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Small Contractors Loan Program

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Small Contractor Loan Program

Sec. 32-230-1. Definitions

“Commissioner” shall mean the commissioner of the department of economic development or his deputy.

“Department” shall mean the department of economic development.

“Authority” shall mean the Connecticut development authority.

“Loan” shall mean a working capital loan or line of credit.

(Effective November 6, 1980)

Sec. 32-230-1a. Eligibility

To be eligible for a loan, a small contractor

(a) Must have been engaged in the construction, manufacturing or services business and maintained its principal office and place of business in Connecticut for a period of not less than one year prior to the date of application for a loan, have gross revenues not in excess of \$1,000,000 in its most recently completed fiscal year, and

(b) Must meet the following size standards:

(1) In the case of a contractor or subcontractor, have not more than 15 full time employees;

(2) In the case of a manufacturer, have not more than 25 full time employees;

(3) In the case of a service company, have not more than 10 full time employees.

(Effective November 6, 1980)

Sec. 32-230-2. Loan application and agreement

(a) Application for a loan shall be submitted on department of economic development small contractor loan application forms. No application shall be considered unless the exhibits required by such form are furnished.

(b) Upon approval of an application by the authority or, if the authority so determines, by a committee of the authority consisting of the chairman and either one other member of the authority or its executive director, as specified in the determination, the department and the borrower shall enter into a loan agreement which shall set forth the terms and conditions required by these regulations and other terms and conditions applicable to the particular loan, which may be set by the authority or said committee of the authority.

(c) Each loan agreement shall be effective only upon execution by the commissioner and the borrower.

(d) Such loan agreement shall provide, without limitation, that the borrower agrees:

(1) That the funds provided will not be used to repay existing obligations, purchase fixed assets, or to finance receivables;

(2) To provide the department with such financial and other reports as the commissioner, in his discretion, may require from time to time;

(3) To notify the department promptly of any material adverse change in the financial condition or business prospects of the borrower;

(4) To represent and warrant that it has the power and authority to enter into the loan agreement and to incur the obligations therein provided for, and that all documents and agreements executed and delivered in connection with the loan will be valid and binding upon the borrower in accordance with their respective terms;

(5) To provide such security for the loan as the authority or the committee of the authority may require pursuant to section 32-230-3 (a) of these regulations and to execute and deliver all documents in connection therewith;

(6) To the extent the loan is secured by a contract or contracts, to:

(A) Notify the department of the modification of any provision of a contract which is security for the loan when said modification affects the total amount due under the contract, affects the time or manner of payment, or in any other way substantially affects the contract or the manner of performance of said contract;

(B) Notify the department of the termination of any part of a contract or the termination of the entire contract by any party to the contract;

(C) Notify the department of the failure of either party to a contract to perform any of its obligations under such contract;

(D) Notify the department of the rejection of any material or article delivered in the performance of a contract;

(E) Use the funds advanced only to pay for labor and material on the pledged contract.

(e) If, upon examination of the application, supporting information and results of any investigation, the authority or the committee of the authority rejects such application, then the loan may not be granted and the authority shall cause the applicant to be notified that the application has been denied.

(Effective November 6, 1980)

Sec. 32-230-3. Loans

(a) The loan may be secured or unsecured as the authority or the committee of the authority determines to be appropriate in the particular circumstances. If the loan is to be secured, the authority or said committee of the authority may require the borrower to provide the department as security any or all of the following: real property, accounts, chattel paper, documents, instruments, general intangibles, goods, equipment, inventory or other personal property, and may further require the borrower to have executed and delivered to the department security agreements, financing statements, mortgages, pledges, assignments, subordinations, guarantees or other documents or evidences of security as and in the form required by the authority or said committee of the authority.

(b) The term of a working capital loan shall not exceed twelve months from the date or the first disbursement and the term of an extension of credit on a line of credit shall not exceed twelve months from the date on which the proceeds were disbursed.

(c) No loan shall exceed \$200,000.00 and if the loan is to be secured, the amount of the loan shall not exceed the value of the security provided pursuant to section 32-230-3 (a) of these regulations.

(d) The loan shall be repaid on an amortized schedule of periodic payments or upon such other periodic method of payment of principal and interest as the authority or the committee of the authority considers necessary and appropriate in the particular circumstances, but in no event shall the periodic payments be scheduled to exceed twelve months from the relevant date of disbursement referred to in section 32-230-3 (b) of these regulations.

(e) Disbursement of the loan shall be made at the discretion of the commissioner in accordance with the provisions of the loan agreement and the instructions of the authority.

(Effective November 6, 1980)

Sec. 32-230-4. Note

(a) Each loan shall be evidenced by a promissory note which shall contain a provision permitting the borrower to prepay the loan in whole or in part upon any interest payment date.

(b) The promissory note shall provide for the payment of interest at a rate not to exceed 1% above the interest paid by the state of Connecticut on the latest general obligation bonds issued prior to the date of approval of the loan application.

(c) The promissory note may provide for the collection of a late charge, not to exceed two percent of any instalment more than fifteen days in arrears. Late charges shall be separately charged to and collected from the borrower.

(d) The failure of the borrower to abide by the terms of the loan agreement, the promissory note, or other documents signed by the borrower in connection with such loan shall be considered a default under such promissory note.

(e) The promissory note shall contain a provision that the failure of the borrower to make a payment of any instalment of principal or interest due under the promissory note within fifteen days from the due date shall constitute a default.

(f) The promissory note shall provide that upon default, any and all sums owing by the borrower under the promissory note shall, at the option of the commissoiner, become immediately due and payable.

(g) The promissory note shall provide that in the event of default, interest on the promissory note shall automatically increase to twelve percent per annum and shall apply not only after default, but after any judgment rendered upon said promissory note.

(h) The promissory note shall provide for payment of reasonable attorneys' fees and legal costs in the event the borrower shall default in the payment of the note.

(i) The promissory note shall contain such other clauses and covenants as the authority, in its discretion, may require.

(Effective November 6, 1980)

Sec. 32-23o-5.

Repealed, November 6, 1980.

Sec. 32-23o-6.

Repealed, November 6, 1980.

Sec. 32-23o-7. Place of performance of contract

The place of performance of a contract pledged as security shall not be a material consideration in determining whether the loan shall be granted or not.

(Effective November 6, 1980)