



**MEMORANDUM**

**TO:** Members of the Authority  
**FROM:** Timothy Sullivan  
Chief Executive Officer  
**DATE:** March 26, 2020  
**SUBJECT:** Agenda for Special Board Meeting of the Authority March 26, 2020

**Notice of Public Meeting**

**Roll Call**

**Authority Matters**

**Public Comment**

**Adjournment**



**MEMORANDUM**

**TO:** Members of the Authority  
**FROM:** Tim Sullivan  
**DATE:** March 26, 2020  
**RE:** Special Board Meeting – Coronavirus Outbreak Response

In the two weeks since we last convened, the New Jersey economic outlook – indeed the global economic outlook – has shifted dramatically due to the outbreak of the novel coronavirus. We are in uncharted territory, and are taking unprecedented actions under Governor Murphy’s leadership to “flatten the curve” and better manage the disease’s spread.

The outlook ahead is uncertain – with residents, businesses, and policymakers unsure of how long this will last and what the road to recovery looks like.

What we do know, with certainty, is that the economic impact on New Jersey is already significant. New unemployment claims have skyrocketed and businesses are reporting significant reductions in sales.

The scope and scale of the challenge requires immediate action, which is why we have convened this special meeting of the NJEDA Board to propose, for your consideration, a package of initiatives aimed at stabilizing and revitalizing small- and medium-sized enterprises that are the heartbeat of New Jersey’s economy and the group most vulnerable to sudden systemic shocks.

Our approach centers on six strategies to accomplish these goals:

1. An \$5 million emergency grant program to provide near-term cash to the smallest and most vulnerable businesses;
2. A \$10 million zero-interest loan program to help small- and medium-sized enterprises weather this downturn;
3. Support for private-sector lenders (with a particular focus on community-based lenders) to enable more liquidity in the New Jersey marketplace via:
  - a. A \$10 million first-loss guarantee pool for Community Development Finance Organizations (CDFIs),
  - b. \$1.25 million in direct operating support scaling of CDFI operations,
  - c. A \$10 million investment in expansion and enhancements of existing NJEDA guarantee programs through our Premier Lender Program (PLP) banks and CDFI partners;
4. \$5 million to support entrepreneurs and other early-stage firms that cannot access traditional-banking resources;
5. Flexibility for participants in existing NJEDA loan programs to enable short-term deferral of payments for companies experiencing COVID-related hardships;
6. \$150,000 set aside for technical support and other marketplace information via:

- a. Direct support for chambers of commerce and other business groups to support small businesses in seeking NJEDA, SBA, and other financial support (contracted under delegated authority),
- b. An online jobs portal (in partnership with the NJ DOL) to connect jobseekers and companies hiring to support expanded operations during this emergency,
- c. An online portal regularly updated to provide answers to businesses' "frequently asked questions."

Taken together, this package of initiatives will provide \$75 million of State and private financial support to impacted small and midsize enterprises with the opportunity to grow to over \$100 million if additional philanthropic, State, and federal resources become available. We believe these initiatives could directly and indirectly support between 3,000 and 5,000 New Jersey businesses.

Because the magnitude of the challenge COVID presents dwarfs the resources available today, these resources are designed to be scalable. We are building programs that can accept and manage additional resources (federal, philanthropic, etc.) should they become available, while also addressing as many near-term small business needs as possible.

I would also like to highlight for the Board my deep appreciation for the NJEDA team that has worked incredibly hard, and been immensely productive and innovative during this challenging period. Thanks to their hard work and commitment, we have not only remained operational while working remotely, but we have been able to develop this robust package of programs to help New Jersey businesses and residents survive and recover from this crisis.



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**AUTHORITY MATTERS**



# COVID-19 Outbreak: Proposed Economic Crisis Response Package Phase 1

March 26, 2020

## The State is taking early action on a set of economic stability measures to provide short-term cash flow support to small businesses and increase overall business confidence

### Rationale for acting sooner rather later:

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- Clear calls from small businesses that they are **becoming cash flow constrained** due to interruptions in revenue
- Anecdotally companies are **starting to hold cash due to uncertainty** (e.g., not paying bills as quickly, not making discretionary purchases / investments) which **further exacerbates** the small business cash flow problem
- Local governments and non-profits are **waiting to see what the federal government and state government will do**
- **Federal government** program are likely to be **several weeks away** until announced and then could take **months to get cash out the door**
- **Acting now** on a smaller scale will **reassure business owners** that there will be resources available if needed later
- **Building the “pipes” now** will ensure **federal funds, additional State, and philanthropic funds can flow quickly** when available

Interventions should focus first on **Economic Stability** (e.g., aggressively ensuring cash flow constraints and fear don't seize up the State's economy)

Additional **Economic Recovery** interventions will likely be needed in the future

## We have developed our economic stability approach around three core principles

1. **Get funding into the market as soon as possible**
  - Where possible, adjust existing NJEDA programs to address crisis needs
  - Utilize multiple channels / partners to maximize marketing of programs and minimize processing capacity constraints
2. **Leverage private, federal, and philanthropic capital** where possible to scale impact, but **don't be afraid to be a first mover**
3. **Provide a suite of compatible offerings to help address varied marketplace needs** (e.g., grants, no-cost loans, low-cost loans, loans through intermediaries, technical assistance)

## Our proposed initial economic stability package consists of five strategies

Strategies	Interventions
<b>1</b> Grants for small businesses	Emergency Assistance Grant Program (focused on micro-businesses in round 1)
<b>2</b> Zero-interest loans for small businesses	Emergency Assistance 0% Working Capital Loan Program (for small businesses)
<b>3</b> Guarantees to ensure private capital flows to businesses	3a Community Development Financial Institution (CDFI) Operations Scale-up Grants
	3b CDFI First Loss Reserve Fund
	3c Emergency Assistance Guarantee Program
	3d Entrepreneur support program
<b>4</b> Technical assistance	Technical assistance to support businesses applying to SBA / State programs
<b>5</b> Adjustments to NJEDA's current programs	5a Deferment of payments and waiving fees on NJEDA loan portfolio
	5b Reduction of interest rates and flexible terms for all core financing programs

*This is a Phase 1 response focused on stabilization; additional measures may be required to accelerate recovery*



**NJEDA is providing an initial ~\$41M of funding to jump-start the Administration’s stability measures**

Strategy	Intervention	Description	EDA program size	Est. Leveraged size	Est. # businesses impacted
<b>1 Grants</b>	Emergency Assistance Grant Program (focused on micro-businesses in round 1)	Operating expense grants of up to \$5K to small businesses with 2-10 FTE in highly impacted industries	\$5M (round 1)	N/A	1,250-2,000
<b>2 Zero-interest loans</b>	Emergency Assistance 0% Working Capital Loan Program (for small businesses)	Up to \$100K working capital loans for up to 10 yrs; 0% for yrs 1-5, 1-2% for yrs 6-10; for biz. w/ under \$5M rev.	\$10M (round 1)	N/A	100-150
<b>3 Guarantees</b>	3a: Community Development Financial Institution (CDFI) Ops. Scale-up Grants	\$250K grants to NJ-based CDFIs to scale operations or reduce interest rates during the crisis	\$1.25M		
	3b: CDFI First Loss Reserve Fund	\$10M capital reserve fund for first-loss position on CDFI loans that provide low/no-interest loans to micro biz.	\$10M	\$20-30M	400-600
	3c: Emergency Assistance Guarantee Program	50% guarantee of working capital loans, take first loss position; no fees	\$10M	\$20-30M	135-200
	3d: Entrepreneur Support Program	Provide 80% loan guarantees for working capital loans to start-up entrepreneurs	\$5M	\$6.25M	30-60
<b>4 Technical assistance</b>	Technical assistance to support businesses applying to the SBA / State	Procure technical assistance providers and provide per application fee reimbursement (SBA, State programs)	\$150K (to start)		1,500-2,500
<b>5 NJEDA's current programs</b>	5a: Deferment of payment and waiving fees on current loan portfolio (as needed)	Provide fee waivers, interest forbearance, and deferred payments on portfolio of small business loans	N/A	N/A	300-330
	5b: Reduction of interest rates and flexible terms for all core financing programs	Reduction of interest rate floor from 2% to 1% for all lending programs; more flexible loan terms and structure	TBD	TBD	TBD

**\$41.4M    ~\$61-75M    ~3,750-5,850**

## Intervention mapping across speed, business-type served, and ability to leverage

✓ Yes    ✗ Potential

Strategy	Intervention	Speed of intervention	Business served:			Ability to leverage funding from:			
			Mico	Small	Medium	CDFI	Federal	Private	Philanthropic
<b>1 Grants</b>	Emergency Assistance Grant Program (focused on micro-businesses in round 1)	2-3 weeks	✓	✗ Future rounds			✗ Pending program		✗ Pending outreach
<b>2 Zero-interest loans</b>	Emergency Assistance 0% Working Capital Loan Program (for small businesses)	2-3 weeks		✓			✗ Pending program		
<b>3 Guarantees</b>	3a: Community Development Financial Institution (CDFI) Ops. Scale-up Grants	1 week	✓				✗ Pending program		✗ Pending outreach
	3b: CDFI First Loss Reserve Fund	2-3 weeks	✓			✓	✗ Pending program	✗ Pending outreach	✗ Pending outreach
	3c: Emergency Assistance Guarantee Program	1 week	✓	✓	✓			✓	
	3d: Entrepreneur Support Program	3 week	✓	✓			✗ Pending program	✓	
<b>4 Technical assistance</b>	Technical assistance to support businesses applying to the SBA / State	3 weeks	✓		✓		✗ Pending program		
<b>5 NJEDA's current programs</b>	5a: Deferment of payment and waiving fees on current loan portfolio (as needed)	Now	✓		✓				
	5b: Reduction of interest rates and flexible terms for all core financing programs	3 weeks	✓	✓	✓		✗ Pending program		

## Appendix

## 1. Proposed Small Business Emergency Assistance Grant Program Detail – Phase 1

Intervention	Description	EDA program size	Est. Leveraged size	Est. # businesses impacted
Launch Small Business Emergency Assistance Grants program	Operating expense grants of up to \$5K to small businesses with 1-10 FTE (as reported on their NJ WR-30)	\$5M (round 1)	N/A	1,250-2,000

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<b>Purpose and considerations</b>	<b>Eligibility</b>	<b>Intervention size</b>
<ul style="list-style-type: none"> <li>▪ Provide emergency operating expense support funding for New Jersey-based small businesses</li> <li>▪ Stabilize operations and reduce potential furloughs and/or layoffs</li> <li>▪ Focused on industries most impacted</li> <li>▪ Builds infrastructure to support additional grant program rounds with federal stimulus</li> <li>▪ No application fees</li> <li>▪ Automated processing as much as possible</li> </ul>	<ul style="list-style-type: none"> <li>▪ 1-10 FTE as reported on NJ WR-30</li> <li>▪ Physical commercial location in NJ</li> <li>▪ Industries:                             <ul style="list-style-type: none"> <li>– Retail</li> <li>– Accommodation &amp; Food Service</li> <li>– Arts, Entertainment, &amp; Recreation</li> <li>– Other services (NAICS codes starting with 811... and 812...)</li> </ul> </li> <li>▪ Must certify to negative impact of emergency</li> <li>▪ CEO certification of best-effort for no layoffs or rehiring</li> <li>▪ Tax Clearance; DoL good standing</li> <li>▪ Non-profits are eligible</li> </ul>	<ul style="list-style-type: none"> <li>▪ \$1K per full-time FTE</li> <li>▪ Minimum \$1K</li> <li>▪ Max \$5K for round 1</li> </ul> <p><b>Balance sheet impact</b></p> <ul style="list-style-type: none"> <li>▪ \$5m cash out the door</li> </ul> <p><b>Estimated timing:</b></p> <ul style="list-style-type: none"> <li>▪ Announce: March 25</li> <li>▪ Approve: March 25</li> <li>▪ Application launch: March 30</li> <li>▪ 1<sup>st</sup> Award: April 10</li> <li>▪ Send money: April 20</li> </ul>

## 2. Proposed Emergency Zero-percent Loan Program Detail

Intervention	Description	EDA program size	Est. Leveraged size	Est. # businesses impacted
Emergency Assistance 0% Working Capital Loan Program (for small biz)	Up to \$100K working capital loans for up to 10 years; 0% for years 1-5, 1-2% for years 6-10; for biz. with under \$5M rev.	\$10M (round 1)	N/A	100-150

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<b>Purpose and considerations</b>	<b>Eligibility</b>	<b>Intervention size</b>
<ul style="list-style-type: none"> <li>▪ Provide small and medium-sized companies with no/low-cost loans to support business continuity for a range of issues (reduced revenue, employee shortage, supply chain impact, etc.)</li> <li>▪ No FTE or industry restrictions</li> <li>▪ No fees</li> <li>▪ Relaxed underwriting criteria</li> <li>▪ Approval delegated to NJEDA Staff for faster processing and decision</li> </ul>	<ul style="list-style-type: none"> <li>▪ Less than \$5M in annual revenue</li> <li>▪ Debt service ration of 1.0 (Q4 2019)</li> <li>▪ Physical commercial location in NJ</li> <li>▪ At least 1-year in existence</li> <li>▪ All industries eligible</li> <li>▪ Must show negative impact of emergency (e.g., closure, reduced hours, 20% revenue drop, 20%, etc.)</li> <li>▪ CEO certification of best-effort for no layoffs or rehiring</li> <li>▪ Tax Clearance; DoL good standing</li> <li>▪ Non-profits are eligible</li> </ul>	<ul style="list-style-type: none"> <li>▪ \$100K working capital loan</li> <li>▪ Will likely be capped by underwriting process</li> </ul> <p><b>Balance sheet impact</b></p> <ul style="list-style-type: none"> <li>▪ \$10m cash out the door</li> </ul> <p><b>Estimated timing:</b></p> <ul style="list-style-type: none"> <li>▪ Announce: March 25</li> <li>▪ Approve: March 25</li> <li>▪ Application launch: April 6</li> <li>▪ 1<sup>st</sup> Award: April 15-30</li> <li>▪ Send money: April 1-15</li> </ul>

### 3a. Proposed CDFI Operational Scale-up Grant Program Detail

Intervention	Description	EDA program size	Est. Leveraged size	Est. # businesses impacted
3a. CDFI Operations Scale-up Grants	\$250K grants to NJ-based CDFIs to scale operations or reduce interest rates during the crisis	\$1.25M	N/A	N/A

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<b>Purpose and considerations</b>	<b>Eligibility</b>	<b>Intervention size</b>
<ul style="list-style-type: none"> <li>Help CDFIs that are supporting micro and small businesses with no/low cost loans to scale up operations or buy down interest rates during the COVID-19 outbreak</li> </ul>	<ul style="list-style-type: none"> <li>Federally-certified, NJ-based CDFI</li> <li>Have the operational and financial capacity to use the guarantee effectively</li> <li>Have significant experience working with underserved business segments and in communities underserved by other banks</li> <li>Demonstrate financial need for the resources to scale efforts</li> <li>Commit to creating working capital loans for COVID-19 impacted businesses</li> </ul>	<ul style="list-style-type: none"> <li>250K grants to CDFIs</li> </ul>
		<b>Balance sheet impact</b>
		<ul style="list-style-type: none"> <li>\$1.25M cash out the door</li> </ul>
		<b>Estimated timing:</b>
		<ul style="list-style-type: none"> <li>Announce: March 26</li> <li>Approve: March 26</li> <li>Launch: March 30</li> <li>Award: April 6</li> </ul>

### 3b. Proposed CDFI Loan Loss Reserve Fund Program Details

Intervention	Description	EDA program size	Est. Leveraged size	Est. # businesses impacted
3b. Community Development Finance Institution (CDFI) First Loss Reserve Fund	\$10M capital reserve fund to take first loss position on CDFI loans that provide low/no interest loans to micro biz.	\$10M	\$20-30M	400-600

