

RULES
GOVERNING ENTERPRISE LOAN ASSISTANCE UNDER THE
OPPORTUNITY ENTERPRISE ACT

AS

ADOPTED

ON

[NOVEMBER 17 2022]

BY THE

BOARD OF DIRECTORS

OF THE

NEW MEXICO FINANCE AUTHORITY

AND

APPROVED BY THE NEW MEXICO FINANCE AUTHORITY

OVERSIGHT COMMITTEE [NOVEMBER 10, 2022]

SECTION 1. AUTHORITY; PURPOSE OF RULES.

On March 9, 2022, Governor Michelle Lujan Grisham signed into law the Opportunity Enterprise Act (“Act”), NMSA 1978, Section 6-34-1, *et seq.*, to provide enterprise assistance to advance economic development opportunities in the State. The Act creates the Opportunity Enterprise Revolving Fund (“Fund”) within the New Mexico Finance Authority (“NMFA”) and authorizes the NMFA to establish rules, administer the Fund, and recover from the Fund such costs of administering the Fund and originating opportunity enterprise assistance.

Pursuant to the Act, the Economic Development Department (“Department”) shall evaluate potential opportunity enterprise partners and formulate recommendations to the Opportunity Enterprise Review Board (“OERB”) regarding suitability for enterprise assistance. Pursuant to Rules adopted by the OERB, the OERB shall establish procedures to select and prioritize applications for enterprise assistance and recommend to the NMFA potential enterprise development projects for financial assistance from the Fund.

These Rules, subject to approval of the New Mexico Finance Authority Oversight Committee, govern the implementation and administration of enterprise assistance in the form of Opportunity Enterprise Loans under the Opportunity Enterprise Loan Program as authorized by NMSA 1978, Section 6-34-3 (2022). These Rules do not apply to other programs established by the NMFA.

SECTION 2. DEFINITIONS.

A. “Act” means the Opportunity Enterprise Act, Sections 6-34-1 through 6-34-15, NMSA 1978, as may be amended and supplemented.

B. “Application” means a written document filed with the NMFA for Loan assistance for the purpose of evaluating proposed Enterprise Development Projects pursuant to the Program.

C. “Chief Executive Officer” or “CEO” means the Chief Executive Officer of the New Mexico Finance Authority or designee.

D. “Credit Committee” means a committee of NMFA staff appointed by the CEO.

E. “Department” means the New Mexico Economic Development Department.

F. “Economic Development Committee” means a committee, appointed by the chair of the NMFA Board, from the members of the Board.

G. “Enterprise Assistance” means opportunity financing, an opportunity enterprise lease or an opportunity enterprise loan pursuant to NMSA 1978, Section 6-34-2E.

H. “Enterprise Development Project” means the purchase, planning, designing, building, surveying, improving, operating, furnishing, equipping or maintaining of land, buildings or infrastructure to create or expand economic development opportunities within the State.

I. “Fund” means the Opportunity Enterprise Revolving Fund created pursuant to NMSA 1978, Section 6-34-12 of the Act.

J. “Loan” means an Opportunity Enterprise Loan from the Fund provided by the NMFA to Applicants pursuant to these Rules and Program Policies adopted by the NMFA, as amended and supplemented from time to time.

K. “OERB” means the Opportunity Enterprise Review Board created pursuant to NMSA 1978, Section 6-34-5 of the Act.

L. “Opportunity Enterprise Partner” means a domestic corporation, a general partnership, a limited liability company, a limited partnership, a public benefit corporation, a nonprofit entity or other private business entity or combination thereof that the OERB determines is or will be engaged in an enterprise that creates or expands economic development opportunities within the State and is eligible for assistance pursuant to the Act.

M. “NMFA” means the New Mexico Finance Authority.

N. “Nonurban Community” means a municipality with a population of less than forty thousand according to the most recent federal decennial census or the unincorporated area of a county.

O. “Oversight Committee” means the joint interim legislative committee established pursuant to the New Mexico Finance Authority Act, NMSA 1978, Section 6-21-30 (1992), as amended and supplemented from time to time.

