



New Mexico Private Equity Investment Program

Introduction and Update for the Science Technology Telecommunications Committee

November 18, 2013





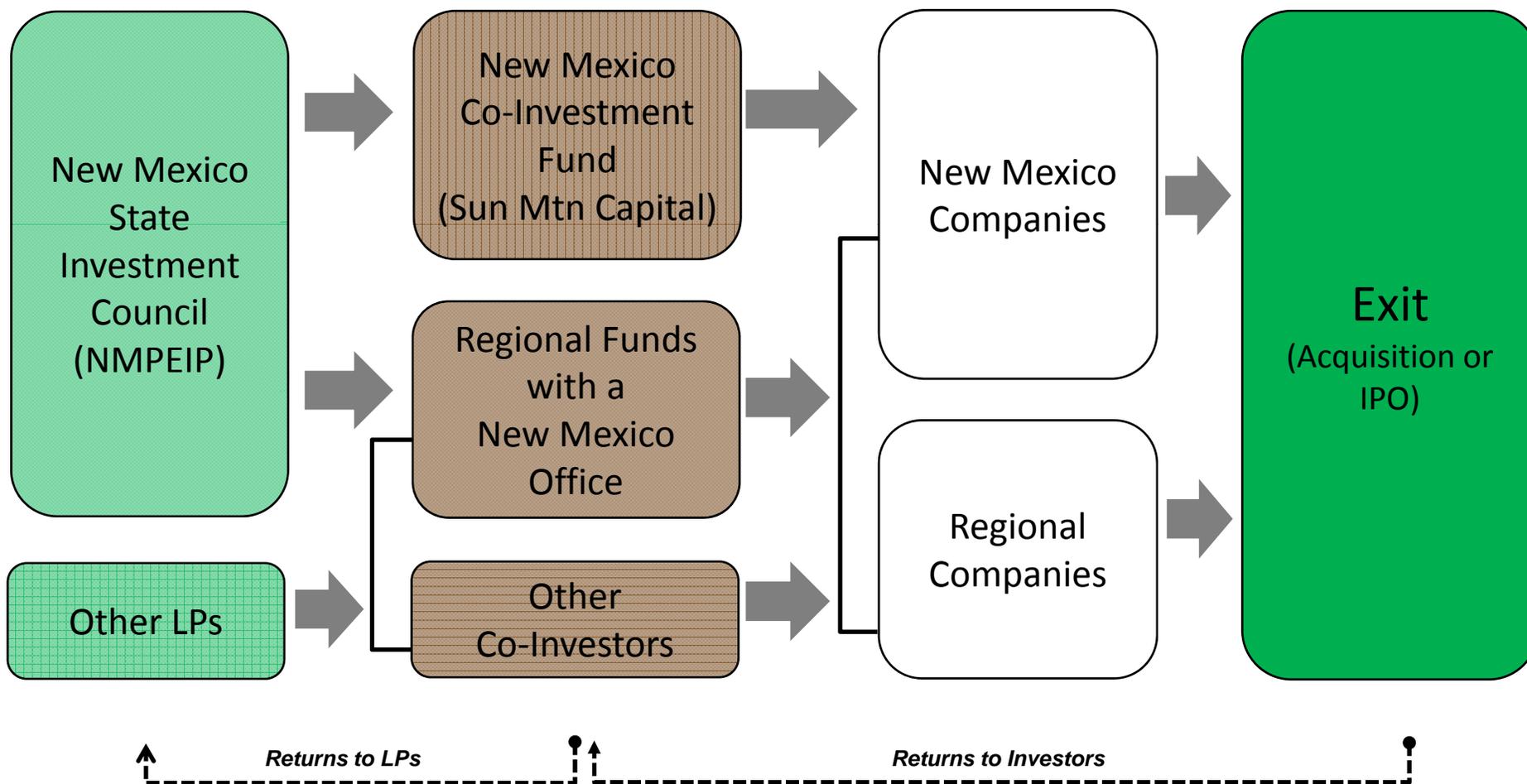
New Mexico Private Equity Investment Program Overview

