

**Department of State
Division of Publications**

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For Department of State Use Only

Sequence Number: 09-04-13
Rule ID(s): SS23
File Date: 9/3/13
Effective Date: 2/28/14

Proposed Rule(s) Filing Form

Proposed rules are submitted pursuant to T.C.A. §§ 4-5-202, 4-5-207 in lieu of a rulemaking hearing. It is the intent of the Agency to promulgate these rules without a rulemaking hearing unless a petition requesting such hearing is filed within sixty (60) days of the first day of the month subsequent to the filing of the proposed rule with the Secretary of State. To be effective, the petition must be filed with the Agency and be signed by twenty-five (25) persons who will be affected by the amendments, or submitted by a municipality which will be affected by the amendments, or an association of twenty-five (25) or more members, or any standing committee of the General Assembly. The agency shall forward such petition to the Secretary of State.

Agency/Board/Commission:	Tennessee Department of Economic and Community Development
Division:	Division of Business and Industry Services (no longer exists)
Contact Person:	Sharon Kolb, ECD General Counsel
Address:	312 Rosa L. Parks Ave., 27 th Floor, Nashville, TN
Zip:	37243
Phone:	615-532-8988
Email:	Sharon.Kolb@tn.gov

Revision Type (check all that apply):

- Amendment
 New
 Repeal

Rule(s) Revised (ALL chapters and rules contained in filing must be listed here. If needed, copy and paste additional tables to accommodate multiple chapters. Please enter only ONE Rule Number/Rule Title per row)

Chapter Number	Chapter Title
0500-05-02	Enterprise Demonstration Project
Rule Number	Rule Title
0500-05-02-.01	Purpose and Scope
0500-05-02-.02	Definitions
0500-05-02-.03	Program Administration
0500-05-02-.04	Criteria for Loans
0500-05-02-.05	Application Requirements
0500-05-02-.06	Award of Enterprise Demonstration Project
0500-05-02-.07	Rules of Procedures

(Place substance of rules and other info here. Statutory authority must be given for each rule change. For information on formatting rules go to <http://state.tn.us/sos/rules/1360/1360.htm>)

Repeal:

Chapter 0500-05-02 Enterprise Demonstration Project is repealed.

Chapter 0500-05-02 provides rules and guidelines for the Enterprise Demonstration Project that was created in 1998. This project was a one-time demonstration project funded by the General Assembly in 1998 to be administered by the Department of Economic and Community Development. The Department reports that this project has not been funded since 1998 and is no longer active.

A copy of the present rules to be repealed is attached hereto as Attachment 1.

Authority: T.C.A. § 4-3-702(c).

* If a roll-call vote was necessary, the vote by the Agency on these rules was as follows:

Board Member	Aye	No	Abstain	Absent	Signature (if required)
Not applicable.					

I certify that this is an accurate and complete copy of proposed rules, lawfully promulgated and adopted by the Department of Economic and Community Development on 08/13/2013 (date as mm/dd/yyyy), and is in compliance with the provisions of T.C.A. § 4-5-222. The Secretary of State is hereby instructed that, in the absence of a petition for proposed rules being filed under the conditions set out herein and in the locations described, he is to treat the proposed rules as being placed on file in his office as rules at the expiration of sixty (60) days of the first day of the month subsequent to the filing of the proposed rule with the Secretary of State.

Date: 8-13-13

Signature: William F. Hagerty

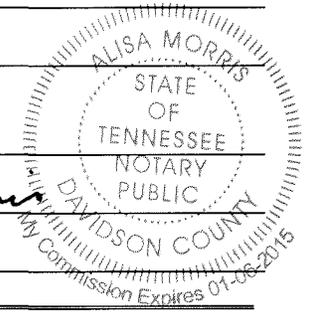
Name of Officer: William F. Hagerty

Title of Officer: Commissioner

Subscribed and sworn to before me on: August 13, 2013

Notary Public Signature: Alisa Morris

My commission expires on: 01-06-2015



All proposed rules provided for herein have been examined by the Attorney General and Reporter of the State of Tennessee and are approved as to legality pursuant to the provisions of the Administrative Procedures Act, Tennessee Code Annotated, Title 4, Chapter 5.

