




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

Rizzo Intro

THE NEW MEXICO JOURNEY STARTED 50 YEARS AGO AND HAD A DETOUR TO SPACE



WHO IS RIZZO AND WHY SHOULD YOU CARE ABOUT WHAT I'M ABOUT TO DISCUSS?



Past Silicon Valley Icons

\$72B



2 IPOs

\$258B



6 M&A Exits

\$40B

ORACLE®

\$3.6B Created

Past Silicon Valley Startups

33% IRR over past 10 years

Present in Santa Fe



Founder, CEO, Sole
Investor, NMIT

A PAST FAILURE CREATES THE OPPORTUNITY IN NEW MEXICO THAT LIES AHEAD ...

The logo for zeeco, featuring the word "zeeco" in a stylized, orange, 3D font. The letter "z" is lowercase and the "e"s are lowercase, while the "6" is a stylized number and the "o" is a lowercase letter. The logo is set against a dark background.

*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



NMIT Vision

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

Chart 1. New Mexico Population Growth vs. Neighboring States, 2010 to 2020

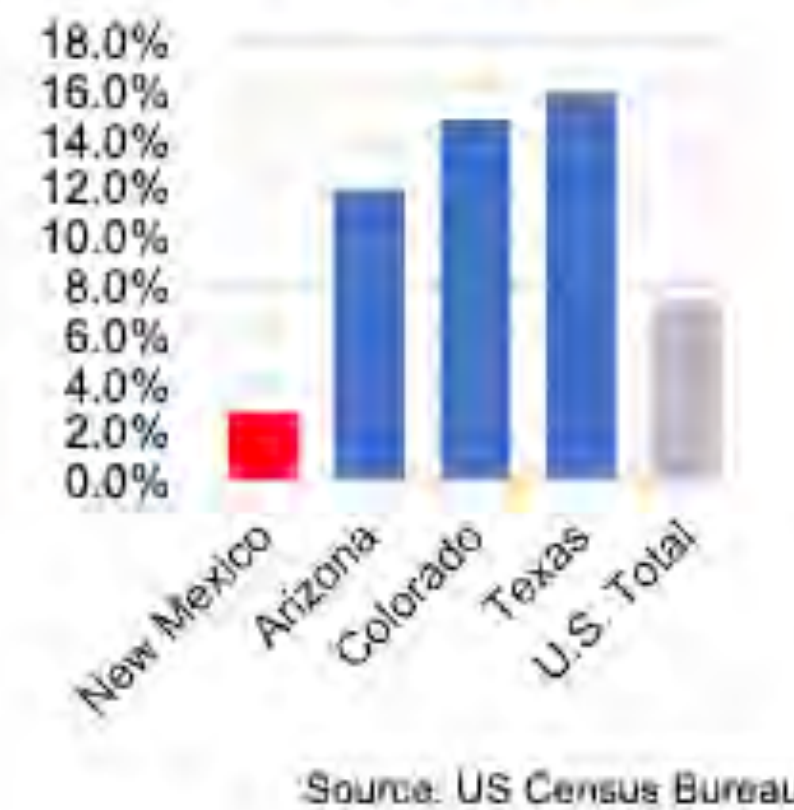


Chart 2. Population Growth by Age Group for New Mexico vs. the United State, 2010 to 2019



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?



| | California | Texas | New York | Colorado | Utah | New Mexico |
|------------------------|------------|-------|----------|----------|------|------------|
| Quality of Life | ● | ● | ● | ● | ● | ● |
| Covid Avoidance | ● | ● | ● | ● | ● | ● |
| Cost of Living | ● | ● | ● | ● | ● | ● |
| Education For Kids | ● | ● | ● | ● | ● | ● |
| Access to Capital | ● | ● | ● | ● | ● | ● |
| Access to Labor | ● | ● | ● | ● | ● | ● |
| Cost of Doing Business | ● | ● | ● | ● | ● | ● |
| Mentorship & Support | ● | ● | ● | ● | ● | ● |



