



Presentation to the
New Mexico Legislative
Investments and Pensions
Oversight Committee

August 9, 2013

NMSBIC Board of Directors

Joseph Badal
NMSBIC Board Chair and President
President and CEO, Joseph Badal & Associates
Sandia Park, New Mexico

Alan Fowler, CMB
NMSBIC Secretary/Treasurer
Executive Vice President, First Mortgage Company
Albuquerque, New Mexico

Lupe Garcia
Owner, Garcia's Tires
Santa Cruz, New Mexico

The Honorable James B. Lewis, State Treasurer
Clarence L. Smith, Chief Operations Officer
State of New Mexico Office of the Treasurer
Designate for Treasurer Lewis
Santa Fe, New Mexico

Roxanna Meyers
NMSBIC Vice Chair and Vice President
President/Owner, Century Sign Builders
Albuquerque, New Mexico

Steve Morgan
President, Bosque Consulting, LLC
Bosque Farms, New Mexico

Launa Waller
Regulatory Manager, Plateau
Clovis, New Mexico

NMSBIC Executive Director/Investment Advisor

Russell Cummins
Owner, RDC Advisors LLC
Tijeras, New Mexico

New Mexico Small Business Investment Corporation (NMSBIC)

- Formed in 2001 by the Small Business Investment Act
- Funded by an allocation of 1% of Severance Tax Permanent Fund
- Purpose is to create new job opportunities in communities statewide
- Required to make investments in connection with Cooperative Agreement Partners

NMSBIC

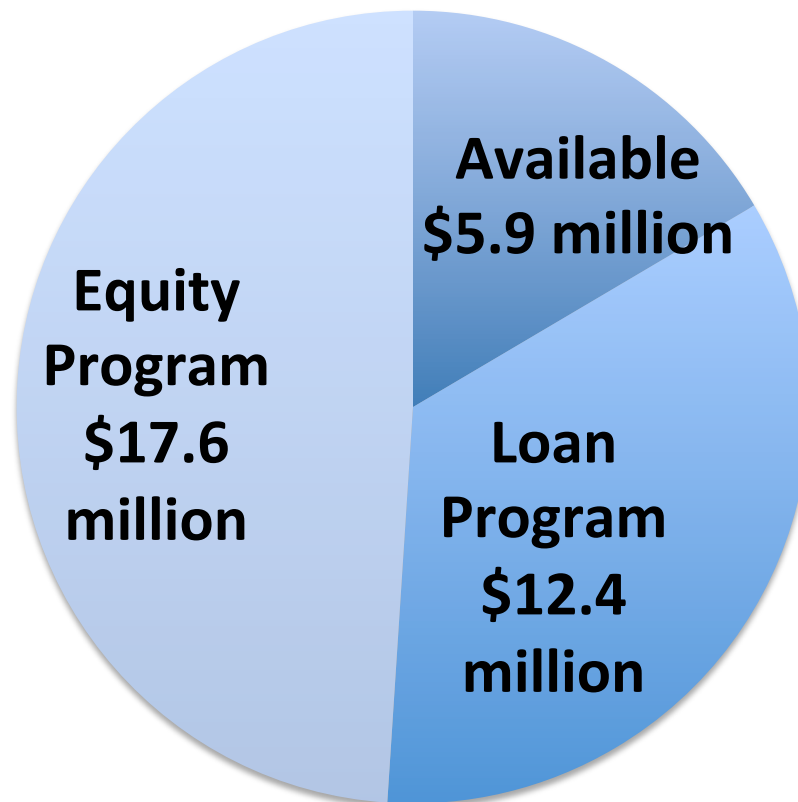
- Total original Severance Tax Permanent Fund allocation of \$47 million as of 2007
- NMSBIC assets at May 31, 2013: \$35.8 million
- Reduction in assets is primarily from realized and unrealized losses in Equity Program, and Equity Program management fees

NMSBIC Changes

- New Board appointed by Governor in mid-2011
- New Executive Director/Investment Advisor selected mid-2012

NMSBIC Invested & Committed Capital

May 31, 2013



Equity Program - Disadvantages

- Limited funds/relatively large investments
- Local culture re: giving up business ownership
- Long term investments, slow turnover of funds
- Dilution from later stage investments
- Management fee impact on returns
- High risk of loss – with lack of geographic diversity, risk is magnified during economic downturns
- Geographic concentration in Albuquerque area