Robert E. Cooper, Jr.
Robert E. Cooper, Jr.
Attorney General and Reporter
8-27-13
Date

Department of State Use Only

Filed with the Department of State on: 9/3/13

Effective on: 2/28/14

Tre Hargett
Tre Hargett
Secretary of State

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Regulatory Flexibility Addendum

Pursuant to T.C.A. §§ 4-5-401 through 4-5-404, prior to initiating the rule making process as described in T.C.A. § 4-5-202(a)(3) and T.C.A. § 4-5-202(a), all agencies shall conduct a review of whether a proposed rule or rule affects small businesses.

(If applicable, insert Regulatory Flexibility Addendum here)

Not applicable.

Impact on Local Governments

Pursuant to T.C.A. §§ 4-5-220 and 4-5-228 "any rule proposed to be promulgated shall state in a simple declarative sentence, without additional comments on the merits of the policy of the rules or regulation, whether the rule or regulation may have a projected impact on local governments." (See Public Chapter Number 1070 (<http://state.tn.us/sos/acts/106/pub/pc1070.pdf>) of the 2010 Session of the General Assembly)

(Insert statement here)

Repeal of Chapter 0500-05-02 is not expected to have an impact on local governments.

Additional Information Required by Joint Government Operations Committee

All agencies, upon filing a rule, must also submit the following pursuant to T.C.A. § 4-5-226(i)(1).

- (A)** A brief summary of the rule and a description of all relevant changes in previous regulations effectuated by such rule;

Chapter 0500-05-02 of the Rules of the Department of Economic and Community Development provides rules and guidelines for the administration of the Enterprise Demonstration Project that was previously administered by the Department's now defunct Division of Business and Industry Services. This project was a one-time demonstration project funded by the General Assembly in 1998 to demonstrate the beneficial impact of capital enhancement by increasing the amount of capital available to small and minority business enterprises. The project was not funded again after 1998 and is no longer active. Repeal of this Chapter requires no modifications to previous regulations.

- (B)** A citation to and brief description of any federal law or regulation or any state law or regulation mandating promulgation of such rule or establishing guidelines relevant thereto;

Chapter 0500-05-02 is promulgated under the authority of T.C.A. § 4-3-702(c). No T.C.A. provision specifically mandates or establishes guidelines relevant to either the promulgation of the rules or the rules' repeal.

- (C)** Identification of persons, organizations, corporations or governmental entities most directly affected by this rule, and whether those persons, organizations, corporations or governmental entities urge adoption or rejection of this rule;

Repeal of these rules would not directly affect any parties, since this project was a one-time demonstration project, which was not funded after 1998 and which is no longer active.

- (D)** Identification of any opinions of the attorney general and reporter or any judicial ruling that directly relates to the rule;

We are unaware of any attorney general opinions or judicial rulings made that directly relate to these rules.

- (E)** An estimate of the probable increase or decrease in state and local government revenues and expenditures, if any, resulting from the promulgation of this rule, and assumptions and reasoning upon which the estimate is based. An agency shall not state that the fiscal impact is minimal if the fiscal impact is more than two percent (2%) of the agency's annual budget or five hundred thousand dollars (\$500,000), whichever is less;

This rule change (repeal) would have no effect on state or local government revenues or expenditures.

- (F)** Identification of the appropriate agency representative or representatives, possessing substantial knowledge and understanding of the rule;

Because the Division of Business and Industry Services no longer exists, there is no agency representative with substantial knowledge of the rules. However, ECD Internal Auditor, Judy Tribble, and ECD General Counsel, Sharon Kolb, have limited knowledge of these rules.

- (G)** Identification of the appropriate agency representative or representatives who will explain the rule at a scheduled meeting of the committees;

Sharon Kolb, ECD General Counsel

- (H)** Office address, telephone number, and email address of the agency representative or representatives who will explain the rule at a scheduled meeting of the committees; and

Sharon Kolb, 312 Rosa L. Parks Ave., 11th Floor, Nashville, TN 37243; 615-532-8988; Sharon.Kolb@tn.gov

(I) Any additional information relevant to the rule proposed for continuation that the committee requests.

Not applicable.