- The New Mexico Private Equity Investment Program (“NMPEIP” or “Program”) was established by the legislature in 1993 to make investments from the Severance Tax Permanent Fund into private equity funds which in turn invest into NM-based companies
- For many years the Program was managed as a differential rate (below market rate) program
- Since 2004, the Program has been managed with financial returns as the primary focus
 - Fiduciary-based approach with economic development benefits as a secondary consideration
 - “Prudent Investor” investment standard vs. differential rate investments
- Financial returns significantly improved since 2004¹

	1993 to <u>2003</u>	2004 to <u>Present</u>
Since Inception Returns	-\$56.5M	\$6.5M
Distributions to the SIC	\$5.0M	\$99.7M



NMPEIP Invests Into VC Funds; VC Funds Invest Into Companies





NMPEIP Q2 2013 Update Summary

- Program is in compliance with the statute
 - \$253 million in net deployed capital versus a statutory cap of \$374 million
 - Program’s net deployed capital represents 6.1% of the Severance Tax Permanent Fund (“STPF”), right on track to achieve the NMPEIP’s target allocation of 5.0%
 - Individual company ownership concentration levels are below statutory caps
- Program funds and their portfolio companies continue to make encouraging progress since 2004
 - Program IRR since inception has improved from -18.2% to -2.3%
 - NMPEIP investments have performed in line with national venture benchmarks
 - Over \$99 million in distributions have been received
- Program impact on New Mexico is substantial
 - 29 funds have received commitments and invested in 64 New Mexico-based companies
 - Capital multiplier of 6.4x has resulted in over \$2.0 billion of capital invested into NM companies
- Program is actively making investments – “all else being equal”
 - Identifying funds that meet both the investment criteria and also the commitment to invest in New Mexico criteria limits the number of high quality investment opportunities available



NMPEIP Status Overview and Summary of Partnership Commitments

Unaudited Performance Data as of 6/30/13	
Number of Fund Commitments	29
Capital Committed (Total)	\$392.1
Capital Committed (Net of Dist.'s Received)	\$287.4
Capital Drawn	\$357.7
% of Capital Committed (Total)	91.2%
Distributions Received	\$104.7
% of Capital Drawn	29.3%
Outstanding Deployed Capital	\$253.0
Outstanding Deployed Capital as % of STPF	6.1%
Portfolio Carrying Value	\$202.6
Total Portfolio Value	\$307.3
% of Capital Drawn	85.9%
Portfolio Multiple of Invested Capital	0.9x
Portfolio IRR	-2.3%

Note: Returns calculated using reported Carrying Values as of 6/30/13 and data provided by Inviert.
 Severance Tax Permanent Fund ("STPF") currently \$4,160.025 million as of 6/30/13

