



New Mexico Private Equity Investment Program

Update Report

June 30, 2009



NMPEIP Update Report

Challenging Market Conditions

- Nationally, the average private equity fund valuation fell 24.2% in 2008¹
 - The S&P 500 was down 38.9%
 - Dow Jones Industrial Average was down 33.8%
- Program returns reflect these challenging market conditions
 - The Program's performance fell to -12.0% as of December 31, 2008
- Eclipse Aviation filed Chapter 7 in March 2009 after financing fell through
- A freeze on new commitments was instituted in Q4 2008 due to market volatility and declining market valuations
 - Statutory limit is 9% of the Severance Tax Permanent Fund

¹ Cambridge Associates Private Equity Index, December 31, 2008

² National Venture Capital Association

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Program Status Overview

<i>Audited Performance Data as of 12/31/08</i>	
NMPEIP Commitment Target ¹	\$355.1
Capital Committed (Gross)	\$382.2
Capital Committed (Net)	\$340.0
% of Target	95.7%
Number of Fund Commitments	28
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Capital Drawn (Gross)	\$282.3
Distributions Received	\$42.2
Capital Drawn (Net)	\$240.1
% Funded	73.9%
% of Statutory Target	84.5%
<i>Program Returns as of 12/31/08</i>	
Portfolio Carrying Value	\$195.5
Portfolio IRR ²	-12.0%
Portfolio Multiple of Invested Capital	0.7x

¹ NMPEIP Target calculated by taking 9% of the Severance Tax Permanent Fund (\$3.16 billion as of December 31, 2008) and applying a 1.25x multiplier

² Return data provided by NMSIC

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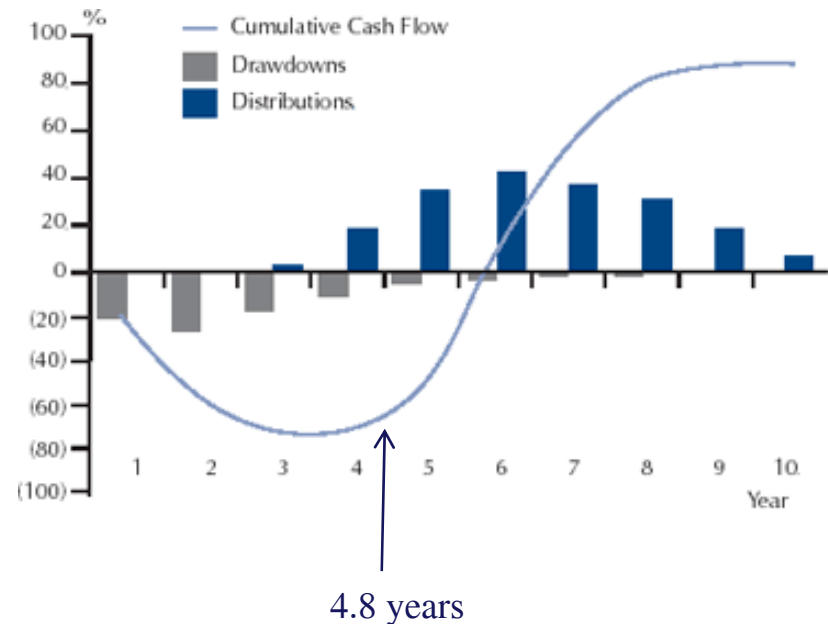
Summary of Partnership Commitments

