



NEW MEXICO
FINANCE AUTHORITY

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Presentation to the Investment & Pension Oversight Committee

NMFA Venture Capital Program

Overview & Update

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August 29, 2024

- ◆ **Venture Capital Program Act** (NMSA 1978, Section 6-33-1 *et seq*) created in the NMFA the Venture Capital Program Fund and authorized the NMFA Board to:
 - Make investments in New Mexico businesses that enhance economic development objectives of the state and create new job opportunities
 - Investments are made for the purpose of providing capital for start-up, expansion, product or market development, recapitalization or early-stage development.
 - Investments are made as equity or debt through:
 - Direct Investment
 - Venture private equity funds – an entity that makes, manages or sources potential investments. Has at least one full-time, experienced manager
 - Investment in one business cannot exceed 10% and in one industry cannot exceed 30%
 - Report annually on investment activity and economic development impact
- ◆ The Venture Capital Program Fund has been capitalized by state appropriations totaling \$50 million. Through its partnership with the New Mexico Economic Development Department, NMFA currently administers an additional ~\$20 million in Federal funding for venture capital equity fund investments from the State Small Business Credit Initiative (SSBCI) program of the Department of Treasury.

- ◆ NMFA operates the Venture Capital Program using an Investment Policy that outlines manager qualifications, investment parameters, and program mission and diversification objectives:
 - Create and invest in new, early-stage and expanding New Mexico businesses
 - Create and/or retain quality jobs for New Mexicans
 - Increase investment in diverse sectors of the State's economy
 - Increase access to capital for businesses owned by entrepreneurs from or benefiting Underserved Communities
 - Attract additional private sector investment in early stage and emerging businesses

- ◆ To date, NMFA staff and Meketa (NMFA's Venture Capital Investment Consultant) have reviewed more than fifty proposals focusing on funds with sector and thematic alignment. This strategy has resulted in commitments that differ from other VC programs:
 - Anchor investments in new funds focusing on New Mexico businesses (equity or flexible debt)
 - Emerging fund managers
 - National firms with highly aligned mission and footprint in New Mexico
 - Mix of market rate and below-market rate investments

◆ **Fund Manager Qualifications**

- Adequate investment expertise and team capacity with professional staff qualified to execute on investments in New Mexico Businesses
- Capacity to meet best practice operational, reporting and compliance standards
- Sustainability as evidenced by operating budget projections
- Effective mitigation of key man risk and succession planning
- Adherence to adequate conflict of interest policies
- Alignment with funds under management

◆ **Investment Amounts/Concentration Limits**

- The Fund seeks to invest in a portfolio of five to ten funds with diverse underlying investment strategies
- Commitments to funds are expected to range between \$2 million and \$10 million and cannot exceed 20% of the balance of the Fund at the time of approval
- Single portfolio company concentrations cannot exceed 10% at the time of investment
- Funds are expected to seek minority non-controlling interests
- Fund investments in any one New Mexico business shall not exceed 50% unless under certain circumstances

◆ **GP/Fund Manager Commitments**

- Required to align Fund, general partner and fund manager interests

◆ **SSBCI Requirements (if federally funded) and ILPA Standard Terms**

◆ Local Funds (targeting > 90% to NM)

□ Impact

- Investment in local businesses
- Target capital gaps at different stages (pre-seed through growth)
- Build capacity of locally-based fund ecosystem

□ Risks

- Lack of sector/strategy/investment experience
- Lack of investor base
- Poor track records
- Small fund sizes
- Not fully staffed/high turnover/operationally unsustainable
- Conflicts of interest

◆ National Funds

□ Impact

- Bring sector/strategy and investment expertise to local ecosystem
- Larger funds deploying more capital to each portfolio company
- Attract new private investors to local businesses
- Connect local entrepreneurs with national industry and investor networks
- Balance risk/return profile of portfolio
- Ability to co-invest

□ Risks

- Challenged to make firm \$ commitment to NM unless explicit in fund documentation
- May deploy elsewhere when opportunities more attractive on relative basis

Parameters For Fund Investments

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◆ Local Funds (targeting > 90% to NM)

- NMFA cannot exceed 60% of total fund commitments
- 70% match from NM public or private (or 1:1 private if SSBCI/Federal)

