



New Mexico Catalyst Fund

Executive Summary

April 2016

Catalyst Fund Overview

The New Mexico Catalyst Fund, LP (the “Fund” or the “Catalyst Fund”) is a newly-created, \$20 million fund-of-funds investment vehicle. The Fund will invest in emerging and existing venture capital funds in New Mexico (collectively the “Portfolio Funds”). These Portfolio Funds will focus on making seed and early stage venture capital investments in startup companies in the State of New Mexico. The Fund will be managed by Sun Mountain Capital, LLC (“Sun Mountain” or “SMC”).

The New Mexico Investment Opportunity

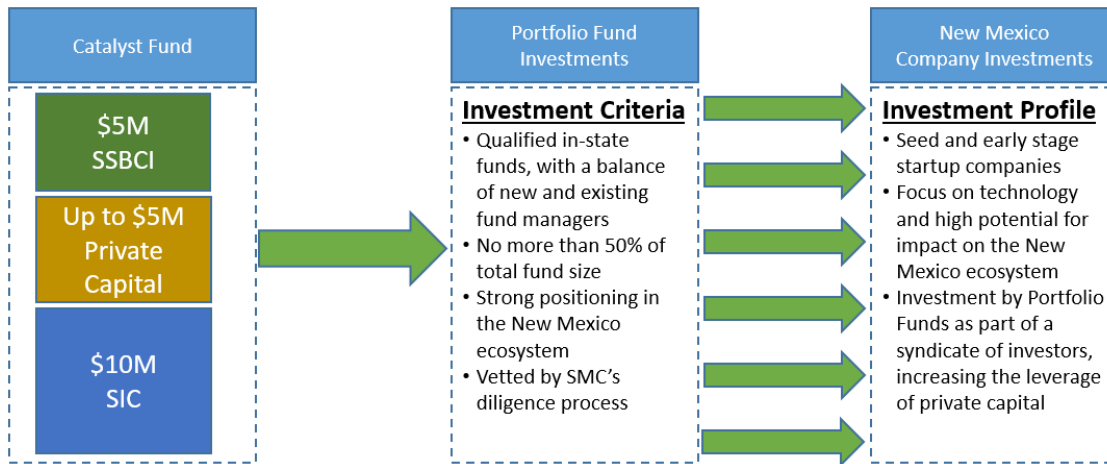
New Mexico has witnessed a surge in entrepreneurial activity over the past three years. There are a number of new company incubators and accelerator programs around the State, including Albuquerque, Las Cruces, Socorro, Santa Fe, and Alamogordo. Many of these organizations have raised, or are in the process of raising, small dedicated investment vehicles in order to provide entrepreneurs with sufficient seed capital investment to mature their business ideas. Currently, other than the New Mexico Angels, there are no organized seed investment funds with available capital to make new portfolio investments in the State. With a significant number of companies graduating from these incubators, and the general rise in entrepreneurial activity in the State, there is a need for more seed and early stage funding in New Mexico.

In the second half of 2015, the New Mexico Economic Development Department (“NMEDD”) contacted Sun Mountain and began discussions related to an available pool of capital from the United States Treasury (“US Treasury”) via the State Small Business Credit Initiative program (“SSBCI”). The SSBCI is a program administered by the US Treasury designed to enable small companies to secure financing outside of more conventional capital markets. Currently, approximately \$5 million of the original commitment to the State is unused and was unlikely to be used before the SSBCI program expires in 2017. Sun Mountain worked collaboratively with NMEDD, the New Mexico Finance Authority and the Office of the Governor, to submit a proposal to the US Treasury to repurpose the remaining SSBCI funds in order to commit the funds to the Catalyst Fund. This proposal received final approval by the US Treasury’s Review Board in January 2016. In addition, the New Mexico State Investment Council (“SIC”) has approved a \$10 million investment into the Fund, and private investors are expected to invest another \$5 million.

Catalyst Fund Strategy

The Catalyst Fund will invest in existing and emerging Portfolio Funds located across the State of New Mexico with a focus on providing capital to start-up companies at the seed and early stage of development. Commitments to Portfolio Funds will be made over an investment period of 3 years from the final close of the Catalyst Fund. Sun Mountain expects to make approximately 8-10 investments in Portfolio Funds, averaging \$1.5-\$2.0 million per investment. These Portfolio Fund investments will require a private capital match of at least 50% of the total Portfolio Fund size. This requirement is based on Sun Mountain’s analysis of current market capacity of approximately \$30-\$40 million. The Fund will not have a sector focus, however it will be geographically focused across New Mexico. Potential advantages to addressing this underserved market segment in underserved geographies are the ability to operate businesses at lower costs than more developed

areas and the ability to secure more attractive valuations and terms for investments. The fund-of-funds investment strategy of the Catalyst Fund is outlined in the diagram below:



Sun Mountain intends to publicly issue a Request for Information ("RFI") during the second quarter of 2016 for interested Portfolio Fund candidates to submit applications for due diligence and consideration for a commitment from the Catalyst Fund. Based on an assessment of current market conditions, Sun Mountain expects to receive a considerable number of submissions in response to the RFI due to pent-up demand for capital among entities in New Mexico. All submissions will be subject to an initial evaluation by the Sun Mountain team. Portfolio Fund candidates deemed to be eligible to receive a commitment will be subject to Sun Mountain's institutional due diligence process.

Conclusion

Seed and early stage initiatives and local venture capital funds play a vital role in the sustainability of the entrepreneurial and venture capital ecosystem in New Mexico. Investing in these initiatives via an institutionally-managed fund-of-funds program such as the Catalyst Fund allows investors to support these initiatives in a prudent manner, revitalize the seed and early stage ecosystem, make the State of New Mexico more attractive for high caliber regional and national venture capital funds, and stimulate economic development in the State.