

# ASSEMBLY FINANCIAL INSTITUTIONS COMMITTEE

## STATEMENT TO

### **ASSEMBLY, No. 2692**

with committee amendments

# **STATE OF NEW JERSEY**

DATED: MARCH 3, 1997

The Assembly Financial Institutions Committee reports favorably and with committee amendments Assembly Bill No. 2692.

This bill, as amended, would permit a financial institution authorized to make commercial loans to obtain a debt-repayment interest in certain Class C retail liquor licenses to secure repayment of an obligation of a licensee to the lender. In order to obtain such an interest, the lender must be eligible to be a licensee and must apply and be approved by the issuing authority. The application procedure would be the same as for any person wishing to have an interest in a license approved. Once approved, the debt-repayment interest is perfected and enforceable. The rights of a holder of a debt-repayment interest are limited to the right to transfer the license upon default of the licensee with respect to payment of an obligation to the holder. Upon default of an obligation to a holder by a licensee, the holder may: (1) have the license transferred to the holder in full satisfaction of the debt, provided that the holder has given notice at least 10 days in advance of the transfer to the division and the licensee; and (2) dispose of the license at a public or private sale with every aspect of the sale to be commercially reasonable. No transfer to a successful bidder shall be complete until that bidder is approved in the same manner as other person-to-person transfers are considered and approved. A holder of a debt-repayment interest is not responsible for violations of law or regulation committed by the licensee.

The bill requires the Division of Alcoholic Beverage Control to set up an index of all debt-repayment interests, indexed by the name of the licensee. This information is to be made available to the public upon application and payment of a fee to be set by the division by regulation. The division is authorized to promulgate regulations necessary to effectuate the provisions of this bill, including regulations establishing fees and adopting forms and procedures.

The committee amended the bill to limit the Class C retail licenses to which the bill would apply to a license which is issued and used for the operation of a hotel containing at least 50 sleeping rooms, for the operation of a restaurant, for the operation of a bowling establishment consisting more than 20 lanes or for premises within the grounds of an

international airport; to limit to one the number of debt-repayment interests permitted in a license at any time; and to delete language inconsistent with the two previous amendments.