

**CHAPTER 31****NEW JERSEY DEVELOPMENT AUTHORITY FOR  
SMALL BUSINESSES, MINORITIES' AND  
WOMEN'S ENTERPRISES****Authority**

N.J.S.A. 34:1B-47 et seq., specifically 34:1B-50(f).

**Source and Effective Date**

R.1995 d.420, effective July 6, 1995.  
See: 27 N.J.R. 1953(a), 27 N.J.R. 2956(a).

**Executive Order No. 66(1978) Expiration Date**

Chapter 31, New Jersey Development Authority for Small Businesses, Minorities' and Women's Enterprises, expires July 6, 2000.

**Chapter Historical Note**

Chapter 31 was enacted as R.1990 d.350, d.351 and d.352, effective July 16, 1990. See: 22 N.J.R. 608(a), 610(a), 612(a); 22 N.J.R. 2173(a), 2176(a), 2178(a). Subchapter 3, Direct Loans, was repealed by R.1992 d.82, effective February 18, 1992. See: 23 N.J.R. 2626(a), 24 N.J.R. 624(a). Chapter 31 was readopted as R.1995 d.420, effective July 6, 1995. See: Source and Effective Date.

See section annotations for specific rulemaking activity.

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**SUBCHAPTER 3. (RESERVED)****SUBCHAPTER 1. DIRECT LOAN PROGRAM****12A:31-1.1 Applicability and scope**

(a) The rules in this subchapter are promulgated by the New Jersey Development Authority for Small Businesses,

Minorities' and Women's Enterprises to implement a direct loan program for eligible businesses to use for working capital, contract financing or the acquisition of fixed assets.

(b) This program provides for the Authority to provide loans to eligible businesses.

(c) Applications and questions concerning participation in the program should be directed to:

New Jersey Development Authority for Small Businesses, Minorities' and Women's Enterprises  
200 South Warren Street  
CN 990  
Trenton, New Jersey 08625

Amended by R.1991 d.393, effective August 5, 1991.  
See: 23 N.J.R. 828(a), 23 N.J.R. 2313(a).

In (a): added "New Jersey" to text.

Amended by R.1992 d.82, effective February 18, 1992.  
See: 23 N.J.R. 2626(a), 24 N.J.R. 624(a).

Revised (a)-(b).

Amended by R.1992 d.330, effective September 8, 1992.  
See: 24 N.J.R. 2131(a), 24 N.J.R. 3093(b).

Revised (c).

**12A:31-1.2 Definitions**

The words and terms in this subchapter shall have the following meanings unless the context clearly indicates otherwise:

"Applicant" means an eligible business, as defined by N.J.S.A. 34:1B-48, seeking a direct loan.

"Authority" means the New Jersey Development Authority for Small Businesses, Minorities' and Women's Enterprises established pursuant to N.J.S.A. 34:1B-47 et seq., or the staff thereof.

"Board" means the board of directors of the New Jersey Development Authority for Small Businesses, Minorities' and Women's Enterprises.

"Direct loan" means a loan or line of credit, or other non-grant financing instrument or structure approved by the Board and advanced by the Authority to an eligible business for the purpose of fixed asset acquisition, working capital or contract financing.

"Eligible business" means a small business, minority business or women business determined to be eligible to receive assistance and participate in programs of the Authority.

"Executive Director" means the chief executive officer of the New Jersey Development Authority for Small Businesses, Minorities' and Women's Enterprises.

"Loan recipient" means an eligible business which has been approved to receive or has received a direct loan.

"Loan Review Committee" means a committee established by the Chairman of the Board, consisting of not more than four board members, which shall review applications.

"Micro-loan" or "ML" means a short term loan or line of credit, or other non-grant financing instrument or structure approved by the Board and advanced by the Authority to an eligible business for the purpose of fixed asset acquisition, working capital or contract financing.

"Minority" means a person who is:

1. Black, which is a person having origins in any of the black racial groups in Africa; or
2. Hispanic, which is a person of Spanish or Portuguese culture, with origins in Mexico, South or Central America, or the Caribbean islands, regardless of race; or
3. Asian-American, which is a person having origins in any of the original peoples of the Far East, Southeast Asia, and Indian subcontinent, Hawaii or the Pacific Islands; or
4. American Indian or Alaskan native, which is a person having origins in any of the original peoples of North America.