Attachment 1
Copy of Chapter 0500-05-02

**RULES
OF
TENNESSEE DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT
DIVISION OF BUSINESS AND INDUSTRY SERVICES**

**CHAPTER 0500-5-2
ENTERPRISE DEMONSTRATION PROJECT**

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0500-5-2-.01	Purpose and Scope	0500-5-2-.05	Application Requirements
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0500-5-2-.03	Program Administration	0500-5-2-.07	Rules of Procedure
0500-5-2-.04	Criteria for Loans		

0050-5-2-.01 PURPOSE AND SCOPE.

- (1) In 1998 Tennessee Public Acts, Chapter 1135, Section 41, Item 46, a sum of one million five hundred thousand dollars (\$1,500,000) was designated for the purpose of demonstrating the beneficial impact (as defined in Rule 0500-5-2-.02(1)) of capital enhancement by increasing the amount of capital available to small and minority business enterprises (as defined in Rule 0500-5-2-.02(6) and (8)) in Tennessee. Such funds shall be made available as a grant to a single qualifying organization (as defined in Rule 0500-5-2-.02(7)) and shall be combined with a minimum of one to one matching funds (as defined in Rule 0500-5-2-.02(5)), to be loaned to small and minority business enterprises (as defined in Rule 0500-5-2-.02(6) and (8)).
- (2) This Enterprise Demonstration Project shall be designated as a revolving loan fund program. As principal and interest is repaid to the qualifying organization (as defined in Rule 0500-5-2-.02(7)), the principal amount shall be added to the fund balance to be used by the qualifying organization (as defined in Rule 0500-5-2-.02(7)) for new loans to other small and minority business enterprises (as defined in Rule 0500-5-2-.02(6) and (8)) in Tennessee.
- (3) A maximum of two percent (2%) of the outstanding balance of the program funds may be utilized annually by the qualifying organization (as defined in Rule 0500-5-2-.02(7)) to pay the administrative expenses incurred to administer this program.
- (4) Loans made with program funds are subject to reviews by the Department of Economic and Community Development.
- (5) The qualifying organization (as defined in Rule 0500-5-2-.02(7)) awarded this Enterprise Demonstration Project grant must provide to the Department of Economic and Community Development annual audited financial statements prepared by an independent accounting firm as well as an annual report on the beneficial impact (as defined in Rule 0500-5-2-.02(1)) of capital enhancement on small and minority business enterprises (as defined in Rule 0500-5-2-.02(6) and (8)).
- (6) The award of this Enterprise Demonstration Project grant is to be determined by a majority vote from the Loan Committee (as defined in Rule 0500-5-2-.02(4)) of the Department of Economic and Community Development. The decision will be based on the proposals submitted by qualifying organizations (as defined in Rule 0500-5-2-.02(7)).

Authority: T.C.A. §4-3-702 and "Public Acts of 1998", Ch. 1135, §41, Item 46. Administrative History: Original rule filed February 23, 1999; effective June 28, 1999.

0500-5-2-.02 DEFINITIONS. The following definitions shall apply to these rules.

- (1) **Beneficial Impact** - The beneficial impact of the program shall be measured by the number of jobs created, increases in per capita income and the amount of capital investment in Tennessee.
- (2) **Commissioner** - The Commissioner of the Department of Economic and Community Development.
- (3) **Contract** - A legally binding agreement between the Department of Economic and Community Development and the qualifying organization that outlines the requirements for the project. The contract shall include the Department of Economic and Community Development's right to audit loans made with project funds; reporting requirements; conflict of interest provision; nondiscrimination provision; and such other provisions as the Commissioner deems to be necessary.
- (4) **Loan Committee** - The loan committee of the Department of Economic and Community Development, which is made up of 6 members of the department with positions of Assistant Commissioner or higher.
- (5) **One to One Matching Funds** - The qualifying organization shall provide a match of one million five hundred thousand dollars (\$1,500,000) to bring the Enterprise Demonstration Project funds to three million dollars (\$3,000,000). The matching funds shall be comprised of cash or securities that are easily convertible to cash.
- (6) **Minority Business** - A business which is solely owned, or at least fifty-one percent (51%) of the assets or outstanding stock of which is owned, by an individual who personally manages and controls the daily operations of such business, and who is impeded from normal entry into the economic mainstream because of race, religion, sex, or national origin, such business having annual gross receipts of less than four million dollars (\$4,000,000) and further, being located in and maintaining operations in Tennessee during the term of the loan made with funds from this program.
- (7) **Qualifying Organization** - Any organization licensed and regulated by the Federal Small Business Administration as a 301(d) Small Business Investment Company, also known as a Specialized Small Business Investment Company.
- (8) **Small Business** - A business with annual gross receipts of less than four million dollars (\$4,000,000) that is located in and maintains operations in Tennessee during the term of the loan made with funds from this program.