Positive Attribute



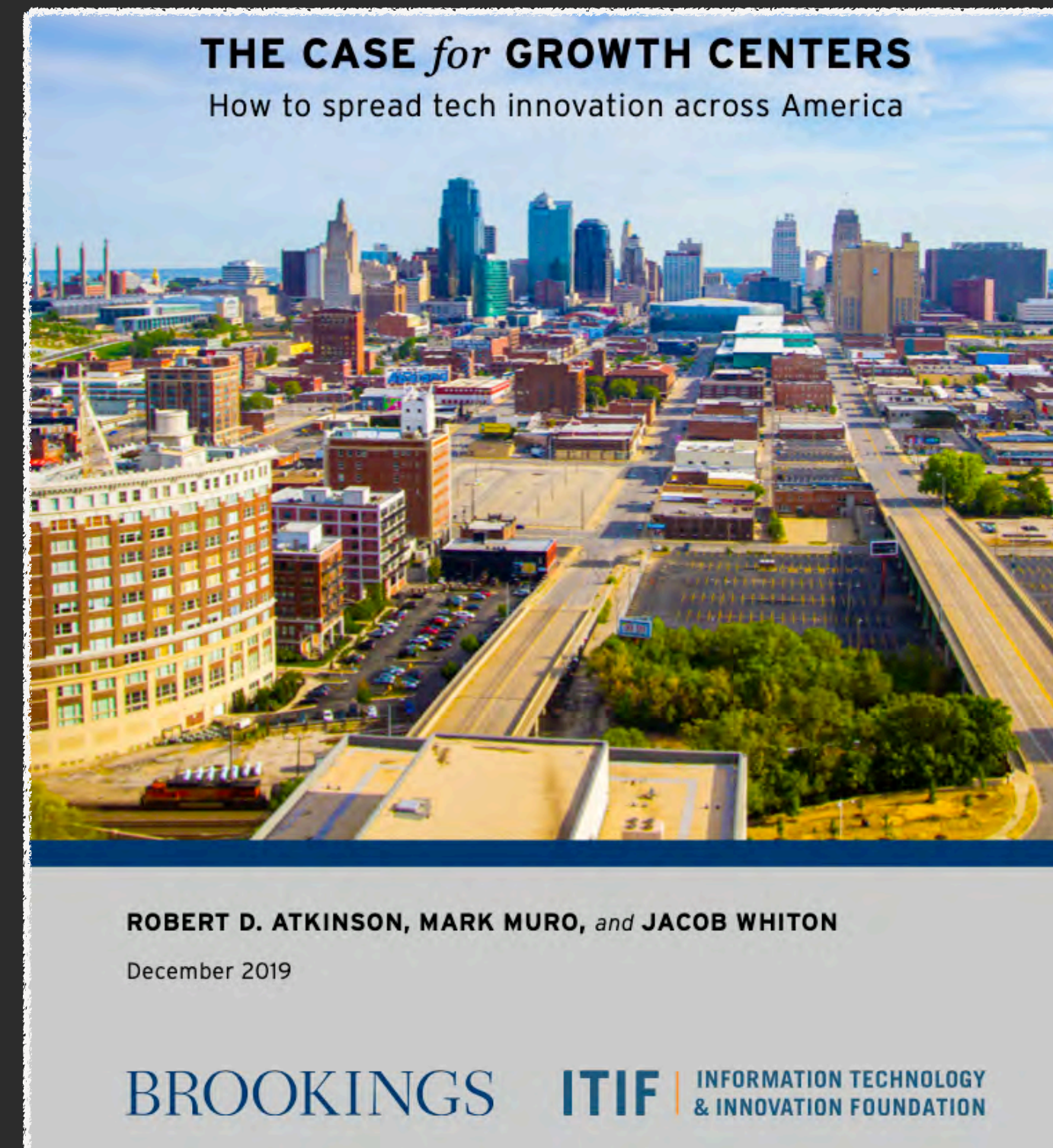
Neutral Attribute



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

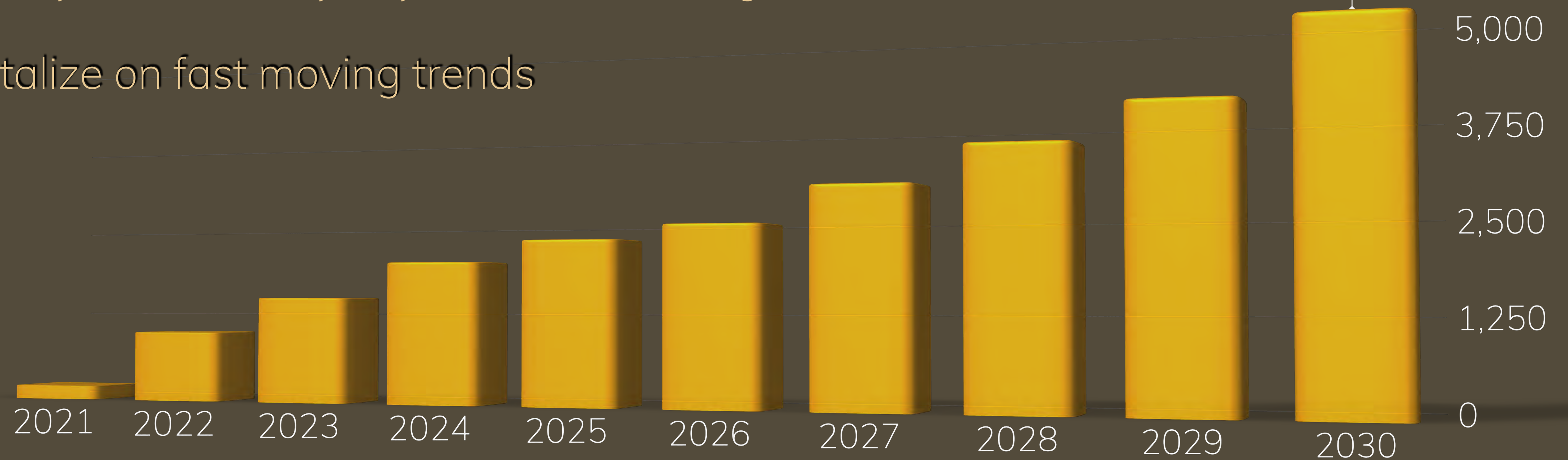


Cumulative jobs: 25,000
Cumulative salary ⁽¹⁾: \$2.75B
Cumulative state income tax ⁽²⁾: \$110M