"Minority business" means a business in which at least 51 percent of the beneficial ownership of the business is held by minorities, and in which the majority of the management are minorities.

"Small business" means a business which has its principal place of business in the State, is independently owned and operated, has 100 or fewer full-time employees, and in which at least 51 percent of the beneficial ownership of the business is held by persons other than minorities or women and the majority of the management of which is other than minorities or women.

"Women" means females, regardless of race.

"Women's business" means a business in which at least 51 percent of the beneficial ownership of the business is held by women, and in which the majority of the management are women.

Amended by R.1991 d.393, effective August 5, 1991.  
See: 23 N.J.R. 828(a), 23 N.J.R. 2313(a).

Added new definition "Loan Review Committee" and revised "Micro-loan" definition.

Amended by R.1992 d.82, effective February 18, 1992.  
See: 23 N.J.R. 2626(a), 24 N.J.R. 624(a).

Revised definitions.  
Amended by R.1992 d.330, effective September 8, 1992.  
See: 24 N.J.R. 2131(a), 24 N.J.R. 3093(b).  
Revised "authority".

### 12A:31-1.3 Application for a direct loan

(a) Each application for a direct loan shall be accompanied by a nonrefundable application fee of \$300.00.

(b) Each application for a direct loan shall be accompanied by written evidence that the applicant has been unable to acquire financing similar to that sought from the Authority.

(c) Each application for a direct loan shall be accompanied by a business plan including financial projections, for three years or for the term of the loan, whichever is less, provided in a format as determined by the Authority.

(d) An application for a direct loan from a business which has been operating for a period of more than one year may include financial projections of net income and cash flow for at least one year, provided in a format as determined by the Authority. An eligible business may apply for a direct loan under this section no more than one time.

(e) Each application for a direct loan shall be accompanied by the following items:

1. A representative list of the names and addresses of the suppliers of the applicant;
2. A representative list of the current and prior clients of the applicant for the past two years where applicable;
3. The resumes of the principals and key employees of the applicant business;
4. The financial and operating statements of the applicant for the past three years and current personal financial statements of the principals of the applicant;
5. Any proof of certification by a public entity which certifies that the business is at least 51 percent beneficially owned by, and in which the majority of the management are, minorities or women; and
6. Any other information that the Authority and/or the Executive Director may, in the exercise of their discretion, deem necessary.

Amended by R.1991 d.393, effective August 5, 1991.

See: 23 N.J.R. 828(a), 23 N.J.R. 2313(a).

In (c): added phrase regarding financial projections.

Deleted (d)5 and recodified existing 6-7 as (d)5 and 6. Added Executive Director provision to (d)6.

Amended by R.1992 d.82, effective February 18, 1992.

See: 23 N.J.R. 2626(a), 24 N.J.R. 624(a).

Revised text.

Amended by R.1997 d.154, effective April 7, 1997.

See: 28 N.J.R. 4077(b), 29 N.J.R. 1340(a).

In (a), increased application fee from \$250 to \$300.

### 12A:31-1.4 Allocation of direct loan assistance

(a) Of the financial assistance allocated by the Authority from the funds made available pursuant to the provisions of section 33 of P.L. 1984, c.218 (N.J.S.A. 5:12-181), 50 percent shall be made available to women, and 50 percent shall be made available to minorities and all such funds shall be invested in accordance with geographic restrictions established by that act.

(b) Of the financial assistance allocated by the Authority from sources other than those funds made available by the provisions of section 33 of P.L. 1984, c.218 (N.J.S.A. 5:12-181), 50 percent shall be made available to small businesses, 25 percent shall be made available to minorities, and 25 percent shall be made available to women.

(c) The Authority may provide direct loans to an eligible business for the purpose of fixed asset acquisition, working capital, or contract financing. The term of the direct loan shall not exceed 15 years. The maximum amount of the loan shall not exceed \$1,000,000. The interest rate shall be as described in (e) below.

