

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

February 20, 2026

A meeting of the New Mexico Small Business Investment Corporation was called to order on this date at 9:04 a.m. at the WESST Enterprise Center, 609 Broadway Blvd NE, Albuquerque, New Mexico. A quorum was established.

Members Present

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

Members Excused

Ms. Kristina Alley
Mr. Joshua Grassham

Executive Director/Financial Advisor to Board

Mr. Russell Cummins

Board Legal Counsel

Mr. Randall McDonald

Guests Present:

Mr. Robert De Pasquale, Tax Partner, Pulakos CPAs
Mr. Todd Clarke, Board Chair, Hexagon Housing Fund
Mr. Michael Carroll, Acting Director of Lending, RCAC (via Zoom)
Ms. Johanna Gilligan, Deputy CEO, Homewise (via Zoom)
Mr. Daniel Slavin, Chief Financial Officer, Homewise (via Zoom)

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 DECEMBER 11, 2025

Mr. Garduño moved to approve the Board Minutes for the December 11, 2025, NMSBIC board meeting, as presented. Ms. Beckett seconded the motion, which passed unanimously by roll call vote.

NMSBIC PURPOSE FROM THE SMALL BUSINESS INVESTMENT ACT

Mr. Cummins said NMSBIC's purpose is included for reference purposes.

IRS FORM 990 DRAFT TAX RETURN

Mr. Cummins introduced Robert De Pasquale, Tax Partner with Pulakos CPAs, to present NMSBIC's Internal Revenue Service (IRS) Form 990 tax return. Mr. Cummins noted NMSBIC is a 501(c)(4) nonprofit corporation and files an informational tax return with the IRS.

Mr. De Pasquale reviewed the IRS Form 990 tax return and provided the following highlights:

- Figures for the tax return are taken from NMSBIC's audited financial statements.
- Investments in equity limited partnerships are dropping off and many no longer meet the disclosure threshold for the tax return.
- There are several yes/no checklist questions, and an important area has questions regarding governance and best practices. As noted on the tax return, NMSBIC has all recommended policies in place.
- While the tax return is for NMSBIC's fiscal year ended June 30, 2025, the board positions and remuneration are reported on a calendar year.
- A key difference between NMSBIC's audited financial statements versus figures reported in the tax return is that any unrealized investment income is not reported as income on the tax return.
- Supplement information discloses that NMSBIC does not provide health insurance or retirement benefits, nor does it cover gross receipts tax or the employer portion of FICA and Medicare taxes for the executive director/investment advisor.

Mr. Cummins referred to figures in the tax return showing program related income, and unrelated business revenue. He said he and Mr. McDonald discussed this with Mr. De Pasquale related to the planned transfer of certain assets to a single member limited liability company (SMLLC). They determined that assets to be transferred to the SMLLC, which are currently program related investments, will continue to be program related investments after a transfer.

Chair Smith asked, as NMSBIC's assets grow, if there is any asset-size limit on a nonprofit corporation. Mr. De Pasquale responded that for NMSBIC, there is no asset-size limit to qualify as a nonprofit corporation.

Mr. Garduño moved to accept the IRS Form 990 tax return, and to authorize NMSBIC's board chair to execute any documents related to filing the tax return. Ms. Yamada seconded the motion, which passed unanimously by roll call vote.

HEXAGON HOUSING FUND UPDATE

Mr. Cummins introduced Todd Clarke, Board Chair of Hexagon Housing Fund. Mr. Clarke provided an update regarding Hexagon Housing Fund, a newly formed nonprofit lender, as follows:

- Ventana Fund has long supported affordable housing in New Mexico and values its relationship with the NMSBIC board.
- A new nonprofit, Hexagon Housing Fund (HHF), has been spun off from Ventana Fund to address housing needs tied to New Mexico's military missions.
- Ventana Fund's existing CDFI certification restricts lending to affordability-based criteria, which conflicts with the higher incomes of many military personnel. Many military-serving borrowers cannot meet Ventana Fund's affordability restrictions due to higher household incomes.
- HHF will apply for CDFI certification based on geography, not income.
- 91% of New Mexico census tracts qualify under geographic criteria.
- HHF will initially be staffed and supported by Ventana Fund (accounting, legal, operations) until it becomes self-sufficient.
- Transfer of seed capital: Ventana Fund intends to donate one or more existing loans to HHF.
- HHF expects to return in April or June to request an NMSBIC line of credit of \$500,000 to \$1 million.