Fuel improvement in people's lives through economic growth

Diversify the economy beyond oil, tourism, government

Capitalize on fast moving trends



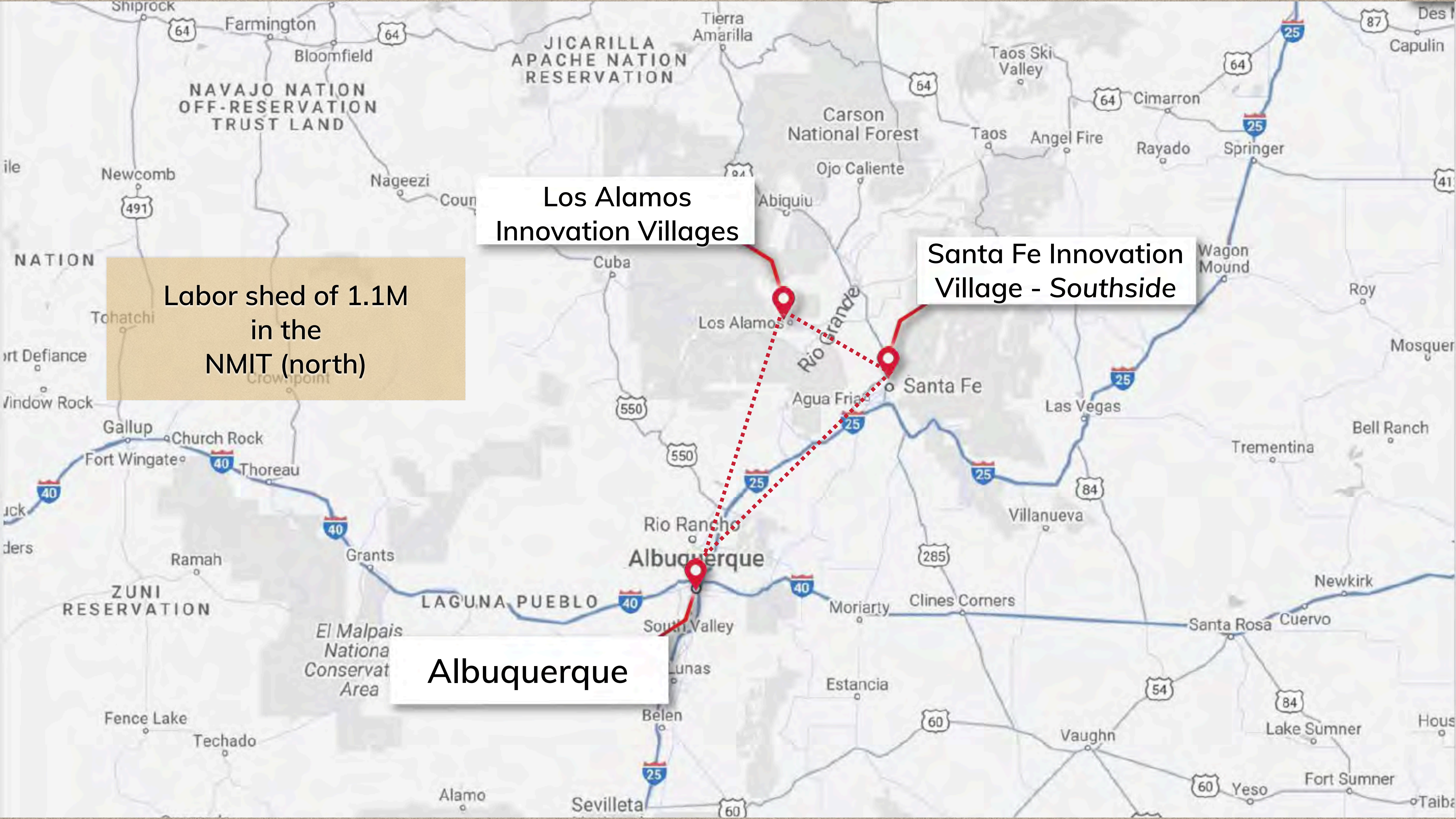
(1) Assuming \$110K/year annual salary
(2) Assuming 4% tax rate

THE BOTTOM LINE

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





Labor shed of 1.1M
in the
NMIT (north)

Los Alamos
Innovation Villages

Santa Fe Innovation
Village - Southside

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

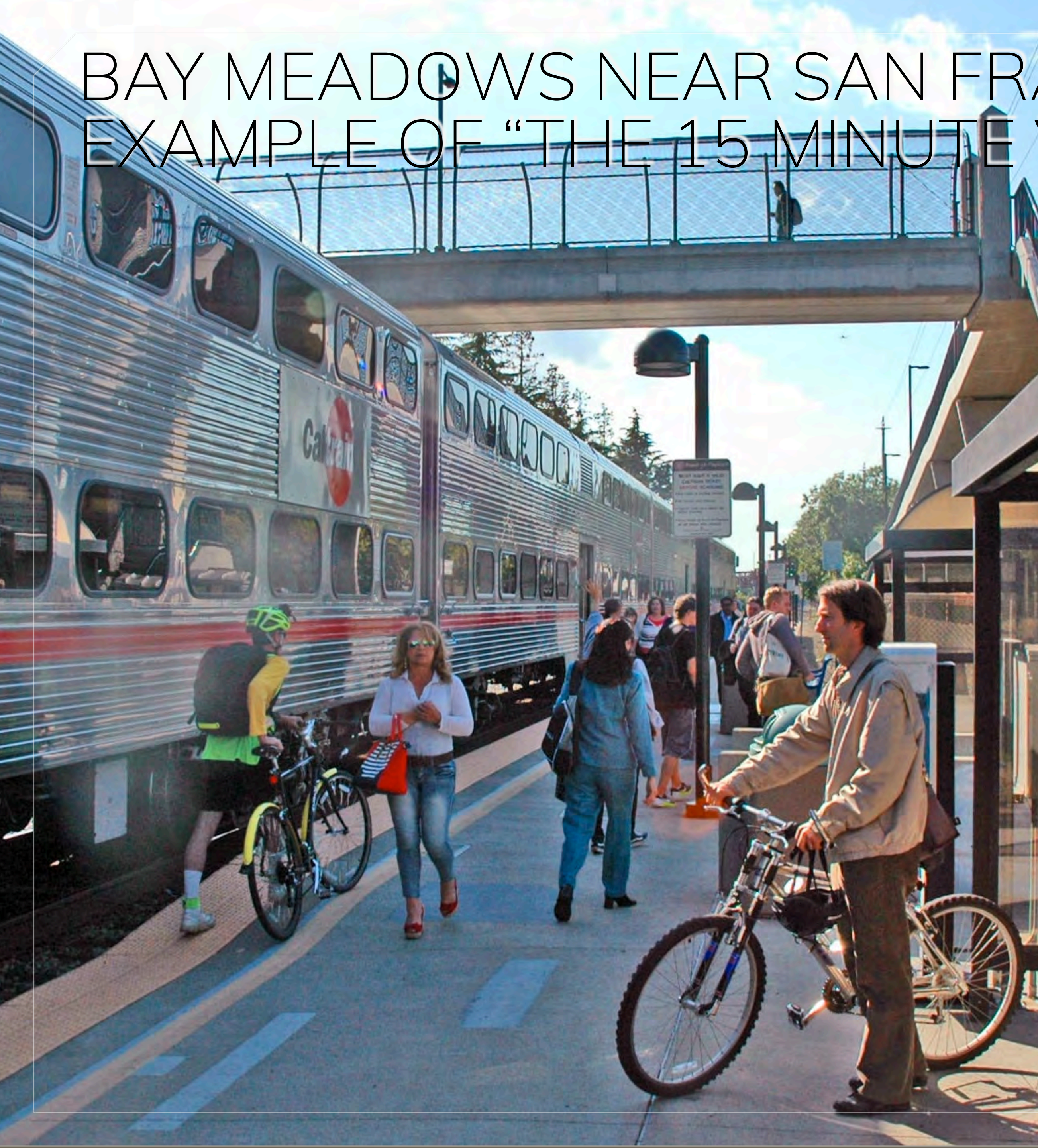
Affordable housing and a sense of a diverse community

