



New Mexico Investment Program Weathering Wall Street Woes

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Despite a nationwide financial crisis, New Mexico businesses continue to attract equity investments thanks to commitments made by current and previous legislators and governors.

Both Gov. Bill Richardson and his predecessor, Gov. Gary Johnson, saw potential benefits in supporting New Mexico businesses by providing equity capital for growth. Using capital that had accumulated in the Severance Tax Permanent Fund, our state launched the New Mexico Private Equity Investment Program in 1994, and it has grown through the infusion of additional capital commitments over the past 14 years.

The state program, which is managed by the State Investment Council, was designed to attract professionally managed equity funds like those operating in California's Silicon Valley in the 1990s. Its creators believed that out-of-state equity-fund managers had expertise to invest in and develop New Mexico businesses and that their investments would lure additional funds and professionals. They were right.

If you build it, they will come

Chicago-based Arch Ventures was the first to establish a presence in New Mexico, but more than 20 additional funds have followed. Early investors were attracted by the vast amount of technology generated by the state's research laboratories and universities, but other specialty funds have also been established.

In the early years, the program pledged fairly small amounts — less than \$5 million per investment. Commitments in the past five years have ranged between \$15 million to \$20 million per investment, for a total of \$205 million in 22 separate funds. Another \$150 million is committed to so-called co-investment funds, which combine with other private-equity funds to invest exclusively in New Mexico businesses.

This capital and the long-term mission of the New Mexico Private Equity Investment Program have attracted additional equity and debt investments in New Mexico companies, even from foreign investors. More than \$1.3 billion in equity investments and loans have now been made to more than 50 New Mexico companies, representing almost a 7-to-1 ratio of additional outside investment capital to state monies.

Look what we can do!

The economic impact has been substantial: New jobs with salaries almost double the New Mexico average and additional income-tax and business-tax revenues have boosted the state's economy. And these new companies have spent more than \$100 million on purchases in the state.

Since a large percentage of the program's funds focus on technology, most investments are in businesses near New Mexico's labs and universities — primarily in Albuquerque. Albuquerque also draws investments in non-technology businesses because it offers transportation, a skilled labor force, adequate and affordable housing and other resources that support rapid business growth.

Equity investors look for high short-term returns, which are most often found in businesses capable of competing globally. While that doesn't mean niche businesses in outlying areas aren't good investments, it does suggest that most investors prefer businesses in metropolitan areas.

Homegrown and growing global

Professional equity capital is still a fairly new concept in New Mexico, where most businesses are privately or family owned, have revenues of less than \$10 million, employ fewer than 25 people and have not had the opportunity to attract capital from outside investors.

But that is beginning to change. Over the past five years, professional equity investments as small as \$50,000 have been made in a chile-processing plant, a specialty-packaging manufacturer, a printing supplier, several specialty wholesalers and retailers and a broad range of industries. Most of these companies are located in and around Albuquerque, but others are in Aztec, Deming, Belen and Los Alamos.

To learn more about private equity investment, go to www.AccessToCapitalNM.org or www.FinanceNewMexico.org.

Finance New Mexico is an initiative of the New Mexico Small Business Investment Corporation (NMSBIC), New Mexico Small Business Development Center (NMSBDC), Empowering Business Spirit (EBS), the New Mexico Venture Capital Association (NMVCA) and other partners to assist individuals and businesses in obtaining skills and funding resources for their business or idea. To learn more about resources available to New Mexicans, go to www.FinanceNewMexico.org.

