

ASSEMBLY COMMERCE AND ECONOMIC DEVELOPMENT COMMITTEE

STATEMENT TO ASSEMBLY, No. 4330

with committee amendments

STATE OF NEW JERSEY

DATED: DECEMBER 14, 2020

The Assembly Commerce and Economic Development Committee reports favorably Assembly Bill No. 4330, with committee amendments.

This bill, as amended by the committee, would create the “Economic Emergency Investment Stabilization Program” for the purpose of authorizing the New Jersey Economic Development Authority (EDA) to make direct equity investments in businesses that have been financially harmed by a “major economic emergency.”

Under the bill, as amended, the EDA may enter into a “matching investment agreement” with a qualified business to invest between \$100,000 and \$1,000,000 in the business during a major economic emergency, and six months after the end of the major economic emergency. The bill directs the EDA to fund the program with: 1) amounts from the “Economic Recovery Fund”; 2) moneys received by the EDA from the prior sale of equity stakes in businesses under this program; and 3) other EDA moneys.

A business seeking EDA assistance under the bill must identify at least \$1 of new outside investment, within 90 days of submission of the business’s application, for each \$1 of investment that the business is seeking from the authority. The EDA may match the amount of new investments in a business, up to \$1 million, made during a funding round, however, EDAs total investment in a business is limited to a 25 percent overall equity stake in a business. An equity investment made by EDA under the bill must be on equal or better terms, for the authority, as those made by any of the outside investors. Under the bill, the EDA may only make an investment if it determines that the potential equity investment will be a material factor in the financial success or failure of the business during the major economic emergency, and that the business is likely, at the conclusion of the economic emergency, to return to a level of financial viability that will allow the authority to exit its equity stake without taking a loss on its investment. The bill, as amended, provides that EDA may maintain its investment in a business for no more than 10 years after the end of the major economic emergency, however, the bill authorizes EDA to

maintain its investment for a longer period of time if it was unable to sell its investment during the first 10 years without taking a loss, and the anticipated increase in value by holding the investment for more than 10 years exceeds the public benefit that would accrue from selling the investment and using the proceeds for some other eligible use of the “Economic Recovery Fund.” The bill, as amended, directs EDA, starting 12 months following the end of the major economic emergency, to start selling its equity investments under the bill, and to credit and deposit the proceeds therefrom to the “Economic Recovery Fund.”

COMMITTEE AMENDMENTS:

The committee amended the bill to clarify technical inconsistencies in the bill concerning: the name of the program created under the bill; and the amount of investment the authority may make in a business under the program, relative to other new outside investment lined up by the business seeking authority assistance.