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"


THE NEW MEXICO
INNOVATION TRIANGLE
SANTO ALBUQUERQUE LOS ALAMOS



LOS ALAMOS INNOVATION VILLAGES

THE LOS ALAMOS
INNOVATION
VILLAGE *EAST*

THE LOS ALAMOS
INNOVATION
VILLAGE *WEST*

BEALLS

Domino's
Smith's Marketplace
SUPERCUTS



AutoZone

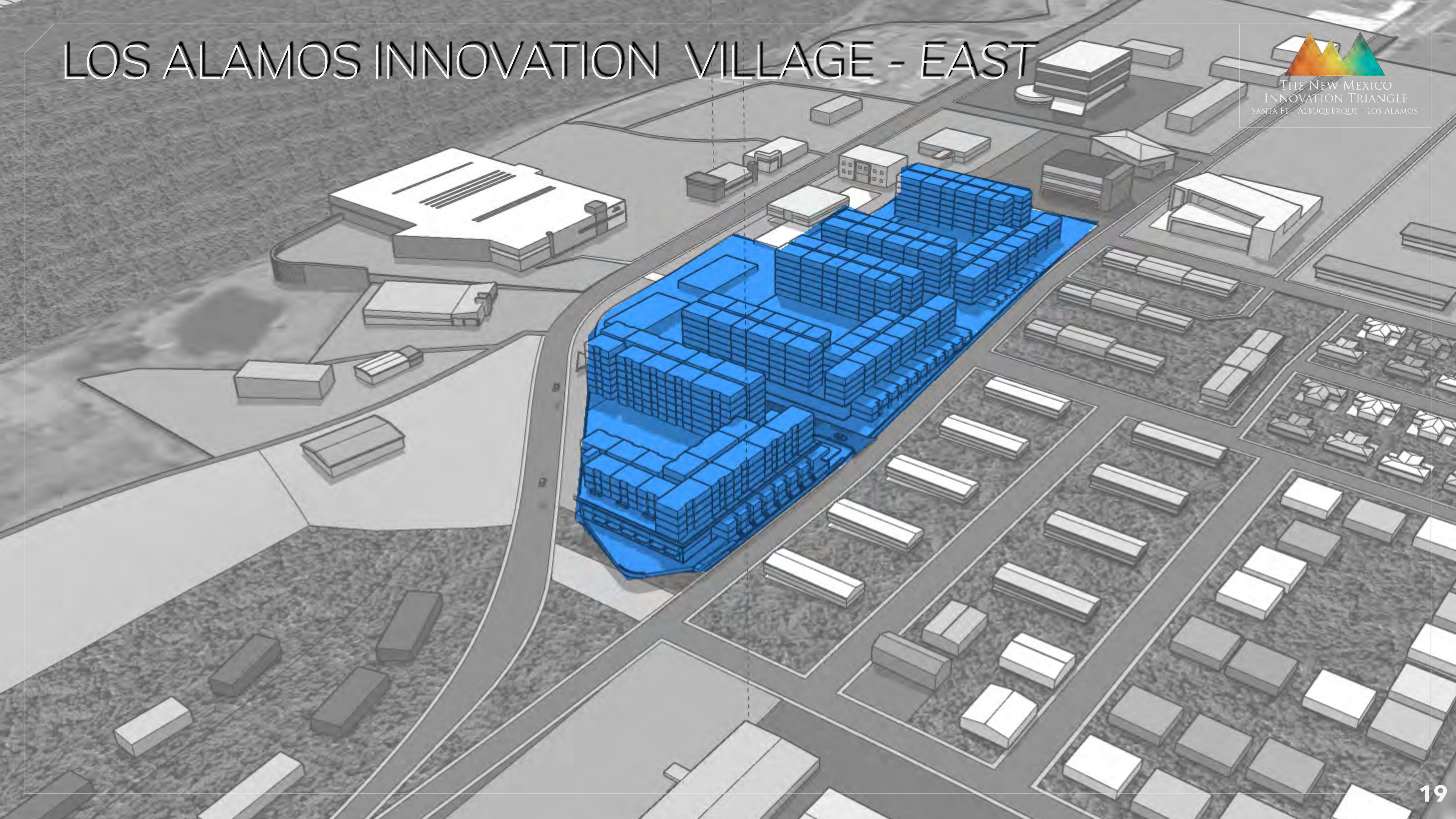
SUBWAY

ENTREPRENEUR BANK OF AMERICA

TRINITY AVE

H&R BLOCK

LOS ALAMOS INNOVATION VILLAGE - EAST



SANTA FE INNOVATION VILLAGE - SOUTHSIDE



45 minutes: Los Alamos

10 Minutes: downtown Santa Fe

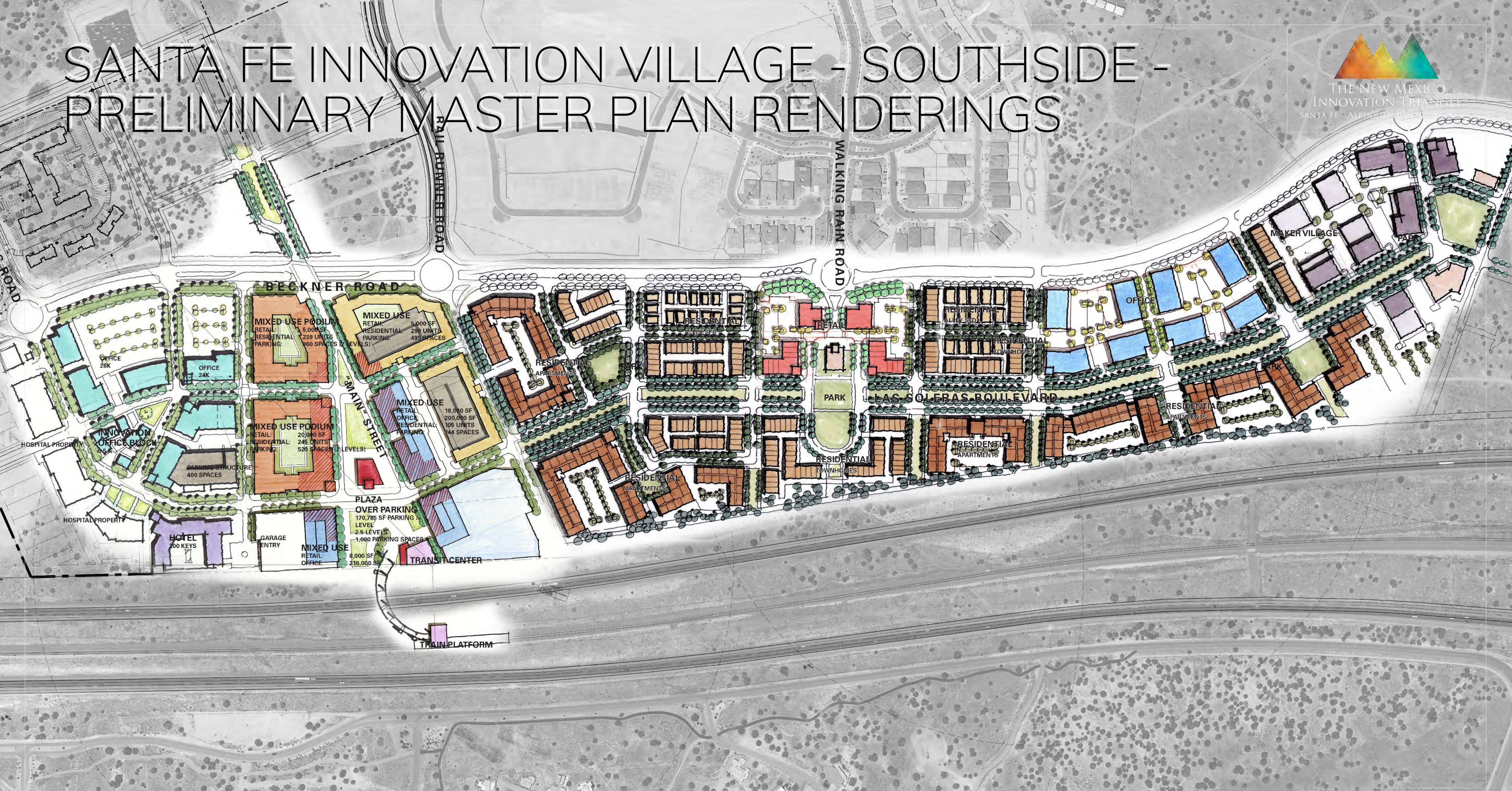
Santa Fe Innovation Village

Regional Airport

