



State Supported Technology Investment Programs

State of Hawai'i

December 2009



Goals of New Mexico In-State Private Equity Program

Achieve Competitive Financial Returns

Attract Outside Capital to New Mexico-based Companies

Act as a Catalyst for Company Creation and Growth

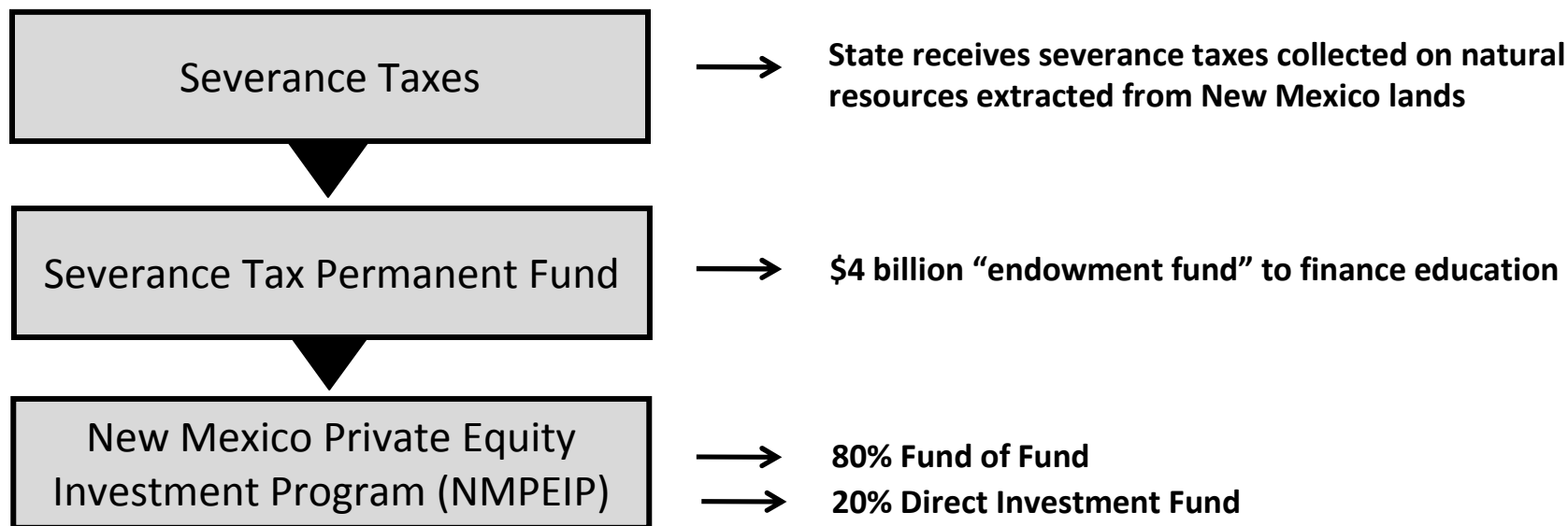
Expand High Wage Employment Base and Opportunities

Help New Mexico Companies Succeed



Overview of Program Financing and Structure

- Program was established in 1993 through legislation
 - Carve out from State Permanent Funds managed by New Mexico State Investment Council



- Program structured this way for three reasons: **1)** capital availability, **2)** State committed to building a diversified economy and willing to invest to accomplish goal, **3)** benefits of a hybrid investment structure
- State’s role: Program oversight; investment decisions are made independently



Advantages of Program Structure

Fund of Funds/Direct Investment Structure

- Risk mitigation via diversification of manager, sector, stage, strategy and vintage year
- Multiplier effect deepens the capital pool
- Direct investment fund helps fill out investor syndicates
- Able to cherry pick the best opportunities through direct investment vehicle

Independent Advisor/Fund Manager

- Independent decision making by professional investors ensures best outcome for Program
- Program able to leverage Advisor's national and regional networks to attract funds to the State
- Synergies of serving in both roles benefits State and Program



Metrics Track Program's Goals

Achieve Competitive Financial Returns

- Internal Rate of Return & Benchmarking

Keep Program operating within statutory guidelines

commitment levels vs statutory limits

Attract Outside Capital to New Mexico-based Companies

- Funding received, portfolio funds vs. external funding sources
- Investment Multiplier

Act as a Catalyst for Company Creation and Growth

- Number of Companies Funded
- Dollars spent (inside and outside of State)
- Payroll

Expand High Wage Employment Base and Opportunities

- Number of Jobs Created
- Average Salary of Jobs Created

Help New Mexico Companies Succeed

- Board membership and company mentoring



Right Metrics Required to Properly Measure Economic Impact

SUN MOUNTAIN CAPITAL

Program Returns as of 6/30/07

Portfolios Carrying Value	\$228
Portfolio IRR	7.27%
Portfolio Multiple of Invested Capital	1.06x

*Note: Returns calculated using Carrying Values as of 3/31/07 and data provided by the NMSIC.