Lending Program

Lending partners:



Loan Program Performance

	Since <u>Inception</u>	Fiscal Year <u>6/30/13</u>
Total Loan Interest Earned	\$1,746,971	\$226,630
NMSBIC Loan Losses	<u>(1,233,456)</u>	<u>(37,084)</u>
Net Interest Income	<u>\$513,515</u>	<u>\$189,546</u>

- NMSBIC does not incur any loan losses under its agreement with NMCDLF (The Loan Fund)
- We are working to restructure other agreements to further reduce the possibility of loan losses passed through to NMSBIC

Jobs Created or Supported Performance Since 2001 (Inception)

	<u>Equity Program</u>	<u>Lending Program</u>
# of Investments or Loans	46	2,690
# of Jobs Created or Supported	543	6,698

Lending Program Turn-Over

	<u>Lending Program</u>
Lending Program, Committed Funds	\$12,375,000
Loans Funded Since Inception	\$40,454,248

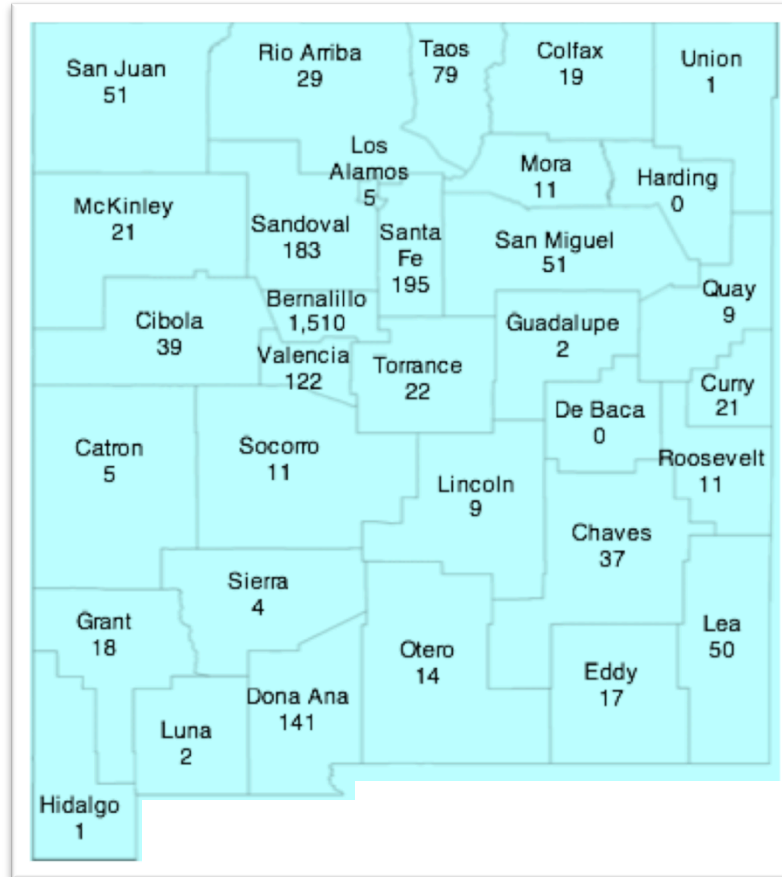
As loans are repaid, funds are recycled into new loans.

Investment Geography

Lending Program

Equity Program

The Equity Program investments in 46 companies are concentrated in the Albuquerque metro area

