

**Small Business Investment Corporation**

**FINANCIAL STATEMENTS**

**June 30, 2009 and 2008**

# Small Business Investment Corporation

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June 30, 2009 and 2008

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**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Small Business Investment Corporation

We have audited the accompanying statements of financial position of Small Business Investment Corporation (NMSBIC), also known as the New Mexico Small Business Investment Corporation, as of June 30, 2009 and 2008, and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NMSBIC as of June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary schedules included are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As discussed in Note 1 and Note 6, these financial statements include investments in partnerships valued by the general partner of each partnership in the absence of readily ascertainable market values. At June 30, 2009 and 2008, that portion of NMSBIC's investments was \$11,867,632 and \$12,365,514, respectively, which represents 29% and 27% of NMSBIC's net assets at those dates. Because of the inherent uncertainty of valuation of these investments, the estimate by each general partner of these values may differ significantly from values that would have been used had a ready market for those investments existed, and the difference could be material.



December 14, 2009

Pulakos CPAs, PC

# New Mexico Small Business Investment Corporation

## STATEMENTS OF FINANCIAL POSITION

June 30, 2009 and 2008

### Assets

|  | <u>2009</u>          | <u>2008</u>          |
|--|----------------------|----------------------|
| Current assets   |                      |                      |
| Cash and cash equivalents                                | \$ 2,723,537         | \$ 1,564,188         |
| Certificates of deposit                                  | 19,054,426           | 21,613,231           |
| Short term investments                                   | 124,999              | 3,627,411            |
| Interest and dividend receivable                         | 73,555               | 108,307              |
| Accounts receivable, net                                 | 41,626               | 29,786               |
| Total current assets                                     | <u>22,018,143</u>    | <u>26,942,923</u>    |
| Equity investments in New Mexico entities                | 11,867,632           | 12,365,514           |
| Cooperative loan agreements, net of allowance for losses | <u>8,180,250</u>     | <u>7,228,054</u>     |
|  | <u>\$ 42,066,025</u> | <u>\$ 46,536,491</u> |

### Liabilities and Net Assets

|                                   |                      |                      |
|-----------------------------------|----------------------|----------------------|
| Current liabilities               |                      |                      |
| Accounts payable                  | \$ 22,604            | \$ 20,496            |
| Capital calls payable             | 538,927              | 970,403              |
| Total current liabilities         | <u>561,531</u>       | <u>990,899</u>       |
| Temporarily restricted net assets | <u>41,504,494</u>    | <u>45,545,592</u>    |
|                                   | <u>\$ 42,066,025</u> | <u>\$ 46,536,491</u> |

## New Mexico Small Business Investment Corporation

### STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended June 30, 2009 and 2008

|   | 2009             |                           |                      | 2008<br>Total        |
|---|------------------|---------------------------|----------------------|----------------------|
|   | Unrestricted     | Temporarily<br>Restricted | Total                |                      |
| <b>Revenues:</b>                                |                  |                           |                      |                      |
| Interest and dividend income                    | \$ -             | \$ 820,545                | \$ 820,545           | \$ 1,329,420         |
| Realized loss on investments                    | -                | (3,464,730)               | (3,464,730)          | (1,535,692)          |
| Investment valuation adjustments                | -                | (133,210)                 | (133,210)            | (169,643)            |
| Net assets released from restrictions           | 1,263,703        | (1,263,703)               | -                    | -                    |
| <b>Total revenues and other support</b>         | <b>1,263,703</b> | <b>(4,041,098)</b>        | <b>(2,777,395)</b>   | <b>(375,915)</b>     |
| <b>Expenses:</b>                                |                  |                           |                      |                      |
| <b>Program</b>                                  |                  |                           |                      |                      |
| Loan losses                                     | 156,582          | -                         | 156,582              | 62,298               |
| Equity investment management and operating fees | 846,068          | -                         | 846,068              | 687,738              |
| <b>Support</b>                                  |                  |                           |                      |                      |
| Management and general                          | 261,053          | -                         | 261,053              | 193,909              |
| <b>Total expenses</b>                           | <b>1,263,703</b> | <b>-</b>                  | <b>1,263,703</b>     | <b>943,945</b>       |
| <b>Change in net assets</b>                     | <b>-</b>         | <b>(4,041,098)</b>        | <b>(4,041,098)</b>   | <b>(1,319,860)</b>   |
| <b>Net assets at beginning of year</b>          | <b>-</b>         | <b>45,545,592</b>         | <b>45,545,592</b>    | <b>46,865,452</b>    |
| <b>Net assets at end of year</b>                | <b>\$ -</b>      | <b>\$ 41,504,494</b>      | <b>\$ 41,504,494</b> | <b>\$ 45,545,592</b> |