SUMMARY OF PARTNERSHIP COMMITMENTS

In Q207, the NMPEIP documents are of 26 private equity \$24.25 million and had a total of individual partner

SUN MOUNTAIN CAPITAL

PARTNERSHIP COMPLIANCE WITH THE NMPEIP

Participation in the SIC NMPEIP requires that each fund station one investment professional within the state of New Mexico and make investments or cause to invest in New Mexico companies an amount equal to the drawn capital. Cause to invest dollars refers to those equity investments made by non-NMPEIP participants on New Mexico companies. Once a Program participant completes an investment cycle in accordance with the NMPEIP guidelines, the requirements cited above may be deemed fulfilled. As of June, 30 2007, only one fund, Vector Partners, was not in compliance with the Program as it never made an investment in a New Mexico-based company. In addition, ITU has no New Mexico-based investment professional. However, given the recent events with ITU, NMPEIP compliance was deemed to be Not Applicable. The following table details selected metrics related to Program investment cycles.

SUN MOUNTAIN CAPITAL

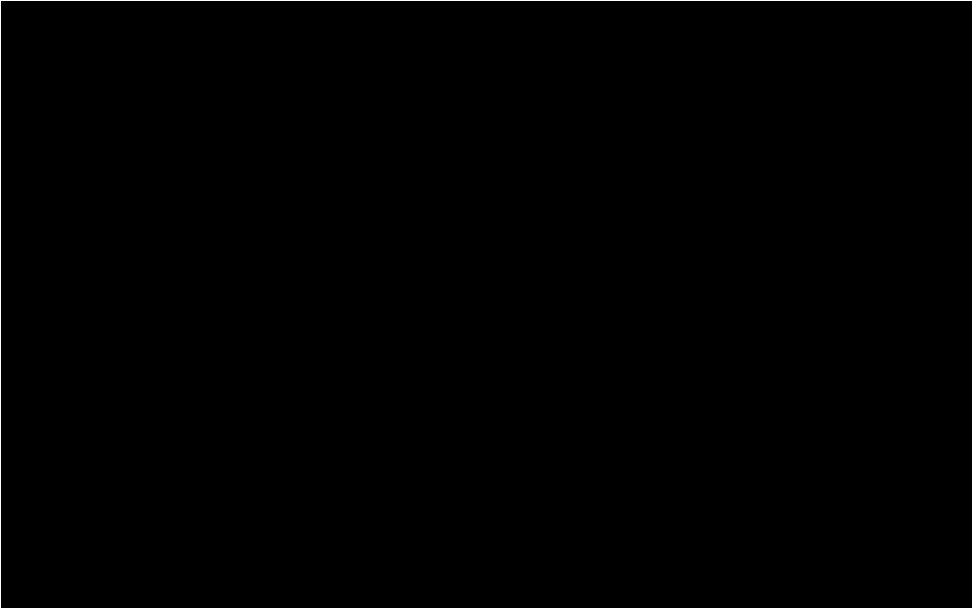
ACTIVITIES OF UNDERLYING FUNDS

The first half of 2007 was an active period for NMPEIP with 216 New Mexico companies having been reviewed and 61 in some stage of due diligence at quarter's end. The table below captures the levels of activity of NMPEIP participating funds in New Mexico. The table only lists those funds from the year 2000 to the present given the likelihood of investment activity.

Active Fund Deal Log Activity as of 6/30/07	Commitments Year	Companies Reviewed		NM Companies in Due Diligence		NM Investments
		All	NM	All	NM	
International Venture Fund I, L.P.	2000	230	0	0	0	2
Montrose Venture Partners V, L.P. ¹	2000	0	0	0	0	2
Red River Ventures, L.P.	2000	0	0	0	0	3
Valley Ventures III, L.P.	2000	219	8	0	0	1
Valley Ventures III, L.P. ²	2000	72	23	2	3	3
Valley Ventures III, L.P. ³	2002	0	0	0	0	2
Valley Ventures III, L.P. ⁴	2004	0	0	0	0	2
Blue Sage Capital, L.P.	2003	179	4	0	0	1
ITU Ventures West I, L.P.	2003	0	0	0	0	3
Alpining II, L.P.	2003	0	0	0	0	3
Alpining I, L.P.	2004	204	62	0	0	4
New Mexico Co-Investment Partners, L.P.	2004	0	0	0	0	11
Warrior New Mexico Fund, L.P.	2004	0	0	0	0	6
Tringa I, L.P.	2004	19	18	0	0	10
ITU Ventures New Mexico, L.P.	2005	0	0	0	0	0
Palco Group Partners III, L.P.	2005	0	0	0	0	1
Village Ventures Fund II, L.P.	2006	110	27	8	1	1
Program Totals		1122	216	68	67	

Program Totals of NMPEIP participating fund managers

Notes:
¹ Number of investments is greater than total companies since business from that one fund can be invested in a particular company.
² Nonprofit V portfolio company and includes 1 company from Montrose IV which is no longer active.
³ Montrose IV and Montrose V are both active investments.
⁴ Valley Ventures III portfolio company not included in company from Valley Ventures III which is no longer active.



Sample Sun Mountain Economic Impact Reporting



Key Lessons Learned

Program Structure	<ul style="list-style-type: none">• Governmental support is extremely important, either through direct funding or legislative mandate• External management is crucial to success• Independent decision making process ensures highest probability of successful outcome for Program beneficiaries• Reporting and metrics must be systematic, rigorous, and track to program goals
Goals	<ul style="list-style-type: none">• Financial return should be an important component of any Program• However, economic development benefits are what ultimately accrue to all citizens over time – “legislative intent” should always be considered