◆ National Funds

- NMFA cannot exceed 20% of total fund commitments
- 1:1 match from private sources
- Must demonstrate two or more of:
 - Investment expertise in sectors/strategies supporting state economic diversification and growth
 - Prior investments/pipeline in NM
 - Locally based resources
 - Formal commitment to staffing, presence, office hours, and/or educational events

Approved Commitments



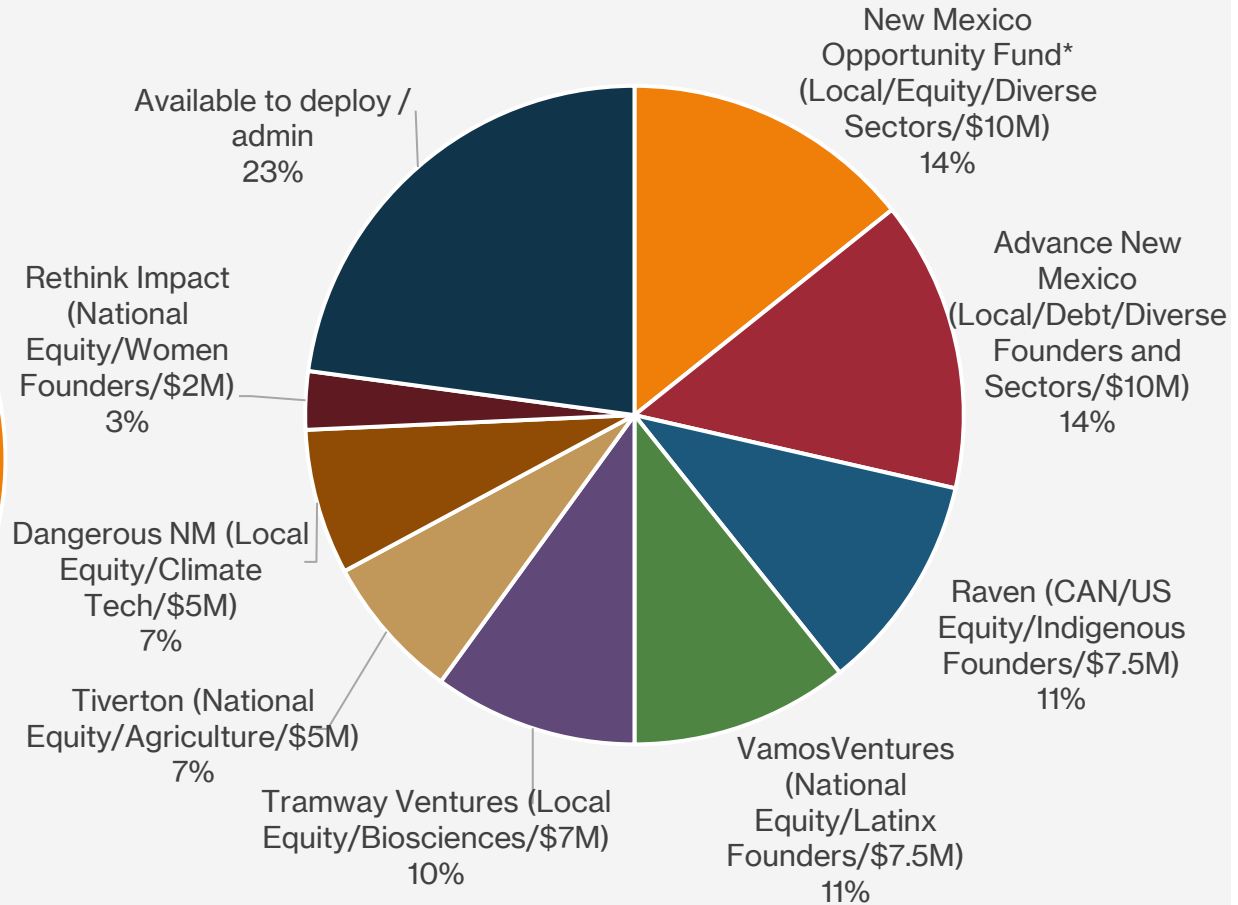
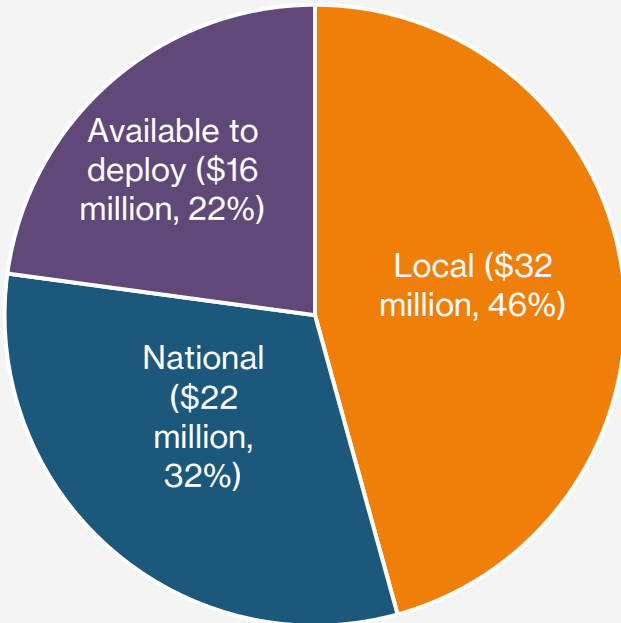
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- ◆ To date, NMFA has approved ~\$54 million in investment commitments to eight funds:
 - **Raven Indigenous Impact Fund II** – investing late seed and early-stage capital to innovative, scalable purpose driven Indigenous enterprises (ten portfolio companies funded)
 - **Tramway Venture Partners III** – investing equity in early-stage New Mexico businesses in the biosciences sector (two portfolio companies funded)
 - **New Mexico Opportunity Fund*** – investing equity in early-stage New Mexico businesses in diverse sectors overlooked by traditional VC (*approved commitment did not close)
 - **Dangerous Ventures NM Fund I** – investing in a sustainable and resilient future for people and planet targeting seed stage investments in New Mexico businesses in climate tech
 - **Advance New Mexico** – investing debt in growing early-stage New Mexico business targeting underserved entrepreneurs and diverse sectors overlooked by traditional VC
 - **Tiverton Ag Legacy Holdings Fund II** – investing in agricultural production and infrastructure
 - **VamosVentures Fund II** – provides capital and partnership to Latinx and diverse teams solving real problems through scalable, tech-driven companies
 - **Rethink Impact III** – investing in gender diverse tech-enabled companies working to solve the world’s biggest challenges

