THE NEW MEXICO INNOVATION TRIANGLE (NMIT) OVERVIEW

NMIT Discussion with New Mexico Revenue Stabilization and Tax Policy Committee
AGENDA

Rizzo intro and why should you care about what I’m going to say

New Mexico Innovation Triangle Vision

Tax policy enhancement ideas to realize the vision (for 2023 session)

Panel discussion with Innovation experts

Discussion and Q & A
THE NEW MEXICO INNOVATION TRIANGLE (NMIT) OVERVIEW
THE NEW MEXICO JOURNEY STARTED 40 YEARS AGO AND HAD A DETOUR TO SILICON VALLEY.
WHO IS RIZZO AND WHY SHOULD YOU CARE ABOUT WHAT I'M ABOUT TO DISCUSS?

**Past Silicon Valley Icons**

- $72B
- $258B
- $40B

**Present in Santa Fe**

- Intel
- Apple
- ORACLE

**Past Silicon Valley Startups**

- 2 IPOs
- 6 M&A Exits
- $3.6B Created

- 33% IRR over past 10 years

- Founder, CEO, Sole Investor, NMIT

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THE NEW MEXICO INNOVATION TRIANGLE
SANTA FE · ALBUQUERQUE · LOS ALAMOS
A PAST FAILURE CREATES THE OPPORTUNITY IN NEW MEXICO THAT LIES AHEAD ...

Technology, innovation, and entrepreneurship are job creators and create opportunities for people of all backgrounds in all walks of life.
THE NEW MEXICO INNOVATION TRIANGLE (NMIT) OVERVIEW
WHY ARE WE HERE, AND WHAT PROBLEM ARE WE TRYING TO SOLVE?

1. Our population is shrinking
2. Younger people are leaving
3. Older people are arriving

We must re-vitalize growth in New Mexico or run the risk of a perilous future.
## GAP ANALYSIS - HOW DO WE COMPARE AND WHAT FACTORS GO INTO HIRING LOCALLY?

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<th></th>
<th>California</th>
<th>Texas</th>
<th>New York</th>
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<td>Access to Labor</td>
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<td>Cost of Doing Business</td>
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<td>Mentorship &amp; Support</td>
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### Legend
- **Positive Attribute**
- **Neutral Attribute**
- **Negative Attribute**
MACRO TRENDS ARE SUPPORTING OUR PURPOSE AND ARE PERMANENT

The Pandemic Changed Everything ...
INCREMENTAL INNOVATION & TECH EMPLOYMENT GROWTH: 25,000 NEW JOBS BY 2030

Cumulative jobs: 25,000
Cumulative salary (1): $2.75B
Cumulative state income tax (2): $110M

Fuel improvement in people’s lives through economic growth

Diversify the economy beyond oil, tourism, government

Capitalize on fast moving trends

(1) Assuming $110K/year annual salary
(2) Assuming 4% tax rate
At full run rate this initiative adds 15% ($15B) to New Mexico’s GDP and will improve the lives of 10’s of thousands of New Mexicans.
SUFFICIENT FUEL IS NECESSARY OR YOU CRASH BEFORE ENTERING ORBIT
Los Alamos Innovation Villages

Santa Fe Innovation Village - Southside

Labor shed of 1.1M in the NMIT (north)

Albuquerque
NMIT PURPOSE: CREATE 25,000 HIGH PAYING TECH/INNOVATION JOBS - 5 POINT STRATEGY

1. Create live/work/play Innovation Villages/Hubs to attract jobs & younger people

2. Create new capital to fund startups in key sectors and entrepreneurs HERE

3. Transform K-12 education to help our kids get good, high paying tech jobs, HERE

4. Capitalize on local skilled people HERE via an active mentorship network

5. Improve lives via active inclusion of communities HERE who have been left behind
THE WORLD IS MOVING, FAST, AND SANTA FE IS AN IDEAL LOCATION FOR AN INNOVATION VILLAGE

The Mixed Use, Walkable 15 Minute Innovation Village:

Modern, cool, hip living & Post-Covid office space AKA - buzz

Affordable housing and a sense of a diverse community

Restaurants, entertainment, groceries, exercise, views and light

K-12 education and beyond
BAY MEADOWS NEAR SAN FRANCISCO - A GREAT EXAMPLE OF “THE 15 MINUTE VILLAGE”
SANTA FE INNOVATION VILLAGE - SOUTHSIDE

10 Minutes: downtown Santa Fe

Regional Airport

45 minutes: Los Alamos

Santa Fe Innovation Village

Community College

55 minutes: Albuquerque

10 Minutes: downtown Santa Fe

55 minutes: Albuquerque
SUPPORT FROM NEW JOB CREATORS AND ENTREPRENEURS IN SANTA FE

Alex Patriquin
Founder and CEO, circa.co

“I moved my company from the Silicon Valley because the quality of life, talent pool, and intellectual and creative people in Santa Fe was a great place to set up the business, and consistent with a remote and local workforce. We can grow more quickly as a result.”