P. “Program” means the Opportunity Enterprise Loan Program as authorized by NMSA 1978, Section 6-34-3 (2022) and further described by these Rules.

Q. “Program Policies” means the policies adopted by the NMFA to provide guidance to potential borrowers and NMFA staff regarding Program Loan terms, including Program eligibility, Application requirements, general considerations, loan structuring parameters and monitoring requirements.

R. “Project Review Committee” means the standing committee of the OERB that shall review proposed development projects to be recommended for potential funding from the Fund.

S. “State” means the State of New Mexico.

SECTION 3. APPLICATIONS, ELIGIBILITY FOR INVESTMENT.

A. Applications for Loans will be made available to Opportunity Enterprise Partners for Enterprise Development Projects recommended by the OERB and referred for evaluation for financing under the Program.

B. A complete Application for a Loan includes information relating to the proposed use

of financial assistance proceeds, evidence of the Applicant's creditworthiness, and any other matters the NMFA may consider appropriate, which may include, but is not limited to, any of the following:

- (i) Ownership structure of Applicant (for each owner detailing name, address, percentage ownership);
- (ii) Sources and uses of investment (detailed schedule);
- (iii) Business plan and five-year proforma financial statements;
- (iv) Copy of any license, zoning, permitting or other regulatory requirements, as applicable;
- (v) a complete list of outstanding loan(s) to the Applicant, member, partner or stockholder of the Applicant;
- (vi) authorization to obtain a credit report of the Applicant and the guarantor, as applicable;
- (vii) a current balance sheet and year-to-date profit and loss statement for the Applicant, dated not more than 90 days prior to the date of Application, a fiscal year-end balance sheet, and the Applicant's profit and loss statement for the prior three years or audited financial statements, as applicable;
- (viii) federal income tax return for the prior two years on all guarantors and co-borrowers, as relevant;
- (ix) copies of the Applicant's federal income tax returns for the prior three years if the balance sheets and profit and loss statements required from the Applicant in paragraph (iii) of this Section 3 are not audited by a certified public accountant;
- (x) sufficient evidence that other means of financing the proposed project are unavailable or insufficient; and
- (xi) any other information requested by the NMFA to evaluate the Application.

C. If the Applicant is a newly created entity formed for the sole purpose of developing or operating the proposed enterprise development project, the Applicant shall provide the information in paragraphs (i) through (xii) of this Section 3 for the Applicant's existing entities, if any, the Applicant personally, if requested, or any other information requested by the NMFA to evaluate the Application.

D. All communications regarding Applications for enterprise assistance shall be directed to the CEO or other staff member of NMFA designated by the CEO.

SECTION 4. LOAN REVIEW AND APPROVAL PROCESS, ENTERPRISE OPPORTUNITY

DEVELOPMENT PROJECT PROPOSAL PRIORITIZATION; COMMITMENT.

A. All complete Applications meeting the requirements of these Rules will be reviewed by the Credit Committee. Projects recommended for approval by the Credit Committee will be presented to the Economic Development Committee.

Once Applicants have met the initial criteria outlined in Section 3 above, NMFA will prioritize applications based upon local support, financial need, and project location in a Nonurban Community in accordance with the provisions of the Program Policies.

B. NMFA will evaluate each Application in accordance with these Rules, and will determine whether to approve an Application for a Loan based on:

- (i) whether the requirements of the Act and these Rules have been met;
- (ii) the Applicant's experience and intended use of Loan funds;
- (iii) the creditworthiness of the Applicant;
- (iv) the viability of the Enterprise Development Project;
- (v) the proposed Enterprise Development Project will create or expand economic opportunities within the State, including local job creation and projected total gross receipts and tax collections, and other fee and revenue collections resulting from the Enterprise Development Project;
- (vi) the proposed Enterprise Development Project will comply with applicable state and federal law; and
- (vii) other means of financing the proposed Enterprise Development Project are unavailable or insufficient.

