



# Technology Commercialization in New Mexico



Research Applications Center Update and Angel Investment Tax Credit Overview

Cabinet Secretary Fred Mondragon, Science Advisor Tom Bowles, Deputy Cabinet Secretary Allan Oliver

Presented to the Science, Technology and Telecommunications Committee, September 28, 2010



**Research Application Center: Science Advisor Tom Bowles**



**Research Application Center Status Report: Cabinet Secretary Fred Mondragon**



**Angel Investment Tax Credit Overview: Deputy Secretary Allan Oliver**



**Question and Answer Period**

# RAC Background



**Science and Tech Plan- produced 2008 with participation of 150 experts**

- Primary recommendation: formation of the RAC
- Identifies areas of opportunity and strategies



**Clean Tech Commercialization Report (2010) did a strength and weakness assessment of past efforts in the state**

- Identified need to focus on “market pull”
- Flexibility in partnering
- Responsiveness to business timing and needs

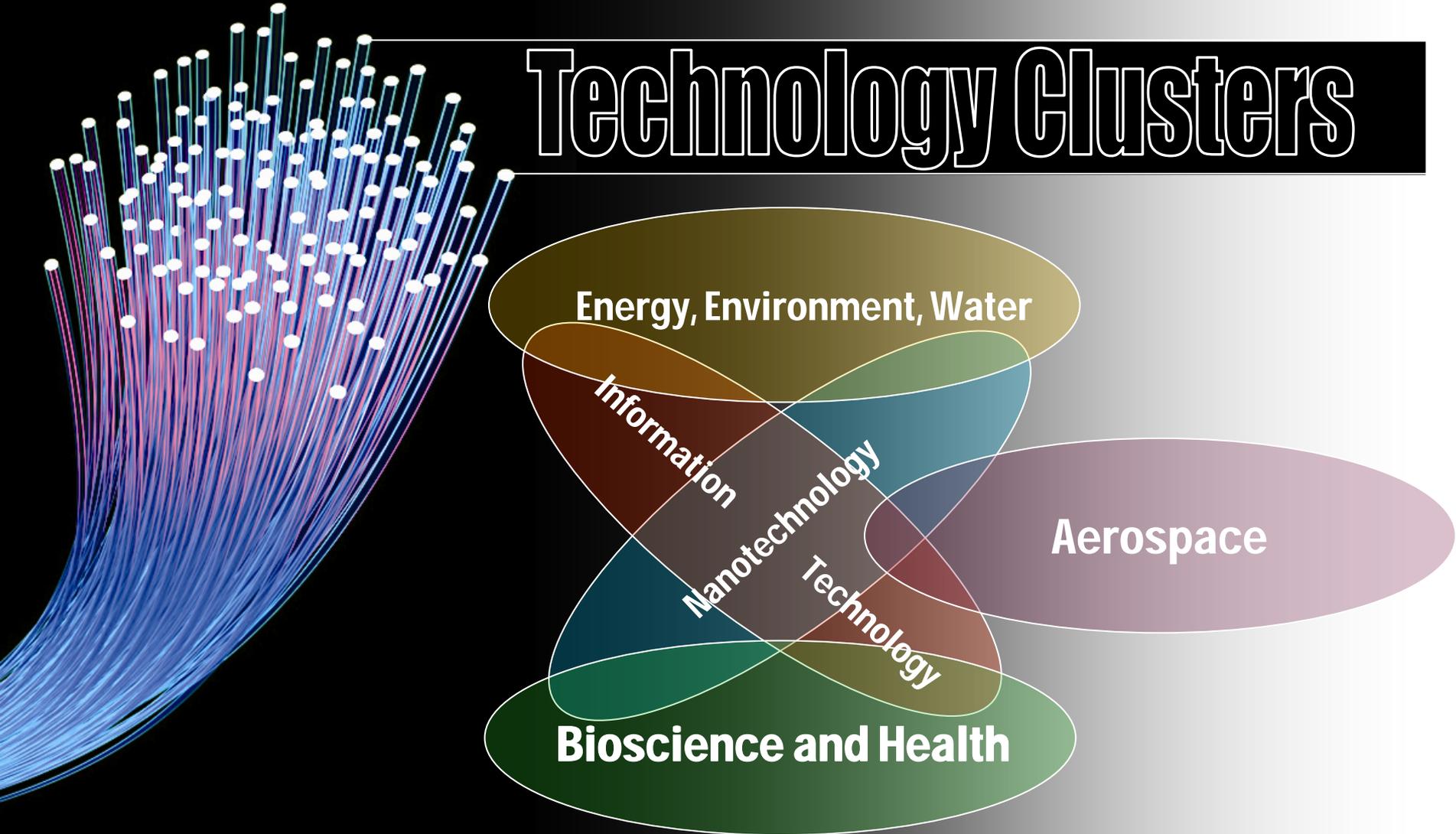
# Clean Tech Commercialization Working Group Recommendations