Ali Rubinstein
Chief Creative Officer and Co-CEO, Meow Wolf

“The Santa Fe Innovation Village - Southside contains the key elements to attract and retain local companies who want to grow their businesses and workforces locally. As a Southside business leader, we are excited about the project and how it supports the community, the cultural, and artistic elements of Santa Fe.”
Innovation Hubs in Other Areas

Los Alamos Innovation Villages

Santa Fe Innovation Village - Southside

Wireless and other Broadband enables Work from Anywhere
TECHNOLOGY, INNOVATION, VOCATIONAL AND ARTS SCHOOLS RIGHT IN THE VILLAGE

Partnering with public, private, charter and local entrepreneurs for diverse and relevant education
HIGHER EDUCATION CONVENING TO CREATE SKILLED WORKERS FOR THE NEW ECONOMY

Richard Bailey, Jr. PH.D., President of Northern New Mexico College
Mitzi M. Montoya, PHD, Dean of the Anderson School, UNM
Jenny Parks, CEO, LANL Foundation
Cynthia Rooney, Chancellor, UNM Los Alamos
Joseph Shepard, PH.D., President of Western New Mexico University
Stephen Wells, President, New Mexico Tech
Becky Rowley, President Santa Fe Community College
La Emi Arte, Founder Executive Director of EmiArteFlamenco

“Emi Arte Flamenco

“It will give more opportunity to all members of our community to have access and be involved in the arts. I am very excited about a possible partnership with the Santa Fe Innovation Village to help bring the art of Flamenco to the Southside residents and their families. This will be transformational for our community.”
“To me the Innovation Village on the Southside represents a new day for young men and women who want to create a better future for themselves in Santa Fe. I’m pumped up about opening a Culinary Academy in the Village, as well as bringing cool restaurants and food venues to the Southside residents and those that work there. This is an awesome project for our city.”
NEW COLLAR JOBS FOR THOSE WHO DON’T WANT A FOUR YEAR DEGREE

Sarah Boisvert, founder & CEO of New Collar Network and the Fab Lab Hub,
THE NEW MEXICO INNOVATION TRIANGLE (NMIT) OVERVIEW

Tax Policy
HOW CAN THE STATE HELP?

Surgically targeted tax reform measures for specific sectors with tight guardrails

Higher Education investments per sector

Dedicated Venture Capital funds, per sector

Funds to drive the expansion of the idea and implementation

Support RailRunner enhancements to build a transit corridor between Mesa del Sol & SAF

Encourage a regional approach rather than a silo'd city approach

We have no specific asks at this time, but want to encourage thinking now for the ’23 session
VENTURE CAPITAL BACK STARTUPS

Startups are inherently risky (10% ‘success’ rate)

Profits take long to develop so cost and cash containment are key

Early in life, the largest portion of cash burn are salaries

Saving money on people/salaries extends the time for success or failure

Salaries are reduced by given people stock options/shares in the company

Options/shares in the company pays off enormously with a win, reflecting the risk

Most shares end up being worthless given the high failure rate
# RETURN MODELING OF VENTURE BACKED STARTUPS

<table>
<thead>
<tr>
<th>Distribution</th>
<th>Summary</th>
<th>Return</th>
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<tbody>
<tr>
<td>33%</td>
<td>Meet Expectations</td>
<td>2.5 X - 7.5X</td>
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<tr>
<td>33%</td>
<td>Don’t Meet Expectations</td>
<td>0.67-2 X</td>
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<tr>
<td>33%</td>
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**AVG 3.2X**
RETURN MODELING OF VENTURE BACKED STARTUPS

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AVG 3.2X
AVG 0.6X
### EXAMPLES OF STARTUP SUCCESS AND FAILURE, ENTREPRENEURS PERSPECTIVE

<table>
<thead>
<tr>
<th></th>
<th>Non-Startup</th>
<th>Startup that Fails</th>
<th>Startup that Succeeds</th>
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<tbody>
<tr>
<td>Employees</td>
<td>20</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>Normal salary</td>
<td>$150K per year</td>
<td>Venture salary: $100K per year</td>
<td>Venture salary: $100K per year</td>
</tr>
<tr>
<td>Total salaries over 5 years</td>
<td>$15M</td>
<td>Total salaries over 5 years: $10M</td>
<td>Total salaries over 5 years: $10M</td>
</tr>
<tr>
<td>Total compensation per year</td>
<td>$150K</td>
<td>Value of stock options: ZERO</td>
<td>Value of stock options: $500K/person</td>
</tr>
<tr>
<td>Total compensation per year</td>
<td>$100K</td>
<td>Total compensation per year: $100K</td>
<td>Total compensation per year: $200K</td>
</tr>
<tr>
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<td>Venture salary: $100K per year</td>
<td>Venture salary: $100K per year</td>
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</tr>
<tr>
<td>Total salaries over 5 years: $15M</td>
<td>Number of share of stock: 1,000</td>
<td>Number of share of stock: 1,000</td>
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<tr>
<td>Total compensation per year: $150K</td>
<td>Total salaries over 5 years: $10M</td>
<td>Total salaries over 5 years: $10M</td>
<td></td>
</tr>
<tr>
<td>Income taxes on salaries: $0.75M (5%)</td>
<td>Value of stock options: ZERO</td>
<td>Value of stock options: $500K/person</td>
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</tr>
<tr>
<td></td>
<td>Total compensation per year: $100K</td>
<td>Total compensation per year: $200K</td>
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<tr>
<td></td>
<td>Income taxes on salaries: $0.50M (5%)</td>
<td>Income taxes on salaries: $0.50M (6%)</td>
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<td></td>
<td>Taxes on capital gains: $0.49M (4.9%)</td>
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## Scaling this example to 100 companies, 10 of which who have a success