Community College

55 minutes: Albuquerque

SANTA FE INNOVATION VILLAGE - SOUTHSIDE - PRELIMINARY MASTER PLAN RENDERINGS



SANTA FE INNOVATION VILLAGE SOUTHSIDE
(LAS SOLARAS TRANSIT DISTRICT)
CONCEPT PLAN

SUPPORT FROM NEW JOB CREATORS AND ENTREPRENEURS IN SANTA FE



Alex Patriquin
Founder and CEO, circa.co

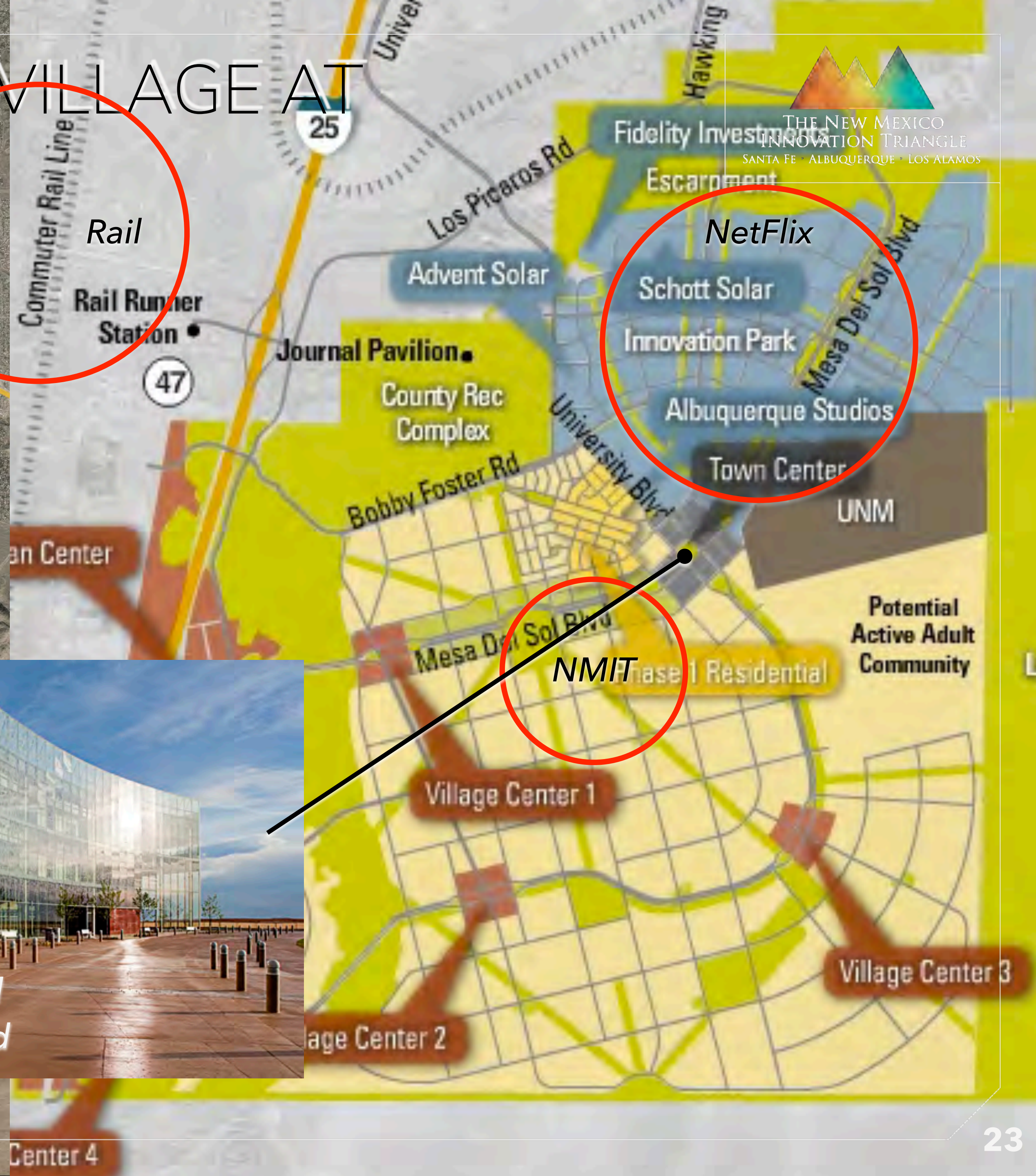
“I moved my company from the Silicon Valley because the quality of life, talent pool, and intellectual and creative people in Santa Fe was a great place to set up the business, and consistent with a remote and local workforce. We can grow more quickly as a result.”

