



NEW MEXICO
FINANCE AUTHORITY

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Venture Capital Program Overview

September 2023

Venture Capital Program Act



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- ◆ HB 104 (Representatives Dixon, Serrato and Martinez, and Senators Maestas and Hickey) created the **Venture Capital Program Act** during the 2022 Legislative Session
- ◆ Creates in the NMFA the **Venture Capital Program Fund** and authorizes the NMFA Board to make investments in:
 - *Venture private equity funds* – invest in New Mexico businesses in return for equity or debt for the purpose of providing capital for start-up, expansion, product or market development, recapitalization or early-stage development; or
 - *New Mexico businesses* – in the case of a corporation or limited liability company, a business with its principal office/place of business and majority of full-time employees or 80% of assets located in New Mexico

2023 Legislative Session

Senate Bill 402



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- ◆ Allows NMFA to make differential rate investments for the purposes of economic development
- ◆ Added protection from Inspection of Public Records Act for confidential, proprietary technical, trade secret or business information
- ◆ Increased maximum investment in any one industry to thirty percent (30%) from ten percent (10%)
- ◆ Removed requirement that venture private equity funds raise matching investment funds
- ◆ Removed requirement that investments in New Mexico businesses be made in conjunction with cooperative investment agreements
- ◆ Removed requirement that NMFA obtain a bond or blanket bond for employees performing duties related to the administration of the Act

Venture Capital Program Statutory Framework



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Economic Development Objectives:

- ◆ NMFA may make differential rate investments in venture private equity funds or early-stage investments in New Mexico businesses whose investments or enterprises enhance economic development objectives of the state
 - ◆ NMFA is authorized to make investments in New Mexico businesses to create new job opportunities and to support new, emerging or expanding businesses
- Investment eligibility: specific definitions of 'New Mexico business' and 'venture private equity fund'
 - Investment in one business not to exceed 10% of Fund and in one industry not to exceed 30%
 - Fund can hold no more than 51% ownership in a business unless under special circumstance (e.g. foreclosure)
 - NMFA Board approves investments within guidelines and policies established by the NMFA Board
 - Annual operating budget approved by the NMFA Board
 - Annual report on investments and economic impact to Legislative Finance and interim Legislative Committees

Venture Capital Program Roles & Responsibilities

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NMFA Staff

- Sourcing and proposal review
- Recommends to VC IC
- Monitoring
- Accounting
- Budget
- Reporting

VC Investment Committee

- Approves investments
- Reviews quarterly and annual reports
- Monitors policy and program implementation
- Recommends to EDC

Economic Development Committee

- Approves investments
- Monitors policy and program implementation
- Recommends to NMFA Board

NMFA Board

- Approves investments
- Approves changes to policy and/or program implementation
- Approves operating budget

NMFA Investment Consultant

- ◆ In August 2023 the NMFA Board of Directors approved Rules and a Venture Capital Investment Policy governing program implementation
- ◆ The Venture Capital Investment Policy details program mission and diversification objectives, eligibility for investment, proposal and due diligence requirements, investment guidelines and restrictions.
- ◆ NMFA has entered into a strategic partnership with the New Mexico Economic Development Department to support the deployment of Federal State Small Business Credit Initiative (SSBCI) funding to equity/venture capital funds.
- ◆ NMFA anticipates approving initial investments in the fall of 2023.