<table>
<thead>
<tr>
<th>Startups that Fail</th>
<th>Startups that Succeed</th>
<th>Total Across 100 Companies</th>
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<tbody>
<tr>
<td>1,800 Employees</td>
<td>200 Employees</td>
<td>2,000 Employees</td>
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<tr>
<td>Total salaries over 5 years: $0.9B</td>
<td>Total salaries over 5 years: $100M</td>
<td>Total salaries over 5 years: $1.0B</td>
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<tr>
<td>Value of stock options: ZERO</td>
<td>Value of stock options: $500K/person</td>
<td>Income taxes on salaries: $50.0M (5%)</td>
</tr>
<tr>
<td>Income taxes on salaries: $45M (5%)</td>
<td>Income taxes on salaries: $5.0M (5%)</td>
<td>Taxes on capital gains: $4.9M (4.9%)</td>
</tr>
<tr>
<td>Taxes on capital gains: ZERO</td>
<td>Taxes on capital gains: $4.9M (4.9%)</td>
<td>Total taxes: $54.9M (4.9%)</td>
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</table>
Is it worth giving up $4.9M in capital gains taxes to attract 100 companies we don’t have in New Mexico to gain $50M income taxes from employees at those companies?
AN INTEGRATED PROGRAM WITH NARROW FOCUS ON JOB, EDUCATION, AND TAX INCENTIVES

Six Industry Focus Sectors:

1. Quantum Computing/storage
2. Immersive Entertainment
3. Space Sciences
4. Bio Sciences
5. Sustainable energy/hydrogen
6. Software and AI

Three Business Imperative Focus Sectors:

1. Diversity and inclusion
2. Startup MBA
3. Board members/consultants
COMPLETELY INTEGRATED AND ALIGNED ACROSS EDUCATION & INDUSTRY

Sector

Immersive Entertainment

Companies

NETFLIX

APPLE

MEOW WOLF

Venture Fund

Higher Ed

Film & Digital Arts

CNM Film Technician Training Program

National Lab

Los Alamos National Laboratory
AN INTEGRATED PROGRAM WITH NARROW FOCUS ON JOB, EDUCATION, AND TAX INCENTIVES

$100M Venture Fund
No Stock Option Capital Gains Tax
Forgive Student Loan Debt
GRT Hiring Credit
GRT Education Credit

Immersive Entertainment Sector Example

... and LEDA and JTIP program expansion

Conversations are ongoing with Richard Anklam to model these ideas
POLICY CHANGES FOR INDIVIDUALS TO LIVE & WORK IN NEW MEXICO, BUT REMOTELY

Student debt relief, or conversion to a lower rate

No capital gains on stock options
POLICY CHANGES FOR COMPANIES TO CREATE OFFICES IN NEW MEXICO

Student debt relief, or conversion to a lower rate

No capital gains on stock options

GRT credits for office space leases
POLICY CHANGES FOR COMPANIES TO INVEST IN EDUCATION & DIVERSITY IN NEW MEXICO

GRT credits for investment in curriculum, paid internships, mentoring

Accelerated GRT credits for training of targeted under represented groups
POLICY CHANGES TO DRIVE NEW COMPANY FORMATION

Student debt relief, or conversion to a lower rate

No capital gains on stock options

GRT credits for office space leases

GRT credits for investment in curriculum, paid internships, mentoring

Accelerated GRT credits for training of targeted under represented groups

Targeted venture funds

Broader application and scope of JTIP
THE NEW MEXICO INNOVATION TRIANGLE (NMIT) OVERVIEW

Panel Discussion
PANEL DISCUSSION

Vince Kadlubek, Founder, Board Member, former CEO of Meow Wolf

Dr. Mitzi Montoya, Dean of the Anderson School of Business at UNM

Jon Mertz, Founder and CEO of Santa Fe Innovates

Alex Patriquin, Founder, CEO of Circa - A software company relocated to Santa Fe

Andrew Shultz, Founder, CEO of NoiseAware - A tech company from Texas moving to Santa Fe
ICONIC ARCHITECTURE DRIVES ECONOMIC AND CULTURAL DEVELOPMENT ACROSS ALL INCOMES

- Added $5.2B to GDP over 20 years
- $797M of additional taxes
- Nov ’17, Best European City prize

“The Guggenheim’s impact on the economy of Bilbao and the morale of its citizens was recognized by everyone, but Gehry’s building alone could hardly explain how a city in deep financial and social trouble became an exemplar of collaboration, economic transformation, and urbanism—all in under two decades.”

FERNANDO MONGE, JORRIT DE JONG AND LINDA BILMES

The ‘Bilbao Affect’
Thank You!