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<b>Purpose and considerations</b>	<b>Eligibility</b>	<b>Intervention size</b>
<ul style="list-style-type: none"> <li>▪ Create a first loss pool that any participating entity could draw on to support loan defaults on loans originating in response to the outbreak</li> <li>▪ Encourages greater volume and lower interest rate CDFI lending to micro and small businesses during the crisis</li> <li>▪ Allows CDFIs to more effectively utilize the balance sheet they already have and attract additional capital from the private sector</li> <li>▪ Allows us to crowd in private and philanthropic capital (target level 5:1), but requires outreach to do it</li> </ul>	<ul style="list-style-type: none"> <li>▪ Federally-certified, NJ-based CDFI</li> <li>▪ Have the operational and financial capacity to use the guarantee effectively</li> <li>▪ Have significant experience working with underserved business segments and in communities underserved by other banks</li> <li>▪ Loans that are guaranteed must:                             <ul style="list-style-type: none"> <li>▪ Be to an impacted company</li> <li>▪ Focused on working capital</li> <li>▪ Not exceed \$75,000</li> <li>▪ Has an interest rate less than 3.5%</li> <li>▪ Does not require any interest or principle for at minimum 6 months</li> <li>▪ Does not exceed a term of five years</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ Up to \$75K working capital loan</li> </ul> <p><b>Balance sheet impact</b></p> <ul style="list-style-type: none"> <li>▪ \$10m reserved on NJEDA balance sheet</li> </ul> <p><b>Estimated timing:</b></p> <ul style="list-style-type: none"> <li>▪ Announce: March 26</li> <li>▪ Approve: March 26</li> <li>▪ Launch: March 30</li> <li>▪ Award: April 6</li> </ul>

### 3c. Proposed Emergency Guarantee Program Detail

Intervention	Description	EDA program size	Est. Leveraged size	Est. # businesses impacted
3c: Emergency Assistance Guarantee Program	50% guarantee of working capital loans, take first loss position; no fees	\$10m	\$20-30M	135-200

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<b>Purpose and considerations</b>	<b>Eligibility</b>	<b>Intervention size</b>
<ul style="list-style-type: none"> <li>▪ Ensure liquidity in the NJ small and medium business credit markets</li> <li>▪ Allows small and medium businesses to continue working through their own banking partner and still get State support</li> <li>▪ Potential to get money into market faster working through private sector partners</li> <li>▪ Max NJEDA participation is 50% (i.e. 1:1 public to private finance match) crowds in private capital</li> <li>▪ No fees</li> </ul>	<ul style="list-style-type: none"> <li>▪ Must work through a Premiere Lender (bank) or CDFI (community finance) partner</li> <li>▪ Less than \$5M in revenue</li> <li>▪ Physical commercial location in NJ</li> <li>▪ At least 1-year in existence</li> <li>▪ All industries eligible</li> <li>▪ Must show negative impact of emergency (e.g., closure, reduced hours, 20% revenue drop, supply chain disruption, etc.)</li> <li>▪ CEO certification of best-effort for no layoffs or rehiring</li> <li>▪ Tax Clearance; DoL good standing</li> <li>▪ Non-profits are eligible</li> </ul>	<ul style="list-style-type: none"> <li>▪ Up to \$100K working capital loan or line of credit participation</li> </ul> <p><b>Balance sheet impact</b></p> <ul style="list-style-type: none"> <li>▪ \$10m reserved on NJEDA balance sheet</li> </ul> <p><b>Estimated timing:</b></p> <ul style="list-style-type: none"> <li>▪ Announce: March 26</li> <li>▪ Approve: March 26</li> <li>▪ Launch: April 6, or later with retroactive date?</li> </ul>



### 3d. Proposed Entrepreneur Support Program Detail

Intervention	Description	EDA program size	Est. Leveraged size	Est. # businesses impacted
3d: Entrepreneur Support Program	Provide 80% loan guarantees for working capital loans to start-up entrepreneurs	\$5M	\$6.25M	30-60

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<b>Purpose and considerations</b>	<b>Eligibility</b>	<b>Intervention size</b>
<ul style="list-style-type: none"> <li>▪ Encourages private capital to continue to flow to start-up companies</li> <li>▪ These are business that likely wont qualify for other programs</li> <li>▪ Helps provide positive reinforcement to investor market place that is cautious</li> <li>▪ No fees, but NJEDA gets 20% warrant coverage on guarantee amount</li> <li>▪ Note cannot have current pay interest and must have at least a one year maturity</li> <li>▪ Awards can be retroactive</li> </ul>	<ul style="list-style-type: none"> <li>▪ Must be NJ-based start-up company (registered to do business, C-suite in the State)</li> <li>▪ Under \$5M in revenue; under 25 people</li> <li>▪ Investor must already have an equity interest in the company</li> <li>▪ Investor does not need to be NJ-based</li> <li>▪ Investor must already have an equity position in the company</li> <li>▪ Align with the Governor’s Economic Plan</li> <li>▪ Tax Clearance; DoL Good Standing</li> </ul>	<ul style="list-style-type: none"> <li>▪ Up to \$250K loans w/ \$200K loan guarantee per company</li> <li>▪ Guarantee 80% of loan</li> </ul> <p><b>Balance sheet impact</b></p> <ul style="list-style-type: none"> <li>▪ \$5m reserved on NJEDA balance sheet</li> </ul> <p><b>Estimated timing:</b></p> <ul style="list-style-type: none"> <li>▪ Announce: March 26</li> <li>▪ Approve: March 26</li> <li>▪ Launch: April 6, or later with retroactive date?</li> </ul>

## 4. Proposed Emergency Technical Assistance Program Detail

Intervention	Description	EDA program size	Est. Leveraged size	Est. # businesses impacted
Technical assistance to support businesses applying to the SBA / State	Procure technical assistance providers and provide per application fee reimbursement (SBA, State programs)	\$150K (to start)		1,500-2,500

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<b>Purpose and considerations</b>	<b>Eligibility</b>	<b>Intervention size</b>
<ul style="list-style-type: none"> <li>▪ Ensure high-quality technical assistance to NJ-based companies that want to apply to the SBA and State programs</li> <li>▪ Operates as a procurement and not an open application program</li> <li>▪ Can be done under delegate authority levels by the CEO</li> </ul>	<ul style="list-style-type: none"> <li>▪ Award contracts to 6 providers</li> <li>▪ Ensure state-wide coverage</li> <li>▪ Must be based in NJ</li> <li>▪ Existence for at least 1 year or demonstrated experience providing TA or running equivalent programs</li> <li>▪ Tax Clearance Certificate</li> <li>▪ Basic services procurement contract</li> </ul>	<ul style="list-style-type: none"> <li>▪ \$25K per provider</li> <li>▪ Back end reimbursement at (\$80-100 / per application)</li> </ul>
		<b>Balance sheet impact</b>
		<ul style="list-style-type: none"> <li>▪ \$150K out the door</li> </ul>
		<b>Target timing</b>
		<ul style="list-style-type: none"> <li>▪ Announce: March 26</li> <li>▪ Award: March 26</li> </ul>

## 5a and 5b. Proposed Deferment of Payments and Fee | Interest Rate Floor Reduction Program Details

Intervention	Description	EDA program size	Est. Leveraged size	Est. # businesses impacted
5a: Deferment of payment and waiving fees on current loan portfolio (as needed)	Provide fee waivers, interest forbearance, and deferred payments on portfolio of small business loans	N/A	N/A	300-330
5b: Reduction of interest rates and flexible terms for all core financing programs	Reduction of interest rate floor from 2% to 1% for all lending programs; more flexible loan terms and structure	TBD	TBD	TBD

  

<b>Purpose and considerations</b>	<b>Eligibility</b>	<b>Intervention size</b>
<ul style="list-style-type: none"> <li>▪ Ensure all of NJEDA's current small business and micro-business loan programs reflect the reality of the current market situation</li> <li>▪ Defer loan payments and fees on existing portfolio of loans</li> <li>▪ Products make low cost financing available for non-emergency working capital needs (e.g., physical capital, real estate, etc.)</li> <li>▪ For existing programs, some underwriting and terms may become more flexible on a case by case basis</li> </ul>	<ul style="list-style-type: none"> <li>▪ Same as current product eligibility requirements</li> </ul>	<ul style="list-style-type: none"> <li>▪ N/A</li> </ul> <p><b>Balance sheet impact</b></p> <ul style="list-style-type: none"> <li>▪ No impact outside of normal course of business</li> </ul> <p><b>Estimated timing:</b></p> <ul style="list-style-type: none"> <li>▪ Announce: March 26</li> <li>▪ 5a Approve: March 26</li> <li>▪ 5b Approve: April 10</li> </ul>

ADOPTED  
MAR 26 2020

Attachments

Resolution of the New Jersey Economic Development Authority  
Regarding Approval of the Small Business Emergency Assistance  
Grant Program creation, with up to \$5 million to fund the program,  
and delegations to staff to administer the program.

WHEREAS, the Members of the New Jersey Economic Development Authority have been presented with and considered a Memorandum and attachment, in the forms attached hereto; and

WHEREAS, the Memorandum and attachment requested the Members to adopt a resolution authorizing certain actions by the New Jersey Economic Development Authority, as outlined and explained in said Memorandum.

NOW, THEREFORE, BE IT RESOLVED by the Members of the New Jersey Economic Development Authority as follows:

1. The actions set forth in the Memorandum and attachment, attached hereto, are hereby approved, subject to any conditions set forth as such in said Memorandum.
2. The Memorandum and attachment, attached hereto, is hereby incorporated and made a part of this resolution as though set forth at length herein.
3. This resolution shall take effect immediately, but no action authorized herein shall have force and effect until 10 days, Saturdays, Sundays, and public holidays excepted, after a copy of the minutes of the Authority meeting at which this resolution was adopted has been delivered to the Governor for his approval, unless during such 10-day period the Governor shall approve the same, in which case such action shall become effective upon such approval, as provided by the Act.

DATED: March 26, 2020

**EXHIBIT 1**



**MEMORANDUM**

**TO:** Members of the Authority

**FROM:** Tim Sullivan  
Chief Executive Officer

**DATE:** March 26, 2020

**RE:** Small Business Emergency Assistance Grant Program

**Summary**

The Members are asked to approve:

1. The creation of an initial pilot Small Business Emergency Assistance Grant Program - a program to make grant funding available that will provide short-term operating support to New Jersey small and medium sized businesses and non-profits (collectively “SMEs”) that have been impacted during a declared New Jersey or Federal state of emergency. This program would be immediately available to support businesses impacted by the COVID-19/novel coronavirus (“COVID-19”) outbreak.
2. NJEDA Economic Recovery Fund or NJEDA general operating budget utilization of up to \$5,000,000 to fund the Small Business Emergency Assistance Grant Program.
3. Delegation to Authority staff (Senior Vice President – Economic Transformation, Senior Vice President – Portfolio Management and Compliance, or Senior Vice President – Finance and Development, or Managing Director of Underwriting) to approve individual applications to the Small Business Emergency Assistance Grant Program in accordance with the terms set forth in the attached program specifications.
4. Delegation to Authority staff (Chief Executive Officer, Senior Vice President – Economic Transformation, Senior Vice President – Portfolio Management and Compliance, or Senior Vice President – Finance and Development) to accept unrestricted gifts or grants that would be used to fund the Small Business Emergency Assistance Grant Program.

## **Background**

On March 9, 2020, Governor Phil Murphy issued Executive Order 103, declaring a State of Emergency and a Public Health Emergency to ramp up New Jersey's efforts to contain the spread of the COVID-19.

Subsequent containment measures were announced, and are continuing to be announced, including restrictions on public gatherings and limited operating hours for non-essential businesses. While these measures are consistent with similar measures being taken nationally that are expected to limit the public's exposure to the COVID-19, there is already and will continue to be an adverse economic impact on our state's economy.

Within New Jersey, many SMEs, and the New Jerseyans employed by these organizations, are facing economic challenges as SMEs have difficulties meeting payroll obligations and supporting basic operating expenses. These challenges are expected to continue if there is a prolonged period of restricted operations or closings.

Without a source of immediate relief, many SMEs are being forced to furlough or lay off employees and are in dire risk of business failure/closure.

In response to the economic challenges being faced by New Jersey SMEs, the Authority is requesting the ability to create an emergency grant funding program that will provide funding as efficiently and quickly as possible to SMEs that need payroll and working capital support during this time, with a focus on the smallest enterprises in targeted industries that are among the most adversely impacted by the containment measures. The goal of the grant will be to try to preserve the ability for SMEs to support and maintain a workforce during this containment period that is as close to pre-outbreak levels as possible.

The Authority is seeking additional funding to support this program. The Authority's enabling statute provides legal authority to: "To contract for and to ***accept any gifts or grants*** or loans of funds or property or financial or other aid in any form from the United States of America or any agency or instrumentality thereof, or from the State or any agency, instrumentality or political subdivision thereof, or ***from any other source . . .***" N.J. Stat. § 34:1B-5(j). In order to permit the Authority to accept and utilize any unrestricted gifts or grants as efficiently and expeditiously as possible, staff is requesting the Board delegate authority to staff (Chief Executive Officers, Senior Vice President – Economic Transformation, Senior Vice President – Portfolio Management and Compliance, or Senior Vice President – Finance and Development) to accept unrestricted gifts or grants that would be used to fund this program.

## **Program Details**

The Small Business Emergency Assistance Grant Program is an initial pilot program. As the Authority continues to monitor needs of the SMEs as the economic impact of COVID-19 outbreak develops, the Authority will bring to the Board additional programs, including grant programs, with varying parameters depending on the emergency and the available funding.

This pilot program which is tailored as an initial support measure to businesses impacted by the COVID-19 outbreak will provide grants of up to \$5,000 to New Jersey-based SMEs that have between 1 –10 full-time equivalent employees (“FTE”) as reported on their last WR-30 form with the NJ Department of Labor and Workforce Development (“DOL”), have a physical commercial location in the State, and operate within the following industries as defined by the SME’s two-digit North American Industry Classification (“NAICS”) code: retail; accommodation & food services; arts, entertainment & recreation, and other services.

The use of the grant funding is targeted as unrestricted payroll and working capital support, and cannot be used for any capital expenses, including construction.

Of the \$5 million total NJEDA funding commitment, \$3 million of program funds will be set aside for SMEs with five or fewer FTE, however, these funds may be released back to a general pool at the discretion of the Chief Executive Officer if demand from SMEs with five or fewer FTE has decreased significantly and demand from SMEs over five employees remains high. As the demand for the grant funding may exceed the total available funding, funding will be considered on a first-come, first-served basis based upon the date in which the NJEDA confirms an application is complete (i.e. has completely provided all of the information required on the grant application as determined by the SVP of Portfolio Management and Compliance). NJEDA will review applications for completeness in the order in which they are received.

While the maximum grant amount per business/organization is \$5,000, specific grants amounts will be calculated based on \$1,000 per FTE – based on the FTEs reported on company’s most recently filed WR-30 with the New Jersey Department of Labor and Workforce Development (DOL). Because WR-30 filings are based on Employer Identification Numbers (EINs), businesses/organizations with more than one EIN will be able to submit one application per EIN. Businesses/organizations that may have multiple locations but only one EIN can only apply once for a maximum of \$5,000. Implied FTE calculations will be rounded to the nearest FTE (e.g., 2.24 FTE would be counted as 2 FTE for the program, whereas 2.50 or 2.75 FTE would be counted as 3 FTE). While the calculation of FTEs is based on weeks worked and wages as reported on the WR-30 filing, in no event will a company receive grant funding based on a number of FTEs that exceeds the number of employees employed by the company.

Because the funding is limited to applicants with between 1-10 FTEs as reported on the WR-30 filing with DOL this means that holding companies, companies that utilize 1099 employees (although these companies’ FTEs may be eligible), and larger firms are not eligible for this pilot program. As eligible businesses must also have a physical commercial location within New Jersey, home-based businesses are also not eligible.

Because this financial support is needed urgently by businesses, the Authority is making its best effort to limit the restrictions on businesses that can access this funding, as well as the information that is required by the Authority to make a funding decision. Staff is recommending that in addition to the eligibility parameters already stated above, in conjunction with Taxation authority under the tax clearance certification law, EDA will require a certification from the applicant that it doesn't owe any taxes, and will be subject to repayment if the certification is not correct. The applicant will complete a simplified debarment legal questionnaire, and debarment

issues will be reviewed under existing delegated authority, including the delegated authority approved at the time of the Superstorm Sandy programs.