Mr. Clarke noted the Air Force base in Alamogordo might lose a mission if more housing is not provided. Mr. Valdiviez asked if there are plans to build additional housing on the Air Force Base. Mr. Clarke responded he is not aware of any such plans.

Mr. Cummins noted Mr. Clarke's presentation is a status update and there is nothing to vote on today. Chair Smith thanked Mr. Clarke for the update. Mr. Clarke left the meeting.

FINANCIAL REPORTS AS OF NOVEMBER 30, 2025, DECEMBER 31, 2025, AND JANUARY 31, 2026

Mr. Cummins noted:

- NMSBIC received a \$39.9 million contribution from the severance tax permanent fund in February. The funds were transferred directly to NMSBIC Local Government Investment Pool (LGIP) account with the State Treasurer's Office. He noted we were anticipating a contribution of about \$25 million based on the State Investment Council's Investment Holding Report as of June 30, 2025, but it appears there were adjustments after that report was issued. Mr. Garduño said he believes there are

two big sources of income that are added to the severance tax permanent fund as adjustments.

Mr. Garduño moved to accept NMSBIC's financial reports as of November 30, 2025, December 31, 2025, and January 31, 2026. Ms. Yamada seconded the motion, which passed unanimously by roll call vote.

RURAL COMMUNITY ASSISTANCE CORPORATION (RCAC), PROPOSED NMSBIC LINE OF CREDIT

Mr. Cummins introduced Michael Carroll, Acting Director of Lending for Rural Community Assistance Corporation (RCAC). Mr. Cummins added that NMSBIC had a previous line of credit with RCAC that was originated just prior to the COVID-19 pandemic and was not used. In recent discussions with RCAC, Mr. Carroll noted that RCAC has several bank lines of credit that limit secured borrowings such as NMSBIC's previous line of credit to RCAC. The proposal being presented today is for an unsecured NMSBIC line of credit, which will facilitate RCAC's use of NMSBIC funds in rural areas of New Mexico. To support the proposed unsecured line of credit, Mr. Cummins referenced information in the board report showing RCAC financial highlights, including assets of \$257 million, and net assets of \$133 million, or 52% of total assets.

Mr. Carroll provided the following information about RCAC and its rural lending program:

- RCAC is a 48-year-old organization headquartered in West Sacramento, CA, and serves 13 Western states, including New Mexico.
- Provides lending plus extensive technical assistance for small community water systems, affordable housing development, and small business lending.
- Currently has staff based in New Mexico, including one lender and multiple water-system technical assistance specialists.
- RCAC loans are often USDA guaranteed. It also originates unguaranteed small business loans up to \$250,000.
- Community facility financing includes hospitals, clinics, and charter schools.
- RCAC has about \$2 million in immediately eligible loans, including small business loans and a larger loan for a housing development organization.
- RCAC is requesting a \$3 million line of credit from NMSBIC. It plans to utilize \$2 million immediately.
- RCAC is requesting an exception to NMSBIC's secured-debt requirement because RCAC's bank lenders require it to maintain low levels of secured debt.
- RCAC is financially strong. It recently received a significant MacKenzie Scott grant, strengthening its balance sheet.

Mr. Cummins noted that for the proposed unsecured NMSBIC line of credit, RCAC would still be responsible for any loan losses. He added that the proposal includes use of RCAC's uniform covenants.

Ms. Yamada asked what type of community facilities are financed by RCAC. Mr. Carroll responded that community facilities might be a community center or any public serving building. He said the building might be owned by a municipality or a nonprofit cooperative. He added that municipalities are not small businesses and do not qualify for using NMSBIC funds, but nonprofits are corporations and do qualify. Mr. Carroll said RCAC provides financing for construction of facilities and then provides separate long-term financing that is USDA guaranteed. The USDA guarantee allows RCAC to sell the debt and replenish funds on its balance sheet.

Ms. Beckett said she has lived in a rural community in northern New Mexico. She asked if funding could be used for projects like a local library. Mr. Carroll responded that type of nonprofit organization would be eligible. However, to support a loan, there needs to be a source of revenue to support the debt, and libraries typically don't generate enough revenue to support debt.

