

**Micro Business Loan Program – Program Enhancements**  
**Revised Proposed Program Specifications**  
**July 14, 2020**

<p><b>Funding Source</b></p>	<p>Up to \$10,000,000 – USED A Revolving Loan Fund or NJEDA Economic Recovery Fund. To the degree that the Authority has the ability to use USED A funding along the program parameters exactly as described herein, USED A funding would be the primary funding source, with NJEDA Economic Recovery Fund used only if USED A funding cannot be used.</p> <p>\$3.5 million of total funding amount will be reserved for businesses located in an eligible NJ Opportunity Zone census tract.</p>
<p><b>Program Purpose</b></p>	<p>To provide low-cost financing with flexible terms to micro businesses and early stage businesses in New Jersey.</p>
<p><b>Eligible Applicants</b></p>	<p>The following entities are eligible for financing under the Micro Business Loan Program:</p> <ul style="list-style-type: none"> <li>• For-profit business, with a business location in New Jersey</li> <li>• Non-profit organization located in New Jersey, formed/incorporated and in operation for at least two years prior to date that application is made available to the public.</li> <li>• Home-based business located in New Jersey and formed/incorporated and in operation for at least two years prior to date that application is made available to the public.</li> <li>• Startups, defined as businesses formed/incorporated and in operation for no less than six months and no greater than one year from date application is made available to the public, that can provide a business plan and 5-year projections.</li> </ul> <p>All entities must meet the following requirements to be eligible under the Micro Business Loan Program:</p> <ul style="list-style-type: none"> <li>• To the extent that the business has annual revenues in most recent fiscal year, the revenue must be less than \$1,500,000.</li> <li>• At time of application, entity cannot have more than 10 full-time employees in total. All employees must work in New Jersey. There is no minimum employee number.</li> </ul> <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;</p>

**Micro Business Loan Program – Program Enhancements**  
**Revised Proposed Program Specifications**  
**July 14, 2020**

	<p>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 the NJEDA seeking immediate repayment of the outstanding amount of the loan.</p> <p>Entity must satisfy Taxation’s requirement to ensure that the entity does not have tax debts due to the State. This may be accomplished through 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>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>Limit of one application per employer identification number (EIN). Entities with multiple EINs will be permitted to submit one application per EIN. Businesses with multiple locations but only one EIN will be limited to one application (under the sole EIN).</p>
<p><b>Eligible Uses</b></p>	<ul style="list-style-type: none"> <li>• Inventory</li> <li>• Purchase of equipment (note that certain equipment installation is considered a construction contract that requires payment of prevailing wage)</li> <li>• Working capital to fund business operating expenses</li> <li>• For home-based businesses, loan proceeds cannot be used for any residential costs (i.e. home mortgage/lease payments)</li> </ul>
<p><b>Application Process and Board Approval/ Delegated Authority</b></p>	

**Micro Business Loan Program – Program Enhancements**  
**Revised Proposed Program Specifications**  
**July 14, 2020**

	<ul style="list-style-type: none"> <li>• Applications will be reviewed on a rolling basis (first-come, first-served as applications are completed) until all funds are committed or program expires (3 years). <ul style="list-style-type: none"> <li>• Managing Director of Underwriting, Senior Vice President of Finance and Development, or Vice President of Business Operations will approve projects for assistance under Delegated Authority. Activity will be reported monthly to the NJEDA Board.</li> <li>• Entities whose applications are denied will have the right to appeal. Appeals must be filed within the timeframe set in the declination letter (which must be at least 3 days but no longer than 10 days). A Senior Vice President will designate Hearing Officers who will review the applications, the appeals, and any other relevant documents or information. The Hearing Officer will recommend a final administrative decision.</li> <li>• The delegated authority requested for approval also includes the delegated authority to decline for any declinations based solely on non-discretionary reasons. For final administrative decisions based solely on non-discretionary reasons, delegated authority is requested for approval by a Senior Vice President, Vice President, Managing Director, or the Director Legal Affairs.</li> <li>• Entities applying for a Micro Business Loan 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.</li> </ul> </li> </ul>
<b>Loan Amounts</b>	Up to \$50,000
<b>Rates &amp; Terms</b>	<ul style="list-style-type: none"> <li>• Standard 10 year term, with the ability to increase to 15 years if needed in order to meet the 1.00x global debt service coverage ratio requirement.</li> <li>• The interest rate will 2 percent for this program, set at approval, however no interest and no payment due for the first three years.</li> </ul>

**Micro Business Loan Program – Program Enhancements  
Revised Proposed Program Specifications  
July 14, 2020**

	<ul style="list-style-type: none"> <li>• 10% of the total approved loan amount will be forgiven if the business is open and operating 12 months after closing date.</li> </ul>
<b>Lien/Collateral/Security</b>	<ul style="list-style-type: none"> <li>• Loans of \$25,000 or less will be unsecured</li> <li>• For loans of greater than \$25,000:             <ul style="list-style-type: none"> <li>○ NJEDA will accept various forms of collateral for the full loan amount. EDA may look to place liens on any new equipment purchases including rolling stock, blanket lien on personal/business assets, residential or investment property to meet the collateral requirement.</li> <li>○ Maximum loan to value of 100% for secured loans</li> </ul> </li> <li>• Guarantors: All individuals or entities having ownership of 10% or more of the applicant and related entities. This requirement does not apply to non-profits.</li> <li>• Minimum Credit Score: 600 FICO for at least one guarantor.</li> <li>• Minimum Global Debt Service Coverage Ratio (GDSCR) of 1.00x.             <ul style="list-style-type: none"> <li>○ If a 1.00x is not achieved based on the historical financial statements of the business and/or any recurring outside income of the owners, then the applicant may provide a projections and narrative assumptions that illustrate the ability to meet a minimum of 1.00x in the fiscal year after the payment moratorium ends.</li> </ul> </li> <li>• Risk Rating: expected to be substandard. If the risk rating is found to support an override to a lower risk rating, then staff will do so to reflect the appropriate rating.</li> </ul>
<b>Fees</b>	<p>Due to current business interruption that has caused significant financial hardship, any associated fees (application or otherwise) will be waived for the program for 3 months from the date/time the application is opened.</p> <p>Following the three-month period, should funding still be available, the Micro Business Loan Program will utilize the following fee structure:</p> <ul style="list-style-type: none"> <li>• Application Fee: \$300</li> <li>• Commitment Fee: 0.5% of the loan amount</li> </ul>

**Micro Business Loan Program – Program Enhancements**  
**Revised Proposed Program Specifications**  
**July 14, 2020**

	<ul style="list-style-type: none"><li>• Closing Fee: 0.5% of the loan amount</li></ul>
<b>Disbursement</b>	Approved loan amount to be fully disbursed upon closing.