The SME's chief executive officer or equivalent officer must self-certify that the SME:

- Will make a best effort not to furlough or lay off any individuals from the time of application through six months after the end of the declared state of emergency. SMEs that have already furloughed or laid off workers must make a best-effort pledge to re-hire those workers as soon as possible. Any material breach of its best efforts certification may result in the NJEDA seeking repayment of the grant.
- Has been negatively impacted by the COVID-19 declared state of emergency (e.g., has been temporarily shut down, has been required to reduce hours, has had at least a 20% drop in revenue, has been materially impacted by employees who cannot work due to the outbreak, or has a supply chain that has materially been disrupted and therefore slowed firm-level production).
- Has a material financial need that can not be overcome without the grant of emergency relief funds at this time (e.g., does not have significant cash reserves that can support the SME during this period of economic disruption)

The Authority is working as quickly as possible to build out an automated application process that is equipped to handle what is expected to be substantial demand and application activity. Given the technological and processing challenges this presents, the Authority's expects an application to be available no later than the week of March 30, 2020.

The Authority will make its best efforts to publicize an application opening date through information on its website, its social media channels, and outreach to the media and stakeholders to make this information available to the public in advance of the application period opening.

Board members should be aware that in order to handle the volume of applications expected during this period, the Authority will be automating a number of the processing steps based on business rules as outlined in this memo.

The attached product specifications further illustrate the program details and minimum eligibility requirements the applicant must meet to be considered for a grant.

To fund this program, staff requests authority from the Members to utilize Economic Recovery Fund ("ERF") or general operating budget funds of up to \$5,000,000 to fund the Small Business Emergency Assistance Grant Program. As enacted recently, P.L. 2020, c. 8, expanded EDA's general powers and specific ERF authority to make grants for projects, including, but not limited to, grants for working capital and payroll purposes, during a period of an emergency declaration and for the duration of the economic disruption due to the emergency.



**Recommendation**

Approval is requested for: (1) the creation of the Small Business Emergency Assistance Grant Program to provide grants of up to \$5,000 each to New Jersey small businesses and non-profits impacted by the COVID-19 outbreak that meet the eligibility criteria set forth in this memorandum and further outlined in the attached product specifications; (2) utilization of up to \$5,000,000 through the Economic Recovery Fund or NJEDA's general operating funds to fund the Small Business Emergency Grant Program; (3) Delegation to Authority staff (Senior Vice President – Economic Transformation, Senior Vice President – Portfolio Management and Compliance, Senior Vice President – Finance and Development, or Managing Director – Underwriting) to approve individual applications to the Small Business Emergency Assistance Grant Program in accordance with the terms set forth in the attached program specifications, and (4) Delegation to Authority staff (Chief Executive Officer, Senior Vice President – Economic Transformation, Senior Vice President – Portfolio Management and Compliance, or Senior Vice President – Finance and Development) to accept unrestricted gifts or grants that would be used to fund the Small Business Emergency Assistance Grant Program..



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Tim Sullivan  
Chief Executive Officer

Attachments

Exhibit A – Small Business Emergency Assistance Grant Program Specifications

<b>Small Business Emergency Assistance Grant Program Proposed Program Specifications</b>	
<b>Funding Source</b>	<p>Up to \$5 million – Economic Recovery Fund or NJEDA general operating funds.</p> <p>Of the \$5 million requested, \$3 million will be reserved for SMEs with 5 or fewer FTEs, but can be released back into the general program pool at the CEOs discretion if demand from these SMEs has been met.</p>
<b>Program Purpose</b>	<p>To provide short-term, immediate payroll and working capital support to New Jersey small and medium sized enterprises (businesses and non-profits) (“SMEs”), between 1-10 FTE, facing prolonged operating restrictions or closure due to the COVID-19 outbreak, thereby helping to stabilize their operations and minimizing any potential furloughs and/or layoffs.</p>
<b>Eligible Applicants</b>	<p>SME must have between 1 and 10 FTEs as reported on their New Jersey WR-30 filing with the NJ Department of Labor (DOL). Implied FTE calculations will be rounded to the nearest FTE (e.g., 2.24 FTE would be counted as 2 FTE for the program, whereas 2.50 or 2.75 FTE would be counted as 3 FTE). While the calculation of FTEs is based on weeks worked and wages as reported on the WR-30 filing, in no event will a company receive grant funding based on a number of FTEs that exceeds the number of employees employed by the company.</p> <ul style="list-style-type: none"> <li>• Holding companies, companies that utilize 1099 employees (although these companies’ FTEs may be eligible), and larger firms are not eligible for this round of grant funding</li> </ul> <p>The SME must have a physical commercial location in the State of New Jersey (e.g., an office, a physical point of sales, a warehouse, manufacturing facility, etc.).</p> <ul style="list-style-type: none"> <li>• No home-based businesses are eligible for this round of grant funding.</li> </ul> <p>SME must operate within the following industries as defined by the SME’s two-digit North American Industry Classification</p>

<b>Small Business Emergency Assistance Grant Program Proposed Program Specifications</b>	
<b>Eligible Applicants: (continued)</b>	<p>(“NAICS”) code:</p> <ul style="list-style-type: none"> <li>• Retail;</li> <li>• Accommodation &amp; food services;</li> <li>• Arts, entertainment &amp; recreation;</li> <li>• Other services (restricted to businesses with 3-digit NAICS of 811 and 812)</li> </ul> <p>Non-profits entities with the follow designations will also be permitted to receive grant funding: 501(c)(3), 501(c)(4), and 501(c)(7).</p> <p>Prohibited businesses include, but are not limited to: gambling or gaming activities; the conduct or purveyance of “adult” (i.e., pornographic, lewd, prurient, obscene or otherwise similarly disreputable) activities, services, products or materials (including nude or semi-nude performances or the sale of sexual aids or devices); any auction or bankruptcy or fire or “lost-our-lease” or “going-out-of-business” or similar sales; sales by transient merchants, Christmas tree sales or other outdoor storage; ; any activity constituting a nuisance; or any illegal purposes.</p> <p>CEO/equivalent officer of the SME must self-certify that the firm:</p> <ul style="list-style-type: none"> <li>• Will make a best effort not to furlough or lay off any individuals from the time of application through six months after the end of the declared state of emergency. SMEs that have already furloughed or laid off workers must make a best-effort pledge to re-hire those workers as soon as possible. Any material breach of its best efforts certification may result in the NJEDA seeking repayment of the grant.</li> <li>• Has been negatively impacted by the COVID-19 declared state of emergency on March 9, 2020 (e.g., has been temporarily shut down, has been required to reduce hours, has had at least a 20% drop in revenue, has been materially impacted by employees who cannot work due to the outbreak, or has a supply chain that has materially been</li> </ul>

<b>Small Business Emergency Assistance Grant Program Proposed Program Specifications</b>	
<b>Eligible Applicants: (continued)</b>	<p>disrupted and therefore slowed firm-level production).</p> <ul style="list-style-type: none"> <li>Has a material financial need that cannot be overcome without the grant of emergency relief funds at this time (e.g., does not have significant cash reserves that can support the SME during this period of economic disruption)</li> </ul> <p>SME must be registered to do business in the State of New Jersey</p> <p>In conjunction with Taxation authority under the tax clearance certification law, EDA will require a certification from the applicant that it doesn't owe any taxes and will be subject to repayment if the certification is not correct.</p> <p>SME must be in good standing with the Department of Labor, with all decisions of good standing at the discretion of the Commissioner of the Department of Labor</p> <p>SMEs with multiple EIN can submit one application per EIN. Businesses with multiple locations but only one EIN will be limited to one application (under the sole EIN).</p>
<b>Eligible Uses</b>	<p>Grant funding to be used for unrestricted payroll and working capital support.</p> <p>Funding cannot be used for capital expenses, including construction.</p>
<b>Application Process</b>	<p>Online application. Applications will be accepted on a first-come, first-served basis, based upon the date in which the Authority receives a completed the application submission.</p>
<b>Grant Amounts</b>	<p>\$1,000/FTE, with the calculation based on the WR-30 filing from the most recent payroll period from date of application.</p> <ul style="list-style-type: none"> <li>Minimum grant amount (per application): \$1,000</li> </ul>

<b>Small Business Emergency Assistance Grant Program Proposed Program Specifications</b>	
	<ul style="list-style-type: none"> <li>• Maximum grant amount (per application): \$5,000</li> </ul>
<b>Funding Disbursement</b>	Funding to be fully disbursed as quickly as possible upon approval of grant application.
<b>Fees</b>	Due to financial hardship, no fees will be collected by the Authority for this program.
<b>Board Approval</b>	<p>Delegation to Authority staff (Senior Vice President – Economic Transformation, Senior Vice President – Portfolio Management and Compliance, Senior Vice President – Finance and Development, Managing Director of Underwriting) to approve individual applications. Board to be updated monthly on delegated authority approval activity.</p> <p>Delegation to Authority staff (Chief Executive Officers, Senior Vice President – Economic Transformation, Senior Vice President – Portfolio Management and Compliance, or Senior Vice President – Finance and Development) to accept unrestricted gifts or grants that would be used to fund this program.</p>

ADOPTED  
MAR 26 2020

Attachments

Resolution of the New Jersey Economic Development Authority  
Regarding Approval of the Small Business Emergency  
Assistance Loan Program creation, with up to \$10 million to fund  
the program, and delegations to staff to administer the program.

WHEREAS, the Members of the New Jersey Economic Development Authority have been presented with and considered a Memorandum and attachment, in the forms attached hereto; and

WHEREAS, the Memorandum and attachment requested the Members to adopt a resolution authorizing certain actions by the New Jersey Economic Development Authority, as outlined and explained in said Memorandum.

NOW, THEREFORE, BE IT RESOLVED by the Members of the New Jersey Economic Development Authority as follows:

1. The actions set forth in the Memorandum and attachment, attached hereto, are hereby approved, subject to any conditions set forth as such in said Memorandum.

2. The Memorandum and attachment, attached hereto, is hereby incorporated and made a part of this resolution as though set forth at length herein.

3. This resolution shall take effect immediately, but no action authorized herein shall have force and effect until 10 days, Saturdays, Sundays, and public holidays excepted, after a copy of the minutes of the Authority meeting at which this resolution was adopted has been delivered to the Governor for his approval, unless during such 10-day period the Governor shall approve the same, in which case such action shall become effective upon such approval, as provided by the Act.

DATED: March 26, 2020

**EXHIBIT 2**



**MEMORANDUM**

**TO:** Members of the Authority

**FROM:** Tim Sullivan  
Chief Executive Officer

**DATE:** March 26, 2020

**RE:** Small Business Emergency Assistance Loan Program

**Summary**

The Members are asked to approve:

1. The creation of the Small Business Emergency Assistance Loan Program - a \$10 million pilot program to make direct low-cost financing available to cover operating expenses for New Jersey small businesses and non-profit organizations that have been adversely impacted by the COVID-19/novel coronavirus (“COVID-19”) outbreak.
2. NJEDA Economic Recovery Fund utilization of up to \$10 million to fund the Small Business Emergency Assistance Loan Program.
3. Delegation to Authority staff (Managing Director – Underwriting or Post Closing Financial Services and Senior Vice President of Finance and Development or Vice President - Operations) to approve individual applications to the Small Business Emergency Assistance Loan Program in accordance with the terms set forth in the attached program specifications.

**Background**

On March 9, 2020, Governor Phil Murphy issued Executive Order 103, declaring a State of Emergency and a Public Health Emergency to ramp up New Jersey’s efforts to contain the spread of COVID-19. Subsequent containment measures were announced and are continuing to be announced, including restrictions on public gatherings and limited operating hours for non-essential businesses. While these measures are consistent with similar measures being taken nationally that are expected to limit the public’s exposure to COVID-19, there is already and will continue to be an adverse economic impact on our nation’s economy. Within New Jersey, small businesses, and residents employed by these businesses, are facing economic challenges as businesses have difficulties meeting payroll obligations and supporting basic operating expenses

that are expected to increase during a prolonged period of restricted operation or closing. Without a source of immediate relief, small businesses are being forced to furlough or lay off employees.

In response to the economic challenges being faced by New Jersey small businesses, the Authority is requesting the Members' approval to create an emergency loan program that will make low-cost financing available to allow small businesses to cover operating expenses during this time and ensure continuity of operation until the COVID-19 outbreak is controlled to the point where normal operations can resume.

Through the Small Business Emergency Assistance Loan Program, the Authority is requesting the ability to provide direct loans to small businesses that can demonstrate negative impact as a result of COVID-19.

### **Program Details**

Under the Small Business Emergency Assistance Loan Program, small businesses and non-profit organizations in existence for at least one year before the date of application having less than \$5 million in annual revenue and a physical commercial location (not including home business locations) in New Jersey may be eligible for a direct loan of up to \$100,000. The revenue threshold will be measured using financial statements or tax returns of the applicant's fiscal year immediately prior to March 9, 2020. The entity must be able to demonstrate negative impact as a result of the COVID-19 outbreak, including, but not limited to: reduction of business hours, complete closure of business, at least a 20% decline in revenue, employees unable to work, required to close by government, or disruption of supply chain. To be eligible and approved for a direct loan, at the time of approval, entities must be in good standing with the New Jersey Department of Labor, registered to do business in New Jersey, and be able to receive tax clearance from the New Jersey Division of Taxation. These requirements must be met at approval for a loan request versus at application for a grant because the financial underwriting of a loan application includes the compliance check with the New Jersey Department of Labor and the New Jersey Division of Taxation, whereas a grant application will not be subject to a financial underwriting.

The applicant will complete a simplified debarment legal questionnaire, and debarment issues will be reviewed under existing delegated authority, including the delegated authority approved at the time of the Superstorm Sandy programs.

In recognition of the purpose of the financing and recognizing that entities facing these economic challenges can only benefit from financing that is low-cost and has flexible terms, the Authority has structured these loans with a 10-year term and amortization, with the first five years at a fixed interest rate of 0 percent, and the remaining five years at the NJEDA's prevailing interest rate floor (capped at 3.00%), with deferred repayments for 12 months, with delegation to staff to provide approval for an additional 6 months of deferral, if needed. The NJEDA's interest rate floor is fixed, only changed by the EDA per a policy decision, and not based on prevailing market conditions similar to a US Treasury rate.



Entities must be able to show a global debt service coverage ratio of 1.00 in the fiscal year prior to the Governor's issuance of Executive Order 103 on March 9, 2020. Financial statements provided may be CPA prepared, management prepared, or filed copies of business tax returns.

Unlimited personal guarantees of individuals having a 10% or more ownership in for-profit applicants and related entities will be required. Personal guarantees will not be applicable for non-profit organizations. Consistent with the approach that is being taken by the federal Small Business Administration in its emergency loans, the EDA will require the borrower to pledge all available collateral for the loan which may include real estate if available. No loans will be declined for a lack of collateral.

As part of the application for a Small Business Emergency Assistance Loan, the applicant's chief executive officer or equivalent officer must self-certify that the applying entity:

- Will make a best effort not to furlough or lay off any individuals from the time of application through six months after the end of the declared state of emergency. Entities that have already furloughed or laid off workers must make a best-effort pledge to re-hire those workers as soon as possible. Any material breach of its best efforts certification may result in the NJEDA seeking repayment of the grant.
- Has been negatively impacted by the COVID-19 declared state of emergency (e.g., has been temporarily shut down, has been required to reduce hours, has had at least a 20% drop in revenue, has been materially impacted by employees who cannot work due to the outbreak, or has a supply chain that has materially been disrupted and therefore slowed firm-level production)

Any material breach of its best efforts certification and requirements may result in the NJEDA seeking immediate repayment of the outstanding amount of the loan.

The Authority is working as quickly as possible to build out an automated application process that is equipped to handle what is expected to be substantial demand and application activity. Given the technological and processing challenges this presents, the Authority's expects an application to be available no later than the week of March 30, 2020. The Authority will publicize an application opening date through information on its website, its social media channels, and outreach to the media and stakeholders to make this information available to the public in advance of the application period opening. Applications that are complete will be considered on a first come, first serve rolling basis.