All Fund Commitment Summary of 6/30/13	as Vintage	Commitment		Funded To Date	Percent Funded	NM Invest ¹	Investment Value (\$) ²			Return ²		Fund Liquidated
		Dollars	% of Fund				Realized	Unrealized ³	Total	Multiple	IRR	
ARCH Venture Fund II, L.P.	1993	\$1.2	3.9%	\$1.2	100.0%	\$67.1	\$4.3	\$0.0	\$4.3	3.53x	44.8%	Yes
ARCH Venture Fund III, L.P.	1996	\$4.0	3.7%	\$4.0	100.0%	\$0.0	\$3.6	\$0.1	\$3.8	0.95x	-0.8%	In Process
CVM Equity Fund V	1998	\$3.0	2.6%	\$3.0	100.0%	\$1.1	\$1.7	\$0.0	\$1.7	0.58x	-6.1%	Yes
Murphree Venture Partners IV, L.P.	1998	\$4.0	13.8%	\$4.0	100.0%	\$4.9	\$0.1	\$0.0	\$0.1	0.02x	-71.8%	Yes
Tullis/Dickerson Capital Focus II, L.P. ⁴	1998	\$5.0	10.0%	\$5.0	100.0%	\$10.1	\$2.3	\$1.6	\$3.9	0.77x	-2.3%	Yes
Valley Ventures II, L.P.	1998	\$3.0	50.0%	\$3.0	100.0%	\$18.4	\$2.6	\$0.0	\$2.6	0.87x	-1.6%	Yes
Vestor Partners, L.P.	1998	\$2.5	24.0%	\$2.4	94.0%	\$0.0	\$0.6	\$0.0	\$0.6	0.26x	-17.8%	Yes
International Venture Fund I, L.P.	2000	\$5.0	30.0%	\$5.0	100.0%	\$9.6	\$0.0	\$1.5	\$1.5	0.30x	-10.4%	In Process
Murphree Venture Partners V, L.P.	2000	\$3.0	20.0%	\$3.0	100.0%	\$2.2	\$0.9	\$2.0	\$3.0	1.00x	-0.5%	
Red River Ventures, L.P.	2000	\$7.2	5.5%	\$7.2	100.0%	\$12.8	\$3.6	\$1.8	\$5.4	0.76x	-5.3%	
Tullis/Dickerson Capital Focus III, L.P. ⁴	2001	\$15.0	11.8%	\$15.0	100.0%	\$50.2	\$13.3	\$4.8	\$18.0	1.20x	4.7%	
Wasatch Venture Fund III	2001	\$8.7	12.4%	\$8.3	95.0%	\$41.3	\$4.0	\$2.9	\$6.8	0.83x	-3.4%	
Altira Technology Fund IV, L.P.	2002	\$10.0	15.6%	\$10.0	100.0%	\$14.3	\$8.9	\$6.6	\$15.4	1.54x	7.6%	
Blue Sage Capital, L.P.	2002	\$10.0	6.9%	\$7.6	76.4%	\$10.0	\$17.7	\$11.6	\$29.3	3.84x	23.9%	
ITU Ventures West I, L.P.	2002	\$15.0	11.1%	\$15.0	100.0%	\$15.3	\$5.9	\$0.9	\$6.9	0.48x	-12.9%	Yes
Valley Ventures III, L.P.	2002	\$6.7	15.0%	\$6.5	98.0%	\$14.9	\$1.0	\$1.0	\$2.0	0.31x	-17.7%	
New Mexico Co-Investment Partners, L.P. ⁵	2003	\$62.0	100.0%	\$62.0	100.0%	\$161.7	\$10.0	\$3.2	\$13.3	0.21x	-24.0%	
vSpring II, L.P. ⁴	2003	\$20.0	23.6%	\$20.0	100.0%	\$116.5	\$0.0	\$6.6	\$6.6	0.33x	-14.5%	
Flywheel I, L.P.	2004	\$15.0	46.9%	\$15.0	100.0%	\$52.4	\$8.0	\$8.3	\$16.3	1.09x	1.4%	
Verge I, L.P.	2004	\$10.0	47.6%	\$10.0	100.0%	\$50.7	\$0.4	\$9.0	\$9.5	0.95x	-1.2%	
Wasatch New Mexico Fund	2004	\$12.0	17.1%	\$11.9	99.0%	\$46.9	\$0.0	\$3.9	\$3.9	0.33x	-17.9%	
ITU Ventures III NM, L.P.	2005	\$2.3	0.8%	\$2.3	100.0%	\$0.0	\$0.1	\$0.0	\$0.1	0.04x	-73.6%	Yes
Psilos Group Partners IIIB, L.P.	2005	\$15.0	12.5%	\$13.8	92.0%	\$28.8	\$8.0	\$12.5	\$20.5	1.49x	10.0%	
Village Ventures Fund II-B, L.P.	2006	\$15.0	10.7%	\$14.5	96.6%	\$3.2	\$5.0	\$17.9	\$22.8	1.58x	11.3%	
NMSIC Co-Investment Fund, L.P. (Classic)	2007	\$30.0	100.0%	\$21.7	72.4%	\$294.3	\$0.4	\$26.1	\$26.6	1.29x	6.6%	
NMSIC Co-Investment Fund, L.P. (Focused)	2007	\$62.5	100.0%	\$59.9	95.8%	\$781.3	\$1.7	\$54.8	\$56.5	0.96x	-1.6%	
vSpring III, L.P. ⁴	2007	\$15.0	9.9%	\$15.0	100.0%	\$25.6	\$0.3	\$10.5	\$10.7	0.72x	-8.8%	
EPIC Venture Fund IV	2008	\$10.0	17.2%	\$6.9	69.2%	\$6.7	\$0.0	\$10.7	\$10.7	1.61x	14.0%	
NMSIC Co-Investment Fund, L.P. (2013)	2013	\$20.0	100.0%	\$4.5	22.4%	\$4.4	\$0.0	\$4.3	\$4.3	N/A	N/A	
Program Totals		\$392.1	10.5%⁶	\$357.7	91.2%	\$1,844.7	\$104.7	\$202.6	\$307.3	0.9x	-2.3%	10 of 29