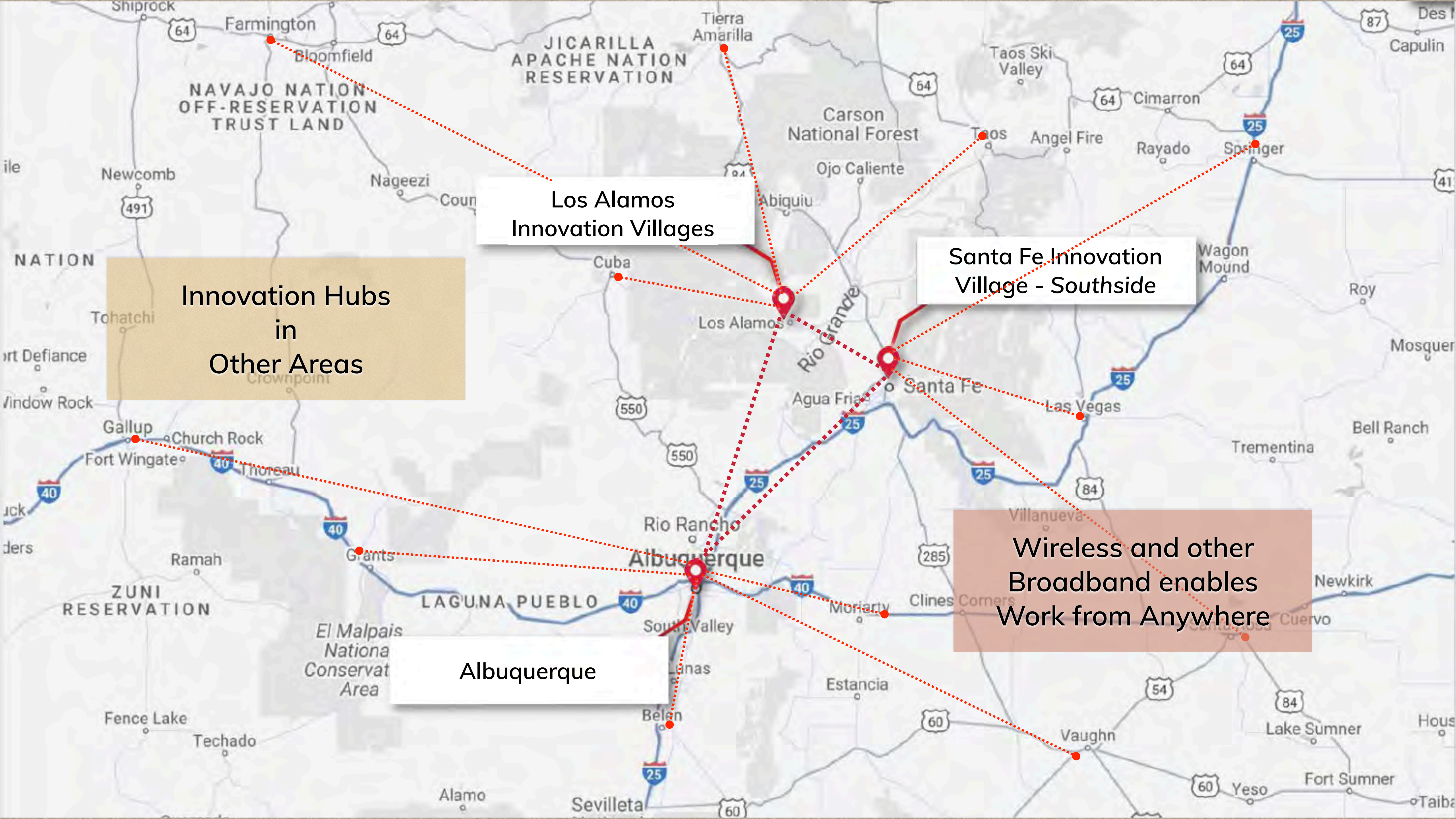


Ali Rubinstein
Chief Creative Officer and Co-CEO, Meow Wolf

“The Santa Fe Innovation Village - Southside contains the key elements to attract and retain local companies who want to grow their businesses and work forces 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.”

ALBUQUERQUE INNOVATION VILLAGE AT MESA DEL SOL





Innovation Hubs
in
Other Areas

Los Alamos
Innovation Villages

Santa Fe Innovation
Village - Southside

Wireless and other
Broadband enables
Work from Anywhere

Albuquerque

TECHNOLOGY, INNOVATION, VOCATIONAL AND ARTS SCHOOLS RIGHT IN THE VILLAGE

THE NEW MEXICO
INNOVATION TRIANGLE
SANTA FE · ALBUQUERQUE · LOS ALAMOS

Partnering with public, private, charter and local entrepreneurs for diverse and relevant education



NETFLIX