## New Mexico Small Business Investment Corporation

### STATEMENTS OF CASH FLOWS

Years Ended June 30, 2009 and 2008

|   | 2009           | 2008           |
|---|----------------|----------------|
| Cash flows from operating activities:             |                |                |
| Change in net assets                              | \$ (4,041,098) | \$ (1,319,860) |
| Adjustments to reconcile change in net assets     |                |                |
| to net cash provided by operating activities      |                |                |
| Provision for loan participation agreement losses | 94,822         | (59,575)       |
| Net loss on investments                           | 4,600,590      | 1,079,895      |
| Changes in operating assets and liabilities       |                |                |
| Interest and dividend receivable                  | 34,752         | (76,100)       |
| Due from state agency                             | -              | 16,929,377     |
| Accounts receivable                               | (11,840)       | 79,661         |
| Prepaid expenses                                  | -              | 3,665          |
| Accounts payable                                  | 2,108          | 496            |
|   | 679,334        | 16,637,559     |
| Cash provided by operating activities             |                |                |
| Cash flows from investing activities:             |                |                |
| Sale (purchase) of certificates of deposit        | 2,558,805      | (15,511,470)   |
| Sale of short term investments                    | 3,502,412      | 2,556,511      |
| Investments in New Mexico entities                | (5,581,202)    | (5,372,335)    |
|   | 480,015        | (18,327,294)   |
| Cash provided (used) by investing activities      |                |                |
| Change in cash and cash equivalents               | 1,159,349      | (1,689,735)    |
| Cash and cash equivalents, beginning of year      | 1,564,188      | 3,253,923      |
| Cash and cash equivalents, end of year            | \$ 2,723,537   | \$ 1,564,188   |

# Small Business Investment Corporation

## NOTES TO FINANCIAL STATEMENTS

June 30, 2009 and 2008

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Organization

The Small Business Investment Corporation (NMSBIC), also known as the New Mexico Small Business Investment Corporation, is a nonprofit, independent, public corporation established by the New Mexico Small Business Investment Act, §58-29-1 et. Seq., NMSA1978, as amended (the "Act"). NMSBIC was formed to create new job opportunities by making equity investments in land, buildings or infrastructure for facilities to support new or expanding businesses in the State of New Mexico and to otherwise make debt investments and equity investments to create new job opportunities to support new or expanding businesses. NMSBIC's sole funding source is the New Mexico Severance Tax Permanent Fund.

NMSBIC seeks to establish programmatic, contractual relationships with existing and newly created providers of financial services to efficiently and effectively deliver capital for the purpose of creating new job opportunities and economic growth in the State of New Mexico. NMSBIC accomplishes this by providing capital for equity investments or loans for land, buildings or infrastructure to support new or expanded businesses, or equity investments or loans to New Mexico small businesses, to help support economic growth and job creation, and to otherwise enhance economic development objectives of the State of New Mexico.

#### Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual events and results could differ from those assumptions and estimates. The most significant estimates involve the fair value of debt and equity securities. Because of inherent uncertainty in valuing these investments, the estimated fair value may differ from the values that would have been used had a ready market for the investments existed.

#### Financial statement presentation

The financial statements include certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with U.S generally accepted accounting principles. Accordingly, such information should be read in conjunction with NMSBIC's financial statements for the year ended June 30, 2008, from which the summarized information was derived.

Certain reclassifications were made to the 2008 statements to conform to 2009 presentation.

# Small Business Investment Corporation

## NOTES TO FINANCIAL STATEMENTS

June 30, 2009 and 2008

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Cash equivalents

Cash and cash equivalents at June 30, 2009 and 2008 consist of demand deposits held at New Mexico branches of state and national banks.