Authority: T.C.A. §4-3-702 and "Public Acts of 1998", Ch. 1135, §41, Item 46. **Administrative History:** Original rule filed February 23, 1999; effective June 28, 1999.

0500-5-2-.03 PROGRAM ADMINISTRATION.

- (1) The organization awarded the Enterprise Demonstration Project grant shall use program funds to make loans to small and minority business enterprises for the purpose of starting and expanding their business. The organization shall disburse the funds across all areas of the State of Tennessee, thereby expanding opportunities for small and minority businesses throughout Tennessee. The qualifying organization shall provide a monthly written report to the Department of Economic and Community Development on the amount of funds disbursed during the period, the amount of interest and principal repaid during the period, and the balance of the original \$1.5 million in program funds. The report shall also list the companies or individuals receiving loans with program funds along with, for each company, the original principal amount, the remaining principal owed, the monthly payment amount broken down into principal and interest, the current payment due date, the amount and date of the last payment, and such other information as the Commissioner deems necessary.

(Rule 0500-5-2-.03, continued)

Authority: T.C.A. §4-3-702 and "Public Acts of 1998", Ch. 1135, §41, Item 46. Administrative History: Original rule filed February 23, 1999; effective June 28, 1999.

0050-5-2-.04 CRITERIA FOR LOANS.

- (1) When evaluating applications for loans with Enterprise Demonstration Project funds, the qualifying organization shall follow prudent lending practices. The following additional criteria shall apply:
 - (a) **Maximum Loan Amount.** The maximum loan amount shall be three hundred thousand dollars (\$300,000).
 - (b) **Minimum Loan Amount.** The minimum loan amount shall be twenty-five thousand dollars (\$25,000).
 - (c) **Loan Interest Rate.** The interest rate that may be charged on loans made with program funds may be a fixed rate or a variable rate, provided that any such variable interest rate shall not exceed the maximum rate or fall below the minimum rate, as hereinafter defined, at any time.
 - (d) **Maximum Loan Interest Rate.** The maximum interest rate that may be charged on loans made with program funds is 2% over the "Prime Rate" as published in the Wall Street Journal on the day the loan is made.
 - (e) **Minimum Loan Interest Rate.** The minimum interest rate that may be charged on loans made with program funds is 2% below the "Prime Rate" as published in the Wall Street Journal on the day the loan is made.
 - (f) **Late Charges.** Late charges, as permitted by Tennessee law, may be imposed.
 - (g) **Term.** The maximum permitted repayment period for a loan is 10 years.
 - (h) **Collateral and Security.** Both business and personal collateral may be taken as security for a loan and may include real property, tangible personal property, accounts receivable, certificates of deposit, and other intangibles. The loans shall be secured with collateral with the maximum amount of coverage possible. A standard should be for the loan to be fully secured with collateral. Assets acquired with loan proceeds are generally expected to secure the loan.
 - (i) **Guaranty Agreement.** Personal guarantees from all principal owners shall be obtained. Principal owners are those who have a twenty percent (20%) or more ownership interest in the company.
 - (j) **Title Insurance.** A loan policy for title insurance is required on all real estate taken as collateral. The loan policy must be issued by a title insurance company for an amount equal to the maximum principal amount of the loan and shall insure that on the date of closing the qualifying organization's lien on the property is valid and enforceable and free of other liens and encumbrances other than those permitted and that title to the property is vested in the appropriate party.
 - (k) **Appraisals.** An appraisal must be obtained by a certified appraiser on all real estate taken as collateral to determine the true market value of the property.
 - (l) **Insurance.** Hazard and casualty insurance is required on all real estate and equipment taken as collateral. If the property is located in a flood zone, flood insurance is required also.