Ms. Beckett asked about RCAC's loan loss reserve. Mr. Carroll responded that RCAC currently has a loan loss allowance of about \$10 million supporting \$150 million in loans.

Chair Smith asked if RCAC currently has two loans in New Mexico that would be eligible for NMSBIC funding. Mr. Carroll responded that there are four loans, two small business loans, one water system, and a housing development loan. Chair Smith asked where the water system is located. Mr. Carroll said he did not have that information and would need to report back on that. Chair Smith said he would appreciate following up regarding where the water system is located.

Chair Smith asked about sources of referrals to RCAC for loans. Mr. Carroll said RCAC has staff in New Mexico that sources loans. RCAC also provides technical assistance helping borrowers qualify for USDA loans, and often USDA refers borrowers to RCAC.

Chair Smith added that RCAC's financial statement is impressive.

Ms. Beckett moved for NMSBIC's board of directors to approve a new revolving line of credit to Rural Community Assistance Corporation (RCAC) as follows:

- **Maximum loan amount of \$3,000,000; and**
- **Unsecured loan; and**
- **Other terms and conditions as stated in the attached Discussion Term Sheet; and**
- **NMSBIC's current president and board chair, or vice president and vice chair, are authorized to execute any and all loan documents, subject to review and approval**

**by NMSBIC's legal counsel and NMSBIC's executive director/investment advisor;
and**

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

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

Chair Smith thanked Mr. Carroll for his presentation and said NMSBIC looks forward to doing business with RCAC. Mr. Carroll thanked the board members and left the meeting.

Mr. Valdiviez left the meeting.

NMSBIC SUBIDIARY FOR HOLDING DIRECT LOANS AND INVESTMENTS

Mr. Cummins said creation of a subsidiary to hold direct loans and investments was recommended by Mr. McDonald. Mr. Cummins referred to information in the board package regarding the proposed subsidiary as follows:

- NMSBIC would transfer (a) two notes acquired at the termination of New Mexico Gap Fund I LP, (b) investments in four companies distributed to NMSBIC at the termination of Verge I II Combined LP, and (c) the investment in New Mexico Mezzanine Partners LP.
- While NMSBIC's liability exposure related to these investments is considered low, NMSBIC has deep pockets that can attract lawsuits. The SMLLC would limit NMSBIC's liability exposure.
- An SMLLC would allow more detailed discussions about direct investments in companies, outside of public meetings.
- NMSBIC would be the sole member of the SMLLC. Duncan Russell Cummins would be the Manager of the SMLLC.
- An SMLLC would be disregarded for tax purposes and would not require a separate tax return.
- An SMLLC would be consolidated in NMSBIC's audited financial statements and would not require a separate audit.

Mr. McDonald said there are two documents in the board package, articles of organization, and an operating agreement that describes the relationship between NMSBIC as the sole member and the limited liability company (LLC). Because it's a single-member LLC, we don't need an operating agreement, but Mr. McDonald said he recommends having one to show we're following corporate formalities. It's a very simple operating agreement and an important part is that it names Duncan Russell Cummins as manager of the LLC, giving him the authority to do what he needs to do to operate the LLC.

Chair Smith noted the operating agreement states the manager may not transfer any assets of the LLC or incur any indebtedness without authorization of the member, which is NMSBIC.

In addition to approving the articles of organization and the operating agreement, Mr. Cummins recommended the board authorize transferring \$5,000 in cash to the LLC, and the assets noted above.

Ms. Yamada moved that NMSBIC's board of directors approve:

- **The formation of a single-member limited liability company (SMLLC) to be named NMSBIC Holdings, LLC, as set forth in the attached Articles of Organization and Operating Agreement; and**
- **Randall McDonald is authorized to file the attached Articles of Organization and any other documents necessary for the formation of the SMLLC, with the appropriate entities in the State of New Mexico; and**
- **NMSBIC will make an initial cash transfer of \$5,000 to NMSBIC Holdings, LLC.**
- **NMSBIC's current president and board chair, or vice president and vice chair, are authorized to execute the Operating Agreement and any other documents necessary for the formation of the SMLLC, subject to review and approval by the NMSBIC's legal counsel and the NMSBIC's executive director/investment advisor;**
- **NMSBIC's current president and board chair, or vice president and vice chair, are authorized to execute any other documents necessary for the transfer of the above-described assets to the SMLLC, 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 shall report back to the board when the documents have been executed.**

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

WESST REIMBURSEMENT FOR CONFERENCE ROOM

Mr. Cummins said WESST does not charge NMSBIC for use of its conference room. NMSBIC has historically reimbursed WESST for use of its conference room. NMSBIC paid WESST \$2,500 last year. Mr. Cummins recommended a payment of \$2,500 this year.