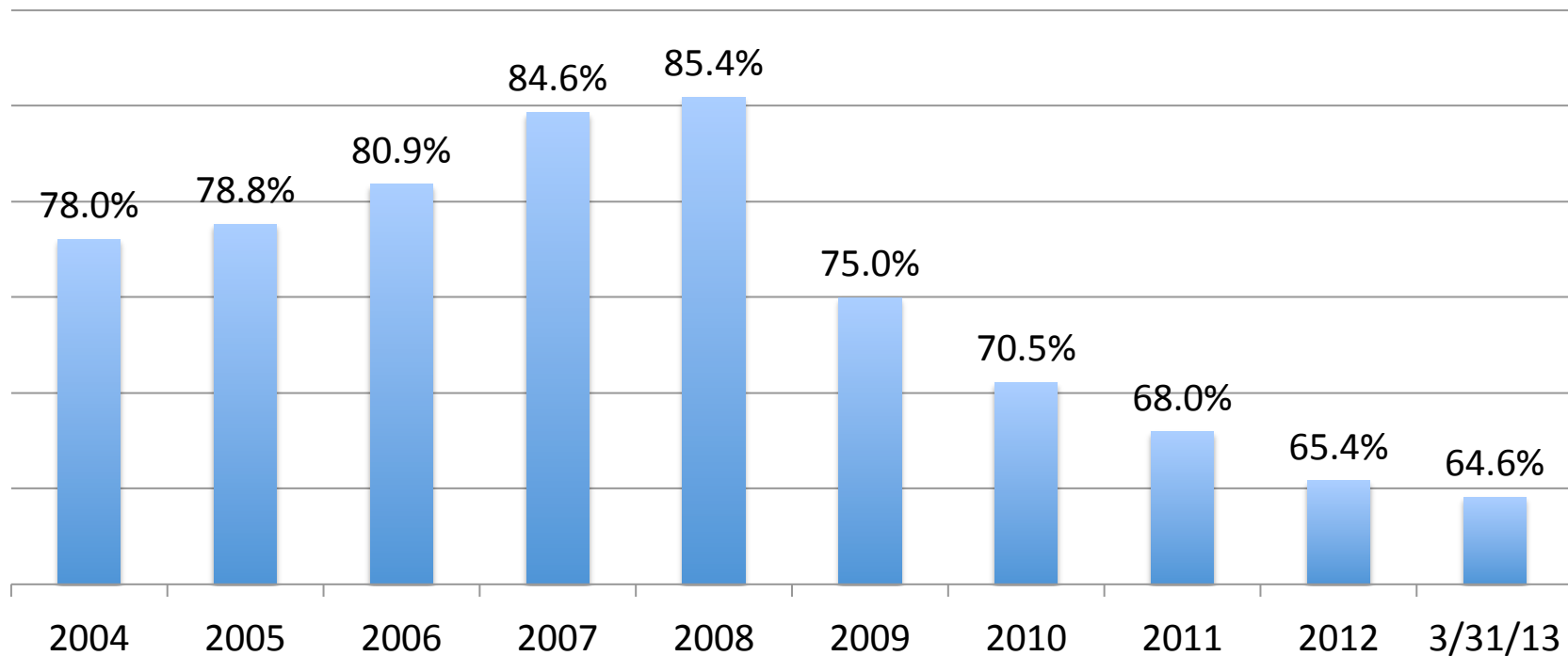


The Lending Program has provided funds for 2,690 loans in 31 of 33 New Mexico counties

Lending Program - Advantages

- Smaller transaction size benefits more businesses
- Banks' conservative lending approach creates funding gap, which makes room for NMSBIC loan funds
- Shorter term investments/high turnover of funds
- No dilution of investment
- No management fees
- Borrower equity and collateral reduces losses in economic downturns
- Statewide dispersion of funds

New Mexico Banks Net Loans and Leases to Deposits



Source: www.fdic.gov, Statistics on Depository Institutions, March 31, 2013

Our concern is that viable companies will not be started, or will stagnate, due to lack of funds

NMSBIC Lending Program

NMSBIC Board has and continues to amend loan agreement terms to reduce risk of loss to NMSBIC and strengthen lending partners:

- Remove loans from NMSBIC portfolio at 120 days delinquent (was previously 180 days)
- Promote delivery of loans throughout the state
- Lending Partner funding diversification, with no more than 70% funding from NMSBIC

Active Board of Directors

The NMSBIC Board is active and engaged:

- Strategic Planning Meetings November 2011 and January 2013
- Conducting Accessing Capital in New Mexico Program in:
 - Hobbs – August 2012
 - Española – August 2013
- Board members have met with lending partners to perform loan reviews, operational reviews, and to provide free consulting provided on client service and winning over customers

Potential opportunities to expand the Lending Program will more than likely exhaust available funds in the next 12-18 months

NMSBIC Going Forward

- Focus on Lending Program to fill funding gap for New Mexico small businesses
- Continue work to amend lending agreements to strengthen lending partners and reduce NMSBIC risk
- Access additional funding to expand NMSBIC's Lending Program

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