(Rule 0500-5-2-.04, continued)

- (m) Other. A survey or environmental study may be required on real estate taken as collateral. Any suspicions of easements, encroachments, or environmental problems shall require a survey and/or environmental study.

Authority: T.C.A. §4-3-702 and "Public Acts of 1998", Ch. 1135, §41, Item 46. Administrative History: Original rule filed February 23, 1999; effective June 28, 1999.

0500-5-2-.05 APPLICATION REQUIREMENTS.

- (1) Applicants for the Enterprise Demonstration Project must submit a proposal by May 1, 1999 to the Department of Economic and Community Development to be considered for the program. The proposal should at a minimum consist of a description of how the qualifying organization intends to use program funds to accomplish the purposes of the Enterprise Demonstration Project, a description of the organization with management profiles, plans for providing matching funds, proof of classification as a 301(d) Small Business Investment Company, a plan for representation throughout Tennessee, and a brief description of the organization's lending practices and requirements.

Authority: T.C.A. §4-3-702 and "Public Acts of 1998", Ch. 1135, §41, Item 46. Administrative History: Original rule filed February 23, 1999; effective June 28, 1999.

0500-5-2-.06 AWARD OF ENTERPRISE DEMONSTRATION PROJECT.

- (1) The award of the Enterprise Demonstration Project will take place after the effective date of these rules, at which time the qualifying organization will enter into a contract with the Department of Economic and Community Development to administer the project.

Authority: T.C.A. §4-3-702 and "Public Acts of 1998", Ch. 1135, §41, Item 46. Administrative History: Original rule filed February 23, 1999; effective June 28, 1999.

0500-5-2-.07 RULES OF PROCEDURE.

- (1) For Rules of Procedure for Hearing Contested Cases see Rules of the Secretary of State, Chapter 1360-1-7.

Authority: T.C.A. §4-3-702 and "Public Acts of 1998", Ch. 1135, §41, Item 46. Administrative History: Original rule filed February 23, 1999; effective June 28, 1999.

**RULES
OF
TENNESSEE DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT
DIVISION OF BUSINESS AND INDUSTRY SERVICES**

**CHAPTER 0500-5-2
ENTERPRISE DEMONSTRATION PROJECT**

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0500-5-2-.04	Criteria for Loans		

0050-5-2-.01 PURPOSE AND SCOPE.

- (1) ~~In 1998 Tennessee Public Acts, Chapter 1135, Section 41, Item 46, a sum of one million five hundred thousand dollars (\$1,500,000) was designated for the purpose of demonstrating the beneficial impact (as defined in Rule 0500-5-2-.02(1)) of capital enhancement by increasing the amount of capital available to small and minority business enterprises (as defined in Rule 0500-5-2-.02(6) and (8)) in Tennessee. Such funds shall be made available as a grant to a single qualifying organization (as defined in Rule 0500-5-2-.02(7)) and shall be combined with a minimum of one to one matching funds (as defined in Rule 0500-5-2-.02(5)), to be loaned to small and minority business enterprises (as defined in Rule 0500-5-2-.02(6) and (8)).~~
- (2) ~~This Enterprise Demonstration Project shall be designated as a revolving loan fund program. As principal and interest is repaid to the qualifying organization (as defined in Rule 0500-5-2-.02(7)), the principal amount shall be added to the fund balance to be used by the qualifying organization (as defined in Rule 0500-5-2-.02(7)) for new loans to other small and minority business enterprises (as defined in Rule 0500-5-2-.02(6) and (8)) in Tennessee.~~
- (3) ~~A maximum of two percent (2%) of the outstanding balance of the program funds may be utilized annually by the qualifying organization (as defined in Rule 0500-5-2-.02(7)) to pay the administrative expenses incurred to administer this program.~~
- (4) ~~Loans made with program funds are subject to reviews by the Department of Economic and Community Development.~~
- (5) ~~The qualifying organization (as defined in Rule 0500-5-2-.02(7)) awarded this Enterprise Demonstration Project grant must provide to the Department of Economic and Community Development annual audited financial statements prepared by an independent accounting firm as well as an annual report on the beneficial impact (as defined in Rule 0500-5-2-.02(1)) of capital enhancement on small and minority business enterprises (as defined in Rule 0500-5-2-.02(6) and (8)).~~
- (6) ~~The award of this Enterprise Demonstration Project grant is to be determined by a majority vote from the Loan Committee (as defined in Rule 0500-5-2-.02(4)) of the Department of Economic and Community Development. The decision will be based on the proposals submitted by qualifying organizations (as defined in Rule 0500-5-2-.02(7)).~~

Authority: T.C.A. §4-3-702 and "Public Acts of 1998", Ch. 1135, §41, Item 46. *Administrative History:* Original rule filed February 23, 1999; effective June 28, 1999.