Chair Smith asked if NMSBIC should increase the amount and ask WESST to upgrade its conference room WIFI. Mr. Cummins recommended keeping the amount at \$2,500 and said he will see if WESST can upgrade the WIFI, or he will come up with a different solution.

Ms. Beckett moved that NMSBIC and its officers are authorized to reimburse WESST in the amount of \$2,500 for the use of the WESST conference room for NMSBIC board meetings for the calendar year 2026. Mr. Garduño seconded the motion, which passed unanimously by roll call vote.

EXECUTIVE DIRECTOR/INVESTMENT ADVISOR REPORT

Mr. Cummins provided the following update:

- At the end of January 2026, NMSBIC had \$184 million in assets, \$175 million committed and \$120 million deployed.
- The loan concentrations report shows that Ventana Fund is NMSBIC's largest lending partner, but is below NMSBIC's guideline of no more than 25% of net assets with any one lending partner.
- Concentrations in workforce housing and charter schools are both below NMSBIC's guidelines.
- The lending partner spreads report shows average rates that lending partners charge borrowers, versus the rate paid to NMSBIC. Spreads are reported before and after charge-offs.
- Loan documents have been signed for NMSBIC's new \$5 million line of credit to Raza Development Fund.
- Trustmark Bank is the new custodian for assets managed by RBC Global Asset Management (RBC GAM), which will allow RBC GAM to source SBA/USDA Certificates for NMSBIC's portfolio. The SBA/USDA Certificates are individual loans that are guaranteed by SBA/USDA. RBC GAM purchased its first USDA Certificate for NMSBIC in January, which provides funding for a medical facility in Farmington, NM.
- Verge I II Combined Limited Partnership was terminated as of December 31, 2025. Ownership in four companies was transferred to NMSBIC. NMSBIC executed a voting proxy with Verge Management for shareholder votes for the four companies. The voting proxy is revokable at any time, and Verge Management will provide NMSBIC with notice regarding upcoming votes and how it plans to vote.
- Chair Smith made an introduction to Building Hope CDFI that specializes in funding for charter schools and also provides ongoing administrative support to charter schools. Mr. Cummins is having discussions with Building Hope CDFI regarding a possible NMSBIC line of credit.
- Homewise indicated interest in discussing a partnership with NMSBIC to fund childcare facilities. Mr. Cummins will follow up with Homewise.

Ms. Beckett asked if we are continuing to monitor The Loan Fund's financial position. Mr. Cummins referred to a page in the board package with a recap of The Loan Fund's financial statements and noted The Loan Fund is in compliance with NMSBIC's net assets-to-liabilities ratio requirement.

HOMEWISE, PROPOSED CHANGES TO NMSBIC LINE OF CREDIT

Mr. Cummins introduced Johanna Gilligan and Daniel Slavin. He added that there was good discussion with Homewise at the last NMSBIC board meeting regarding funding for Homewise's real estate development that provides affordable housing. As a follow-up to the discussion from the last board meeting, there is a proposal to increase NMSBIC's line of credit with Homewise by \$10 million to be used for Homewise's real estate development activities.

Ms. Gilligan said this is an incredible opportunity. Homewise has seen escalating infrastructure costs in recent years. Funding from NMSBIC will reduce costs and increase simplicity in funding affordable housing projects.

Mr. Slavin said Homewise has a continuous cycle of new homes coming to market. The biggest, most capital-intensive part is developing the roads and utilities, which takes about a year. The entire process of developing and selling pad-ready sites for an 80–100-unit subdivision takes about 2-3 years. Having affordable and flexible funding from NMSBIC will make the process less expensive and easier for Homewise.

Mr. Cummins said the proposal is to increase NMSBIC's line of credit by \$10 million and increase the loans-to-one-borrower limit for Homewise from \$5 million to \$10 million. Mr. Cummins added that Homewise plans to use a limited liability subsidiary to do the real estate development, and Homewise will make loans to the subsidiary.