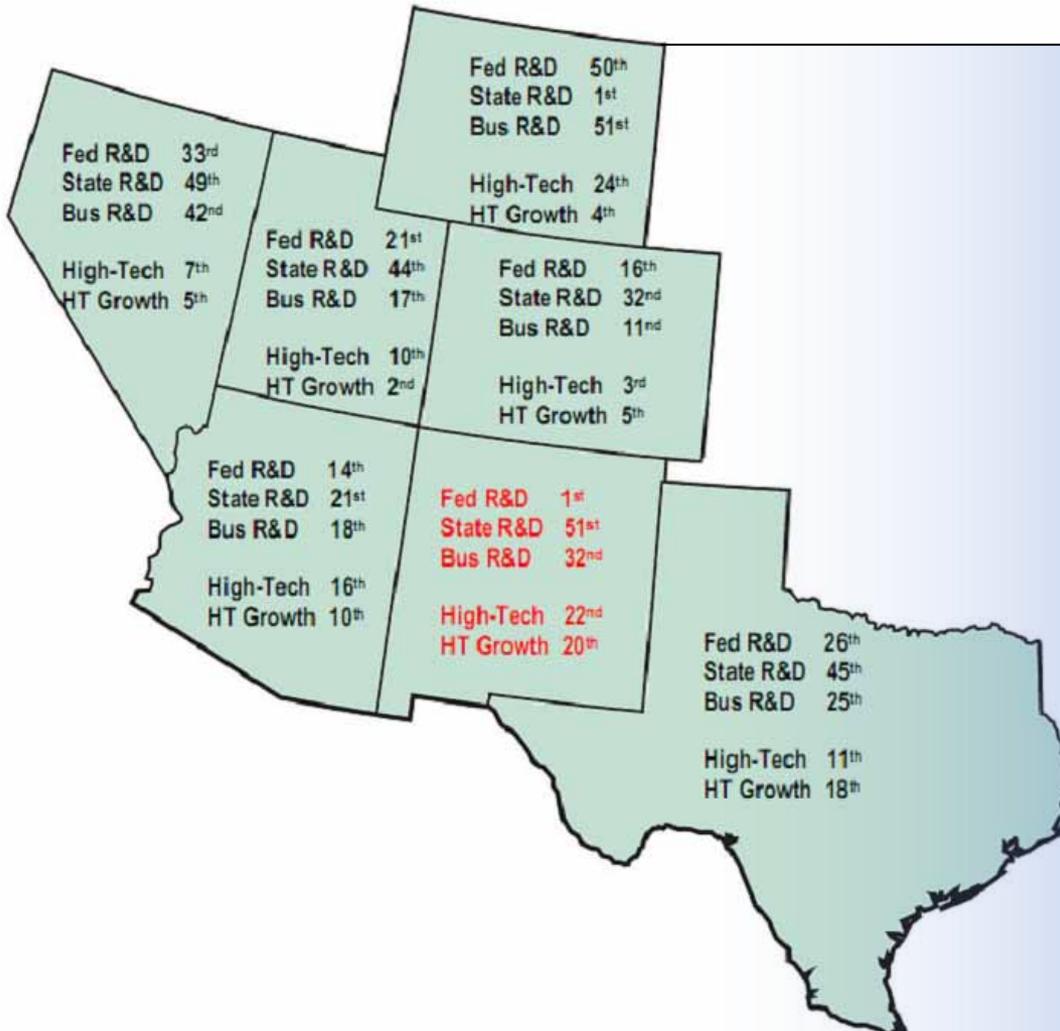
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-  Establish an institution to provide statewide coordination, promotion evaluation and monitoring
    - Secure sustained funding support
  -  Stimulate technology commercialization and industry engagement at our research institutions
    - Legislatively create a state matching fund for technology maturation and provide recurring funding
  -  Focus incentives to attract angel, venture capital and business R&D investments as well as retaining existing incentives and programs
    - Renew Angel Investment Tax Credit
  -  Cultivate the market for targeted technology products in New Mexico