Source: Inviert reporting

Notes:

- 1) Includes both direct fund investments and caused to invest dollars into New Mexico companies. Sourced from Inviert reportin, GP reporting and Sun Mountain Capital analysis
- 2) Investment Values and Return calculations based upon asset values from 6/30/13
- 3) Fair Market Value as determined by Fund GPs under FASB 157 as of the report date
- 4) Firm managing the fund has changed name: Tullis/Dickerson is now called Tullis Health Investors
- 5) New Mexico Co-Investment Partners, L.P. data includes one SIC direct investment for reporting purposes
- 6) Total NMPEIP commitment as a percentage of combined fund sizes; excludes the co-investment funds



NMPEIP Activity Highlights

NMPEIP Funds

- **Tullis-Dickerson Capital Focus II**
 - Distribution made in Q2 2013 related to the 2012 IPO of Synageva Biomed
- **Wasatch Venture Fund III**
 - Distribution made in Q2 2013
- **Blue Sage Capital**
 - Distribution made in Q2 2013 related to the sale of Fusion Specialties / Visual Merchandising
- **Sierra Ventures**
 - Fund did not come to terms with the NMSIC
- **NMSIC Co-Investment Fund 2013 Tranche**
 - First capital call made in Q2 2013
 - First investment made in Q2 2013

New Mexico Portfolio Companies

- **Intellicyt**
 - Closed significant new financing round led by Arboretum Capital
- **Exagen**
 - Closed significant new financing round led by Capital Royalty
- **MIOX**
 - Closed significant new financing round led by TEL Venture Capital
- **ZTEC Instruments**
 - Acquired by LitePoint at a significant financial gain for the NMPEIP. LitePoint plans on expanding the New Mexico-based workforce
- **Skorprios**
 - Closed significant new financing round led by insiders including Ericsson and Nokia Siemens