Due to financial hardship, there will be no fees associated with the Small Business Emergency Loan Program for the first five years of a loan, including application fees, and then standard modification fees will apply.

The attached product specifications further illustrate the program details and minimum eligibility requirements the applicant must meet to be considered for a loan.

In order to process application on an expedited manner, and consistent with delegation for other similar loan programs, staff requests delegation to Managing Director – Underwriting or Post Closing Financial Services and Senior Vice President of Finance and Development or Vice President - Operations to approve individual applications to the Small Business Emergency Assistance Loan Program in accordance with the terms set forth in the attached program specifications. Any declinations will be brought to the Board.

**Recommendation**

Approval is requested for: (1) the creation of the Small Business Emergency Assistance Loan Program to make low cost financing available to cover operating expenses for New Jersey small businesses that have been impacted by the COVID-19 outbreak; (2) NJEDA Economic Recovery Fund or NJEDA administrative budget utilization of up to \$10 million to fund the Small Business Emergency Assistance Loan Program for the purpose of providing direct loans to impacted businesses (3) Delegation to Authority staff (Managing Director – Underwriting or Post Closing Financial Services and Senior Vice President of Finance and Development or Vice President - Operations) to approve individual applications to the Small Business Emergency Assistance Loan Program in accordance with the terms set forth in the attached program specifications.



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Tim Sullivan  
Chief Executive Officer

**Attachments**

Exhibit A – Small Business Emergency Assistance Loan Program Specifications

<b>Small Business Emergency Assistance Loan Program Proposed Program Specifications</b>	
<b>Funding Source</b>	Up to \$10 million – NJEDA Economic Recovery Fund.
<b>Program Purpose</b>	To provide low-cost financing available to cover operating expenses and ensure continuity of operation for New Jersey small businesses and non-profit organizations that have been impacted by COVID-19.
<b>Eligible Applicants</b>	<p>Entities must be in existence for at least one full year and have \$5 million or less in annual revenue (as determined by financial statements from the fiscal year prior to March 9, 2020 – the declaration of emergency related to COVID-19 outbreak). Financial statements provided may be CPA prepared, management prepared, or filed copies of business tax returns.</p> <p>Prohibited businesses include, but are not limited to: gambling or gaming activities; the conduct or purveyance of “adult” (i.e., pornographic, lewd, prurient, obscene or otherwise similarly disreputable) activities, services, products or materials (including nude or semi-nude performances or the sale of sexual aids or devices); any auction or bankruptcy or fire or “lost-our-lease” or “going-out-of-business” or similar sales; sales by transient merchants, Christmas tree sales or other outdoor storage; ; any activity constituting a nuisance; or any illegal purposes.</p> <p>The entity must have a physical commercial location in the State of New Jersey (e.g., an office, a physical point of sales, a warehouse, manufacturing facility, etc.).</p> <ul style="list-style-type: none"> <li>• Home-based businesses are not eligible for this program.</li> </ul> <p>Non-profits entities with the follow designations will also be eligible for the Small Business Emergency Assistance Loan Program: 501(c)(3), 501(c)(4), and 501(c)(7).</p>

<b>Small Business Emergency Assistance Loan Program Proposed Program Specifications</b>	
<b>Eligible Applicants: (continued)</b>	<p>CEO/equivalent officer of the applying entity must self-certify that the firm:</p> <ul style="list-style-type: none"> <li>• Will make a best effort not to furlough or lay off any individuals from the time of application through six months after the end of the declared state of emergency. SMEs that have already furloughed or laid off workers must make a best-effort pledge to re-hire those workers as soon as possible. Any material breach of its best efforts certification may result in the NJEDA seeking repayment of the grant.</li> <li>• Has been negatively impacted by the COVID-19 declared state of emergency on March 9, 2020 (e.g., has been temporarily shut down, has been required to reduce hours, has had at least a 20% drop in revenue, has been materially impacted by employees who cannot work due to the outbreak, or has a supply chain that has materially been disrupted and therefore slowed firm-level production).</li> </ul> <p>Any material breach of its best efforts certification and requirements may result in the NJEDA seeking immediate repayment of the outstanding amount of the loan.</p> <p>Entity must be registered to do business in the State of New Jersey and have an up-to-date Tax Clearance Certificate from the New Jersey Department of Treasury at time of approval.</p> <p>Entity must be in good standing with the Department of Labor, with all decisions of good standing at the discretion of the Commissioner of the Department of Labor.</p>
<b>Eligible Uses</b>	<p>To be used as working capital to support business continuity for a range of COVID-19 related impacts to businesses (reduced revenue, employee shortage, supply chain impact, etc.)</p>

<b>Small Business Emergency Assistance Loan Program Proposed Program Specifications</b>	
<b>Application Process and Board Approval/ Delegated Authority</b>	<p>Applications will be accepted until all funding is exhausted or through the end of the declared emergency and public health emergency.</p> <p>Managing Director of Underwriting or Post Closing Financial Services, and Senior Vice President of Finance and Development or Vice President – Operations will approve projects for assistance under Delegated Authority. Activity will be reported monthly to the NJEDA Board.</p>
<b>Loan Amounts</b>	Up to \$100,000 direct loan
<b>Rates &amp; Terms</b>	<p>Term/Amortization: Up to 10 years</p> <p>Interest Rate: 0% fixed for first 5 years, NJEDA prevailing floor rate (capped at 3.00%) at the time of the rate reset for remaining five years.</p> <p>Deferred principal payments for 12 months, with a delegated approval for an additional 6 months, if needed.</p>
<b>Lien/Collateral/Security</b>	<p>Consistent with the approach that is being taken by the federal Small Business Administration in its emergency loans, the EDA will require the borrower to pledge all available collateral for the loan which may include real estate if available. This may include but is not limited to business assets, real properties, equipment, and personal assets. No loans will be declined for a lack of collateral.</p> <p>Guarantors: Unlimited personal guarantees of individuals having a 10% or more ownership in for-profit applicants and related entities will be required. Personal guarantees will not be applicable for non-profit organizations.</p> <p>Minimum Credit Score: 600 FICO for at least one guarantor.</p> <p>Minimum Global Debt Service Coverage Ratio (GDSCR) of 1.00x based on financial statements in the year prior to the declaration of emergency related to the COVID-19 outbreak (March 9, 2020).</p>

<b>Small Business Emergency Assistance Loan Program Proposed Program Specifications</b>	
<b>Fees</b>	<ul style="list-style-type: none"><li>• Due to financial hardship, there will be no fees associated with the Small Business Emergency Loan Program for the first five years of a loan, including application fees, and then standard modification fees will apply.</li></ul>

ADOPTED  
MAR 26 2020

Attachments

Resolution of the New Jersey Economic Development Authority  
Regarding Approval of the Small Business Emergency Assistance  
Guarantee Program creation with up to \$10 million to fund the  
Program and delegations to staff to administer the program.

WHEREAS, the Members of the New Jersey Economic Development Authority have been presented with and considered a Memorandum and attachments, in the forms attached hereto; and

WHEREAS, the Memorandum and attachment requested the Members to adopt a resolution authorizing certain actions by the New Jersey Economic Development Authority with regard to the Small Business Emergency Assistance Guarantee Program (“Program 3”), as outlined and explained in said Memorandum.

NOW, THEREFORE, BE IT RESOLVED by the Members of the New Jersey Economic Development Authority as follows:

1. The actions set forth in the Memorandum and attachment, attached hereto, regarding the Small Business Emergency Assistance Guarantee Program (“Program 3”) are hereby approved, subject to any conditions set forth as such in said Memorandum.

2. The sections regarding Background and the Small Business Emergency Assistance Guarantee Program (“Program 3”) in the Memorandum and the corresponding attachment, attached hereto, are hereby incorporated and made a part of this resolution as though set forth at length herein.

3. This resolution shall take effect immediately, but no action authorized herein shall have force and effect until 10 days, Saturdays, Sundays, and public holidays excepted, after a copy of the minutes of the Authority meeting at which this resolution was adopted has been delivered to the Governor for his approval, unless during such 10-day period the Governor shall approve the same, in which case such action shall become effective upon such approval, as provided by the Act.

DATED: March 26, 2020

**EXHIBIT 3**

ADOPTED  
MAR 26 2020

Attachments

Resolution of the New Jersey Economic Development Authority  
Regarding Approval of the Community Development Finance  
Institution (CDFI) Emergency Loan Loss Reserve Fund creation  
with up to \$10 million to fund the program and delegations to staff  
to administer the program.

WHEREAS, the Members of the New Jersey Economic Development Authority have been presented with and considered a Memorandum and attachments, in the forms attached hereto; and

WHEREAS, the Memorandum and attachment requested the Members to adopt a resolution authorizing certain actions by the New Jersey Economic Development Authority with regard to the Community Development Finance Institution (CDFI) Emergency Loan Loss Reserve Fund Program (“Program 2”), as outlined and explained in said Memorandum.

NOW, THEREFORE, BE IT RESOLVED by the Members of the New Jersey Economic Development Authority as follows:

1. The actions set forth in the Memorandum and attachment, attached hereto, regarding the Community Development Finance Institution (CDFI) Emergency Loan Loss Reserve Fund Program (“Program 2”) are hereby approved, subject to any conditions set forth as such in said Memorandum.

2. The sections regarding Background and the Community Development Finance Institution (CDFI) Emergency Loan Loss Reserve Fund Program (“Program 2”) in the Memorandum and the corresponding attachment, attached hereto, are hereby incorporated and made a part of this resolution as though set forth at length herein.

3. This resolution shall take effect immediately, but no action authorized herein shall have force and effect until 10 days, Saturdays, Sundays, and public holidays excepted, after a copy of the minutes of the Authority meeting at which this resolution was adopted has been delivered to the Governor for his approval, unless during such 10-day period the Governor shall approve the same, in which case such action shall become effective upon such approval, as provided by the Act.

DATED: March 26, 2020

**EXHIBIT 4**



ADOPTED  
MAR 26 2020

Attachments

Resolution of the New Jersey Economic Development Authority  
Regarding Approval of the Small Business Emergency Assistance  
Guarantee Program creation with up to \$10 million to fund the  
Program and delegations to staff to administer the program.

WHEREAS, the Members of the New Jersey Economic Development Authority have been presented with and considered a Memorandum and attachments, in the forms attached hereto; and

WHEREAS, the Memorandum and attachment requested the Members to adopt a resolution authorizing certain actions by the New Jersey Economic Development Authority with regard to the Small Business Emergency Assistance Guarantee Program (“Program 3”), as outlined and explained in said Memorandum.

NOW, THEREFORE, BE IT RESOLVED by the Members of the New Jersey Economic Development Authority as follows:

1. The actions set forth in the Memorandum and attachment, attached hereto, regarding the Small Business Emergency Assistance Guarantee Program (“Program 3”) are hereby approved, subject to any conditions set forth as such in said Memorandum.

2. The sections regarding Background and the Small Business Emergency Assistance Guarantee Program (“Program 3”) in the Memorandum and the corresponding attachment, attached hereto, are hereby incorporated and made a part of this resolution as though set forth at length herein.

3. This resolution shall take effect immediately, but no action authorized herein shall have force and effect until 10 days, Saturdays, Sundays, and public holidays excepted, after a copy of the minutes of the Authority meeting at which this resolution was adopted has been delivered to the Governor for his approval, unless during such 10-day period the Governor shall approve the same, in which case such action shall become effective upon such approval, as provided by the Act.

DATED: March 26, 2020

**EXHIBIT 5**



**MEMORANDUM**

**TO:** Members of the Authority

**FROM:** Tim Sullivan  
Chief Executive Officer

**DATE:** March 26, 2020

**RE:** Programs to mobilize private sector and non-profit capital to support New Jersey micro-, small-, and medium-sized businesses during the COVID-19 outbreak

**Summary**

The Members are asked to approve three program resolutions, each with a three-part approval:

**Program 1: Community Development Finance Institution (CDFI) Emergency Assistance Grant Program**

1. The creation of the CDFI Emergency Assistance Grant Program - a pilot program to make grants to CDFIs to support them to scale-up assistance to micro and small businesses negatively impacted by the COVID-19/novel coronavirus (“COVID-19”) outbreak. This program will provide much needed flexible support that either could offset incremental operating costs due to a surge in COVID-19 related lending or to enhance the CDFI’s loan offerings by buying down interest rates on COVID-19 business loans.
2. NJEDA Economic Recovery Fund or NJEDA general operating budget utilization of up to \$1.25 million to fund the CDFI Emergency Assistance Grant Program.
3. Delegation to Authority Staff (Managing Director of Business Development or Director of Small Business Services and Senior Vice President – Finance & Development) to approve applications from each CDFI

**Program 2: Community Development Finance Institution (CDFI) Emergency Loan Loss Reserve Fund**

1. The creation of the CDFI Loan Loss Reserve Fund (“the Fund”) - a pilot fund that will provide CDFIs the ability to leverage their resources and provide financial assistance to businesses impacted by the COVID-19 outbreak.
2. NJEDA Economic Recovery Fund or NJEDA unrestricted balance sheet of up to \$10 million to fund the CDFI Loan Loss Reserve Fund.
3. Delegation to Authority Staff (Managing Director of Underwriting and Senior Vice President – Finance & Development) to approve applications from CDFIs to opt into this Fund.

**Program 3: Small Business Emergency Assistance Guarantee Program**

1. The creation of the Small Business Emergency Assistance Guarantee Program - a \$10 million pilot program to make available one-year first loss guarantees of permanent working capital loans and lines of credit originated by Premier Lender banks (“PL”) and Premier Community Development Finance Institutions (“PCDFIs”) available to cover operating expenses for New Jersey small businesses and non-profit organizations that have been impacted by the COVID-19 outbreak.
2. NJEDA Economic Recovery Fund or NJEDA operating budget utilization of up to \$10 million to fund the Small Business Emergency Assistance Guarantee Program.
3. Delegation to Authority staff (Managing Director – Underwriting or Post Closing Financial Services, and Senior Vice President of Finance and Development or Vice President - Operations) to approve individual applications to the Small Business Emergency Assistance Guarantee Program in accordance with the terms set forth in the attached program specifications.

### **General Capital Mobilization Package Background**

On March 9, 2020, Governor Phil Murphy issued Executive Order 103, declaring a State of Emergency and a Public Health Emergency to ramp up New Jersey's efforts to contain the spread of COVID-19. Subsequent containment measures were announced and are continuing to be announced, including restrictions on public gatherings and limited operating hours for non-essential businesses.

While these measures are consistent with similar measures being taken nationally that are expected to limit the public's exposure to COVID-19, there is already and will continue to be an adverse economic impact on our nation's and our State's economy. Within New Jersey, small businesses, and residents employed by these businesses, are facing economic challenges as businesses have difficulties meeting payroll obligations and supporting basic operating expenses that are expected to increase during a prolonged period of restricted operation or closing. Without a source of immediate relief, small businesses are being forced to furlough or lay off employees.

Given the scale of the current economic disruption, the NJEDA and the State of New Jersey do not have the financial resources required to fully stabilize our economy and begin the process of recovery. In addition, given the speed at which intervention is needed to stabilize many small businesses in our economy, State government is likely also capacity constrained. Given this reality, the NJEDA is standing up programs that allow the Authority to put its funds to work in ways that catalyze and leverage additional outside funding and operational capacity. These funding sources include future federal emergency relief funds, private-sector capital within the corporate or banking sectors, non-profit financial institution capital, local government funds, and philanthropic funding.

The three programs described in this memo are specifically designed around this principle. The CDFI Emergency Assistance Grant Program and the CDFI Loan Loss Reserve Fund both look to help local community development finance institutions scale their lending to micro and small businesses, especially in communities and business segments that are traditionally underserved. The Small Business Emergency Guarantee Program similarly looks to catalyze and leverage both CDFI and private banking capital to support additional and lower-cost lending to New Jersey's small and medium-sized businesses.