(d) The Authority may provide one direct loan to an eligible business which applies to the Authority pursuant to N.J.A.C. 12A:31-1.3(d) for the purpose of fixed asset acquisition, working capital, or contract financing. The term of the direct loan shall not exceed six months. The maximum amount of the loan shall not exceed \$20,000. The interest rate shall be as described in (e) below.

(e) The interest rate on direct loans shall be based on the lowest prime rate, as reported by the Wall Street Journal on the date of closing, plus one percent, with a maximum interest rate of nine and one-half percent.

Amended by R.1991 d.393, effective August 5, 1991.

See: 23 N.J.R. 828(a), 23 N.J.R. 2313(a).

Stylistic revisions throughout (a) and (b).

Amended by R.1992 d.82, effective February 18, 1992.

See: 23 N.J.R. 2626(a), 24 N.J.R. 624(a).

Revised section.

Amended by R.1992 d.330, effective September 8, 1992.

See: 24 N.J.R. 2131(a), 24 N.J.R. 3093(b).

Revised (c)-(d); added (e).

Amended by R.1993 d.243, effective June 7, 1993 (operative July 1, 1993).

See: 25 N.J.R. 891(a), 25 N.J.R. 2484(b).

Amended by 1994 d.565, effective November 21, 1994.

See: 26 N.J.R. 5759(a), 26 N.J.R. 1434(a), 26 N.J.R. 4631(a).

Amended by R.1997 d.154, effective April 7, 1997.

See: 28 N.J.R. 4077(b), 29 N.J.R. 1340(a).

In (e), changed method of calculating interest rate.

#### 12A:31-1.5 Time of application for a direct loan

An applicant may apply to the Authority at any time for a direct loan. However, the Authority may establish deadlines for receipt and approval of applications, as it deems necessary.

Amended by R.1992 d.82, effective February 18, 1992.

See: 23 N.J.R. 2626(a), 24 N.J.R. 624(a).

Revised text.

#### 12A:31-1.6 Evaluation of applications for direct loans

(a) The Authority shall evaluate each application for a direct loan considering the following factors:

1. The debt to equity ratio of the applicant;
2. The general financial condition of the applicant;

3. The likelihood that the applicant will not default on the direct loan;

4. The length of time that the applicant has been in existence as well as the success and growth potential of the applicant; and

5. For eligible businesses which apply pursuant to N.J.A.C. 12A:31-1.3(d) the quality of the collateral offered such that the value of collateral is a minimum of 150 percent of the amount of the direct loan.

(b) After evaluation of the application, the Authority shall forward the application to the Loan Review Committee for its consideration.

(c) After evaluation of the application by the Loan Review Committee, the Loan Review Committee shall forward the application to the Board for their consideration.

(d) The Authority shall have 120 days in which to review the application and advise the applicant that:

1. The application has been approved;
2. The application has been approved contingent on modification;
3. The application has been rejected; or
4. The application is continuing to be considered pending receipt of additional information.

(e) No direct loan approved by the Authority shall be disbursed to an eligible business until that business has forwarded to the Authority a commitment fee of one-half of one percent of the total amount of the direct loan which has been approved by the Board or \$100.00, whichever is greater and a closing fee of one-half of one percent of the total amount of the direct loan which has been approved by the Board. In the case of a line of credit, the fees shall be computed based on the maximum amount of the line of credit.

Amended by R.1991 d.393, effective August 5, 1991.

See: 23 N.J.R. 828(a), 23 N.J.R. 2313(a).

Added new (b), recodifying existing (b)-(d) as (c)-(e). Revised text to explain role of Loan Review Committee in the application evaluation procedure.

Amended by R.1992 d.82, effective February 18, 1992.

See: 23 N.J.R. 2626(a), 24 N.J.R. 624(a).

Revised text.

Amended by R.1992 d.330, effective September 8, 1992.

See: 24 N.J.R. 2131(a), 24 N.J.R. 3093(b).

Revised (b).

#### 12A:31-1.7 Reporting and compliance

(a) Upon receipt of a direct loan from the Authority, the loan recipient shall be required to submit a report to the Authority every year which shall include the following:

1. The number of employees working for the loan recipient;

2. Any financial or technical assistance which the loan recipient has obtained;

3. Any substantive change in ownership or financial condition of the loan recipient; and

4. Any other information which the Authority and/or the Executive Director may, in the exercise of their discretion, require.

