

New Mexico Recovery Fund, L.P.

Overview for potential applicants

April 2020

Program overview

New Mexico, like much of the country, is taking aggressive action to slow the spread of COVID-19. The State is also moving quickly to backstop the state's major employers from the economic fallout. The **New Mexico Recovery Fund** is a State Investment Council-backed investment program designed to help New Mexico companies weather the economic impact of the COVID-19 public health crisis. The council designed the program to make loans to companies that 1) were credit worthy prior to the pandemic, and 2) can demonstrate a realistic plan and the financial strength to drive economic recovery after the pandemic. Companies interested in receiving a loan must qualify based on a set of defined criteria and a streamlined due diligence process. This document is intended to provide a preliminary overview of the program, the selection criteria and the process for interested parties. The program is in the final stages of launch. Please return to the Sun Mountain Capital website for further details in the coming days.

The challenge

The virus has disrupted our daily lives and has had a significant impact on many New Mexico businesses. State leaders have closed schools, organizers have canceled events and business owners have had to shut down or significantly scale back operations. As revenues and cash collections fall, business owners face difficult decisions. Unless meaningful action is taken, many businesses may fail. The long-term economic damage will outlive COVID-19; the cost to rebuild later will be greater than helping businesses survive now. The State is committed to supporting New Mexico companies so they can weather the storm, continue to employ their workforce and emerge from the crisis with the resources and financial strength to rebound. We must not lose some of New Mexico's most promising economic contributors, important to our families, our communities and our economy.

Initial eligibility criteria and financial review

Companies seeking a loan from the New Mexico Recovery Fund must meet the following four criteria. They must:

- Have forty (40) or more New Mexico employees;
- Demonstrate an intent to retain as much of the company's headcount as possible over the life of the loan (with flexibility to allow for unforeseen business situations);
- Demonstrable negative COVID-19 economic impact (loss of customers, loss of revenue, etc.);
- Commit to spending at least 80% of loan proceeds in New Mexico (spending 100% of loan proceeds in New Mexico preferred).

Certain criteria must be met in order to participate and there is no guarantee that an applicant will be approved. The data being collected is for informational purposes only and is not intended to be, nor should it be construed or used as an offer to sell, or a solicitation of any offer to buy, interests in any proposed investment fund to be managed by Sun Mountain Capital.

Companies that meet the above criteria will be asked to submit a basic set of financial metrics that will be used in a financial review process. Companies that pass this financial review will move into due diligence.

NOTE: If you do not meet these eligibility criteria please see the “Additional Resources” section at the end of this document.

Application process and due diligence

Companies approved for due diligence will provide information that may include, but not be limited to meetings or phone calls with company management, review of the prospective company’s business plan and marketing materials, review of historical and projected financial information, capitalization request and use of proceeds, sales pipeline and customer contracts and other items that may be requested specific to the business applying for the loan. These inputs will be used to create a score that will define whether the company qualifies for a loan from the New Mexico Recovery Fund. This score will also be used to help define loan terms.

Loan terms

For companies that complete the process and qualify for a loan from the New Mexico Recovery Fund, the loan terms will be designed to meet the financial needs of the company with a focus on employee retention. The Fund will also strive to provide reasonable repayment terms that fit the projected business recovery cycle. Key loan terms and numerical ranges may include, but are not limited to, the following:

- **Size:** Based on 2019 operating expenses but not to exceed \$10 million.
- **Annual Interest Rate:** Between 3% and 10% based on credit attributes of the company.
- **Repayment Term:** Term will generally be between two and four years but will reflect the company’s projected ability to repay the loan and will be based on pre-crisis EBITDA. Most loans will also include a one-year period of cash interest and principal deferment. In addition, loans will have no prepayment penalties for companies that recover more quickly than projected and wish to retire the loan early.

Questions and loan applications

For additional questions and to begin the loan application process once the program is launched, please visit <https://sunmountaincapital.com>. We look forward to supporting you through this public health crisis.

Additional resources

While the New Mexico Recovery Fund is not a fit for every business, our goal is to provide support in any way possible to companies located in New Mexico. The following website has additional resources: <https://gonm.biz/about-us/covid-19-response>