#### Short term investments

Short-term investments consist of amount held in the New Mexigrow Local Government Investment Pool (NM LGIP). As of June 30, 2009, approximately \$87,000 of the NMSBIC investment in the NM LGIP had been segregated by the NM LGIP into a separate fund as the NM LGIP designated "The Reserve Contingency Fund" to account for the liquidation of the Reserve Primary money market fund in which the NM LGIP had invested. Amounts allocated to The Reserve Contingency Fund represent the NMSBIC pro-rata portion of NM LGIP's investment in The Reserve Fund, and may not be withdrawn by NMSBIC unless and until NM LGIP receives distributions from The Reserve Primary money market fund either through the liquidation process or other means. Amounts allocated by the NM LGIP to the Reserve Contingency Fund do not bear interest.

#### Investments

NMSBIC reports gains and losses on investments in the Statements of Activities as increases or decreases in temporarily restricted net assets unless their use is permanently restricted by explicit donor stipulations or by law.

For purposes of making equity investments in accordance with the Act, Cooperative Agreements generally take the form of investments made by NMSBIC as a limited partner in limited partnerships. Investments are carried at market value as determined in good faith by the general partner of each such limited partnership, in accordance with Cooperative Agreements. The general partners of these limited partnerships determine market value based upon fair value of the underlying investments of the limited partnerships, as there is no ready market for these investments. Realized gains and losses are recorded on a specific identification method upon the sale or write off of investment assets of the limited partnerships. Investment valuation adjustments are determined by general partners based on an increase or impairment in value in underlying investments during the investment-holding period. Management and operating fees of equity investments are determined by the general partners in accordance with the cooperative agreements and are reflected as a decrease in partner capital accounts.



# Small Business Investment Corporation

## NOTES TO FINANCIAL STATEMENTS

June 30, 2009 and 2008

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

A loan receivable is considered to be past due if any portion of the receivable balance is outstanding based on historical performance (ranging from one to thirty-one days). For the years ended June 30, 2009 and 2008, allowances have been established for loan losses incurred as a result of debt investments made under Cooperative Agreements of \$290,600 and \$195,778 respectively.

Certificates of deposit are carried at their face value.

NMSBIC may only make debt and equity investments in New Mexico businesses and in accordance with restrictions imposed by the Act.

#### Net asset classifications

NMSBIC classifies net assets and revenues, expenses, gains and losses based on the existence, or absence, of donor-imposed restrictions. Unrestricted net assets have no donor-imposed restrictions. Revenues that are donor restricted are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the revenue is recognized.

#### Income taxes

NMSBIC is a nonprofit charitable corporation and has been recognized as tax-exempt under Section 501(c)(4) of the Internal Revenue Code.

#### Financial instruments

The carrying amounts of cash, receivables, payables, and other liabilities approximate fair value due to the short maturity periods of these instruments.

#### Subsequent events

NMSBIC has evaluated all events occurring subsequent to June 30, 2009 and through December 14, 2009, which is the date that the financial statements were issued, and does not believe that any events occurring during this period require either recognition or disclosure in the accompanying financial statements.

# Small Business Investment Corporation

## NOTES TO FINANCIAL STATEMENTS

June 30, 2009 and 2008

### NOTE 2 – CONCENTRATIONS

#### Concentration of funding

NMSBIC receives 100% of its funding from the New Mexico Severance Tax Permanent Fund.

#### Concentration of credit risk

NMSBIC maintains its cash balances in branches of state and national financial institutions. The amounts on deposit with these financial institutions are insured by the Federal Deposit Insurance Corporation. NMSBIC's certificates of deposit and certain cash accounts are 100% collateralized by stand-by letters of credit or government-backed securities. Uncollateralized cash and cash equivalents are maintained with financial institutions that from time to time exceed insured limits. NMSBIC has not experienced, and believes it is not exposed, to significant credit risk from these deposits.

NMSBIC enters into cooperative agreements with parties that have demonstrated the ability to provide business assistance to new and expanding businesses and that are primarily engaged in the business of providing business services and debt and equity capital to new and expanding businesses. Under Cooperative Agreements with lenders, the lenders use their own funds and funds provided by NMSBIC to make loans to new and expanding businesses. Concentrations of credit risk arise from a number of loans made by such third parties utilizing NMSBIC funds to start up businesses. The lenders with which NMSBIC has entered into Cooperative Agreements have discretion as to whether or not to require, and the amount of, collateral taken, on the loans.

NMSBIC invests its cash assets to generate an income stream sufficient to fund the operating budget of the Corporation while protecting the principal (market) value of these assets. Short-term is defined not to be in excess of two years.

### NOTE 3 – FAIR VALUE MEASUREMENT

NMSBIC holds certain assets at fair value using a fair value hierarchy prioritizing the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Investment Entity has the ability to access.