# Necessity of the RAC

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- The RAC will create a sustained stream of high-wage, high-tech jobs**
    - A relatively small state investment will bridge the gap between federal R&D funding and commercialization in the private sector
    - This will in turn grow private sector investments to create jobs
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- The important roles identified for the RAC include:**
    - Maximizing effectiveness of high-tech R&D through statewide coordination
    - Supporting technology maturation to transition basic R&D into job creation
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- The RAC is designed to provide:**
    - Investment in carefully targeted opportunities with a high ROI
    - Transparent, fully accountable coordination and investment process
    - High degree of responsiveness to business needs and issues
    - The RAC is fully aligned with the recommendations of the CTCWG

# Technology Clusters





Although New Mexico is 1<sup>st</sup> in federal R&D dollars, it ranks 51<sup>st</sup> *(behind Puerto Rico)* in state R&D. A lack of state support is contributing to New Mexico **falling behind** each of our neighboring states in high-tech growth.

# Technology Based Economic Development Works

## Creates jobs and high return on investment

State	Initiative	Return on Investment
Arizona	Science Foundation Arizona	3 to 1
Colorado	Colorado Collaboratory	6 to 1
Ohio	Ohio Third Frontier	10 to 1
Pennsylvania	Ben Franklin Technology Partners	3.5 to 1
Washington	Washington Technology Center	11 to 1

# How R&D Funders Can Support Technology Development

## **Federal R&D**

**Discovery research**  
**Use-inspired research**  
**Applied research**

## **State R&D**

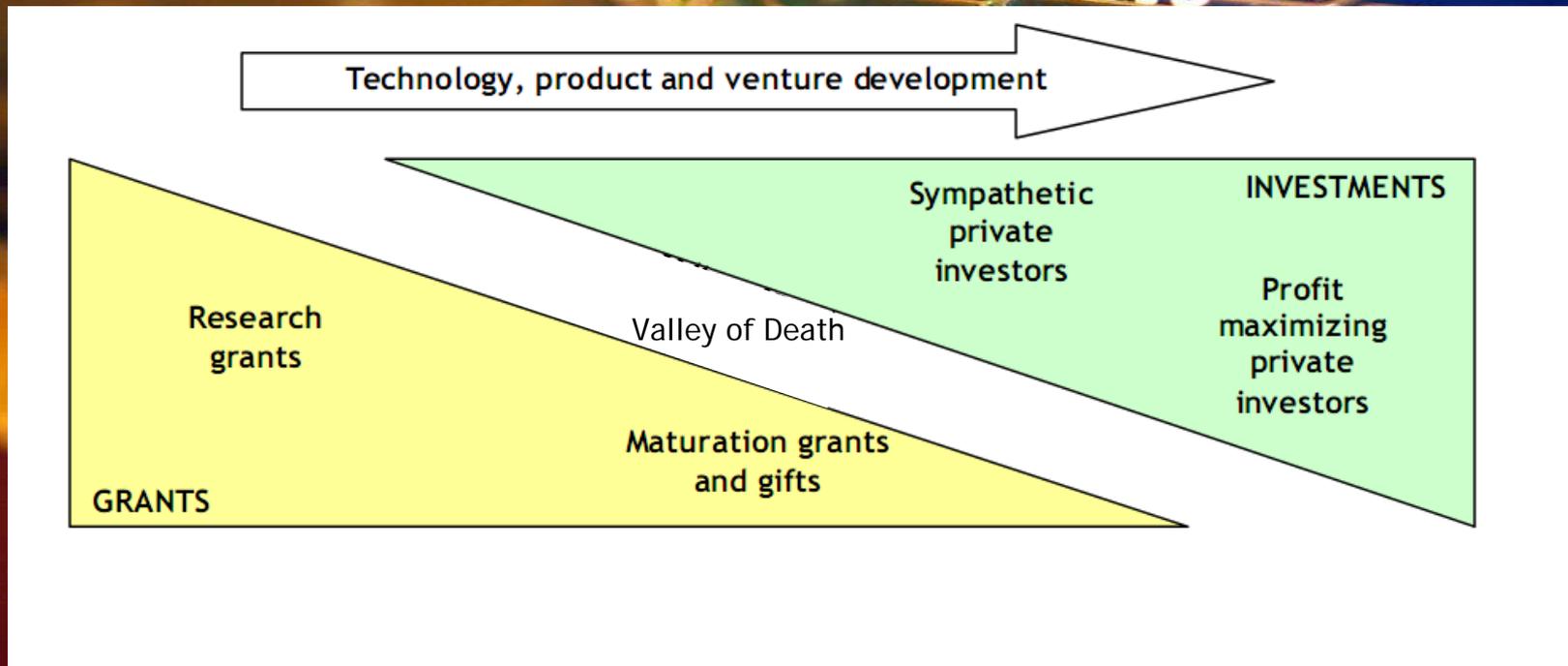
**Tech maturation**  
**Applied research**  
**Use inspired research**