Active NMPEIP Company Investments by Sector – Q2 2013

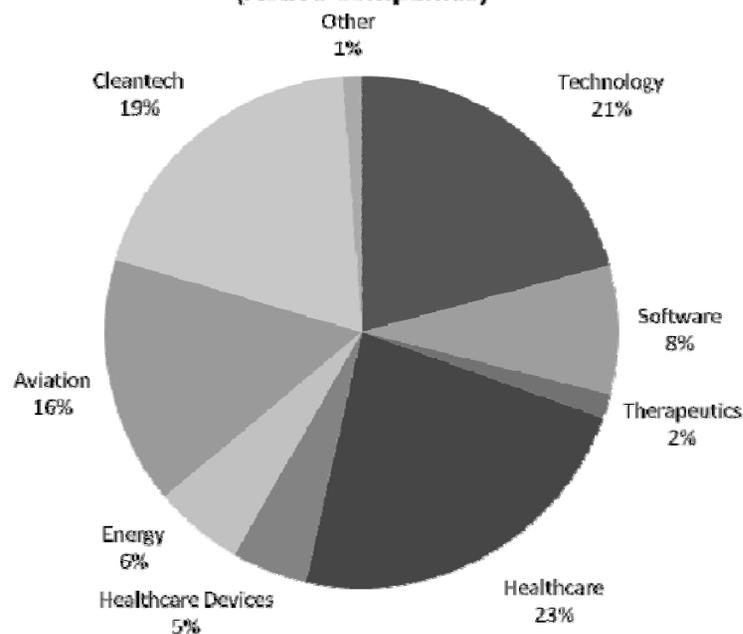
<u>Technology</u>	<u>Healthcare</u>	<u>Energy</u>	<u>Aviation</u>
Innovasic	Exagen Diagnostics	Altela	Aspen Avionics
Holochip	ProtoHIT	Consolidated Energy	Vertical Power
Lumidigm	Puente Partners	xF/Incitor	
Nanocrystal	Southwest Med Tech	Iosil Energy	<u>Other</u>
Nuvita		Sundrop Fuels	Figaro Systems
Skorpios	<u>Healthcare Devices</u>	WellKeeper	Teucrium Trading
TriLumina	Intellicyt		
TruTouch	NanoMR	<u>Cleantech</u>	
ZTEC Instruments		American Clay	
		Earthstone	
<u>Software</u>	<u>Therapeutics</u>	Enerpulse	
Boomtime	Protalex	Growstone	
CoMet Solutions		MIOX	
Dining Gift Services		Noribachi	
JackRabbit Systems			
Vibrant			



NMPEIP Investment Amounts by Sector – Q2 2013

- NMPEIP supports a diversified range of innovative New Mexican companies across many sectors

**NMPEIP Investment Amounts by Sector
(Active Companies)**



Source: NMPEIP Fund Managers with Sun Mountain analysis; as of 6/30/13
Note: Sector concentration of computed SIC investment in active New Mexico companies



Significant Economic Impact

NMPEIP Impact Summary as of 6/30/13		
Total Investment in New Mexico Portfolio Companies		
A) Investment by Funds with NMPEIP Participation		\$278,481,182
B) External Investment Caused by Funds with NMPEIP Participation		\$1,793,822,876
Total VC Investment in NM Companies		\$2,072,304,058
<i>Investment Multiplier (B / A)</i>		6.4x
Categorization of NM Portfolio Companies		
Active Companies	37	57.8%
Companies Exited at a Gain	8	12.5%
Companies Exited at a Loss	19	29.7%
Number of Companies funded	64	100.0%
NM Economic Impact		Q2 2013
NM Purchases		\$24,373,449
NM Payroll		\$23,058,039
NM Economic Impact		\$47,431,489
Total Current Full-Time Jobs		1,367
Average Salary of Jobs Created		\$67,470
Average Salary in New Mexico ¹		\$40,905

Source: Survey of participating NMPEIP fund managers and NM companies

¹ Source: New Mexico wage and salary disbursements and total wage and salary employees from the U.S. Dept. of Commerce, Bureau of Economic Analysis. Average determined by dividing disbursements by employees



Summary of Key Points

- Program is currently in compliance and is evaluating potential new commitments per the approved pacing plan
- Program financial returns are improving steadily
 - Since 2004, NMPEIP investments have performed in line with national benchmarks and have produced a positive financial return for the NMSIC
- Program is having a significant positive impact on the New Mexico economy
- Sun Mountain is currently evaluating a number of promising funds for the NMPEIP



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