation preference, which would result in about \$3 million in proceeds if the company is sold. Based on a recent independent valuation, the current value of the company is about \$25 million.

Mr. Valdiviez moved for NMSBIC's board of directors to approve the following for NMSBIC's direct loan identified as Company A:

- **Extension of the maturity date to February 1, 2028; and**
- **NMSBIC's president/board chair or vice president/vice chair be authorized to sign any and all documents related to the change, subject to review and approval by the NMSBIC's legal counsel and the NMSBIC's executive director/investment advisor, and**
- **NMSBIC's executive director/investment advisor will report back to the board when the change has been completed.**

Ms. Beckett seconded the motion, which passed unanimously.

BUREAU OF BUSINESS AND ECONOMIC RESEARCH, IMPACT STUDY

Mr. Cummins introduced Julian Baca from the Bureau of Business and Economic Research (BBER) at the University of New Mexico. He said NMSBIC engaged BBER to do an impact study in 2017 and engaged BBER to update the study in 2025. He added Mr. Baca is here to present results of the updated study.

Mr. Baca started with noting that U.S. small businesses with less than 50 employees account for 43.9% of private-sector jobs. This reinforces the economic importance of small businesses nationally and in New Mexico. He provided following comparison of changes from the prior BBER study with 2011-2015 data to the updated study with 2023-2024 data.

- In the prior BBER study 61% of companies had less than 5 employees. In the current study only 13% have less than 5 employees. This indicates a shift toward larger businesses within the portfolio.
- In the prior BBER study the average loan size was \$24,512. In the current study average loan size was \$277,197. In the current study 45% of loans were \$100,000 or larger, compared to 5% in the prior study. Larger loans in the

current study were driven by Ventana Fund and Clearinghouse CDFI real estate transactions.

- The average interest rate lending partners charge borrowers dropped from 9.65% in the prior study to 6.21% currently. The lower average interest rates were driven by larger, collateralized real estate loans.

Mr. Baca noted that for employment by industry, the major employment sectors were:

- Retail trade
- Real estate
- Accommodation & food services
- Healthcare & social assistance

Mr. Baca said the dollar amount of current loan portfolio composition was heavily influenced by affordable housing and commercial real estate loans from Ventana Fund and Clearinghouse CDFI. He noted real estate acquisitions do not generate employment impacts, since they represent a transfer of existing property rather than new economic activity. Construction components do generate employment impacts.

Mr. Baca said refinances and business acquisitions accounted for a meaningful portion of loans. These transactions do not create measurable employment impacts in the economic model. However, they provide important liquidity to business owners, often retiring baby boomers and support business continuity and ownership transition. Even though acquisitions do not create jobs, the study included economic activity from transaction costs including broker fees, title company fees, and legal fees.

Mr. Baca reviewed loan commitments to lending partners and noted that long-standing relationships continue with The Loan Fund, DreamSpring, and WESST. As of fiscal year 2024 (FY24), The Loan Fund remained the largest partner by commitments. However, newer partners including Ventana Fund, Homewise, RBC, and Clearinghouse CDFI, now hold sizable allocations.

Mr. Baca described the employment impacts, which were calculated using BBER's IMPLAN economic model. For FY23–24:

- 283 direct jobs created by SBC-supported businesses.
- 128 indirect/induced jobs created through multiplier effects.
- 411 total new jobs.
- Multiplier: for every 10 direct jobs, an additional 4.5 jobs were created indirectly.

Economic Output Impacts

- Output is defined as the total value of production generated by supported businesses and is the addition to the New Mexico gross state product.

- Results:
 - o FY23: \$31.7 million
 - o FY24: \$36.5 million
 - o Combined: \$68 million
 - o Output multiplier: 1.55, meaning for every \$1 million in direct output generates \$550,000 in additional economic activity.

Fiscal Impact (State & Local)

- Fiscal impacts include:
 - o Gross receipts tax (largest component)
 - o Property tax
 - o Other state, county, and special district revenues
- Federal impacts were excluded.
- Total estimated state/local fiscal impact: \$3.4 million.
- Construction jobs were treated as recurring, because SBIC lending is expected to continue supporting new projects over time.