When taken together, the \$20.3M allocated to these programs, most of which will initially remain on NJEDA's balance sheet, are likely to be leveraged up to three times, catalyzing up to \$60M of critical emergency financing to flow into an estimated 500-800 New Jersey small businesses.

**Program 1: Community Development Finance Institution (CDFI) Emergency Assistance Grant Program Background**

CDFIs are financial institutions that play a critical role in providing access to financing tools and resources to businesses and individuals that have difficulty accessing the traditional banking sector. All CDFIs are certified by the Community Development Financial Institutions Fund at the U.S. Department of Treasury for the purpose of providing credit and financial services to underserved markets and populations.

NJEDA has engaged in a series of conversations with CDFIs across the State to understand how the COVID-19 outbreak is impacting their operations and clients. It is clear that CDFIs are already experiencing extraordinary demand for assistance from small businesses. To meet these demands, CDFIs will need to take on expanded operating costs including, but not limited to, additional staff, investments in technology, marketing, and general administrative supplies.

Due to their smaller scale, CDFIs cost of raising capital is typically higher than larger financial institutions, making it difficult for these institutions to provide the low- or even zero-interest rate loans that their customers need to continue operating during this period of economic disruption.

To help support CDFIs deliver critical expertise and financial resources in this time of need, NJEDA Staff are requesting the ability to create a program that would provide grant funding to those CDFIs that routinely work with micro-enterprises and small businesses. These grants, in conjunction with the CDFI Loan Loss Reserve Fund (described below) are part of a coordinated strategy to create multiple channels within the State to support micro and small businesses that are impacted by the COVID-19 crisis.

The proposed grant funding is intended to help support CDFIs in two ways during the COVID-19 emergency:

1. Support the scale-up of the origination, technical support, and underwriting capacity of these CDFIs, including hiring staff; and
2. Allow the CDFIs to buy down interest rates on any COVID-19 related emergency working capital loan, thereby providing impacted businesses with lower-costs and more flexible financing.

As noted above, this program, together with the CDFI Loan Loss Reserve program, will be made available to the New Jersey CDFIs focused on providing micro and small business lending programs targeting underserved communities and underserved business segments. However, CDFIs that apply and receive this grant will not be eligible under the Small Business Emergency Assistance Loan Program.

**Program 1: Community Development Finance Institution (CDFI) Emergency Assistance Grant Program Details**

Under the CDFI Emergency Assistance Grant Program, the Authority will invite New Jersey-CDFIs to apply for up to \$250,000 of grant funding per entity.

Selection criteria will include the following, scored out of a total of 100 points with a minimum score of 80 points to qualify:

- Significant experience working with underserved small business segments. Additional consideration will be given for experience working on emergency assistance programs. – 20 points
- Demonstration of available capital that could be leveraged in COVID-19-related emergency low-cost and low-interest working capital loans – 20 points
- Significant experience working in communities and business segments underserved by the banking sector and other financial institutions - 20 points
- The quality of a plan that outlines the intended uses of the grant funding. These uses may include offsetting an increase in operating expenses associated with the COVID-19 emergency or buying down the cost of funding to allow lower cost loans for COVID-19 emergency loan programs. – 20 points
- Deep experience and focus on small business lending, as evidenced by having a significant portion of their lending portfolio be with small businesses. Additional consideration will be given for having a portion of their lending portfolio with emergency assistance programs. – 20 points

Applications will include a basic web-form questionnaire, a 1- to 3-page narrative of their plans for use of the funds, and disclosure of key financial metrics, such as availability of capital. Applicants will also need to provide tax clearance from NJ Treasury and be in good standing with Department of Labor.

The applicant will complete a simplified debarment legal questionnaire, and debarment issues will be reviewed under existing delegated authority, including the delegated authority approved at the time of the Superstorm Sandy programs.

Given the urgency of which funding and resources are needed by micro and small-businesses, applications will be reviewed and approved on a rolling basis and the program will be closed once the funding is exhausted.

Upon approval of the grant application from the Authority, the CDFI will receive disbursements of the funding from the Authority consistent with the uses described in their approved application.

The Members are requested to approve Delegated Authority for the Managing Director of Business Development or Director of Small Business Services, and Senior Vice President of Finance & Development to approve applications from the CDFIs for grant funding.

Upon approving a CDFI for the grant funding, the funding will be disbursed. Authority staff will require documentation on a quarterly basis validating the operational expenses or interest buy down for which the CDFI requested the grant disbursement. This documentation may include, but is not limited to: detailed invoices, statements, detailed receipts, or internal financial statements to support payroll costs and marketing costs. If the CDFI identifies that they will use the grant funding to lower rates, they will need to provide documentation on the impact the grant had on the rates.

A CDFI may receive a grant under this program and also participate in the Community Development Finance Institution (CDFI) Loan Loss Reserve Fund and the Small Business Emergency Assistance Guarantee Program (although those programs cannot be used for the same loan.)

**Program 2: Community Development Finance Institution (CDFI) Emergency Loan Loss Reserve Fund Background**

In response to the economic disruption caused by the COVID-19 outbreak, NJEDA Staff are also requesting the ability to create a CDFI Loan Loss Reserve Fund (“the Fund”). The Fund will sit on NJEDA’s balance sheet, but be available to be drawn down by CDFIs, if COVID-19 related working capital loans that fit within certain approved parameters (see below) default in the future.

By guaranteeing that a portion of potential future losses can be reimbursed, CDFIs are able to assign this class of emergency’s working capital loans lower internal risk ratings. By lowering the CDFI’s lower internal risk ratings, the Authority will enable the CDFIs to reserve less capital against potential future losses, thereby increasing the capital available to lend to other COVID-19 impacted businesses. In addition, lowering internal risk ratings will enable the CDFIs to offer lower interest rates on all COVID-19 related emergency loans.

It is worth noting that a Loan Loss Reserve Fund can functionally serve in a similar role as a partial loan guarantee, such as the guarantees offered through the proposed Small Business Emergency Assistance Guarantee Program (see below), which if approved would offer a first loss guarantee for Premier Lenders and Premier CDFIs.

However, there is an important administrative distinction between these two programs that is particularly relevant during the COVID-19 outbreak. For loan guarantee programs, NJEDA staff approve a partner CDFI to participate in the program and then independently underwrites each loan for which a Premier CDFI partners requests a guarantee. This is appropriate, even for smaller loans, during normal economic times.

The Loan Loss Reserve Fund, on the other hand, allows NJEDA to approve a CDFI to participate in the program while at the same time approving a set of loan parameters that would qualify for access to the Fund. If a loan originated by an approved CDFI fits within those parameters, NJEDA would not independently underwrite it. This allows for a significant increase in loan velocity and a reduced underwriting burden on the NJEDA staff. This is appropriate during the COVID-19 outbreak as NJEDA staff will be focused on independently underwriting both Premier Lender (traditional bank) guarantees and the Authority’s own emergency zero-interest loan program.

However, if the Members approve the Emergency Assistance Guarantee Program as well as this Loan Loss Reserve Fund, a CDFI that is eligible under both pilot programs cannot use both programs for the same loan but must select which program it would use on a loan-by-loan basis.

Using either program would not preclude a CDFI from availing itself of the Authority’s legacy programs, such as Loan to Lenders.



**Program 2: Community Development Finance Institution (CDFI) Emergency Loan Loss Reserve Fund Program Details**

To enhance the ability for CDFIs to provide assistance to micro and small business owners impacted by COVID-19, the Members are requested to approve the creation of a specific CDFI Loan Loss Reserve Fund with the utilization of up to \$10 million from the Economic Recovery Fund.

The program will provide a guarantee to CDFIs for working capital loans that are made after the date of the Governor's declaration of emergency that meet all the following criteria:

- Made to a company that certifies to the CDFI that it has been adversely impacted by the emergency (e.g., closed, reduced hours, 20% reduction in revenue, 25% reduction in staff availability, material disruptions to its supply chain);
- Focused on working capital needs of a micro or small business;
- Does not exceed \$75,000;
- Does not have an interest rate above 3.75%;
- Provide flexible loan structures (e.g. deferred payments, moratoriums or interest only for up to 6 months); and
- Does not exceed a term of five years.

The goal of the program is to provide credit support to the CDFIs, which will encourage them to leverage their current capital to make loans in this time of need.

The Authority will invite New Jersey CDFIs that focus on micro and small business lending programs to apply to participate in this program. The application will be on a rolling basis and will be evaluated first come, first serve based on a completed application. As part of the application process, each CDFI will request the amount of the guarantee, not to exceed \$2 million per CDFI and will need to:

1. Demonstrate that it has the operational and financial capacity to use the guarantee effectively;
2. Demonstrate 10 years of experience working with underserved business segments;
3. Demonstrate 10 years of experience working in communities underserved by other financial institutions;
4. Provide a description of its proposed COVID-19 working capital loan program, which must demonstrate that the CDFI serves the targeted borrowers described above; and
5. Demonstrate established underwriting criteria that will be utilized for their emergency loan programs, which must meet the above criteria.

The Authority may reject applications based on the above criteria, award the amount of guarantee fund requested, or award less than the requested amount, if it determines that the CDFI's capacity

and experience does not warrant the entire request. Applicants will also need to provide tax clearance from NJ Treasury and be in good standing with Department of Labor.

The applicant will complete a simplified debarment legal questionnaire, and debarment issues will be reviewed under existing delegated authority, including the delegated authority approved at the time of the Superstorm Sandy programs.

If, after the initial approvals to CDFIs, the total approved amount of the guarantees under the Loan Loss Reserve Fund is less than the program size of \$10 million, additional guarantee amounts can be approved for one or more of CDFIs that could result in the maximum guarantee exceeding \$2 million. To consider a guarantee amount exceeding the \$2 million limit, the Authority would require demonstration of availability of lending capital and ability to leverage the capital for the emergency loans through their programs.

As the generalized criteria are similar, applicants that have been previously approved for the emergency CDFI grant program (above) will be pre-approved to participate in this program. For those CDFIs, the Authority will reserve \$2M in Fund capital for each pre-approved applicant for up to 1-week as they prepare their Fund applications. These pre-approved applicants will only need to provide additional application information on the 4<sup>th</sup> and 5<sup>th</sup> criteria enumerated above. After this 1-week period, that capital will no longer be reserved for the pre-approved applicant, however the pre-approved applicant is still eligible to apply with a full program application.

If approved, the guarantee will allow the CDFI to leverage their own capital to lend to businesses that have been impacted by COVID-19 directly and are experiencing a financial hardship.

There are several unique features to the proposed guarantee:

- 1) The guarantee will not be approved by the Authority for a specific CDFI loan, but rather will be available to the CDFI to allocate among their eligible loans. The CDFI will determine which loans require the support of the guarantee, with the knowledge that the maximum amount the Authority will pay in the aggregate is limited to \$2 million, or the lesser amount for which they are approved. It is up to the CDFI to determine how many loans to attach to the guarantee, subject to the other requirements of this program.
- 2) The guarantee will be a first loss guarantee, meaning a) to the extent there is any collateral to be liquidated, the CDFI is made whole before EDA is repaid and b) to the extent the CDFI is repaid by the borrower, it is made whole before the EDA is repaid.
- 3) For each CDFI that is approved, the Authority will guarantee up to a maximum 50% of each individual loan, the exact percentage at the determination of the CDFI, for a maximum of five years. Again, regardless of the number of loans that are guaranteed, the Authority will never pay out more than the approved amount of the CDFI's approved loan loss reserve fund.
- 4) NJEDA is not undertaking any selection or review, including underwriting analysis of each loan. Each CDFI will utilize their own credit terms, underwriting practices, and application

processes for the administration of the loans backed by the Authority's guarantee. Upon approval of a loan, the CDFI will send the Authority notice of the approval, the percentage of guarantee the CDFI needs to make the loan, and the borrower's certification that it has been adversely affected by the emergency.

As with all guarantees, the EDA will hold the funds until they are drawn on. It is anticipated that all loans made by the CDFI will occur within one year of the declaration of emergency; the Loan Loss Reserve Fund will therefore expire after six years from the declaration of emergency. If NJEDA staff in consultation with approved CDFIs under this program determine that a one-year period is too short to fully support the economic recovery from this disaster, an extension request may be brought back up to the Members of the Board.

In all circumstances, the guarantee will not be called on unless a loan applicant related to this COVID-19 loan program goes into default. Before it may draw upon the guarantee, the CDFI must demand full repayment from the business and forward that demand to the Authority. Upon paying the guarantee, the Authority will require the CDFI use its best efforts to collect the debt and remit repayment to the Authority on a first loss basis.

The Members are requested to approve delegated authority for the Managing Director of Underwriting and Senior Vice President – Finance & Development to approve each CDFI application to the Fund, after which a commitment letter will be issued to the CDFI to notify the CDFI that they have secured the guarantee from the Authority. Following this, an agreement will be executed between the Authority and the CDFI to memorialize the commitment of funding. With this financial commitment from the Authority, CDFIs will create their own assistance programs to support businesses affected by COVID-19, per the parameters outlined above.

Because the Community Development Finance Institution (CDFI) Loan Loss Reserve Fund addresses financial hardship, the Members are requested to waive all fees for the program.

The material specifications of the program are set forth in the attached grid and, as in all EDA programs, staff will develop the documentation and further operational protocols associated with the program consistent with these material specifications.

### **Program 3: Small Business Emergency Assistance Guarantee Program Background**

Under normal economic circumstances, the Authority has loan and line of credit guarantee programs that enables banks and CDFIs to reduce their risk exposure on individual loan transactions. By lowering the partner bank or CDFI's internal risk exposure, we enable that partner to extend larger lines of credit and at lower terms to small and medium-sized companies that need financing.

In addition to engaging with the CDFI community during the COVID-19 outbreak (as noted above) NJEDA Staff have been in close contact with the broader New Jersey banking community. These conversations have consistently revealed a significant spike in request the need for working capital loans for businesses to deal with business disruptions during this crisis. While banks and CDFIs are better capitalized today than in previous economic crisis situations, there is still significant worry among business owners and policy makers that small and medium-sized business credit will be restricted in this time of uncertainty.

To reduce these potential credit restrictions and ensure New Jersey small businesses have access to the capital they need to maintain business continuity during the outbreak, NJEDA Staff are requesting the Members' approval to create a Small Business Emergency Guarantee Program, which will be a new component of the existing Premier Lender and Premiere CDFI programs.

Currently the Premier Lender Programs allows the Authority to provide guarantees on loans and lines of credit up to 50% up to \$1.5MM of Authority exposure for fixed assets or working capital and up to \$750,000 for a line of credit. The guarantee the Authority provides is *pari pasu*, which means that in the event of a default, the NJEDA would collect its pro rata share of any recovered capital at the same time as our banking partner. To access that program there is an application fee of \$1,000 and a guarantee fee not to exceed 0.5% of the guaranteed amount for the applicant.

Currently the Premier CDFI Programs allows the Authority to provide guarantees on loans and lines of credit up to 50% up to \$500,000 of Authority exposure for capital purchases and for working capital. The guarantee the Authority provides is *pari pasu*, which means that in the event of a default, the NJEDA would collect its pro rata share of any recovered capital at the same time as our banking partner. To access that program there is an application fee of \$300 and a guarantee fee not to exceed 0.5% of the guaranteed amount for the applicant.

Under the new Emergency Assistance Guarantee Program component, which will only be available during the declared period of emergency and the resulting economic recovery, the Authority would have the ability to make available an additional first loss guarantee of lines of credit and working capital loans provided through an NJEDA Premier Lender bank or Premier CDFI to businesses that can demonstrate negative impact as a result of COVID-19. These emergency working capital guarantees would have a cap of 50% exposure on any loan and would be capped at \$100,000. In addition, we would offer these guarantees at no fees to either the bank or the applicant.

We believe this expansion of credit capacity in the private sector marketplace enabled by this enhanced guarantee program could lead to as much as 30 million of additional loans available for impacted small businesses.

**Program 3: Small Business Emergency Assistance Guarantee Program Details**

Under the Small Business Emergency Assistance Guarantee Program, businesses and non-profit organizations in existence for at least one year, with \$5 million or less in annual revenue and a physical commercial location in New Jersey may be eligible for a one-year first loss guarantee of up to 50% (to a maximum amount of \$100,000) in the event of a payment default of a working capital loan or line of credit issued by a Premier Lender or Premier CDFI.