E. The Applicant's experience, financial history, and current financial status are key factors in the evaluation of an Application for a Loan. For start-up and emerging business entities, past relevant experience across business models or prior work experience will be considered in the evaluation of the Application for a Loan. The NMFA may consider, among other things:

- (i) the education and work history of Opportunity Enterprise Partners, and the officers, members, or partners of the Applicant;
- (ii) the Applicant's experience in managing similar enterprises;
- (iii) assets and liabilities of the Applicant;
- (iv) income and expenses of the Applicant;

- (v) existence of liens or encumbrances on the Applicant's assets;
- (vi) the Applicant's ability to service debt;
- (vii) loan-to-value, debt-to-equity, or other applicable operating and leverage ratios;
- (viii) the level of the Applicant's equity in the proposed project; and
- (ix) a description of the economic development opportunities within the State that will be created or expanded as a result of the proposed Enterprise Development Project.

C. The Credit Committee will evaluate each Application to determine the ability to repay the funds and need for the financial assistance. If the Credit Committee believes that projected revenues of the Applicant, together with other dedicated sources of repayment, will not be sufficient to repay the requested financial assistance, the Credit Committee will not recommend the Application to the Economic Development Committee.

D. The Economic Development Committee will consider Loan Applications recommended by the Credit Committee and may confer with outside parties such as the Department or others as necessary to obtain information on the Applicant or viability of the Enterprise Development Project. Loan recommendations by the Economic Development Committee will be presented to the NMFA Board for its approval or disapproval.

F. Once a recommendation has been made on the Application by the Economic Development Committee, the NMFA Board will consider the Application no later than the next regular Board meeting at which such item may be properly considered, or forty-five (45) days after Economic Development Committee action, whichever comes first. The Board may approve all or part of the Application as recommended by the Economic Development Committee and shall either adopt the findings set forth in the recommendation with respect to, without limitation, eligibility, nature of the project, and the adequacy of consideration, or shall specify the Board's own findings on those subjects. NMFA Board approval may specify, at the Board's discretion, terms and conditions of the Loan as necessary to ensure repayment, including but not limited to, maximum loan term and minimum annual payments.

G. If an Application is approved by the NMFA Board, the NMFA will provide a Loan commitment outlining the terms of the proposed Loan, any conditions precedent to closing, and the time period in which the conditions need to be met.

SECTION 5. LOAN TERMS.

A. Loans provided under the Program must satisfy conditions prescribed in this Section 5.

B. Loans may not exceed seventeen million five hundred thousand dollars (\$17,500,000) and shall be secured by all legally acceptable collateral whose value exceeds the

amount of assistance provided, including, but not limited to equipment buildings, and inventory, and meets loan-to-value requirements as described by the Program Policies. Collateral may require independent qualified appraisal to estimate fair market value.

C. Beginning no later than the third anniversary of the funding date of the Loan, payment on the outstanding principal of the loan shall be due according to a schedule determined by the NMFA.

D. Loans shall be made for terms based upon the useful life of the Enterprise Development Project as described in the Program Policies, with a minimum term of fifteen (15) years and a maximum term of thirty (30) years. There shall be no penalty or premium for prepayment of the balance of the indebtedness.

E. Loans shall bear an annual interest rate of no less than zero percent and as further described in the Program Policies.

F. Loans will include an equity requirement by contribution of a minimum amount equal to the loan amount in a form of owner contributions, cash or in-kind, or in down payments as described in the Program Policies.

G. Loans secured by real property will require a mortgage, leasehold mortgage, or deed of trust and assignment of leases and rents, as applicable, which shall be recorded in the county where the property is located, and a title commitment and loan policy of title insurance issued by a title insurance company acceptable to NMFA and in form and content acceptable to NMFA. The NMFA's security interest in the real property shall be at the highest lien level attainable to accomplish a successful financing, provided that NMFA may only be subordinate to a loan made by a federally insured financial institution.

E. Loans secured by personal property will require a Uniform Commercial Code, and tax lien and judgment search to confirm the highest lien level lien on the personal property attainable to accomplish successful financing, including execution of a security agreement and the filing of a Uniform Commercial Code Financing Statement in the appropriate county or state offices. The NMFA may, in its discretion, review and approve other encumbrances against the personal property that do not affect NMFA's security for the Loan.

F. Unless waived by the NMFA, the Applicant shall obtain insurance coverage on all property securing the Loan from responsible companies in such amounts and against such risks as is satisfactory to NMFA.