<i>All Fund Commitment Summary as of 12/31/08</i>	<i>Commitment</i>		<i>Funded</i>	<i>Percent</i>	<i>Investment Value (\$)</i>			<i>Return</i>	
	<i>Year</i>	<i>Dollars</i>	<i>To Date</i>	<i>Funded</i>	<i>Realized</i>	<i>Unrealized</i>	<i>Total</i>	<i>Multiple</i>	<i>IRR</i>
ARCH Venture Fund II, L.P.	1993	1.2	1.2	100%	4.30	0.03	4.32	3.54	44.8%
ARCH Venture Fund III, L.P.	1996	4.0	4.0	100%	3.49	0.25	3.74	0.94	-1.0%
CVM Equity Fund V	1998	3.0	3.0	100%	1.09	1.12	2.20	0.73	-3.7%
Murphree Venture Partners IV, L.P.	1998	4.0	4.0	100%	0.09	0.48	0.57	0.14	-21.9%
Tullis/Dickerson Capital Focus II, L.P.	1998	5.0	5.0	100%	0.94	2.21	3.14	0.63	-5.6%
Valley Ventures II, L.P.	1998	3.0	3.0	100%	0.31	0.64	0.94	0.31	-13.8%
Vestor Partners, L.P.	1998	2.5	2.4	97%	0.56	0.48	1.04	0.43	-12.1%
Red River Ventures, L.P.	2000	7.2	5.7	80%	3.13	1.59	4.73	0.82	-4.2%
Murphree Venture Partners V, L.P.	2000	19.0	19.1	101%	3.70	2.29	5.99	0.31	-4.1%
International Venture Fund I, L.P.	2000	5.0	5.0	100%	0.00	1.69	1.69	0.34	-15.6%
Tullis/Dickerson Capital Focus III, L.P.	2001	15.0	15.0	100%	10.25	7.36	17.60	1.17	8.4%
Wasatch Venture Fund III, LLC	2001	8.7	8.3	95%	4.38	5.14	9.53	1.15	3.6%
Valley Ventures III, L.P.	2002	6.7	6.3	94%	0.90	2.27	3.17	0.51	-17.0%
ITU Ventures West I, L.P.	2003	15.0	15.4	102%	2.64	5.02	7.66	0.50	-24.8%
Altira Technology Fund IV, L.P.	2003	10.0	10.0	100%	0.96	10.37	11.33	1.13	4.5%
Blue Sage Capital, L.P.	2003	10.0	7.3	73%	0.72	6.28	6.99	0.95	0.0%
vSpring II, L.P.	2003	20.0	19.7	99%	0.00	13.72	13.72	0.70	-12.6%
Verge I, L.P.	2004	10.0	8.0	80%	0.00	6.14	6.14	0.77	-6.6%
Flywheel I, L.P.	2004	15.0	13.1	87%	0.02	11.71	11.74	0.90	-2.4%
Wasatch New Mexico Fund, LLC	2004	12.0	10.5	88%	0.00	9.45	9.45	0.90	-5.4%
New Mexico Co-Investment Partners, L.P.	2004	62.0	62.0	100%	3.59	13.00	16.59	0.36	-36.3%
Psilos Group Partners IIIB, L.P.	2005	15.0	9.1	61%	0.80	6.83	7.63	0.84	NM
ITU Ventures III NM, L.P.	2005	15.0	2.3	15%	0.08	0.00	0.08	0.04	NM
Village Ventures Fund II-B, L.P.	2006	15.0	10.1	67%	0.26	8.18	8.44	0.83	NM
NMSIC Co-Investment Fund, L.P. (Focused)	2007	60.0	31.7	53%	0.00	24.28	24.28	0.76	NM
NMSIC Co-Investment Fund, L.P. (Classic)	2007	30.0	7.2	24%	0.00	5.98	5.98	0.83	NM
vSpring III, L.P.	2008	15.0	7.7	51%	0.00	4.88	4.88	0.64	NM
EPIC Venture Fund IV, LLC	2008	10.0	2.3	23%	0.00	1.90	1.90	0.82	NM
Program Totals		\$382.20	\$282.31	73.9%	\$42.21	\$153.26	\$195.47	0.7x	-12.0%

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Measuring Performance

- Average private equity fund life is 10 years
 - 4 to 5 year investment period – capital is “drawn down”
 - 5 to 6 year harvest period – capital is returned to investors
- J-Curve effect on private equity investment returns
 - Typically, all private equity funds will have negative returns in their early years as money is drawn down
 - This effect reverses in the later years of a fund as distributions are made
- Weighted average life of Program is 4.8 years
- Longer time to exit has extended J-Curve for all VC funds



