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HOUSE BILL 486

45TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2001

INTRODUCED BY

Danice R. Picraux

AN ACT

RELATING TO PUBLIC FINANCES; PROVIDING FOR AN ADDITIONAL  
STANDARD FOR INVESTMENT OF VENTURE CAPITAL.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

Section 1. Section 6-8-21 NMSA 1978 (being Laws 1997,  
Chapter 183, Section 5) is amended to read:

"6-8-21. VENTURE CAPITAL INVESTMENTS. --

A. The state investment officer may make  
commitments to venture capital funds to invest up to three  
percent of the market value of the land grant permanent funds  
in accordance with the provisions of this section. If  
invested capital should at any time exceed three percent of  
the market value of the land grant permanent funds, no further  
commitments shall be made until the invested capital is less  
than three percent of the market value of the land grant

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1 permanent funds.

2 B. Not more than ten percent of the amount  
3 authorized for investment pursuant to Subsection A of this  
4 section shall be invested in any one venture capital fund.  
5 The amount invested in any one venture capital fund shall not  
6 exceed twenty percent of the committed capital of that fund.

7 C. In making investments pursuant to this section,  
8 the state investment officer and the council shall give  
9 consideration to investments in venture capital funds:

10 (1) whose investments enhance the economic  
11 development objectives of the state; provided such investments  
12 offer a rate of return and safety comparable to other venture  
13 capital investments currently available; and

14 (2) that invest in businesses located on  
15 state trust lands that enhance economic development and lessen  
16 the risks and increase income for the beneficiaries of the  
17 land grant permanent funds.

18 D. The state investment officer shall make  
19 investments pursuant to this section only upon the approval of  
20 the council and upon review of the recommendation of the  
21 venture capital investment advisory committee.

22 E. As used in this section:

23 (1) "committed capital" means the sum of the  
24 fixed amounts of money that accredited investors have  
25 obligated for investment in a venture capital fund and which

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1 fixed amounts may be invested in that fund in one or more  
2 payments over time;

3 (2) "state trust lands" means lands described  
4 in Article 13, Section 1 of the constitution of New Mexico;  
5 and

6 [~~(2)~~] (3) "venture capital fund" means a  
7 limited partnership, limited liability company or corporation  
8 that:

9 (a) has as its primary business  
10 activity the investment of funds in return for equity in  
11 businesses for the purpose of providing capital for start-up,  
12 expansion, new product development or similar business  
13 purposes;

14 (b) holds out prospects for capital  
15 appreciation from such investments comparable to similar  
16 investments made by other professionally managed venture  
17 capital funds;

18 (c) has a minimum committed capital of  
19 ten million dollars (\$10,000,000);

20 (d) accepts investments only from  
21 accredited investors, as that term is defined in Section 2 of  
22 the federal Securities Act of 1933, as amended, 15 U.S.C.  
23 Section 77(b), and rules and regulations promulgated pursuant  
24 to that section; and

25 (e) has full-time management with at

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1 least five years of experience in managing venture capital  
2 funds. "

3 Section 2. Section 7-27-5.6 NMSA 1978 (being Laws 1987,  
4 Chapter 219, Section 2, as amended) is amended to read:

5 "7-27-5.6. VENTURE CAPITAL INVESTMENTS. --

6 A. The state investment officer may make  
7 commitments to venture capital funds to invest up to three  
8 percent of the market value of the severance tax permanent  
9 fund in accordance with the provisions of this section. If  
10 invested capital should at any time exceed three percent of  
11 the market value of the severance tax permanent fund, no  
12 further commitments shall be made until the invested capital  
13 is less than three percent of the market value of the  
14 severance tax permanent fund.

15 B. Not more than ten percent of the amount  
16 authorized for investment pursuant to Subsection A of this  
17 section shall be invested in any one venture capital fund.  
18 The amount invested in any one venture capital fund shall not  
19 exceed twenty percent of the committed capital of that fund.

20 C. In making investments pursuant to this section,  
21 the state investment officer and the council shall give  
22 consideration to investments in venture capital funds:

23 (1) whose investments enhance the economic  
24 development objectives of the state, provided such investments  
25 offer a rate of return and safety comparable to other venture

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1 capital investments currently available; and  
2 (2) that invest in businesses located on  
3 state trust lands that enhance economic development and lessen  
4 the risks and increase income for the beneficiaries of the  
5 land grant permanent funds.

6 D. The state investment officer shall make  
7 investments pursuant to this section only upon approval of the  
8 council and upon review of the recommendation of the venture  
9 capital investment advisory committee.

10 E. As used in this section:

11 (1) "committed capital" means the sum of the  
12 fixed amounts of money that accredited investors have  
13 obligated for investment in a venture capital fund and which  
14 fixed amounts may be invested in that fund in one or more  
15 payments over time; ~~and~~

16 (2) "state trust lands" means lands described  
17 in Article 13, Section 1 of the constitution of New Mexico;  
18 and

19 ~~(2)~~ (3) "venture capital fund" means a  
20 limited partnership, limited liability company or corporation  
21 that:

22 (a) has as its primary business  
23 activity the investment of funds in return for equity in  
24 businesses for the purpose of providing capital for start-up,  
25 expansion, new product development or similar business

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1 purposes;

2 (b) holds out the prospects for capital  
3 appreciation from such investments comparable to similar  
4 investments made by other professionally managed venture  
5 capital funds;

6 (c) has a minimum committed capital of  
7 ten million dollars (\$10,000,000);

8 (d) accepts investments only from  
9 accredited investors, as that term is defined in Section 2 of  
10 the Federal Securities Act of 1933, as amended, 15 U.S.C.  
11 Section 77(b), and rules and regulations promulgated pursuant  
12 to that section; and

13 (e) has full-time management with at  
14 least five years of experience in managing venture capital  
15 funds. "

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