Unlike the proposed CDFI Loan Loss Reserve Fund (above), this program would continue to require that each individual transaction be underwritten and approved by the NJEDA. This is appropriate for loan guarantees with higher exposure to the Authority, even in this time of economic crisis.

As noted above, if the Members approve both the Emergency Assistance Guarantee Program as well as this Loan Loss Reserve Fund, a CDFI that is eligible under both pilot programs cannot use both programs for the same loan. It must select which program it would use on a loan-by-loan basis.

A CDFI that uses this program may also apply for the Community Development Finance Institution (CDFI) Emergency Assistance program, or if they do not receive that, a loan under the Small Business Emergency Assistance Loan Program.

Commercial Lenders and/or Community Development Finance Institutions can continue to apply to the NJEDA for Premier status, which will enable the lender to partner with the Authority on transactions involving participations and guarantees.

As part of the application process, staff reviews the underwriting policies and procedures to ensure they are commercially reasonable and meet the standards of the Authority. Upon a satisfactory review, staff will recommend approval to the Authority's Board. If approved, the Lender and/or CDFI can participate in the Authority's core programs, such as the Premier Lender Program or Premier CDFI Program, as part of the Authority's CDFI Initiative.

Currently the Authority has 24 Premier Lenders on the approved list and is the process of reviewing five Premier CDFI applications.

Unlike NJEDA's traditional pari passu guarantee, for this program the Authority position will be first loss, meaning the Authority will share on a subordinate basis in the Lender's interest in the collateral and will be repaid after the primary lender is made whole.

Due to financial hardship, there will be no application or closing fees associated with the Small Business Emergency Assistance Guarantee Program, then standard modification fees will apply, if applicable.

To be eligible and approved for a guarantee, at the time of approval, entities must be in good standing with the New Jersey Department of Labor and Workforce Development and be able to receive tax clearance from the New Jersey Division of Taxation. These requirements must be met at approval for a guarantee request versus at application for a grant because the financial underwriting of a guarantee application includes the compliance check with the New Jersey Department of Labor and the New Jersey Division of Taxation, whereas a grant application will not be subject to a financial underwriting.

Entities must be able to show a global debt service coverage ratio of 1.00 in the fiscal year prior to the Governor's issuance of Executive Order 103 on March 9, 2020. Financial statements provided may be CPA prepared, management prepared, or filed copies of business tax returns.

The applicant will complete a simplified debarment legal questionnaire, and debarment issues will be reviewed under existing delegated authority, including the delegated authority approved at the time of the Superstorm Sandy programs.

As part of the application for a Small Business Emergency Assistance Guarantee Program, the applicant's chief executive officer or equivalent officer must self-certify that the applying entity:

- Will make a best effort not to furlough or lay off any individuals from the time of application through six months after the end of the declared state of emergency. Entities that have already furloughed or laid off workers must make a best-effort pledge to re-hire those workers as soon as possible. Any material breach of its best efforts certification may result in the NJEDA seeking repayment of the grant.
- Has been negatively impacted by the COVID-19 declared state of emergency (e.g., has been temporarily shut down, has been required to reduce hours, has had at least a 20% drop in revenue, has been materially impacted by employees who cannot work due to the outbreak, or has a supply chain that has materially been disrupted and therefore slowed firm-level production)

Any material breach of its best efforts certification and requirements may result in a default under the guarantee.

The Members are requested to approve Delegation to Authority staff (Managing Director – Underwriting or Post Closing Financial Services, and Senior Vice President of Finance and Development) to approve individual applications to the Small Business Emergency Assistance Guarantee Program in accordance with the terms set forth in the attached program specifications.

**Recommendations:**

**Program 1: Community Development Finance Institution (CDFI) Emergency Assistance Grant Program**

The Members of the Board are requested to approve:

1. The creation of the CDFI Emergency Assistance Grant Program - a program that will provide CDFIs with up to \$250,000 in grant funding to cover increased operational expenses and better assist small and micro businesses that have been impacted by the COVID-19 outbreak;
2. NJEDA Economic Recovery Fund or NJEDA general operating budget utilization of up to \$1.25 million to fund the CDFI Grant Program; and
3. Delegation to Authority Staff (Managing Director of Business Development or Director of Small Business Services and Senior Vice President – Finance & Development) to approve applications from CDFIs.

**Program 2: Community Development Finance Institution (CDFI) Emergency Loan Loss Reserve Fund**

The Members of the Board are requested to approve:

1. The creation of the pilot CDFI Loan Loss Reserve Fund (“the Fund”) - a fund that will provide CDFIs the ability to leverage their resources and provide financial assistance to businesses impacted by the COVID-19 outbreak;
2. NJEDA Economic Recovery Fund utilization of up to \$10 million to fund the CDFI Loan Loss Reserve Fund; and
3. Delegation to Authority Staff (Managing Director of Underwriting and Senior Vice President – Finance & Development) to approve applications from CDFIs to opt into this Fund.

**Program 3: Small Business Emergency Assistance Guarantee Program**

The Members of the Board are requested to approve:

1. The creation of the Small Business Emergency Assistance Guarantee Program to make one-year first loss guarantees of permanent working capital loans and lines of credit from

Premier Lender banks and Premier Community Finance Development Institutions (PCDFIs);

2. NJEDA Economic Recovery Fund or NJEDA administration budget utilization of up to \$10 million to fund the Small Business Emergency Assistance Guarantee Program; and
3. Delegation to Authority staff (Managing Director – Underwriting or Post Closing Financial Services, and Senior Vice President of Finance and Development) to approve individual applications to the Small Business Emergency Assistance Guarantee Program in accordance with the terms set forth in the attached program specifications.



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Tim Sullivan  
Chief Executive Officer

Attachments:

- CDFI Emergency Assistance Grant Program Specifications
- CDFI Emergency Loan Loss Reserve Fund Specifications
- Small Business Emergency Assistance Guarantee Program Specifications



<b>CDFI Emergency Assistance Grant Program Proposed Program Specifications</b>	
<b>Funding Source</b>	\$1,250,000 – Economic Recovery Fund or NJEDA General Operating Budget
<b>Program Purpose</b>	The creation of the CDFI Emergency Assistance Grant Program - a pilot program to make grants to CDFIs to support them to scale up assistance to micro and small businesses negatively impacted by the COVID-19/novel coronavirus (“COVID-19”) outbreak. This program will provide much needed flexible support that either could offset incremental operating costs due to a surge in COVID-19 related lending or to enhance the CDFI’s loan offerings by buying down interest rates on COVID-19 business loans.
<b>Eligible Applicants</b>	<ul style="list-style-type: none"> <li>• Must be a NJ-based Community Development Finance Institutions (CDFIs) that has been in existence for at least 10 years.</li> <li>• Must be able to demonstrate they are a current CDFI through documentation provided by the U.S. Department of Treasury.</li> <li>• Must complete a simplified debarment legal questionnaire, and debarment issues will be reviewed under existing delegated authority, including the delegated authority approved at the time of the Superstorm Sandy programs.</li> <li>• Current NJ Tax Clearance Certificate</li> <li>• Verified in good standing with Department of Labor</li> <li>• Any CDFI that participates in this program is <b>not eligible</b> to participate in the Small Business Emergency Assistance Loan Program.</li> </ul> <p>CDFIs must be able to demonstrate the key factors:</p> <ul style="list-style-type: none"> <li>• Significant experience working with underserved small business segments. Additional consideration will be given for experience working on emergency assistance programs.</li> </ul>

<b>CDFI Emergency Assistance Grant Program Proposed Program Specifications</b>	
	<ul style="list-style-type: none"> <li>• Demonstration of available capital that could be leveraged in COVID-19-related emergency low-cost and low-interest working capital loans</li> <li>• Significant experience working in communities and business segments underserved by the banking sector and other financial institutions</li> <li>• The quality of a plan that outlines the intended uses of the grant funding. These uses may include offsetting an increase in operating expenses associated with the COVID-19 emergency or buying down the cost of funding to allow lower cost loans for COVID-19 emergency loan programs.</li> <li>• Deep experience and focus on small business lending, as evidenced by having a significant portion of their lending portfolio be with small businesses. Additional consideration will be given for having a portion of their lending portfolio with emergency assistance programs.</li> </ul>
<b>Eligible Uses</b>	<p>Grant funding can be used to:</p> <ul style="list-style-type: none"> <li>• Support the scale-up of the origination, technical support, and underwriting capacity of these CDFIs, including hiring staff; and</li> <li>• Allow the CDFIs to buy down interest rates on any COVID-19 related emergency working capital loan, thereby providing impacted businesses with lower-costs and more flexible financing.</li> </ul>
<b>Application Process</b>	<p>CDFIs will apply for the CDFI Grant Program through an online application. Applications will include a basic web-form questionnaire, a 1 to 3-page narrative of their plans for use of the funds, and disclosure of key financial metrics, such as availability of capital. Other necessary documentation will be identified and requested in the application. Given the urgency of which funding and resources are needed by micro and small-businesses, applications will be reviewed and approved on a rolling basis and the program will be closed once the funding is exhausted.</p>

<b>CDFI Emergency Assistance Grant Program Proposed Program Specifications</b>	
<b>Grant Amounts</b>	Each CDFI can qualify for up to \$250,000 in grant funds. Each CDFI approved for funding will have up to 12 months to utilize their grant funds.
<b>Funding Disbursement</b>	<p>Upon approval from the Authority for grant funding, the funding will be disbursed to the CDFI. Authority staff will require documentation on a quarterly basis validating the operational expenses or interest buy down for which the CDFI requested the grant disbursement. This documentation may include, but is not limited to: detailed invoices, statements, detailed receipts, or internal financial</p> <p>A CDFI may receive a grant under this program and also participate in the Community Development Finance Institution (CDFI) Loan Loss Reserve Fund and Small Business Emergency Assistance Guarantee Program.</p>
<b>Fees</b>	Due to financial hardship, no fees will be collected by the Authority for this program.
<b>Board Approval</b>	Delegation to Authority staff (Managing Director – Business Development or Director of Small Business Services, and Senior Vice President of Finance & Development) to approve individual applications.

<b>CDFI Emergency Loan Loss Reserve Program Proposed Program Specifications</b>	
<b>Funding Source</b>	\$10,000,000 – Economic Recovery Fund or NJEDA unrestricted balance sheet
<b>Program Purpose</b>	The creation of the CDFI Loan Loss Reserve Fund (“the Fund”) - a pilot fund that will provide CDFIs the ability to leverage their resources and provide financial assistance to businesses impacted by the COVID-19/novel coronavirus (“COVID-19”) outbreak. The Fund will sit on NJEDA’s balance sheet, but be available to be drawn down by CDFIs, if COVID-19 related working capital loans that fit within certain approved parameters (as stated in the memo) default in the future.
<b>Eligible Applicants</b>	<ul style="list-style-type: none"> <li>• Must be a NJ-based Community Development Finance Institutions (CDFIs).</li> <li>• Must be able to demonstrate they are a current CDFI through documentation provided by the U.S. Department of Treasury.</li> <li>• Must be able to demonstrate they have the capacity to create, underwrite, and approve <b>new</b> financial assistance (loan program) targeted to businesses effected by COVID-19 and that meet the defined parameters as stated in the memo.</li> <li>• Current NJ Tax Clearance Certificate</li> <li>• Verified in good standing with Department of Labor</li> <li>• CDFI must complete a simplified debarment legal questionnaire, and debarment issues will be reviewed under existing delegated authority, including the delegated authority approved at the time of the Superstorm Sandy programs.</li> <li>• CDFIs that are eligible under both the Small Business Emergency Assistance Guarantee Program and Loan Loss Reserve programs cannot use both programs for the same loan, and must select which program it would use on a loan-by-loan basis.</li> </ul>

<b>CDFI Emergency Loan Loss Reserve Program Proposed Program Specifications</b>	
	<ul style="list-style-type: none"> <li>• Using either program would not preclude a CDFI from availing itself of the Authority’s legacy programs, such as the Loans to Lenders component of the CDFI Initiative.</li> </ul>
<b>Eligible Uses</b>	<p>Loan guarantees are only applicable to new CDFI lending programs made after the date of declaration of emergency that:</p> <ul style="list-style-type: none"> <li>• Are made to a company that certifies to the CDFI that it has been adversely impacted by the emergency (e.g., closed, reduced hours, 20% reduction in revenue, 25% reduction in staff availability, material disruptions to its supply chain);</li> <li>• Are focused on working capital needs of a micro of small business;</li> <li>• Does not exceed \$75,000;</li> <li>• Does not have an interest rate above 3.75%;</li> <li>• Provides flexible loan structures (e.g. deferred payments, moratoriums or interest only for up to 6 months).</li> <li>• Does not exceed a term of five years.</li> </ul>
<b>Application Process</b>	<p>CDFIs that have previously been approved for the CDFI grant program will be pre-approved to opt into to the Fund via an EDA online application within a 1-week window. After this 1-week period, that capital will no longer be reserved for the pre-approved applicant, however the pre-approved applicant is still eligible to apply with a full program application.</p> <p>This application will require that each CDFI:</p> <ul style="list-style-type: none"> <li>• Demonstrate that it has the operational and financial capacity to use the guarantee effectively;</li> <li>• Demonstrate 10 years’ experience working with underserved business segments;</li> <li>• Demonstrate 10 years’ experience working in communities underserved by other financial institutions;</li> </ul>

<b>CDFI Emergency Loan Loss Reserve Program Proposed Program Specifications</b>	
<b>Application Process (continued)</b>	<ul style="list-style-type: none"> <li>• Provide a description of its proposed COVID-19 working capital loan program, which must demonstrate that the CDFI serves the targeted borrowers described above; and</li> <li>• Demonstrate established underwriting criteria that will be utilized for their emergency loan programs, which must meet the above criteria</li> </ul>
<b>Guarantee Amounts</b>	<ul style="list-style-type: none"> <li>• The Authority will evaluate each CDFI's total guarantee amount based on the application, need, and capacity for funding.</li> <li>• Total NJEDA amount to be committed, in aggregate, not to exceed \$10 million.</li> <li>• Each CDFI can participate up to \$2 million at time of application.</li> <li>• If, after the initial approvals to CDFIs, the total approved amount of the guarantees under the Loan Loss Reserve Fund is less than the program size of \$10 million, additional guarantee amounts can be approved for one or more CDFIs that could result in the maximum guarantee exceeding \$2 million. To consider a guarantee amount exceeding the \$2 million limit, the Authority would require demonstration of availability of lending capital and ability to leverage the capital for the emergency loans through their programs.</li> <li>• Prohibited businesses include, but are not limited to: gambling or gaming activities; the conduct or purveyance of "adult" (i.e., pornographic, lewd, prurient, obscene or otherwise similarly disreputable) activities, services, products or materials (including nude or semi-nude performances or the sale of sexual aids or devices); any auction or bankruptcy or fire or "lost-our-lease" or "going-out-of-business" or similar sale; sales by transient merchants, Christmas tree sales or other outdoor storage; any activity constituting a nuisance; or any illegal purposes.</li> </ul>

<b>CDFI Emergency Loan Loss Reserve Program Proposed Program Specifications</b>	
<b>Funding Disbursement</b>	Each approved CDFI will administer their own specific COVID-19 lending program. Should businesses default on their loan, the Master Guarantee Agreement will outline the process each CDFI should take to draw on the NJEDA’s guarantee of the defaulted loan.
<b>Fees</b>	Due to financial hardship, no fees will be collected by the Authority for this program.
<b>Board Approval</b>	Delegation to Authority staff (Managing Director of Underwriting and Senior Vice President – Finance & Development) to approve individual applications from CDFIs to opt into the Fund. Board to be updated on delegated authority approval activity.