## **Business R&D**

**Product development**  
**Tech maturation**  
**Applied research**

# The "Valley of Death": Bridging the Gap

The gap between grant funding and sufficient/affordable private investment creates the "Valley of Death"



# Tech Maturation Helps Bridge the "Valley of Death"

## Investment Types & New Mexico Levels

Company Stage	Funding Stage	Investment Range	Sources
Pre-revenue	Technology Maturation	\$25,000 to \$250,000	Government, Institutions, Friends, Family, Angels
	Seed and Pre-Seed	\$250,000 to \$2 million	Friends, Family, Angels, Early-Stage Venture Capitalist
Revenue	Series A	\$2 million to \$5 million	Venture Capitalists
	Series B	\$5 million to \$20 million	Venture Capitalists (often outside NM)
	Mezzanine and Expansion	\$20 million +	Investment bankers, IPO

# Organizational Status

-  Articles of incorporation have been filed with the Secretary of State's office
-  Board of Directors established and have met four times
-  By-laws have been approved
-  EDD is providing ongoing administrative support

# Financial Status

- 
- **\$71k in carry over funds from the TRC are being held for RAC purposes**
    - **Funds overseen by EDD**
    - **Preliminary strategic business and implementation plan completed**
    - **Contracting for an interim coordinator**

# Legislative Request

- ☀️ Operational support request under development
- ☀️ Capital support request:
  - \$5M request for innovation fund
  - \$3M request for energy innovation fund
- ☀️ Exploring additional funding sources