# Small Business Investment Corporation

## NOTES TO FINANCIAL STATEMENTS

June 30, 2009 and 2008

### NOTE 3 – FAIR VALUE MEASUREMENT - Continued

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at June 30, 2009.

*NMLGIP*: Valued at the market value of the shares held by the plan as reported by third party at the end of the year.

*Debt Cooperative Agreements*: Valued at the net asset value (NAV) of debt investment at year-end.

*Equity Cooperative Agreements*: Valued at market value as determined in good faith by the general partner of each such limited partnership.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

## Small Business Investment Corporation

### NOTES TO FINANCIAL STATEMENTS

June 30, 2009 and 2008

#### NOTE 3 - FAIR VALUE MEASUREMENT - Continued

The following table presents the fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2009:

| <u>Assets at Fair Value</u>   |                     |                |                     |                     |
|-------------------------------|---------------------|----------------|---------------------|---------------------|
| <u>Description</u>            | <u>Total</u>        | <u>Level 1</u> | <u>Level 2</u>      | <u>Level 3</u>      |
| NM LGIP                       | \$ 24,999           | \$ -           | \$ 124,999          | \$ -                |
| Debt Cooperative Agreements   | 8,180,250           | -              | 8,180,250           | -                   |
| Equity Cooperative Agreements | 11,867,632          | -              | -                   | 11,867,632          |
|                               | <u>\$20,172,881</u> | <u>\$ -</u>    | <u>\$ 8,305,249</u> | <u>\$11,867,632</u> |

#### Level 3 Assets Year ended June 30, 2009

|   | <u>Equity<br/>Cooperative<br/>Agreements</u> |
|---|--|
| Balance, beginning of year                  | \$ 12,365,514                                |
| Total gains or losses (realized/unrealized) |  |
| Included in earnings                        | (4,444,010)                                  |
| Purchases and settlements, net              | 3,946,128                                    |
| Balance, end of year                        | <u>\$ 11,867,632</u>                         |

#### NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for funding debt or equity investments in accordance with the Act.

Temporarily restricted net assets are restricted for the following purposes:

|   | <u>2009</u>          | <u>2008</u>          |
|---|----------------------|----------------------|
| Cumulative severance tax permanent fund capital contributions | \$ 47,042,781        | \$ 47,042,781        |
| Cumulative expenses in excess of other revenues               | <u>(5,538,287)</u>   | <u>(1,497,189)</u>   |
|   | <u>\$ 41,504,494</u> | <u>\$ 45,545,592</u> |

# Small Business Investment Corporation

## NOTES TO FINANCIAL STATEMENTS

June 30, 2009 and 2008

### NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS - Continued

Temporarily restricted net assets were released as follows:

|                                      | <u>2009</u>         | <u>2008</u>       |
|--------------------------------------|---------------------|-------------------|
| Satisfaction of purpose restrictions | <u>\$ 1,263,703</u> | <u>\$ 943,945</u> |

### NOTE 5 – STATE INVESTMENT OFFICE COMMITMENT

Prior to July 1, 2007 Section 7-27-5.15 NMSA 1978 required that the state investment officer make a commitment to NMSBIC pursuant to the act to invest three-fourths of one percent of the market value of the severance tax permanent fund. If at any time the commitment fell below that level, further commitments must be made until the invested capital is equal to three-fourths one percent of the market value of the fund. Effective July 1, 2007, the commitment was increased to one percent. However, during fiscal years 2009 and 2008 no funding was received from the State Investment Office due to the net market value of the severance tax permanent fund.

### NOTE 6 – INVESTMENTS IN NEW MEXICO ENTITIES

#### Debt cooperative agreements

NMSBIC is party to two Cooperative Agreements with New Mexico non-profit corporations (ACCION and WESST Corp.). Under these agreements, NMSBIC has made capital commitments to provide in revolving funding for loans to be made by these corporations to New Mexico small businesses. For each loan made, these corporations provide 25% of the funding and NMSBIC provides the remaining 75%; the terms, pricing, and size of any loan are subject to the discretion of these corporations. During the years ended June 30, 2009 and 2008, \$97,977 and \$93,092 of interest income was recognized related to these investments. See supplementary schedules for detail on these agreements.