Per-Job Cost Calculations

- Per-job cost reflects the opportunity cost of allocating capital to SBIC loans instead of capital remaining in the Severance Tax Permanent Fund.
- SBIC loans typically earn about 2%, while the permanent fund targets 6.75%, creating a 4.75% opportunity cost.
- Dividing this lending program cost by the 411 new jobs created resulted in opportunity cost of:
 - o \$16,860 per job in FY23
 - o \$19,160 per job in FY24
 - o \$18,059 two-year average

Comparison to Job Training Incentive Program (JTIP) and Local Economic Development Act (LEDA) Programs

- JTIP and LEDA per-job costs are approximately \$14,000 per job.
- These costs have also increased significantly since 2017:
 - o JTIP from \$5,941 to \$13,658
 - o LEDA from \$4,255 to \$13,937
- SBIC's per-job cost for its lending program has risen from \$4,717 in 2017 to \$18,059 today, driven largely by:
 - o Higher share of real estate with larger loan sizes do not create as many jobs but are providing housing units.
 - o Loans originated during the COVID-19 pandemic at 0% interest rate. These loans are running off but resulting in SBIC earnings below the typical 2% interest rate.

Overall Program Benefits (FY23-24)

- \$68.2 million in total output, plus fiscal impact and less total program

- opportunity cost, resulting in positive net output of \$58 million.
- 411 new jobs created.
- 560 housing units added.

Ms. Yamada asked if the jobs were full-time jobs and how many are construction jobs. Mr. Baca said most of the jobs were construction jobs. Given there is a housing shortage that is expected to continue for the foreseeable future, the construction jobs were treated as recurring. The report included full-time and part-time jobs. Figure 25 shows there were 149 jobs related to business operations, and Figure 26 shows 262 were construction jobs. Ms. Beckett noted that construction jobs related to real estate loans don't include the work being done inside the completed buildings. Ms. Yamada noted there could be a question about how many of the construction jobs are in-state employees, even though out-of-state workers do spend money while they are here. Mr. Grassham agreed it would be nice to know how many of the workers, including from subcontractors, are in-state workers.

Ms. Beckett asked about new businesses created. Mr. Cummins said there is information about business acquisitions, but there is no information on new businesses created. He added that given lending partner loans are mostly secured and many startup businesses don't have collateral, the number of new businesses is probably small. Ms. Yamada asked if there are business expansion loans, with employees added as part of the expansion. Mr. Cummins said he believed that was correct. Mr. Baca added that with aging of the population, there are a growing number of business owners wanting to retire, which provides opportunities to acquire and take over a business.

Ms. Yamada moved to accept BBER report. Ms. Alley seconded the motion which passed unanimously.

POSSIBLE NMSBIC SUBSIDIARY FOR HOLDING DIRECT INVESTMENTS

Mr. Cummins said Mr. McDonald suggested creating a subsidiary to hold loan and investments owned directly by NMSBIC. NMSBIC currently holds two direct loans and expects four more direct investments when the Verge I II Combined partnership is terminated. He said benefits of a subsidiary would be:

- Reduce liability exposure and protect NMSBIC's assets.
- Allow more detailed discussions with investee companies outside public meetings.

Mr. Cummins said he and Mr. McDonald consulted with Dee Brescia, and with Jake Dobson and Robert De Pasquale at Pulakos CPAs. The proposed subsidiary would be a disregarded entity for tax purposes and would be consolidated in NMSBIC's audited financial statements. The subsidiary would not have a board of directors. NMSBIC would be the sole member of a single-member limited liability company (SMLLC).

Mr. McDonald added the proposed structure is simple and low-risk but provides meaningful liability protection. He said equity investments involve unstable companies, making asset isolation prudent. An SMLLC subsidiary would separate private-equity-type holdings from lending activities. He explained that assets inside the SMLLC would be exposed to claims against any one investee, but NMSBIC's other assets would be protected. He confirmed that IRS treatment of an SMLLC keeps administrative burden low given there is no separate tax return or audit. He recommended creating a simple legal structure, to include articles of organization and an operating agreement. Mr. McDonald said asset transfers could occur once the SMLLC is formed early next year.

Chair Smith said it appears to make sense from a liability perspective and seems very simple.

Ms. Beckett asked what assets would be included in the subsidiary. Mr. Cummins said there are two direct loans acquired from New Mexico Gap Fund, and four common stock investments we expect to receive from Verge I II Combined. He said there was also discussion about including NMSBIC's investment in New Mexico Mezzanine Partners limited partnership (NMMP). Mr. McDonald said he recommends transferring the NMMP investment.

Mr. Cummins noted it appeared the board would like to move forward with creating an SMLLC. Mr. McDonald said he will develop articles of organization and an operating agreement to present at the next board meeting.