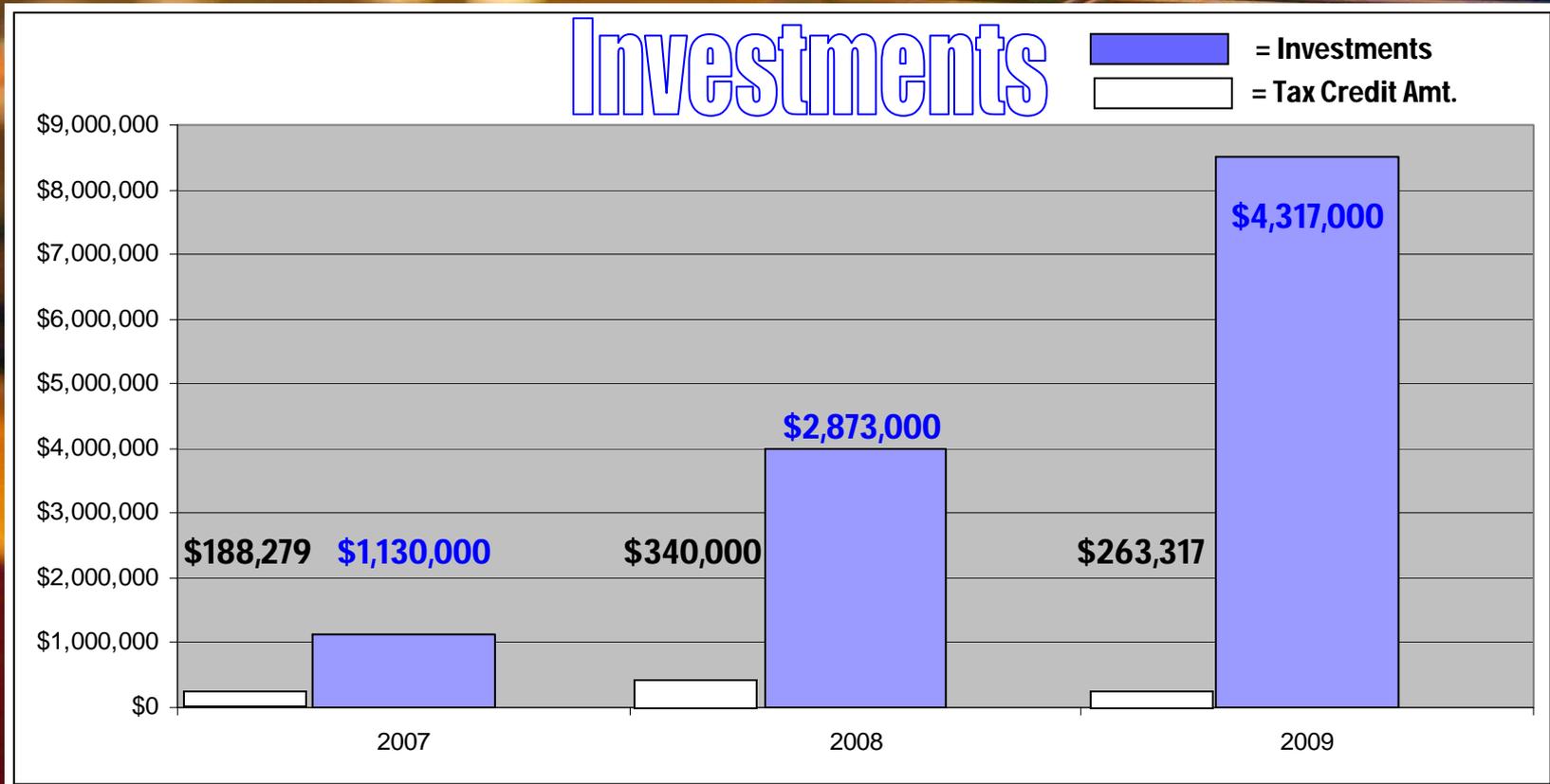
# Angel Investment Tax Credit: Background

-  The Angel Investment Tax Credit (AITC) supports the development of our technology economy and helps to create more high wage jobs.
-  The credit needs to have its sunset extended in the 2011 legislative session to remain in effect.
-  It provides a 25% credit on angel investments up to \$100,000.
-  The AITC is essential to support early stage companies accessing technology from our Labs and universities.
-  Why is it important? The Kauffman Foundation reports that most new jobs created come from startup ventures.

# Angel Investment Tax Credit: Success

-  Over \$8.5M in private investments into New Mexico companies have been stimulated by this credit since 2007 (through August 2010).
-  \$790,000 in tax credits have been issued, meaning the state's investment has been leveraged over 10 times.
-  96 separate investments have been made from 71 different investors
-  Over 28 companies have been established, creating 150 jobs.
-  So far, only two companies started as Angel Investments have failed.

# Angel Investment Tax Credit Growth



# Companies Receiving Angel Investments

-  **Vibrant Corporation:** This venture-backed company based in Albuquerque conducts non-destructive testing of aerospace components.
-  **A digital media company** is providing cloud computing to the motion picture industry.
-  **Lotus Leaf Coating Incorporated** uses nanotechnology developed at the University of New Mexico and Sandia National Laboratories to create a coating that is resistant to water.

# Supported by New Mexico Entrepreneurs

**“The Tax credit is an important part of our arsenal, particularly now since the state has been unable to invest in local Venture Capital funds for a couple of years... That leaves just the Angels and a few funds with reserves to help startup and early stage companies in New Mexico. This is why the tax credit is more important than ever.”**



**New Mexico serial entrepreneur David Durgin**

# Summary

- ☀️ Technology development is vital to New Mexico's future success
- ☀️ Needed to create strong, sustainable, high wage jobs
- ☀️ RAC has been established and is functioning
- ☀️ Angel Investment Tax Credit needs to be renewed



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# THANK YOU