NMSBIC is party to a Cooperative Agreement with a New Mexico non-profit corporation (NMCDLF). Under this agreement, NMSBIC provides a revolving loan to this corporation, which in turn is fully collateralized by pledged loans. During the years ended June 30, 2009 and 2008, \$110,570 and \$85,806 of interest income was recognized related to this investments. See supplementary schedules for detail on this agreement.

# Small Business Investment Corporation

## NOTES TO FINANCIAL STATEMENTS

June 30, 2009 and 2008

### NOTE 6 – INVESTMENTS IN NEW MEXICO ENTITIES - Continued

#### Equity cooperative agreements

NMSBIC is party to several Subscription Agreements and Limited Partnership Agreements under which it has acquired interests as a limited partner in various limited partnerships. Under these agreements, NMSBIC has made capital contribution commitments to provide funding to these limited partnerships to be used for equity investments made in New Mexico small businesses. See supplementary schedules for detail on these agreements.

#### New Mexico Growth Fund I and New Mexico Growth Fund II

Due primarily to current overall negative economic conditions, events involving certain portfolio companies of New Mexico Growth Fund I and New Mexico Growth Fund II have occurred since good faith valuations were made by the general partners of these funds as of June 30, 2009. These events suggest that future valuations of these investments by the general partners will be less than the valuations shown as of June 30, 2009, and that the changes in valuation could be material.

### NOTE 7 – CAPITAL COMMITMENTS

At June 30, 2009, NMSBIC had committed approximately \$39,600,000 of capital through its various Debt and Equity Agreements. Of this commitment, NMSBIC has approximately \$2,500,000 of capital on hand available to commit. NMSBIC's investment policy allows for capital commitments in excess of capital on hand.

### NOTE 8 – SUBSEQUENT EVENTS

#### NM Community Development Loan Fund

Subsequent to June 30, 2009, NMSBIC amended their agreement with NM Community Development Loan Fund to increase total committed capital by \$2,000,000 to a total of \$7,500,000.

#### Verge Fund II

Subsequent to June 30, 2009, NMSBIC entered into a cooperative agreement with the Verge Fund II, allowing for a total capital commitment of up to \$3,000,000.

**SUPPLEMENTARY SCHEDULES**

## New Mexico Small Business Investment Corporation

### SCHEDULE OF ACTIVITY OF INVESTMENTS IN NEW MEXICO ENTITIES

Year Ended June 30, 2009

|                               | <u>Capital</u><br><u>Commitments</u> | <u>Balance</u><br><u>as of</u><br><u>6/30/2008</u> | <u>Cumulative Loan</u><br><u>Funding, Capital</u><br><u>Calls and</u><br><u>Redemptions</u> | <u>Provision</u><br><u>for</u><br><u>Loss</u> | <u>Realized</u><br><u>Loss on</u><br><u>Investments</u> | <u>Investment</u><br><u>Valuation</u><br><u>Adjustments</u> | <u>Operating</u><br><u>Expenses and</u><br><u>Management</u><br><u>Fees</u> | <u>Balance</u><br><u>as of</u><br><u>6/30/2009</u> |
|-------------------------------|--------------------------------------|--|---|---|---|---|---|--|
| Debt cooperative agreements   |                                      |  |   |   |   |   |   |  |
| 1 ACCION                      | \$ 4,941,416                         | \$ 2,805,820                                       | \$ 695,725  | \$ (280,124)                                  | \$ -  | \$ -  | \$ -  | \$ 3,221,421                                       |
| 2 NMCDLF                      | 5,500,000                            | 4,364,365  | 473,984   | -   | -   | -   | -   | 4,838,349  |
| 3 WESST CORP                  | 375,000                              | 57,869   | 73,087  | (10,476)                                      | -   | -   | -   | 120,480  |
| Equity cooperative agreements |                                      |  |   |   |   |   |   |  |
| 1 Flywheel                    | 1,500,000                            | 773,557  | 300,000   | -   | -   | (82,709)  | (44,277)  | 946,571  |
| 2 NMGF I                      | 7,500,000                            | 5,511,682  | 210,108   | -   | (3,002,935)   | -   | (203,705)   | 2,515,150  |
| 3 NMCCF                       | 7,000,000                            | 1,532,942  | 720,825   | -   | -   | 9,127   | (237,966)   | 2,024,928  |
| 4 Verge 1                     | 1,800,000                            | 988,629  | 288,000   | -   | (38,135)  | 48,316  | (43,039)  | 1,243,771  |
| 5 Verge 1.5                   | 3,000,000                            | 1,427,084  | 675,000   | -   | (83,077)  | (140,651)   | (72,127)  | 1,806,229  |
| 6 NM Gap Fund I               | 1,500,000                            | 528,590  | 415,000   | -   | -   | (13,633)  | (51,633)  | 878,324  |
| 7 NMGF II                     | 3,500,000                            | 1,603,030  | 797,193   | -   | (340,583)   | 46,340  | (71,795)  | 2,034,185  |
| 8 NM Mezzanine Fund           | 3,000,000                            | -  | 540,000   | -   | -   | -   | (121,526)   | 418,474  |
|                               | <u>\$ 39,616,416</u>                 | <u>\$ 19,593,568</u>                               | <u>\$ 5,188,922</u>   | <u>\$ (290,600)</u>                           | <u>\$(3,464,730)</u>                                    | <u>\$ (133,210)</u>   | <u>\$ (846,068)</u>   | <u>\$ 20,047,882</u>                               |