<b>Small Business Emergency Assistance Guarantee Program Proposed Program Specifications</b>	
<b>Funding Source</b>	Up to \$10 million – Economic Recovery Fund or NJEDA unrestricted balance sheet
<b>Program Purpose</b>	To provide first loss guarantees of permanent working capital loans and lines of credit from Premier Lender banks and Premier Community Finance Development Institutions* to cover operating expenses for New Jersey small businesses and non-profit organizations that have been impacted by the COVID-19/novel coronavirus outbreak.
<b>Eligible Applicants</b>	<p>Entity must be in existence for at least one full year and have \$5 million or less in annual revenue (as determined by financial statements from fiscal year prior to March 9, 2020 – the declaration of emergency related to COVID-19 outbreak).</p> <p>Prohibited businesses include, but are not limited to: gambling or gaming activities; the conduct or purveyance of “adult” (i.e., pornographic, lewd, prurient, obscene or otherwise similarly disreputable) activities, services, products or materials (including nude or semi-nude performances or the sale of sexual aids or devices); any auction or bankruptcy or fire or “lost-our-lease” or “going-out-of-business” or similar sales; sales by transient merchants, Christmas tree sales or other outdoor storage; ; any activity constituting a nuisance; or any illegal purposes.</p> <p>The entity must have a physical commercial location in the State of New Jersey (e.g., an office, a physical point of sales, a warehouse, manufacturing facility, etc.).</p> <ul style="list-style-type: none"> <li>• No home-based businesses are eligible for this round of grant funding.</li> </ul> <p>Non-profits entities with the follow designations will also be eligible for the Small Business Emergency Assistance Guarantee Program: 501(c)(3), 501(c)(4), and 501(c)(7).</p>



<b>Small Business Emergency Assistance Guarantee Program Proposed Program Specifications</b>	
<b>Eligible Applicants (continued)</b>	<p>CEO/equivalent officer of the applying entity must self-certify that the firm:</p> <ul style="list-style-type: none"> <li>• Will make a best effort not to furlough or lay off any individuals from the time of application through six months after the end of the declared state of emergency. SMEs that have already furloughed or laid off workers must make a best-effort pledge to re-hire those workers as soon as possible.</li> <li>• Has been negatively impacted by the COVID-19 declared state of emergency on March 9, 2020 (e.g., has been temporarily shut down, has been required to reduce hours, has had at least a 20% drop in revenue, has been materially impacted by employees who cannot work due to the outbreak, or has a supply chain that has materially been disrupted and therefore slowed firm-level production)</li> </ul> <p>Any material breach of its best efforts certification may result in a default under the guarantee.</p> <p>Entities must be registered to do business in the State of New Jersey and have an up-to-date Tax Clearance Certificate from the New Jersey Department of Treasury at time of approval.</p> <p>Entities must be in good standing with the Department of Labor, with all decisions of good standing at the discretion of the Commissioner of the Department of Labor.</p> <p>Premier CDFIs that are eligible under both the Small Business Emergency Assistance Guarantee Program and Loan Loss Reserve programs cannot use both programs for the same loan, and must select which program it would use on a loan-by-loan basis.</p> <p>Using either program would not preclude a CDFI from availing itself of the Authority’s legacy programs, such as the Loans to Lenders component of the CDFI Initiative.</p>

<b>Small Business Emergency Assistance Guarantee Program Proposed Program Specifications</b>	
<b>Eligible Uses</b>	Provide a guarantee to Premier Lenders or Premier CDFIs that will issue working capital loans or letters of credit to support business continuity for a range of COVID-19 related impacts to businesses (reduced revenue, employee shortage, supply chain impact, etc.)
<b>Application Process and Board Approval/ Delegated Authority</b>	<ul style="list-style-type: none"> <li>• Applications will be accepted until all funding is exhausted or until the COVID-19 outbreak is controlled to the point where there is no longer a need for the emergency program.</li> <li>• Managing Director of Underwriting or Post Closing Financial Services, and Senior Vice President of Finance and Development or Vice President – Operations will approve projects for assistance under Delegated Authority. Activity will be reported monthly to the NJEDA Board.</li> </ul>
<b>Guarantee Amount</b>	50% guarantee of Premier Lender or CDFI permanent working capital loan or line of credit, not to exceed total NJEDA exposure of \$100,000.
<b>Lien/Collateral/Security</b>	<ul style="list-style-type: none"> <li>• Collateral provided to secure the loan with a maximum loan to value of 100%. Collateral may include but is not limited to business assets, real properties, equipment, and personal assets.</li> <li>• Guarantors: All individuals or entities having ownership of 10% or more of the applicant and related entities. This does not apply for not-for-profit organizations.</li> <li>• Minimum Credit Score: 600 FICO for at least one guarantor.</li> <li>• Minimum Global Debt Service Coverage Ratio (GDSCR) of 1.00x based on financial statements in the year prior to the declaration of emergency related to the COVID-19 outbreak (March 9, 2020).</li> </ul>

<b>Small Business Emergency Assistance Guarantee Program Proposed Program Specifications</b>	
<b>Fees</b>	<ul style="list-style-type: none"><li>• Due to financial hardship, there will be no application or closing fees associated with the Small Business Emergency Assistance Guarantee Program, then standard modification fees will apply, if applicable.</li></ul>

\*Commercial Lenders and/or Community Development Finance Institutions can continue to apply to the NJEDA for Premier status, which will enable the lender to partner with the Authority on transactions involving participations and guarantees.

As part of the application process, staff reviews the underwriting policies and procedures to ensure they are commercially reasonable and meet the standards of the Authority. Upon a satisfactory review, staff will recommend approval to the Authority's Board. If approved, the Lender and/or CDFI can participate in the Authority's core programs, such as the Premier Lender Program or Premier CDFI Program, as part of the Authority's CDFI Initiative.

Currently the Authority has 24 Premier Lenders on the approved list and is the process of reviewing a number of Premier CDFI applications.

<b>Small Business Emergency Assistance Guarantee Program Proposed Program Specifications</b>	
<b>Funding Source</b>	Up to \$10 million – Economic Recovery Fund or NJEDA unrestricted balance sheet
<b>Program Purpose</b>	To provide first loss guarantees of permanent working capital loans and lines of credit from Premier Lender banks and Premier Community Finance Development Institutions* to cover operating expenses for New Jersey small businesses and non-profit organizations that have been impacted by the COVID-19/novel coronavirus outbreak.
<b>Eligible Applicants</b>	<p>Entity must be in existence for at least one full year and have \$5 million or less in annual revenue (as determined by financial statements from fiscal year prior to March 9, 2020 – the declaration of emergency related to COVID-19 outbreak).</p> <p>Prohibited businesses include, but are not limited to: gambling or gaming activities; the conduct or purveyance of “adult” (i.e., pornographic, lewd, prurient, obscene or otherwise similarly disreputable) activities, services, products or materials (including nude or semi-nude performances or the sale of sexual aids or devices); any auction or bankruptcy or fire or “lost-our-lease” or “going-out-of-business” or similar sale; carnivals, fairs, auctions, outdoor shows, kiosks, sales by transient merchants, Christmas tree sales or other outdoor sales or storage; a flea market, pawn shop, junkyard, automobile or boat display or sales, massage parlor, head shop or betting parlor; any activity constituting a nuisance; or any illegal purposes.</p> <p>Entities must be able to demonstrate negative impact on or after March 9, 2020 (declaration of emergency related to the COVID-19 outbreak), including, but not limited to:</p> <ul style="list-style-type: none"> <li>• reduction of business hours</li> <li>• complete closure of business</li> <li>• decline in revenue of at least 20%</li> <li>• employees unable to work</li> <li>• disruption of supply chain</li> </ul>

<b>Small Business Emergency Assistance Guarantee Program Proposed Program Specifications</b>	
	<p>The entity must have a physical commercial location in the State of New Jersey (e.g., an office, a physical point of sales, a warehouse, manufacturing facility, etc.).</p> <ul style="list-style-type: none"> <li>• No home-based businesses are eligible for this round of grant funding.</li> </ul> <p>Non-profit organizations are eligible.</p> <p>CEO/equivalent officer or owner of the entity must certify that the firm will make its best-effort not to furlough or lay off any individuals from the time of application through the end of the COVID-19 outbreak period; entities that have already furloughed or laid off workers must make a best-effort to re-hire those same workers as soon as possible; any material breach of its best efforts certification and requirements may result in a default under the guarantee.</p> <p>Entities must be registered to do business in the State of New Jersey and have an up-to-date Tax Clearance Certificate from the New Jersey Department of Treasury at time of approval.</p> <p>Entities must be in good standing with the Department of Labor, with all decisions of good standing at the discretion of the Commissioner of the Department of Labor.</p>
<b>Eligible Uses</b>	<p>Provide a guarantee to Premier Lenders or Premier CDFIs that will issue working capital loans or letters of credit to support business continuity for a range of COVID-19 related impacts to businesses (reduced revenue, employee shortage, supply chain impact, etc.)</p>
<b>Application Process and Board Approval/ Delegated Authority</b>	<ul style="list-style-type: none"> <li>• Applications will be accepted until all funding is exhausted or until the COVID-19 outbreak is controlled to the point where there is no longer a need for the emergency program.</li> <li>• Managing Director of Underwriting or Post Closing Financial Services, and Senior Vice President of Finance and Development will approve projects for assistance under</li> </ul>

<b>Small Business Emergency Assistance Guarantee Program Proposed Program Specifications</b>	
	Delegated Authority. Activity will be reported monthly to the NJEDA Board.
<b>Guarantee Amount</b>	50% guarantee of Premier Lender or CDFI permanent working capital loan or line of credit, not to exceed total NJEDA exposure of \$100,000.
<b>Lien/Collateral/Security</b>	<ul style="list-style-type: none"> <li>• Collateral provided to secure the loan with a maximum loan to value of 100%. Collateral may include but is not limited to business assets, real properties, equipment, and personal assets.</li> <li>• Guarantors: All individuals or entities having ownership of 10% or more of the applicant and related entities. This does not apply for not-for-profit organizations.</li> <li>• Minimum Credit Score: 600 FICO for at least one guarantor.</li> <li>• Minimum Global Debt Service Coverage Ratio (GDSCR) of 1.00x based on financial statements in the year prior to the declaration of emergency related to the COVID-19 outbreak (March 9, 2020).</li> <li>• Risk Rating: Based on the EDA’s existing risk rating model.</li> </ul>
<b>Fees</b>	<ul style="list-style-type: none"> <li>• Due to financial hardship, there will be no fees associated with the Small Business Emergency Assistance Guarantee Program for the first five years, including application fees, and then standard modification fees will apply.</li> </ul>

\*Commercial Lenders and/or Community Development Finance Institutions can continue to apply to the NJEDA for Premier status, which will enable the lender to partner with the Authority on transactions involving participations and guarantees.

As part of the application process, staff reviews the underwriting policies and procedures to ensure they are commercially reasonable and meet the standards of the Authority. Upon a satisfactory review, staff will recommend approval to the Authority’s Board. If approved, the

Lender and/or CDFI can participate in the Authority's core programs, such as the Premier Lender Program or Premier CDFI Program, as part of the Authority's CDFI Initiative.

Currently the Authority has 24 Premier Lenders on the approved list and is the process of reviewing a number of Premier CDFI applications.

ADOPTED  
MAR 26 2020

Attachments

Resolution of the New Jersey Economic Development Authority  
Regarding Approval of the NJ Startup Entrepreneur Support  
Program Creation With up to \$5 Million to Fund the Program,  
and Delegations to Staff to Administer the Program.

WHEREAS, the Members of the New Jersey Economic Development Authority have been presented with and considered a Memorandum and attachment, in the forms attached hereto; and

WHEREAS, the Memorandum and attachment requested the Members to adopt a resolution authorizing certain actions by the New Jersey Economic Development Authority, as outlined and explained in said Memorandum.

NOW, THEREFORE, BE IT RESOLVED by the Members of the New Jersey Economic Development Authority as follows:

1. The actions set forth in the Memorandum and attachment, attached hereto, are hereby approved, subject to any conditions set forth as such in said Memorandum.
2. The Memorandum and attachment, attached hereto, is hereby incorporated and made a part of this resolution as though set forth at length herein.
3. This resolution shall take effect immediately, but no action authorized herein shall have force and effect until 10 days, Saturdays, Sundays, and public holidays excepted, after a copy of the minutes of the Authority meeting at which this resolution was adopted has been delivered to the Governor for his approval, unless during such 10-day period the Governor shall approve the same, in which case such action shall become effective upon such approval, as provided by the Act.

DATED: March 26, 2020

**EXHIBIT 6**





**MEMORANDUM**

**TO:** Members of the Authority

**FROM:** Tim Sullivan  
Chief Executive Officer

**DATE:** March 26, 2020

**RE:** NJ Entrepreneur Support Program – COVID19

**Summary**

The Members are asked to approve:

1. The creation of the NJ Entrepreneur Support pilot program to help support New Jersey entrepreneurs with limited funding to navigate COVID-19 related cashflow constraints by giving them access to investor support. The program will create a guarantee to support repayment of any investor loan advanced for working capital purposes.
2. NJEDA Economic Recovery Fund (“ERF”) utilization of up to \$5 million to fund the NJ Startup Entrepreneur Support pilot program.
3. Delegation to Authority staff (Director of Technology & Life Sciences Operations or Executive Vice President for Technology, Life Sciences & Entrepreneurship) to approve individual applications to the NJ Startup Entrepreneur Support in accordance with the terms set forth below.

**Background**

History has shown us that some of the prominent companies can trace their roots to a time when there was an economic recession and these companies were critical to U.S. job creation. A 2009 Kauffman Foundation study found that more than half of the Fortune 500 companies were launched in a market recession. Several well-known companies can attribute their start and growth to a time of recession, including: Adobe (1982), CNN (1980) Disney (1923) Hewlett-Packard (1939) IBM (1896), and Microsoft (1975). These companies are all significant employers in the US economy today.

On March 9, 2020, Governor Phil Murphy issued Executive Order 103 (“EO103”), declaring a State of Emergency and a Public Health Emergency to ramp up New Jersey’s efforts to contain the spread of the COVID-19/novel coronavirus (“COVID-19”). Subsequent containment measures were announced and are continuing to be announced, including restrictions on public gathering and limited operating hours for non-essential businesses. While these measures are consistent with similar measures being taken nationally that are expected to limit the public’s exposure to COVID-19, there will be an adverse economic impact on our State’s and our nation’s economy.

As the State of New Jersey seeks to develop emergency resources to address financial hardships of many sectors of the economy, startup entrepreneurs and their unique challenges should be considered with respect to how we assist New Jersey’s economy in an environment impacted by the effects of COVID-19.

Given the inability of New Jersey startup entrepreneurs to secure traditional bank financing, particularly in times of crisis, the financial support of angel investors, venture capital firms, and other similar investment entities is the lifeblood that drives the innovation economy and New Jersey entrepreneurship. These startups, generally with fewer than 25 employees, often incur losses while building their business and are extremely susceptible to market fluctuations. Sales cycles for these companies are often inconsistent at best, while employee costs for scaling their businesses continue to grow.

The immediate impact of the COVID-19 outbreak and necessary containment measures is already being felt by so many of these companies with delayed purchasing decisions. This is further impacted by the recent dramatic decline in the financial markets impacting the liquidity of the very investors who are critical to funding the startups; hence, the ability for investors to support the short-term cash needs of New Jersey entrepreneurial companies is uncertain.

Further, these businesses generally do not have access to traditional banking institutions, and most will not qualify for SBA or other contemplated State emergency funding given the nature of their business. In more traditional funding scenarios, personal guarantees are required – yet for companies with outside investors, a personal guarantee from venture capital funds and investors who own material equity positions is not available. These companies therefore will look to their current investors for support.

The NJ Entrepreneur Support Program, as outlined below, will stem a potential cash shortfall due unique market conditions caused by the COVID-19 outbreak. This program will provide an inflow of \$6.25 million of capital to New Jersey startup entrepreneurs at a time when it is critical to restore confidence into the market and support short-term cash flow needs in a quick timeframe by working with investors. With this \$5 million capitalization of the initial program pool, and assuming an investor makes an average investment of \$150,000, the expectation is that over 40 New Jersey companies can be supported through this initiative. The recommendation herein also considers the Governor and Legislature’s recent expansion of the Angel investor Tax Credit Program and has established this guarantee amount to provide appropriately-sized surety to the investment community at a volatile time. Finally, in recognition of the risk that the Authority is taking on to encourage liquidity to this part of the economy, the

NJ Entrepreneur Support Program provides a small amount of financial upside to the Authority if the investors see an upside opportunity and convert the note.

