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## Small Contractors and Small Manufacturers Loan Program

### Sec. 32-82-1. Definitions

“Authority” means the Connecticut Development Authority.

“Department” means the Department of Economic Development.

“Rolling Stock” means any and all wheel or track vehicles, cars, trucks, railroad cars, off-the-road construction equipment and lift trucks.

“Borrower” means any small contractor, small manufacturer, state development corporation or local development corporation which has been issued a commitment for a loan or line of credit under this program.

(Effective July 31, 1984)

### Sec. 32-82-2. Procedures for loans or lines of credit

(a) Application for a loan or line of credit shall be submitted on forms provided by the Department. No application shall be considered unless the exhibits and all information required by such forms are furnished.

(b) The Borrower shall pay for all costs of processing applications for loans or lines of credit to be made under this program, including closing costs, as the Commissioner determines are reasonable and necessary to pay such costs.

(c) Upon approval by the Commissioner and the Authority, the Borrower shall enter into a loan agreement which shall set forth the terms and conditions required by Section 2 of Public Act 83-580, these Regulations and any other terms and conditions applicable to the particular loan or line of credit, which may be established by the Commissioner or the Authority.

(d) Each loan agreement shall be effective only upon execution by the Commissioner and the Borrower.

(e) Such loan agreement shall provide, without limitation, that the Borrower agrees:

(1) To provide the Department with such financial and other information as the Commissioner may in his discretion require from time to time;

(2) To notify the Department promptly of any material adverse change in the financial condition or business prospects of the Borrower;

(3) 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 or line of credit will be valid and binding upon the Borrower enforceable in accordance with their respective terms;

(4) To provide such security for the loan or line of credit as the Commissioner may require pursuant to these Regulations and to execute and deliver all documents in connection therewith;

(5) That the funds provided will not be used otherwise than for the purpose for which the loan application was made and approved.

(6) To the extent the loan, or line of credit 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 or line of credit 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.

(Effective July 31, 1984)

**Sec. 32-82-3. Loans to small contractors**

(a) The Authority may require the Borrower to provide the Department as further security for the loan or line of credit, mortgages or security interests in 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.

(b) The term of a working capital loan shall not exceed twelve months from the date of 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 proceeds were first disbursed.

(c) No loan or line of credit shall exceed the amount provided in subsection (d) of Section 2 of Public Act 83-580.

(d) The loan or line of credit shall be repaid on an amortized schedule of periodic payments or upon such other periodic methods of payment of principal and interest as the Authority considers 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 Subsection (d) of Section 2 of Public Act 83-580.

(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 July 31, 1984)

**Sec. 32-82-4. Fixed asset loans to small manufacturers**

(a) The Authority may require the Borrower to provide the Department as security for the loan or line of credit mortgages or security interests in 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.

(b) The term of a fixed asset loan shall not exceed ten years from the date of disbursement of the loan and shall be repaid on an amortized schedule of periodic payments or upon such other periodic methods of payment of principal and interest as the Authority considers appropriate in the particular circumstances.

(c) 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 July 31, 1984)

**Sec. 32-82-5. Other loans or lines of credit to small manufacturers**

(a) The Borrower shall provide evidence satisfactory to the Commissioner that it shall, concurrently with and in an amount not less than the loan or line of credit made pursuant to this Section, receive from a private financial institution, a local development corporation, or from the owners, partners or shareholders of the Borrower, a working capital loan, which shall be used for substantially the same purposes as the loan made pursuant to this section.

(b) The term of the loan or line of credit shall not exceed seven years from the date of the first disbursement of the loan or line of credit.

(c) The loan or line of credit shall be repaid on an amortized schedule of periodic payments or upon such other periodic methods of payment of principal and interest as the Commissioner considers appropriate in the particular circumstances, but in no event shall the periodic payments be scheduled to exceed seven years from the date of first disbursement of the loan.

(d) The Authority may require the Borrower to provide the Department as security for the loan or line of credit mortgages or security interests in any 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 Commissioner 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.

(e) Disbursement of the loan shall be made at the discretion of the Commissioner in accordance with the provisions of the loan agreements and the instructions of the Authority.

(Effective July 31, 1984)

**Sec. 32-82-6. Loans to state or local development corporations**

(a) The amount of any loan provided to any one state or local development corporation shall not exceed five hundred thousand dollars.

(b) The loan may be repaid upon an amortized schedule of payments or upon demand or upon such other method of payment of principal and interest, if applicable, as the Commissioner considers appropriate in the particular circumstances.

(c) The Authority may require the state or local development corporation to provide the Department as security for the loan mortgages or security interests in any 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 Commissioner 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.

(d) Disbursement of the loan shall be made at the discretion of the Commissioner in accordance with the provisions of the loan agreements and the instructions of the Authority.

(Effective July 31, 1984)

**Sec. 32-82-7. Note**

(a) Each loan or line of credit 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 of one percent above the rate of interest borne by the bonds of the state last issued prior to the date such loan is made or such line of credit extended.

(c) The promissory note may provide for the collection of a late charge, not to exceed two percent of any installment which is not paid within ten days of the due date thereof. Late charges shall be separately charged to and collected from the Borrower.

(Effective July 31, 1984)

**Sec. 32-82-8. Default and remedy**

(a) The failure of the Borrower to abide by the terms of the loan agreement, promissory note or other document delivered by the Borrower to the Authority or the Department in connection with such loan shall be considered a default under such promissory note.

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

(c) 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 Commissioner, become immediately due and payable.

(d) 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 also after any judgment rendered upon the said promissory note.

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

(f) The promissory note shall contain such other clauses and covenants as the Commissioner in his discretion may require.

(Effective July 31, 1984)