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New Mexico Is Ready For Business

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The Small Business Investment Corp (SBIC) was created by state legislation in 2000 to provide equity or loan capital to small businesses in New Mexico. Support for this legislation rested on the knowledge that small businesses – those with 25 or fewer employees – are the backbone of the state, sustaining the economies of local communities where they are located. Most new jobs in the state have been generated by small businesses, and small firms represent the majority of business enterprises in New Mexico.

While it may be a cliché, investing on Main Street instead of Wall Street has paid big dividends in New Mexico, where existing businesses have been strengthened and new businesses have sprouted as a result. Improvements in the economy are visible from Clovis to Farmington and many towns in between, where jobs, employees and communities have flourished.

The challenge recognized by the Governor, Lt. Governor and Legislators was attracting new capital to businesses in small communities. Delivering capital to start-up firms was a similar priority, but difficulties arose around how to do it in a timely, cost-effective manner. The SBIC was created to address these challenges and to focus on making equity investments and business loans to New Mexico small businesses.

Most banks use a type of credit scoring matrix to determine if a loan will be made. Small businesses, particularly those just starting out, often have trouble qualifying for loans based on this type of scoring. In addition, small loans of \$5,000 or more – those typically needed by small firms – are not very appealing to traditional lenders.

ACCIÓN New Mexico is a non-profit organization that specializes in loans to small businesses. With initial capital of slightly over \$10 million, the SBIC established a strategic relationship with ACCIÓN to manage \$5 million of loans, lending money to small businesses that might otherwise have trouble obtaining a loan elsewhere. With a delivery system already in place, ACCION is able to make credit decisions on behalf of the SBIC.

Similar partnerships have been established with the New Mexico Community Loan Fund (now known as The Loan Fund) and WESST Corp, both of which now control distribution of SBIC funds. The combined lending activities of all three organizations have resulted in over 1,300 loans being made in virtually every community in the state. Over \$15 million

has been distributed for needs that have ranged from obtaining new equipment to facility expansion.

In a similar fashion, the SBIC has provided equity capital – funds invested in return for partial ownership in the firm – to nearly 25 New Mexico small businesses. Equity capital partners include Flywheel Ventures, Verge Fund, New Mexico Growth Fund and New Mexico Community Capital. Each fund focuses on a different type of company, from early stage technology ventures to traditional manufacturing, service or distribution firms. The SBIC has committed over \$25 million to these funds, all of which are domiciled in New Mexico. Investments as small as \$50,000 and as large as \$2.5 million have been made to help create businesses or support growth.

To better prepare business owners to apply for these funds, the SBIC has expanded its partnership arrangement to include several organizations that provide knowledge resources. Together, we have created a website (www.FinanceNewMexico.org) to assist business owners in finding the information they need to grow or create a business, as well as securing the funds, both equity and loans, that will help them do it. Knowledge resource partners include the 20 Small Business Development Centers around the state, Empowering Business Spirit – a consortium of resources in Northern New Mexico – and the New Mexico Venture Capital Association – a trade organization that represents venture capital firms.

Knowing where to look for capital, being prepared before you try to source capital, and knowing the criteria of each organization are all essential to the success of getting a loan or finding equity. For more information on each, go to www.FinanceNewMexico.org.

Finance New Mexico is an initiative of the New Mexico Small Business Investment Corporation and its partners, to assist individuals and businesses in obtaining resources and knowledge to start or grow a business in New Mexico. To learn more about available resources, go to www.FinanceNewMexico.org