### **Program Details**

The NJ Entrepreneur Support Program will create a guarantee to support repayment of any investor loan advanced for working capital purposes. Investors can include, but are not limited to, individuals, trusts, and corporations. Current qualified investors, defined as having already provided funding to a New Jersey to the startup company business through a SAFE (simple agreement for equity), convertible note or equity investment as of March 9th, 2020 (the date of the Governor's EO 103) can receive an 80% NJEDA guarantee, not to exceed \$200,000/company, for a new bridge loan/convertible note into a NJ business. Qualified investors are not required to be New Jersey residents.

A New Jersey startup company is defined as having a minimum of 50% of employees in New Jersey, as reported on their NJ WR-30, at year end 2019 with less than 25 total employees and under \$5 million in trailing 12-month revenues, a corporate headquarters in New Jersey (including at least one C suite member with a principal office in New Jersey), must be aligned with the innovation economy goals in the Governor's October 2018 Economic Development Plan and have a valid New Jersey tax clearance certificate from the Division of Taxation and be in good standing with the NJ Department of Labor and Workforce Development (DOL) at time of application and at time of any payment events (see below). All determinations of DOL good standing will be at the discretion of the Commissioner of the DOL.

To be eligible for the 80% guarantee, the bridge loan/convertible note must have a minimum of a one-year maturity, be unsecured, and cannot have any current payment requirements (principal or interest) in year one. The note must be dated as of March 26<sup>th</sup> (program approval date) -or later and supporting evidence of cash funding will be required. Investors that notify the Authority that the notes are being made in reliance of the program will be eligible for consideration of a guarantee, retroactive to the date of the note. In the event the investor converts the note, it may be eligible for the New Jersey's Angel Investor Tax Credit Program if all program eligibility is met (20% or 25% based on program guidelines). If the investor converts the note to equity, the Authority will be provided with a warrant for 20% of the guarantee amount, under the same pricing as the investor's conversion pricing on the Authority's standard warrant form.

The applicant will complete a simplified debarment legal questionnaire, and debarment issues will be reviewed under existing delegated authority, including the delegated authority approved at the time of the Superstorm Sandy programs.

The total funding pool for the program will be \$5 million, and completed applications from investors for guarantees will be considered on a first serve basis, including the ability to consider multiple guarantees per company towards the \$200,000 company exposure cap.

In the event the company goes out of business and has filed a certificate of dissolution or the New Jersey business does not have the liquidity to repay the note at the one-year anniversary of the note, and the note *has not converted*, the Authority shall payout on the guarantee to the investor within six months upon written demand and satisfactory review by staff of supporting documentation. In this scenario, the NJEDA will work with the Department of Treasury to ensure the investor does not have any outstanding tax liabilities before making a payment. Liquidity will be measured by the greater of: the average cash on the balance sheet of the company for the last three months prior to the note maturity, or the three-month average cash flow on the cash flow statement for the last three months prior to the note maturity. In the event the Authority pays out on a guarantee and a business has not been dissolved, the investor will assign their note to the Authority.

Due to financial hardship, there will be no fees associated with the NJ Entrepreneur Support Program for the first five years of a loan, including application fees, and then standard modification fees will apply.

**Recommendation**

Approval is requested for the following: (1) The creation of the NJ Entrepreneur Support pilot program to help support New Jersey entrepreneurs with limited funding to navigate COVID-19 related cashflow constraints by giving them access to investor support; (2) NJEDA Economic Recovery Fund utilization of up to \$5 million to fund the NJ Entrepreneur Support pilot program (3) Delegation to Authority staff (Director of Technology & Life Sciences Operations or Executive Vice President for Technology, Life Sciences & Entrepreneurship) to approve individual applications to the NJ Entrepreneur Support in accordance with the terms set forth above.



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Tim Sullivan  
Chief Executive Officer

Prepared by: Kathleen Coviello

<b>NJ Entrepreneur Support Program – COVID19 Proposed Program Specifications</b>	
<b>Funding Source:</b>	Up to \$5 million – NJEDA Economic Recovery Fund or NJEDA administrative budget.
<b>Program Purpose:</b>	To encourage investment from the investor community to provide new funding for NJ entrepreneurial businesses in which they are already an investor, by providing a guarantee to support repayment of an investor loan advanced for working capital that has been impacted by COVID-19.
<b>Eligible Applicants:</b>  <b>NJ Startup Company:</b>	<p>Both the NJ Startup Business and the Investor must meet the program requirements as detailed below:</p> <ul style="list-style-type: none"> <li>• Have a minimum of 50% of employees in New Jersey, as reported on their NJ WR-30, at year end 2019</li> <li>• Less than 25 total employees at the time of application</li> <li>• Under \$5 million in trailing 12-month revenues</li> <li>• A corporate headquarters in New Jersey (including at least one C suite member with a principal office in New Jersey)</li> <li>• Aligned with the innovation economy goals in the Governor’s October 2018 Economic Development Plan</li> <li>• A valid New Jersey tax clearance certificate from the Division of Taxation</li> <li>• Good standing with and NJ Workforce Development (DOL) at time of application and at time of any payment events with all decisions of good standing at the discretion of the Commissioner of the Department of Labor.</li> <li>• Prohibited businesses include, but are not limited to: gambling or gaming activities; the conduct or purveyance of “adult” (i.e., pornographic, lewd, prurient, obscene or otherwise similarly disreputable) activities, services, products or materials (including nude or semi-nude performances or the sale of sexual aids or devices); any auction or bankruptcy or fire or “lost-our-lease” or “going-out-of-business” or similar sales; sales by transient merchants, Christmas tree sales or other outdoor storage; ; any activity constituting a nuisance; or any illegal purposes.</li> </ul>

<b>NJ Entrepreneur Support Program – COVID19 Proposed Program Specifications</b>	
<b>Investor:</b>	<ul style="list-style-type: none"> <li>• Investors can include, but are not limited to, individuals, trusts, and corporations.</li> <li>• Current qualified investors, defined as having already provided funding to a New Jersey startup company business (eligible applicant) through a SAFE (simple agreement for equity), convertible note or equity investment as of March 9th, 2020 (the date of the Governor’s EO 103)</li> <li>• Qualified investors are not required to be New Jersey residents</li> </ul>
<b>Eligible Uses:</b>	To be used as working capital to support a NJ Entrepreneurial business
<b>Application Process and Board Approval/ Delegated Authority:</b>	<ul style="list-style-type: none"> <li>• Applications will be accepted until all funding is exhausted on a First-come, basis.</li> <li>• Director of Technology &amp; Life Science (TLS) Operations or Executive Vice President Technology, Life Sciences &amp; Entrepreneurship - will approve projects for assistance under Delegated Authority. Activity will be reported monthly to the NJEDA Board.</li> </ul>
<b>Guarantee Amount:</b>	80% of investment amount, not to exceed \$200,000 per NJ Company

<b>NJ Entrepreneur Support Program – COVID19 Proposed Program Specifications</b>	
<p><b>Conditions on Qualifying Investor Notes:</b></p>	<ul style="list-style-type: none"> <li>• The original note must have a minimum of a one-year maturity</li> <li>• The note must be unsecured</li> <li>• The note cannot have any current payment requirements (principal or interest) in year one.</li> <li>• The note must be dated as of March 26<sup>th</sup> (program approval date) -or later. Investors that notify the Authority that the notes are being made in reliance of the program will be eligible for consideration of a guarantee, retroactive to the date of the note</li> <li>• The investor must supply evidence of funding(cash) to the NJ company</li> <li>• In the event the investor chooses to convert the note, it may be eligible for New Jersey’s Angel Investor Tax Credit Program if all program eligibility is met (20% or 25% based on program guidelines).</li> <li>• In the event the investor converts the note to equity, the Authority will be provided with a warrant for 20% of the guarantee amount from the company, under the same pricing as the investor’s conversion pricing on the Authority’s standard warrant form.</li> </ul>
<p><b>Lien/Collateral/Security:</b></p> <p><b>Guarantee Payout Conditions:</b></p>	<p>Not Applicable</p> <ul style="list-style-type: none"> <li>• In the event the company goes out of business and has filed a certificate of dissolution the NJEDA will payout on the guarantee within 6 months upon written demand and satisfactory review by staff of supporting documentation.</li> <li>• At the one year anniversary of the note, if the New Jersey business does not have the liquidity to repay the note, and the note <i>has not converted</i>, the Authority shall payout on the guarantee to the investor within six months upon written demand and satisfactory review by staff of supporting documentation.                         <ul style="list-style-type: none"> <li>○ In this scenario, the NJEDA will work with the Department of Treasury to ensure the investor does not have any outstanding tax liabilities before making a payment</li> </ul> </li> </ul>

<b>NJ Entrepreneur Support Program – COVID19 Proposed Program Specifications</b>	
<b>Guarantee Payout Conditions: (continued)</b>	<ul style="list-style-type: none"> <li>○ Liquidity will be measured by the greater of: the average cash on the balance sheet of the company for the last three months prior to the note maturity, or the three-month average cash flow on the cash flow statement for the last three months prior to the note maturity.</li> </ul> <p>In the event the Authority pays out on a guarantee and a business has not been dissolved, the investor will assign their note to the Authority.</p>
<b>Fees:</b>	<ul style="list-style-type: none"> <li>• Due to financial hardship, there will be no fees associated with the NJ Entrepreneur Support Program for the first five years of a loan, including application fees, and then standard modification fees will apply.</li> </ul>



ADOPTED  
MAR 26 2020

Attachments

Resolution of the New Jersey Economic Development Authority  
Regarding Approval of the delegating post-closing approvals  
to support businesses impacted by the COVID-19 pandemic.

WHEREAS, the Members of the New Jersey Economic Development Authority have been presented with and considered a Memorandum and attachment, in the forms attached hereto; and

WHEREAS, the Memorandum and attachment requested the Members to adopt a resolution authorizing certain actions by the New Jersey Economic Development Authority, as outlined and explained in said Memorandum.

NOW, THEREFORE, BE IT RESOLVED by the Members of the New Jersey Economic Development Authority as follows:

1. The actions set forth in the Memorandum and attachment, attached hereto, are hereby approved, subject to any conditions set forth as such in said Memorandum.

2. The Memorandum and attachment, attached hereto, is hereby incorporated and made a part of this resolution as though set forth at length herein.

3. This resolution shall take effect immediately, but no action authorized herein shall have force and effect until 10 days, Saturdays, Sundays, and public holidays excepted, after a copy of the minutes of the Authority meeting at which this resolution was adopted has been delivered to the Governor for his approval, unless during such 10-day period the Governor shall approve the same, in which case such action shall become effective upon such approval, as provided by the Act.

DATED: March 26, 2020

**EXHIBIT 7**



**MEMORANDUM**

**TO:** Members of the Authority

**FROM:** Tim Sullivan  
Chief Executive Officer

**DATE:** March 26, 2020

**RE:** Credit Delegations to support businesses impacted by the COVID-19 pandemic

**Request:**

The Members are requested to approve an immediate 3-month payment moratorium, expanded post-closing credit delegations and waiver of certain fees to support businesses impacted by the COVID-19 pandemic.

**Background:**

On March 9, 2020, as part of the state's coordinated response to address the novel coronavirus outbreak, Governor Phil Murphy issued Executive Order 103, declaring a State of Emergency and a Public Health Emergency, to contain the spread of COVID-19.

The Authority's loan and guarantee portfolio currently consists of 329 loans to small and mid-sized businesses totaling \$208 million presently. The various industries supported include but are not limited to manufacturers, wholesalers, retailers, restaurants and marinas. Each of these industries are now being immediately impacted by the economic disruption caused by the COVID-19 pandemic.

As the COVID-19 pandemic and measures to contain it continue to unfold, NJ businesses are experiencing the financial impact from shrinking revenues, closures and layoffs. The Authority's staff has already received requests from credit portfolio customers asking EDA for assistance. It is anticipated that businesses will continue to experience cashflow problems for the coming months and will need debt relief and access to new financing.

Beginning in July 2003, the Members have delegated authority to staff for certain financing and incentive approvals to create servicing efficiencies for our customers and our business. Credit delegations have been used judiciously to meet customer's evolving financing needs over the life

of the loan, including extending loan balloon maturities, amending collateral, among others, within certain parameters. All delegated post-closing approvals are reported to board quarterly.

To help small businesses cope with the widespread economic impact of the COVID-19 pandemic containment measures, we are recommending expanded delegations to provide quick cash flow relief and to facilitate business access to funding for working capital to continue operations and employment in the New Jersey. Additionally, to reduce the financial burden on the businesses, staff is recommending that late fees and loan modification request fees related to the economic disruption caused by the COVID-19 pandemic be waived through September 30, 2020.

### **1. Payment Moratoria and Loan Maturity Extensions**

Staff is requesting Members' approval for three-month moratoria on principal and interest payments on all direct loans, technology and life science loans and premier lender participation loans (if approved by the agent bank) in EDA's loan portfolio which are not presently delinquent more than 120 days and/or where EDA is not in active litigation. If approved, this portfolio wide moratorium will be effective immediately, and staff will promptly inform all borrowers of this moratorium without a need for any borrower to request it.

Currently, staff [Level 4: Director] can approve an initial 6-month payment moratorium for all loans at the request of the business or agent bank with subsequent moratoria requiring Board action. To meet the anticipated needs of businesses impacted by the economic disruption caused by COVID-19 pandemic, the Members are asked to approve an expanded delegation to staff for approving payment moratoria. Staff is requesting delegated authority for the Program Manager – Loan Servicing to approve, upon request of the borrower, the following:

- a) An additional moratorium up to three more months with a financial hardship certification from the borrower. This certification must be signed by the Borrower's Chief Executive Officer or equivalent and the hardship must be related to Executive Order 103.
- b) An additional moratorium of principal and/or interest payments up to six months (12 months in total) if the borrower continues to demonstrate an inability to service debt, through a staff review of the company's financial statements and Borrower certification of financial hardship.
- c) For Premier Lender participation loans, staff is requesting delegated authority to match agent bank's principal and/or interest moratoria up to 12 months on participation loans to provide cashflow relief.
- d) An extension of the loan maturity, or re-amortization of the principal balance, can be approved for a similar term to avoid balloon payments at the end of the term, subject to restrictions by program (ex. SBL).

## **2. Subordinations**

Staff is requesting delegated authority for the Program Manager – Loan Servicing with Managing Director (Post Closing Financial Services or Underwriting) to approve for all loans, where EDA is not in active litigation, or greater than 120 days delinquent in payments, collateral releases, subordinations and substitutions (on business assets) for loans when requested, for businesses adversely impacted by COVID-19, necessary to obtain working capital financing where the Authority’s primary collateral is not impacted, or the collateral being released/subordinated represents less than 10% of the present collateral value.

The requested delegations above may be approved without meeting the debt service coverage ratio and loan to value ratios required for existing delegated authority approval. This is recommended as the companies seeking relief may not be operating profitably and/or be able to demonstrate required DSCR due to the impact of the economic disruption caused by the COVID-19.

## **3. Fee Waivers**

Under the fee waiver provision in the Authority’s regulations, the CEO may seek approval for certain waivers from the Members and may seek delegated authority for “a Director, authority to waive late fees when the cause for the late fee is beyond the control of the borrower.”

Accordingly, the Authority CEO is requesting delegated authority for the Program Manager – Loan Servicing to approve waiver of late fees through September 30, 2020. Additionally, the CEO is seeking approval from the Members for waivers of all loan modification request fees in the same circumstances; the Program Manager – Loan Servicing will be responsible for reviewing loan modification fee waiver requests to determine that the waiver is related to the economic disruption caused by the COVID-19 pandemic.

## **Recommendation:**

Approval is requested to delegate post-closing approvals to staff as described above to support businesses impacted by the COVID-19 pandemic. All actions taken under delegated Authority will continue to be reported to the Members quarterly.



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Tim Sullivan  
Chief Executive Officer