Chair Smith said that discussions had included plans for developing 1,500 new lots. He asked about the vertical construction and who qualifies to buy these homes. Ms. Gilligan responded that Santa Fe has an inclusionary zoning law that requires at least 20% of homes in a subdivision to be affordable. Homewise always goes beyond that minimum and often develops projects that are 50% affordable or more. Homewise uses tax credits, grants, and cross-subsidization from market rate homes to support affordable housing. She said homes are sold at market rate and what makes the home affordable is the Homewise loan.

Mr. Slavin added that regarding vertical construction, Homewise has been partnering with Abrazo Homes, which has worked out well for Homewise.

Ms. Gilligan said there is a real dearth of starter homes created nationally. Recent legislation passed in New Mexico will provide an incentive for developers to build starter homes.

Ms. Yamada moved for NMSBIC's board of directors to approve a modification to NMSBIC line of credit with Homewise, as follows:

- **Maximum loan amount of \$31 million, an increase of \$10 million; and**

- **Use of NMSBIC funds for development of residential lots and construction of residential homes limited to \$10 million; and**
- **Lender Funded Loans-to-One Client increased from \$5 million to \$10 million; and**
- **Other terms and conditions as stated in the attached Discussion Term Sheet; and**
- **NMSBIC’s current president and board chair, or vice president and vice chair, are authorized to execute any and all loan documents, subject to review and approval by NMSBIC’s legal counsel and NMSBIC’s executive director/investment advisor; and**
- **NMSBIC’s executive director/investment advisor shall report back to the board when the documents have been executed.**

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

NEW MEXICO 2026 LEGISLATIVE SESSION – LEGISLATIVE UPDATE

Mr. Cummins said he has been monitoring legislation introduced in the current legislative session that might impact NMSBIC. He said Senate Bill 112, Severance Tax Fund Classes (SB112), sponsored by Senator Pete Campos and Senator Sarah Silva, references NMSBIC but does not appear to impact NMSBIC. SB112 defines, "Differential rate investments", which are intended to stimulate the economy of New Mexico and to provide income to the severance tax permanent fund. SB112 would continue to allow NMSBIC to make Differential Rate Investments. All other economically targeted investments made with funds from the severance tax permanent fund would be required to be at market returns.

Mr. Cummins said he was pleased NMSBIC was not impacted by the proposed legislation. He believes that is due, at least in part, to ongoing and open communications with Legislative Finance Committee staff regarding NMSBIC’s programs and plans, and results of NMSBIC’s Impact Study recently completed by the UNM Bureau of Business and Economic Research.

SB112 would also require that New Mexico’s Prudent Investor Act be followed for all investments made with funds from the severance tax permanent fund. NMSBIC notes in its annual report that it follows the Prudent Investor Act.

Mr. Cummins added that SB112 was not scheduled for a committee hearing in this year’s legislative session. Ms. Yamada said this legislation will probably come back in next year’s 60-day session. She suggested that, as we get closer to next year’s session, that we talk to key people about keeping the SB112 language as is.

NMSBIC STAFFING/SUPPORT RESOURCES - UPDATE

Mr. Cummins said he is gathering names of individuals and consulting firms to consider as providers of staffing support for NMSBIC. He asked board members to let

him know if they have additional people or firms to consider. He plans to meet with candidates and develop a recommendation for the board.

BOARD CONTINUING EDUCATION – NEW MEXICO PRUDENT INVESTOR ACT

Mr. Cummins noted that SB112 discussed earlier requires that New Mexico’s Prudent Investor Act , NMSA Section 45-7-601 et seq., be followed for all investments made with funds from the severance tax permanent fund. As noted above, NMSBIC follows the Prudent Investor Act. A summary, and the full text of New Mexico’s Prudent Investor Act are provided in the board package.

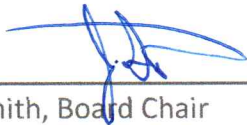
CHAIR’S COMMENTS

Chair Smith said he is pleased with how NMSBIC is growing and what the board is doing. He asked board members to continue looking for opportunities for new lending partners, and even if outside of the box, to bring ideas to Mr. Cummins.

ADJOURNMENT

Ms. Beckett moved to adjourn at 11:31 a.m. Ms. Yamada seconded the motion, which passed unanimously by roll call vote.

ADJOURNMENT: 11:31 a.m.



Joshua Smith, Board Chair

4/17/26

Date