G. Loans shall require a personal guarantee for repayment to be provided from one or more of the following persons:

- (i) a partner, or member of the Applicant;
- (ii) a joint venturer with the Applicant;
- (iii) any stockholder of the Applicant;

(iv) the parent corporation or a partner, member, or stockholder of the parent corporation if the Applicant is a subsidiary.

H. Loan proceeds shall be used only for the acceptable purposes further determined in accordance with the provisions of the Program Policies.

SECTION 6. CLOSING AND DISBURSEMENT OF FUNDS.

A. Upon certification by the Applicant that all provisions of the Loan commitment have been complied with, the Loan will be scheduled for closing.

B. Disbursement of funds will be made using the form prescribed by NMFA in the Loan agreement. Conditions precedent to disbursement, if any, must be met prior to disbursing Loan proceeds.

SECTION 7. LOAN DOCUMENTATION REQUIREMENTS.

A. All Loan documents shall provide that NMFA has all available remedies in the event of a default. Such remedies will include, without limitation, rights to foreclose, repossess collateral, sell collateral at public or private sale, obtain deficiency judgments, and exercise all other remedies available at law or in equity.

B. The interest rate for the Loan will be set at the time the NMFA issues a loan commitment.

SECTION 8. MONITORING AND REPORTING.

A. After project completion, Loan borrowers shall submit financial statements and business performance reports not less than semi-annually. Business performance reports shall include, but are not limited to: 1) Occupancy data and rent rolls, as applicable; 2) Job creation metrics; and 3) Certification of all representations, warranties, and covenants; and certification that there have been no ownership changes in the Opportunity Enterprise Partner.

B. Beginning October 1, 2023, and no later than October 1 of each succeeding year, the NMFA shall submit a report as required by NMSA, 1978, Section 6-34-14 of the Act, and the Oversight Committee. Reports shall include the preceding fiscal year's Program activity, including the total amount of enterprise assistance for Enterprise Development Projects and the State revenue derived from each, the total number of loans made, the amount of those loans, the delinquency status of such loans, their sectors and industry types, and the number of employees employed by the Enterprise Development Project directly and indirectly.

SECTION 9. ADMINISTRATIVE FEES; DEFAULT.

A. NMFA may impose and collect reasonable fees in connection with the filing and evaluation of an Application for a Loan, including an Application and commitment fee payable upon issuance of a commitment, and reasonable fees for the extension of any commitment.

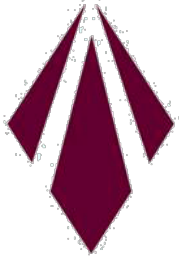
B. NMFA may establish such other charges, premiums, fees, and penalties as it shall deem necessary for the administration of the Program.

C. In the event of default, the NMFA may take proper steps to ensure payment of principal and interest, or other pursue other appropriate legal remedies to collect matured interest and principal.

SECTION 10. DURATION AND AMENDMENT OF RULES.

These Rules may be amended by the NMFA with the prior approval of the Oversight Committee.

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NEW MEXICO
FINANCE AUTHORITY

**Presentation to
NMFA Oversight
Committee**



Review of Proposed Rules Governing the Opportunity Enterprise Loan Program

**Marquita D. Russel, CEO
Dan Opperman, Chief Legal Counsel**

October 25, 2022

Opportunity Enterprise Review Board



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- ◆ The Opportunity Enterprise Act (the “Act”) was created by the 2022 Legislature (HB 7/a) (Meredith A. Dixon; Brian Egolf; Linda Serrato; Javier Martinez).
- ◆ The Act establishes a 12-member Opportunity Enterprise Review Board (the “Board” or “OERB”) that, among other things, will:
 - Recommend potential enterprise projects to NMFA for financing
 - Establish economic development goals for the state in coordination with NM Economic Development Department (“NMEDD”), and
 - Collectively collaborate with communities across the state to facilitate opportunity enterprise projects.
- ◆ The Act directs NMFA to provide staff to the Board.
- ◆ The Act directs NMEDD to evaluate the economic impacts of proposed enterprise development projects.
- ◆ The Act creates the Opportunity Enterprise Revolving Fund in NMFA. The Fund received a \$70 million appropriation during the 2022 legislative session. Funding came from unused LEDA Recovery Grant Funds originally appropriated in 2021.