0500-5-2-.02 DEFINITIONS. The following definitions shall apply to these rules.

- (1) ~~Beneficial Impact~~—The beneficial impact of the program shall be measured by the number of jobs created, increases in per capita income and the amount of capital investment in Tennessee.
- (2) ~~Commissioner~~—The Commissioner of the Department of Economic and Community Development.
- (3) ~~Contract~~—A legally binding agreement between the Department of Economic and Community Development and the qualifying organization that outlines the requirements for the project. The contract shall include the Department of Economic and Community Development's right to audit loans made with project funds; reporting requirements; conflict of interest provision; nondiscrimination provision; and such other provisions as the Commissioner deems to be necessary.
- (4) ~~Loan Committee~~—The loan committee of the Department of Economic and Community Development, which is made up of 6 members of the department with positions of Assistant Commissioner or higher.
- (5) ~~One to One Matching Funds~~—The qualifying organization shall provide a match of one million five hundred thousand dollars (\$1,500,000) to bring the Enterprise Demonstration Project funds to three million dollars (\$3,000,000). The matching funds shall be comprised of cash or securities that are easily convertible to cash.
- (6) ~~Minority Business~~—A business which is solely owned, or at least fifty one percent (51%) of the assets or outstanding stock of which is owned, by an individual who personally manages and controls the daily operations of such business, and who is impeded from normal entry into the economic mainstream because of race, religion, sex, or national origin, such business having annual gross receipts of less than four million dollars (\$4,000,000) and further, being located in and maintaining operations in Tennessee during the term of the loan made with funds from this program.
- (7) ~~Qualifying Organization~~—Any organization licensed and regulated by the Federal Small Business Administration as a 301(d) Small Business Investment Company, also known as a Specialized Small Business Investment Company.
- (8) ~~Small Business~~—A business with annual gross receipts of less than four million dollars (\$4,000,000) that is located in and maintains operations in Tennessee during the term of the loan made with funds from this program.

Authority: T.C.A. §4-3-702 and "Public Acts of 1998", Ch. 1135, §41, Item 46. Administrative History: Original rule filed February 23, 1999; effective June 28, 1999.

0500-5-2-.03 PROGRAM ADMINISTRATION.

- (1) ~~The organization awarded the Enterprise Demonstration Project grant shall use program funds to make loans to small and minority business enterprises for the purpose of starting and expanding their business. The organization shall disburse the funds across all areas of the State of Tennessee, thereby expanding opportunities for small and minority businesses throughout Tennessee. The qualifying organization shall provide a monthly written report to the Department of Economic and Community Development on the amount of funds disbursed during the period, the amount of interest and principal repaid during the period, and the balance of the original \$1.5 million in program funds. The report shall also list the companies or individuals receiving loans with program funds along with, for each company, the original principal amount, the remaining principal owed, the monthly payment amount broken down into principal and interest, the current payment due date, the amount and date of the last payment, and such other information as the Commissioner deems necessary.~~

(Rule 0500-5-2-.03, continued)

Authority: T.C.A. §4-3-702 and "Public Acts of 1998", Ch. 1135, §41, Item 46. *Administrative History:* Original rule filed February 23, 1999; effective June 28, 1999.

0050-5-2-.04 CRITERIA FOR LOANS.

