



Presentation to the  
Investments and Pensions  
Oversight Committee

November 28, 2012

## **NMSBIC Board of Directors**

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

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

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

Sam Cobb  
Mayor, City of Hobbs  
President, RMS Foods, Inc.  
Hobbs, New Mexico

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

Launa Waller  
Regulatory Manager, Plateau  
Clovis, 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

## **NMSBIC Executive Director/Investment Advisor**

Russell Cummins  
Owner, RDC Advisors LLC  
Tijeras, New Mexico

# New Mexico SBIC

- Formed in 2001 by the Small Business Investment Act
- Funded by an allocation of 1% of Severance Tax Permanent Fund
- Purpose is to make investments to create job opportunities and support new or expanding businesses in New Mexico
- Required to make investments in connection with Cooperative Agreement Partners

# New Mexico SBIC

SBIC has two investment programs:

- Equity Program, \$17.4 million outstanding or committed
- Loan Program, \$12.2 million outstanding or committed
- Uncommitted Funds \$5.7 million

Data as of October 31, 2012

# New Mexico SBIC

- Total original Severance Tax Permanent Fund allocation of \$47 million as of 2007
- NMSBIC assets \$35.2 million at 10/31/12
- Reduction in assets is primarily from realized and unrealized losses in Equity Program limited partnerships, and equity fund management fees

# Equity Program

Equity Program partners:



New Mexico  
Mezzanine  
Partners



# Equity Program (continued)

Equity Program may have been ill-conceived

- High concentration of high-risk investments going into 2008 financial crisis
- \$28.5 million in equity investments funded from 2004 to 2012
- Current value \$13.6 million, \$14.9 million in realized and unrealized losses

Data as of October 31, 2012

# Equity Program (continued)

- Local equity funds are relatively small in size
- Economy of scale impacts an equity fund's level of funding for hiring full range of staff, and hiring experts for due diligence of specialized technologies
- Secondary & tertiary follow on capital raises tend to dilute first round investments

# Equity Program (continued)

- Investing only in New Mexico companies limits diversification
- Equity Investments are typically long-term in nature, with slow turnover of funds for reinvestment
- Relatively few equity investments are made outside the Albuquerque area

# Lending Program

Lending partners:



# Lending Program (continued)

- Since inception, and through its lending partners, NMSBIC has provided funding for over 2,400 loans to New Mexico small businesses that have supported over 5,800 jobs
- Loans have been made in 31 of 33 counties in New Mexico

# Lending Program (continued)

- Since inception, NMSBIC's lending partners have made over \$36 million in loans to New Mexico small businesses
- Nearly three times the current Lending Program committed capital has been loaned and recycled, providing effective leverage of NMSBIC capital

# Lending Program (continued)

- Interest income has been greater than loan losses, resulting in a net gain for NMSBIC's Lending Program
- NMSBIC has aggressively changed loan agreement terms to strengthen lending partners and reduce risk of loss to NMSBIC
- NMSBIC is currently amending loan agreement terms to further strengthen lending partners & reduce risk of loss to NMSBIC

# Lending Program (continued)

- There has been a contraction of bank lending resulting in a funding gap for small businesses in New Mexico. NMSBIC's Lending Program is helping to fill the current lending gap.

# NMSBIC Changes

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

# Active Board of Directors

The NMSBIC Board is active and engaged:

- November 2011 strategic planning meeting
- August 2012 “Accessing Capital in New Mexico” meeting held in Hobbs
- Board members have attended numerous community events, and attended meetings with existing and potential lending partners
- Detailed loan and operational reviews of lending partners

# NMSBIC Going Forward

- Expand Lending Program to fill gap for New Mexico small businesses
- De-emphasize Equity Program, reserving opportunity for viable future investments
- Change lending agreements to strengthen lending partners and reduce NMSBIC risk
- Provide lending capital and awareness to all parts of New Mexico

NEW MEXICO  
SBIC