Program Returns Still in J-Curve

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Significant Economic Impact

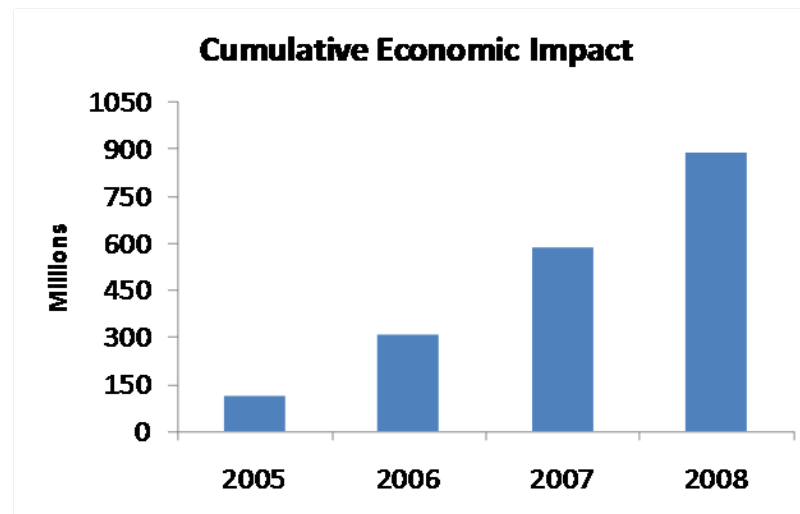
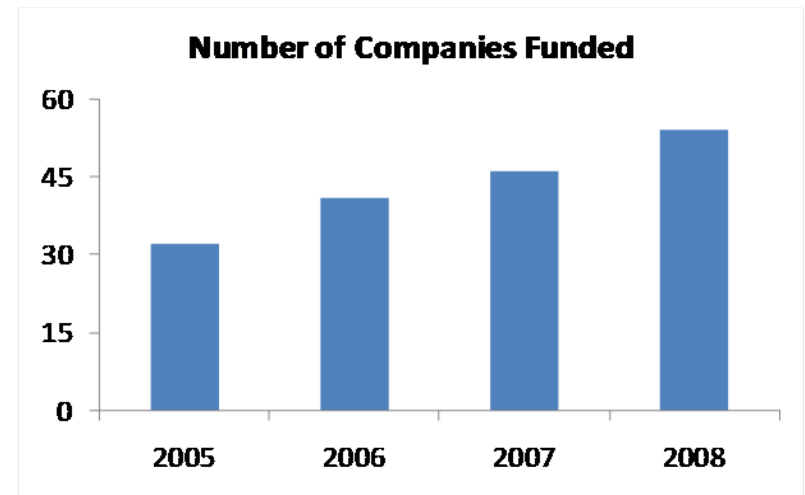
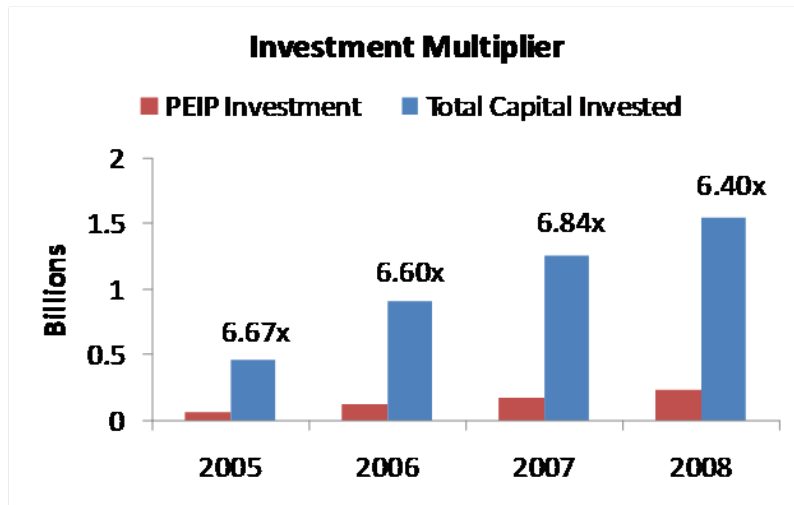
NMPEIP Impact Summary as of 3/31/09

Capital Investment in NM by sources outside NMPEIP (\$000's)	\$1,631,810
NMPEIP Capital Invested in NM (\$000's)	\$254,124
Investment multiplier (Other Capital/NMPEIP Capital)	6.4x
Number of Companies funded	55
Total Annualized Purchases (\$000's)	\$87,372
Total Annualized Payroll (\$000's)	\$156,783
Annual Economic Impact	\$244,155
Total Current Full-Time Jobs	1,107
Average Salary of Jobs Created	\$62,402
Average Salary in New Mexico ¹	\$35,980