Opportunity Enterprise Review Board



Twelve Members

◆ Five Ex-Officio Members

- Alicia Keyes, Secretary of Economic Development
- Deborah Romero, Secretary of the Department of Finance and Administration
- John A. Garcia, Secretary of General Services Department
- Tim Eichenberg, NM State Treasurer
- Brian Colón, NM State Auditor

◆ One Member appointed by Council of Government Organization

- Priscilla Lucero, Executive Director of the SWNMCOG

◆ Six public members appointed by the NM legislative council to six-year terms, with initial terms staggered.

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|-----------------|-----------|---------------------------|-----------|
| □ Brian Condit | 6/30/2024 | Victor Mendoza | 6/30/2024 |
| □ Joe Farr | 6/30/2026 | Jennifer Garcia Kozlowski | 6/30/2026 |
| □ Liana Sanchez | 6/30/2028 | Mitzi Montoya | 6/30/2028 |

◆ Board has met three times, adopted bylaws, elected officers, established committees, initiated formal rulemaking, and reviewed draft economic impact policies & review criteria

Enterprise Development Project

The purchase, planning, designing, building, surveying, improving, operating, furnishing, equipping or maintaining land, building, or infrastructure to create or expand economic development opportunity within the state.

Economic Development Opportunity

Advancement of an environmentally sustainable economic development goal of the state as determined by the NMFA, in coordination with the NMEDD, includes creation of jobs, provision of needed services and commodities to diverse communities across the state, and the increase of tax and other revenue collections resulting from the enterprise development project.

Opportunity Enterprise Partner

A private business entity that the NMFA determines is or will be engaged in an enterprise that creates or expands economic development opportunities within the state.

Opportunity Enterprise Loan

- ❑ Loan to OE Partner of between 15 – 30 years on terms established by NMFA

Opportunity Enterprise Guarantee

- ❑ Guarantee of a loan made to OE Partner by a federally insured financial institution on terms approved by the OE Review Board

Opportunity Enterprise Financing

- ❑ Financing provided to an OE Partner to construct an OE development project that will be owned by NMFA
- ❑ NMFA may enter into opportunity enterprise leases at fair market value. The OE development project must be used solely to create and expand economic development opportunities

Opportunity Enterprise Review Board Rules

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- ◆ The requires that the OERB adopt rules that:
 - Establish procedures for applying and qualifying for enterprise assistance;
 - Govern the application procedures and requirements for enterprise assistance;
 - Determine how to select and prioritize applications for enterprise assistance to be funded by the authority; and
 - Provide safeguards to protect public money and other public resources subject to the Opportunity Enterprise Act.
- ◆ The OERB formally initiated its rulemaking at its October 24, 2022 Board Meeting.
- ◆ Similar to the Water Trust Board and the Colonias Infrastructure Board rules, the OERB rules provide that the OERB will establish policies that further delineate prioritization criteria:
 - “The board will develop and consider a variety of factors in reviewing and evaluating enterprise development project proposals to determine which enterprise development projects to recommend to the authority for enterprise assistance from the fund. Board policies shall give priority to projects that demonstrate (i) local support and financial need, (ii) create or expand economic development opportunities within the state, and (iii) other means of financing a proposed enterprise development project are unavailable or insufficient. The board shall establish policies to consider in prioritizing enterprise development projects.”
- ◆ OERB Rules are expected to become final by March 2023

Opportunity Enterprise Review Board Policies

- ◆ The OERB Policy Committee met twice in October to consider economic impact criteria and policies governing the review and prioritization of Opportunity Enterprise applications.
- ◆ At its October 24, 2022 Board Meeting, the OERB reviewed the Policy Committee's recommendation for economic impact criteria and requested NMFA publish the draft policy and prioritization criteria on its nmfinance.com website for public review and comment.
- ◆ The draft policy provides points on the following elements of a proposed Enterprise Development Project:
 - Community Impact and Support – 25 points
 - Job Creation and Employment – 25 points
 - Applicant Readiness and Need – 25 points
 - Business Location and Industry – 25 points
- ◆ The Policy Committee will meet again in January 2023 to review the public comment and recommend a final set of evaluation criteria for the OERB's consideration.
- ◆ Following the adoption of the policies in early calendar year 2023, the Policy Committee will establish application procedures and forms for use in the application process. The first application is expected to be ready as early as March 2023.