VERGE I II COMBINED TERMINATION - AUTHORIZATION TO NEGOTIATE AND EXECUTE DOCUMENTS RELATED TO THE TERMINATION OF THE VERGE I II COMBINED LIMITED PARTNERSHIP AND DISTRIBUTION TO NMSBIC OF ITS PRO-RATA SHARE OF THE ASSETS OF THE LIMITED PARTNERSHIP

Mr. Cummins said we expect the Verge I II Combined Limited Partnership to terminate by December 31, 2025. He said Mr. McDonald recommended we get board approval for the board chair or vice chair to execute documents related to the termination and transfer of assets.

Mr. Valdiviez moved:

- **That NMSBIC's board of directors authorize and direct the NMSBIC executive director/investment advisor to negotiate on behalf of NMSBIC the terms and conditions of the anticipated termination of VERGE I II Combined L.P. limited partnership and the distribution to NMSBIC of its pro-rata share of the assets of the limited partnership to NMSBIC; and**
- **That the NMSBIC's current president and board chair, or vice president and vice chair, be authorized to execute on behalf of NMSBIC any and all documents and instruments required or useful in connection with such**

termination and distributions, subject to review and approval by the NMSBIC's current president and board chair, or vice president and vice chair and NMSBIC legal counsel; and

- That NMSBIC's executive director/investment advisor will report back to the board when the documents have been executed.

Mr. Garduño seconded the motion which passed unanimously.

NMSBIC BUSINESS CONTINUITY PLAN, UPDATE AND TESTING

Mr. Cummins referred to NMSBIC's updated business continuity plan (BCP) and recent test results. He said the BCP is updated and tested every six months.

NMSBIC PROPOSED 2026 BOARD MEETING DATES

Mr. Cummins presented the following board meeting dates for 2026.

Meeting Date

Friday, February 20, 2026

Friday, April 17, 2026

Thursday, June 18, 2026

Note: June 19th is Juneteenth Holiday

Friday, August 21, 2026

Thursday, September 17, 2026

Note: Limited Agenda, Call-In Meeting

Friday, October 16, 2026

Thursday, December 10, 2026

NMSBIC STAFFING/SUPPORT RESOURCES

Mr. Cummins said funds were included in the NMSBIC's budget to expand staffing/support resources starting in February 2026. He noted that Chair Smith suggested we consider contracting with a Santa Fe organization, rather than an individual. Organizational support would hopefully provide better continuity and scalability. Mr. Cummins said he had reached out to some board members about possible service providers in the Santa Fe area. Ms. Alley and Mr. Grassham provided some possible options.

Mr. Grassham said Treasurer Montoya made the point before the meeting that there is a lot of demand for services from professionals. Chair Smith added NMSBIC will soon have over \$200 million in assets, and we need some redundancy.

Mr. Cummins said Chair Smith also identified an individual who might be available to provide consulting services.

Ms. Beckett said there appears to be two parts. First is the oversight and

recruitment of lending partners, and second is the financial side. She asked if there was any benefit to having support provided from Santa Fe or Albuquerque. Chair Smith said he initially thought there might be benefit from having a Santa Fe provider, but it really doesn't matter so long as they can develop and maintain relationships. Ms. Beckett said a national firm might have resources for the financial work, but it seems like developing and maintaining relationships makes the workload unique. Mr. Cummins said he agrees there are two parts, financial analysis and lending, and those parts might come from two different providers. Ms. Beckett said she has a contact we might consider.

Ms. Alley said if we go with a national firm, NMSBIC might be small potatoes. She said it was great hearing Treasurer Montoya talk about developing accounting resources, but agreed we also need a relationship person. Ms. Alley said she has contacts we might consider. Mr. Cummins said he will follow up with Ms. Beckett and Ms. Alley regarding their contacts.

BOARD CONTINUING EDUCATION

No board continuing education information was provided this month due to the length of the meeting agenda.

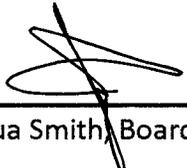
CHAIR'S COMMENTS

Chair Smith thanked everyone for attending.

ADJOURNMENT

Mr. Valdiviez moved to adjourn at 12:39 p.m. Mr. Grassham seconded the motion, which passed unanimously.

ADJOURNMENT: 12:39 p.m.



Joshua Smith, Board Chair

2/20/26

Date