- (1) ~~When evaluating applications for loans with Enterprise Demonstration Project funds, the qualifying organization shall follow prudent lending practices. The following additional criteria shall apply:~~
 - (a) ~~Maximum Loan Amount. The maximum loan amount shall be three hundred thousand dollars (\$300,000).~~
 - (b) ~~Minimum Loan Amount. The minimum loan amount shall be twenty five thousand dollars (\$25,000).~~
 - (c) ~~Loan Interest Rate. The interest rate that may be charged on loans made with program funds may be a fixed rate or a variable rate, provided that any such variable interest rate shall not exceed the maximum rate or fall below the minimum rate, as hereinafter defined, at any time.~~
 - (d) ~~Maximum Loan Interest Rate. The maximum interest rate that may be charged on loans made with program funds is 2% over the "Prime Rate" as published in the Wall Street Journal on the day the loan is made.~~
 - (e) ~~Minimum Loan Interest Rate. The minimum interest rate that may be charged on loans made with program funds is 2% below the "Prime Rate" as published in the Wall Street Journal on the day the loan is made.~~
 - (f) ~~Late Charges. Late charges, as permitted by Tennessee law, may be imposed.~~
 - (g) ~~Term. The maximum permitted repayment period for a loan is 10 years.~~
 - (h) ~~Collateral and Security. Both business and personal collateral may be taken as security for a loan and may include real property, tangible personal property, accounts receivable, certificates of deposit, and other intangibles. The loans shall be secured with collateral with the maximum amount of coverage possible. A standard should be for the loan to be fully secured with collateral. Assets acquired with loan proceeds are generally expected to secure the loan.~~
 - (i) ~~Guaranty Agreement. Personal guarantees from all principal owners shall be obtained. Principal owners are those who have a twenty percent (20%) or more ownership interest in the company.~~
 - (j) ~~Title Insurance. A loan policy for title insurance is required on all real estate taken as collateral. The loan policy must be issued by a title insurance company for an amount equal to the maximum principal amount of the loan and shall insure that on the date of closing the qualifying organization's lien on the property is valid and enforceable and free of other liens and encumbrances other than those permitted and that title to the property is vested in the appropriate party.~~
 - (k) ~~Appraisals. An appraisal must be obtained by a certified appraiser on all real estate taken as collateral to determine the true market value of the property.~~
 - (l) ~~Insurance. Hazard and casualty insurance is required on all real estate and equipment taken as collateral. If the property is located in a flood zone, flood insurance is required also.~~

(Rule 0500-5-2-.04, continued)

- (m) ~~Other. A survey or environmental study may be required on real estate taken as collateral. Any suspicions of easements, encroachments, or environmental problems shall require a survey and/or environmental study.~~

Authority: T.C.A. §4-3-702 and "Public Acts of 1998", Ch. 1135, §41, Item 46. *Administrative History:* Original rule filed February 23, 1999; effective June 28, 1999.

0500-5-2-.05 APPLICATION REQUIREMENTS.

- (1) ~~Applicants for the Enterprise Demonstration Project must submit a proposal by May 1, 1999 to the Department of Economic and Community Development to be considered for the program. The proposal should at a minimum consist of a description of how the qualifying organization intends to use program funds to accomplish the purposes of the Enterprise Demonstration Project, a description of the organization with management profiles, plans for providing matching funds, proof of classification as a 301(d) Small Business Investment Company, a plan for representation throughout Tennessee, and a brief description of the organization's lending practices and requirements.~~

Authority: T.C.A. §4-3-702 and "Public Acts of 1998", Ch. 1135, §41, Item 46. *Administrative History:* Original rule filed February 23, 1999; effective June 28, 1999.

0500-5-2-.06 AWARD OF ENTERPRISE DEMONSTRATION PROJECT.

- (1) ~~The award of the Enterprise Demonstration Project will take place after the effective date of these rules, at which time the qualifying organization will enter into a contract with the Department of Economic and Community Development to administer the project.~~

Authority: T.C.A. §4-3-702 and "Public Acts of 1998", Ch. 1135, §41, Item 46. *Administrative History:* Original rule filed February 23, 1999; effective June 28, 1999.

0500-5-2-.07 RULES OF PROCEDURE.

- (1) ~~For Rules of Procedure for Hearing Contested Cases see Rules of the Secretary of State, Chapter 1360-17.~~

Authority: T.C.A. §4-3-702 and "Public Acts of 1998", Ch. 1135, §41, Item 46. *Administrative History:* Original rule filed February 23, 1999; effective June 28, 1999.