NMFA Opportunity Enterprise Loan Program Rules



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- ◆ In addition to rules adopted by the OERB, the Act also provides that the NMFA may establish rules related to the use of the fund. The Act provides that the rules are subject to the approval of the NMFA Oversight Committee.
- ◆ With the 2022 interim coming to a close and the expectation that the OERB rules, policies, and application procedures and forms will be in place by late winter, NMFA staff has been reviewing ways in which the NMFA can create its rules and policies on a parallel track with the OERB.
- ◆ Direct lending, one of the three identified forms of enterprise assistance, is well known to NMFA and rules for a loan program would look much like other rules adopted by NMFA and approved by the NMFA Oversight Committee.
- ◆ The proposed rules are based upon the form of rules used for many of NMFA's loan programs. The rules establish parameters and provide that NMFA may establish policies that will further delineate loan terms.
- ◆ The OERB reviewed the proposed rules at its October 24th Board Meeting and the NMFA Board will review the proposed rules at its October 27th Board Meeting. NMFA requests the Oversight Committee review the proposed rules and consider final adoption at its November 10th meeting.

Overview of Proposed Opportunity Enterprise Loan Program Rules



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- ◆ The proposed program provides that NMFA may make direct loans for all or a part of a project recommended by the OERB.
- ◆ The Rules:
 - Establish that NMFA will require recommended projects to complete a separate financial application that contains the information needed to underwrite a loan;
 - Provide that the applications shall be reviewed in the priority established by the OERB;
 - Lay-out the application process and necessary documentation for financial assistance;
 - Outline evaluation of applications and underwriting requirements;
 - Allow NMFA to collect reasonable administrative fees for administration of the Opportunity Loan Program Rules;
 - Require all Opportunity Enterprise Loans commitments to be approved by the NMFA Board of Directors