See Independent Auditors' Report



## New Mexico Small Business Investment Corporation

### SCHEDULE OF ACTIVITY OF INVESTMENTS IN NEW MEXICO ENTITIES

Year Ended June 30, 2008

|                                | Capital<br>Commitments | Balance<br>as of<br>6/30/2007 | Cumulative Loan<br>Funding, Capital<br>Calls and<br>Redemptions | Provision<br>for<br>Loss | Realized<br>Loss on<br>Investments | Investment<br>Valuation<br>Adjustments | Operating<br>Expenses and<br>Management<br>Fees | Balance<br>as of<br>6/30/2008 |
|--------------------------------|------------------------|-------------------------------|---|--------------------------|------------------------------------|--|---|-------------------------------|
| #                              |                        |                               |   |                          |                                    |  |   |                               |
| Debt cooperative agreements    |                        |                               |   |                          |                                    |  |   |                               |
| 1 ACCION                       | \$ 4,941,416           | \$ 3,100,552                  | \$ (105,384)  | \$ (189,348)             | \$ -                               | \$ -                                   | \$ -  | \$ 2,805,820                  |
| 2 NMCDLF                       | 5,500,000              | 742,176                       | 3,622,189   | -                        | -                                  | -                                      | -   | 4,364,365                     |
| 3 WESST CORP                   | 375,000                | 51,797                        | 12,502  | (6,430)                  | -                                  | -                                      | -   | 57,869                        |
| Equity cooperative agreements  |                        |                               |   |                          |                                    |  |   |                               |
| 1 Flywheel                     | 1,500,000              | 457,185                       | 345,000   | -                        | -                                  | 6,991                                  | (35,619)  | 773,557                       |
| 2 NMGF I                       | 7,500,000              | 6,630,052                     | 589,146   | -                        | (1,535,692)                        | (31,810)                               | (140,014)                                       | 5,511,682                     |
| 3 NMCCF                        | 7,000,000              | 1,139,235                     | 881,063   | -                        | -                                  | (255,325)                              | (232,031)                                       | 1,532,942                     |
| 4 Verge I                      | 1,800,000              | 792,829                       | 225,000   | -                        | -                                  | 1,440                                  | (30,640)  | 988,629                       |
| 5 Verge 1.5                    | 3,000,000              | 1,038,856                     | 450,000   | -                        | -                                  | -                                      | (61,772)  | 1,427,084                     |
| 6 NM Gap Fund I                | 1,000,000              | 218,468                       | 250,000   | -                        | -                                  | 139,188                                | (79,066)  | 528,590                       |
| 7 NMGF II                      | 3,500,000              | -                             | 1,741,753   | -                        | -                                  | (30,127)                               | (108,596)                                       | 1,603,030                     |
| Equity investment              |                        |                               |   |                          |                                    |  |   |                               |
| 1 Santa Fe Window<br>and Doors | -                      | 100,000                       | (100,000)   | -                        | -                                  | -                                      | -   | -                             |
|                                | <u>\$ 36,116,416</u>   | <u>\$14,271,150</u>           | <u>\$ 7,911,269</u>   | <u>\$ (195,778)</u>      | <u>\$ (1,535,692)</u>              | <u>\$ (169,643)</u>                    | <u>\$ (687,738)</u>                             | <u>\$ 19,593,568</u>          |

See Independent Auditors' Report