Excellent Schools
NEW MEXICO

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

THE LA EMI ARTE FLAMENCO ACADEMY IN THE SANTA FE INNOVATION VILLAGE - SOUTHSIDE



EmiArteFlamenco

“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.”

**La Emi Arte, Founder Executive
Director
of EmiArteFlamenco**

THE FERNANDO RUIZ CULINARY SCHOOL IN THE SANTA FE INNOVATION VILLAGE - SOUTHSIDE



Fernando Ruiz
Santa Fe

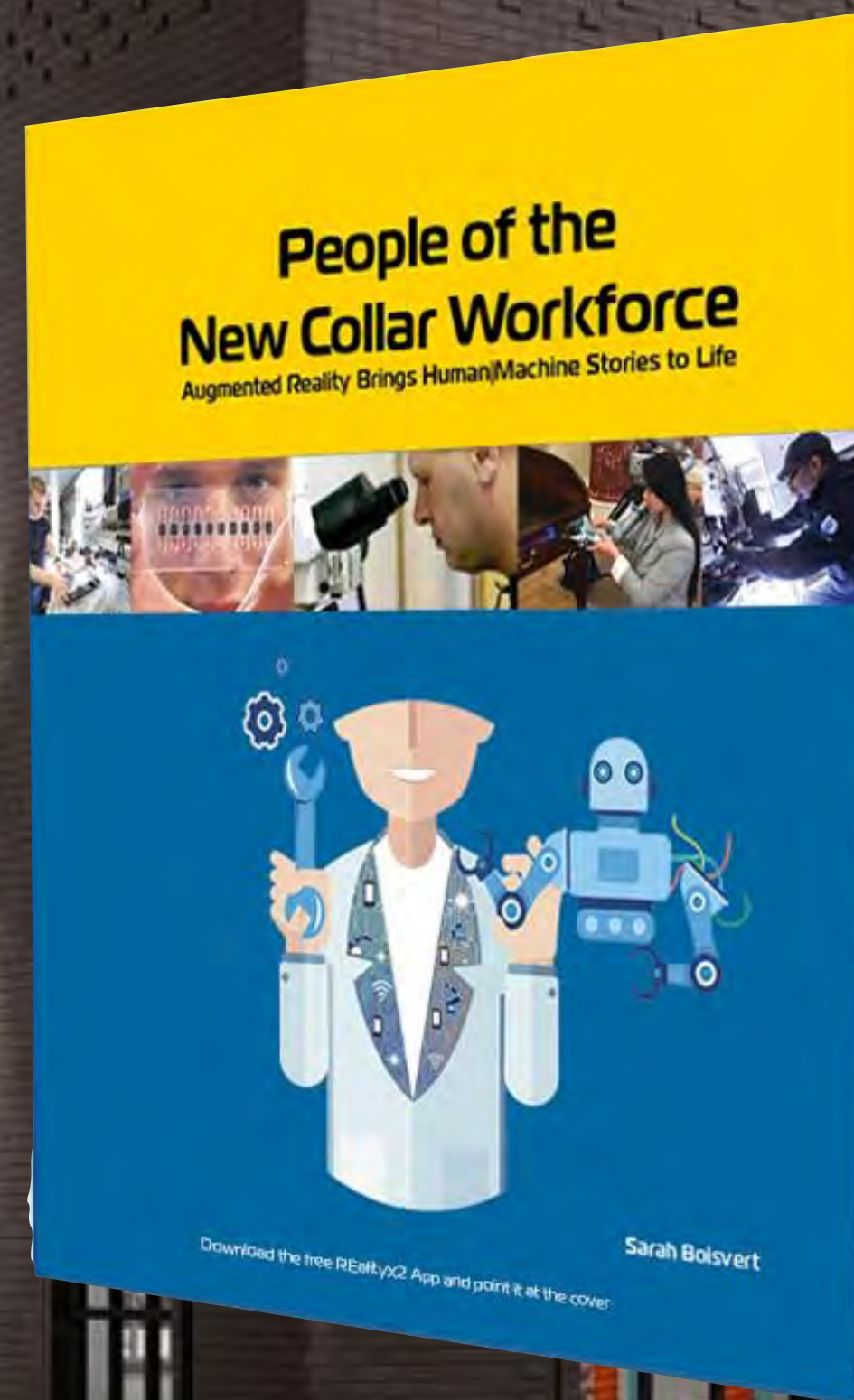
“To me the Innovation Village on the Southside represents a new day for young men and women who want to create a better future for themselves in Santa Fe. I’m pumped up about opening a Culinary Academy in the Village, as well as bringing cool restaurants and food venues to the Southside residents and those that work there. This is an awesome project for our city.”