Overview of Proposed Opportunity Enterprise Loan Program Rules

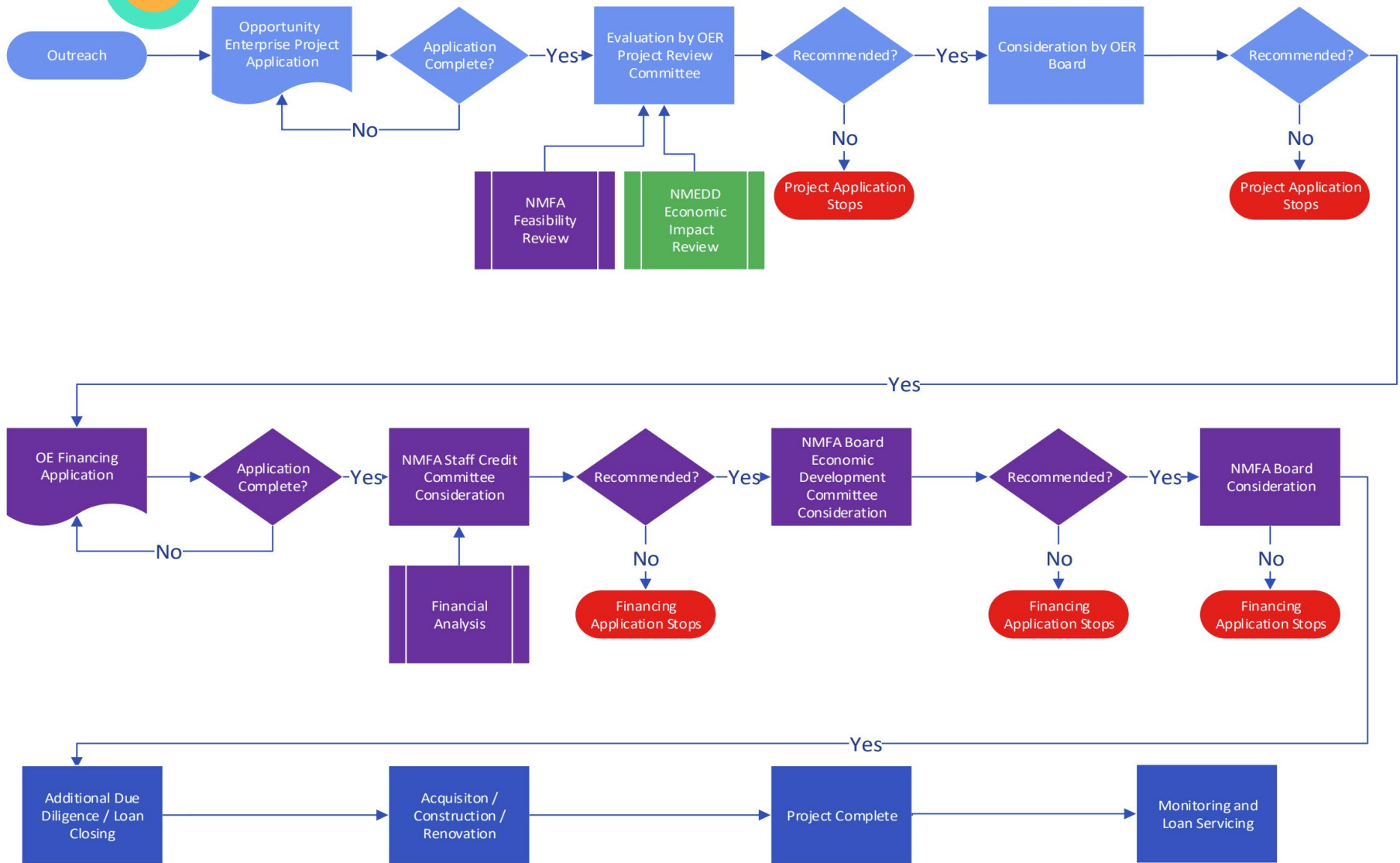


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- ◆ Eligible Applicant / “Opportunity Enterprise Partner:”
 - As provided in the Act: a domestic corporation, a general partnership, a limited liability company, a limited partnership, a public benefit corporation, a nonprofit entity, or other private business entity or combination thereof that the OERB determines is or will be engaged in an enterprise that creates or expands economic development opportunities within the State and is eligible for assistance pursuant to the Act
- ◆ Eligible Uses / “Enterprise Development Project:”
 - As provided in the Act: purchase, planning, designing, building, surveying, improving, operating, furnishing, equipping or maintaining of land, buildings or infrastructure to create or expand economic development opportunities within the State.
- ◆ Loan Size:
 - Individual loans may not exceed \$17.5 million (25% of the Fund)
- ◆ Interest rate:
 - Determined in policy, but shall be no less than zero percent (as provided in the Act)

- ◆ Loan Terms:
 - Based upon the useful life of the Enterprise Development Project
 - Minimum term of 15 years and a maximum term of 30 years (as provided in the Act)
 - Principal payments must begin by the third anniversary of the loan (as provided in the Act)
 - No penalty for prepayment of the loan (as provided in the Act)
- ◆ Fully collateralized loans
 - Collateral includes all legally available collateral including real estate
 - Provides that NMFA will secure the loan with collateral at the highest lien level attainable to accomplish a successful financing, provided that NMFA may only be subordinate to a loan made by a federally insured financial institution
- ◆ Loan-to-Value
 - At least 100%, subject to additional restrictions established in policy

- ◆ Equity Contribution
 - Required, in an amount determined by policy
- ◆ Guarantees
 - Loans shall require a personal guarantee for repayment to be provided from one or more of the following persons:
 - partner, or member of the Applicant;
 - a joint venturer with the Applicant;
 - any stockholder of the Applicant;
 - the parent corporation or a partner, member, or stockholder of the parent corporation if the Applicant is a subsidiary
- ◆ Reporting:
 - Semi-annual reporting after the loan is fully disbursed.



Proposed Opportunity Enterprise Application Process