¹ U.S. Dept. of Commerce, Bureau of Economic Analysis. March 25, 2009

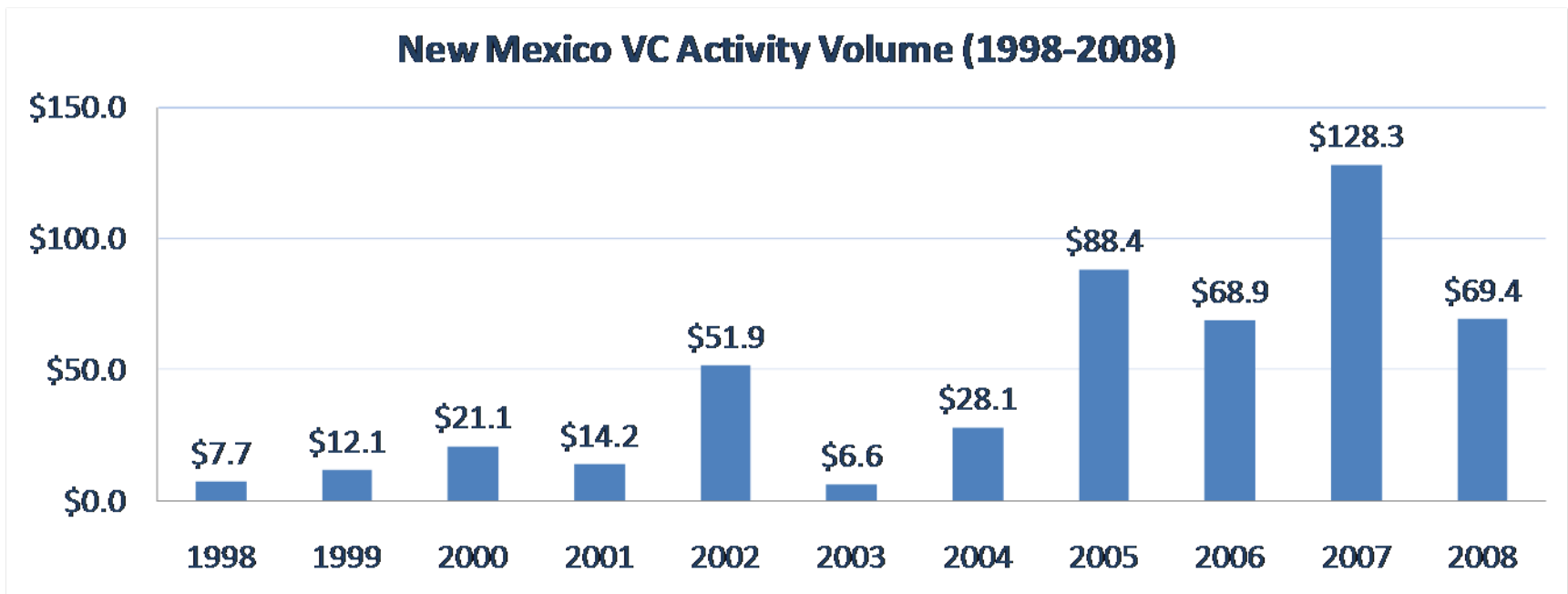
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Impacting the State Economy



NMPEIP Update Report

Providing a Catalyst for Venture Capital Activity



Source: PWC MoneyTree and Sun Mountain databases

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55 New Mexico Companies Funded by NMPEIP Funds

Advent Solar	Eclipse Aviation	Mesofuel	Seattle Fish Company
Altaview Technologies	Elisar Software	Metaphor	Seclarity Corporation
Altela	Enerpulse	MicroOptical Devices	Sundrop Fuels
American Clay	Entrada	MIOX	Surfact Technologies
Amtech	Exagen Diagnostics	Nuvita	TCI Medical
Aspen Avionics	Figaro	Noribachi	TRED Displays
Avasca	Growstones	Nanocrystal	TruTouch Technologies
Bioreason	Holochip	NanoMR	VeraLight
Boomtime	Infantelligence	OnQueue Technologies	Vertical Power
Comet Solutions	Innovasic Semiconductor	Patchwork Systems	WellKeeper
Consolidated Energy	Intellicyt	Phase-I	Zia Laser
Controlled Recovery	Introbotics	Protalex	Vibrant
Desert Power	Kinetisis	Puente Partners	ZTEC Instruments
Earthstone	Lumidigm	Quasar International	

Investment Status as of 3/31/09

Active Companies	39	70.9%
Liquidated Companies	11	20.0%
Exited Companies	5	9.1%

NMPEIP Update Report

Summary of Key Points

- Program returns are down, reflecting macro economic conditions
- Freeze instituted on making new commitments in Q4 2008 still in effect
- Program is having a significant, positive impact on the New Mexico economy despite difficult economy; high-tech firms are growing and clusters are continuing to evolve
 - Aerospace & Defense
 - Clean Technology
 - Information Technology
 - Life Sciences
- We are continuing our fiduciary approach to managing the Program
 - Improving the caliber of funds in the Program
 - Seeking returns above the benchmark
 - No fund has been brought to Committee that used a third party marketer since Sun Mountain Capital became the Program Advisor (2006)
 - Have amended our due diligence processes to include expanded scrutiny of third party marketers, auditors, and compliance