(b) Upon receipt of a direct loan from the Authority, the loan recipient shall be required to submit an annual financial statement prepared on a reviewed basis by a certified public accountant or a public accountant, except that recipients of a direct loan of \$500,000 or more shall be required to submit audited financial statements prepared by a certified public accountant or a public accountant utilizing GAAP every third year after closing of the direct loan. Reviewed statements will be required at other times.

(c) Upon receipt of a direct loan, the direct loan recipient shall inform the Authority of any contemplated substantive changes in the business.

Amended by R.1991 d.393, effective August 5, 1991.

See: 23 N.J.R. 828(a), 23 N.J.R. 2313(a).

In (a), revised time requirement from three months to one year.

In (a)4, added Executive Director provision.

Amended by R.1992 d.82, effective February 18, 1992.

See: 23 N.J.R. 2626(a), 24 N.J.R. 624(a).

Revised text.

#### 12A:31-1.8 Rescission of a direct loan

(a) The Authority may, at its discretion, rescind all or part of a direct loan commitment prior to closing when it has become reasonably evident that:

1. Other commitments of financial resources to the loan recipient have been withdrawn or have been amended in such a manner as to undermine the ability of the loan recipient to repay the direct loan;

2. The loan recipient is no longer capable of meeting any financial obligations made to the Authority;

3. The loan recipient has supplied false or incorrect information, or has misrepresented information of a material matter, whether oral or written, upon which the Authority relied when approving the direct loan; or

4. The loan recipient is not of good moral character. Lack of good moral character shall include, but is not limited to, convictions of offenses or crimes.

(b) Upon determination by the Authority that a direct loan shall be rescinded, the Authority shall send a certified letter, return receipt requested, to the loan recipient informing of the rescission.

Amended by R.1991 d.393, effective August 5, 1991.

See: 23 N.J.R. 828(a), 23 N.J.R. 2313(a).

In (a), added phrase: "commitment prior to closing" to text.

Stylistic revisions in rule text.

Amended by R.1992 d.82, effective February 18, 1992.

See: 23 N.J.R. 2626(a), 24 N.J.R. 624(a).

Revised section.

#### 12A:31-1.9 Information confidentiality

(a) All records of the Authority such as minutes, annual reports, program guidelines, regulations, applications for financial assistance and other information not classified as nonpublic information shall be deemed public information available for examination and copying upon request. If the above information is requested by the public and is not readily available and must be photocopied or otherwise reproduced by the Authority, the Authority shall charge a fee of \$.50 for pages 1 to 10, \$.25 for pages 11 to 20 and \$.10 for pages 21 and above. The public may obtain general information concerning Authority programs by contacting the New Jersey Development Authority for Small Businesses, Minorities' and Women's Enterprises, N990, Trenton, New Jersey 08625.

(b) The following shall not be deemed to be public records subject to inspection, examination and available for copying pursuant to N.J.S.A. 47:1A-1 et seq.:

1. All confidential reports, executive memoranda and evaluations submitted to the Authority, the directors, or to any other state agency or instrumentality;

2. All personnel records;

3. All records concerning applications for employment with the Authority;

4. All records concerning financial or proprietary information submitted by applicants for Authority assistance;

5. All records concerning financial or proprietary information submitted by individuals, corporations, partnerships and other entities doing or seeking to do business with the Authority;

6. All reports, correspondence and other documents or data provided or discussed in executive session at a meeting held by the Board of Directors, except that any action taken or other information required to be disclosed to the public pursuant to N.J.S.A. 10:4-6 et seq. shall not be deemed to be nonpublic records within the scope of this section; and

7. Any other reports, correspondence or other documents or data which the Authority in its discretion deems to be non-public pursuant to N.J.S.A. 47:1A-1 et seq.

Repeal and New Rule, R.1991 d.393, effective August 5, 1991.

See: 23 N.J.R. 828(a), 23 N.J.R. 2313(a).

Amended by R.1992 d.330, effective September 8, 1992.

See: 24 N.J.R. 2131(a), 24 N.J.R. 3093(b).

Revised (a).