All New
**BUDDY
VS DUFF**
Sunday 9/8c

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,



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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

| <u>Distribution</u> | <u>Summary</u> | <u>Return</u> |
|---------------------|-------------------------|---------------|
| 33% | Meet Expectations | 2.5 X - 7.5X |
| 33% | Don't Meet Expectations | 0.67- 2 X |
| 33% | Fail | 0 |

AVG
3.2X

RETURN MODELING OF VENTURE BACKED STARTUPS



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| 33% | Fail | 0 |



AVG
3.2X



AVG
0.6X

EXAMPLES OF STARTUP SUCCESS AND FAILURE, ENTREPRENEURS PERSPECTIVE



Non-Startup

20 Employees

Normal salary: \$150K per year

Total salaries over 5 years: \$15M

Total compensation per year: \$150K

Startup that Fails

20 Employees

Venture salary: \$100K per year

Number of share of stock: 1,000

Total salaries over 5 years: \$10M

Value of stock options: ZERO

Total compensation per year: \$100K

Startup that Succeeds

20 Employees

Venture salary: \$100K per year

Number of share of stock: 1,000

Total salaries over 5 years: \$10M

Value of stock options: \$500K/person

Total compensation per year: \$200K

EXAMPLES OF STARTUP SUCCESS AND FAILURE, STATE TAX PERSPECTIVE



Non-Startup

20 Employees

Normal salary: \$150K per year

Total salaries over 5 years: \$15M

Total compensation per year: \$150K

Income taxes on salaries: \$0.75M (5%)

Startup that Fails

20 Employees

Venture salary: \$100K per year

Number of share of stock: 1,000

Total salaries over 5 years: \$10M

Value of stock options: ZERO

Total compensation per year: \$100K

Income taxes on salaries: \$0.50M (5%)

Startup that Succeeds

20 Employees

Venture salary: \$100K per year

Number of share of stock: 1,000

Total salaries over 5 years: \$10M

Value of stock options: \$500K/person

Total compensation per year: \$200K

Income taxes on salaries: \$0.50M (5%)

Taxes on capital gains: \$0.49M (4.9%)

SCALING THIS EXAMPLE TO 100 COMPANIES, 10 OF WHICH WHO HAVE A SUCCESS



| <u>Startups that Fail</u> | <u>Startups that Succeed</u> | <u>Total Across 100 Companies</u> |
|--------------------------------------|---------------------------------------|--|
| 1,800 Employees | 200 Employees | 2,000 Employees |
| Total salaries over 5 years: \$0.9B | Total salaries over 5 years: \$100M | Total salaries over 5 years: \$1.0B |
| Value of stock options: ZERO | Value of stock options: \$500K/person | Income taxes on salaries: \$50.0M (5%) |
| Income taxes on salaries: \$45M (5%) | Income taxes on salaries: \$5.0M (5%) | Taxes on capital gains: \$4.9M (4.9%) |
| Taxes on capital gains: ZERO | Taxes on capital gains: \$4.9M (4.9%) | Total taxes: \$54.9M (4.9%) |

THE BOTTOM LINE

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

NETFLIX



MEOWWOLF

Companies

Venture Fund

Immersive
Entertainment



FILM & DIGITAL ARTS



Higher Ed



National Lab

AN INTEGRATED PROGRAM WITH NARROW FOCUS ON JOB, EDUCATION, AND TAX INCENTIVES

Immersive Entertainment Sector Example

**\$100M
Venture
Fund**

**No Stock
Option Capital
Gains Tax**

**Forgive
Student Loan
Debt**

**GRT
Hiring
Credit**

**GRT
Education
Credit**

... 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



Bilbao, Spain



Santa Fe, NM



The Guggenheim, Bilbao

- 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’



THE NEW MEXICO INNOVATION TRIANGLE

Thank You !