*Approved commitment to New Mexico Opportunity Fund failed to close

Approved Commitments

\$54 million approved to date



*Approved commitment to New Mexico Opportunity Fund failed to close

- ◆ Lending to local farms transitioning to organic and regenerative farming practices
 - Potential to leverage philanthropic funding for technical assistance for local farmers
- ◆ VC fund investing in women founders
 - Potential to leverage philanthropic funding for accelerator capacity
- ◆ Pre-seed/seed fund for local research spin-outs
- ◆ VC fund investing in modernizing traditional industries (ag, infra, industrial and health)
- ◆ Seed fund investing in consumer sector businesses
- ◆ Seed fund investing in rural businesses

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Fund (Vintage)	Manager	Objectives	Total Commit.	Match	Mission & Diversification Objectives				
					Local Cos.	Local Jobs	Under-served	Diverse Sector	Private \$
Raven II (2022)	Raven Indigenous Capital Partners	Invests in early stage Native-owned companies building sustainable Native economies	\$7.5m State	✓	🟡	🟡	🟢	🟡	🟢
Tramway III (2023)	Tramway Ventures	Investing in New Mexican early stage medtech, biotech, and healthtech companies	\$7m Federal	Raising	🟡	🟡	🟡	🟡	🟢
Dangerous NM I (2024)	Dangerous Ventures	Invests in early-stage New Mexican companies building a sustainable future	\$5m Federal	Raising	🟡	🟡	🟡	🟡	🟡
Advance New Mexico (2024)	Mission Driven Finance	Invests gap-filling growth capital (flexible debt) for expanding New Mexico small businesses	\$10m State	Raising	🟡	🟡	🟢	🟡	🟡
Tiverton II (2024)	Tiverton Advisors	Specialist investing in food and agricultural production sectors	\$5m State	✓	🟡	🟡	🟡	🟢	🟢
Vamos II (2024)	Vamos Ventures	Invests in Latinx and diverse teams leading scalable, tech-driven companies	\$7.5m Federal	✓	🟡	🟡	🟢	🟡	🟢
Rethink III (2024)	Rethink Impact	Investing in women-led businesses using technology to solve the world's biggest problems	\$2m State	✓	🟡	🟡	🟢	🟡	🟢