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Enterprise Zone Capital Formation Revolving Loan Fund

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Enterprise Zone Capital Formation Revolving Loan Fund

Sec. 32-72-1. Definitions

- (a) Commissioner means the Commissioner of Economic Development
- (b) Department means the Department of Economic Development;
- (c) Small business means a business whose gross revenues in the most recently completed fiscal year do not exceed \$1.5 million, who complete a business plan providing evidence that the necessary capital required is available after the State's injection of not more than 50% of the total capital requirements of the business from this loan fund.

(Effective August 28, 1984)

Sec. 32-72-2. Eligibility

- (a) Eligible applicants shall include:
 - (1) New small industrial and commercial business ventures within the zone, provided such applicants shall provide a minimum of 10 percent of the capital required to commence the venture and evidence that the business will provide a minimum of two full time, permanent positions or gross receipts of at least \$50,000 within one year; or
 - (2) Existing small industrial and commercial businesses within the zone.
- (b) A borrower is eligible for only one loan from the fund at a particular point in time.
- (c) The Commissioner may reject an otherwise eligible applicant if the loan made from this fund would place another business in the enterprise zone at a competitive disadvantage.
- (d) No loan shall be made to a business who:
 - (1) is relocating from an area that meets the eligibility criteria in Section 1 (a) of the act, to a designated enterprise zone; or
 - (2) is relocating from an area not meeting the eligibility criteria in Section 1 (a) of the act but located in a distressed municipality, as defined in Section 32-9p, to a designated enterprise zone; provided that in cases where the Commissioner makes a finding that the relocation of the business will represent a net expansion of business operations and employees, the business will be eligible for a loan. For the purposes of this section, relocation is defined as the transferring of personnel or employment positions from one or more existing locations to another location.

(Effective August 28, 1984)

Sec. 32-72-3. Loan application and agreement

- (a) Applications for loans shall be submitted to the Department on loan forms prescribed by the Department and available at their office upon written request. No application shall be considered unless all exhibits required by such form are furnished.
- (b) Upon approval of an application by the Department, the applicant and Department shall enter into a loan agreement which shall set forth the terms and conditions upon which the loan shall be made, as determined by the Commissioner.
- (c) Each loan agreement shall be effective only upon execution by the Commissioner and the applicant.
- (d) Such agreement shall provide without limitation that the applicant agrees:
 - (1) That the funds provided will be used exclusively for working capital, capital equipment purchases, real estate purchase or real estate improvement or rehabilitation. Refinancing will not be permitted.

(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 applicant;

(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; and

(5) To provide such security for the loan as the Commissioner may deem necessary and appropriate.

(Effective July 27, 1982)

Sec. 32-72-4. Loan amounts and terms

(a) The term for repayment of any real estate loan shall not exceed ten years. The term of loans for all other purposes shall not exceed seven years.

(b) The maximum loan amount shall be \$200,000. The maximum amount of a specific loan shall be based on a general guideline of \$15,000 of financing from this loan fund for each new, permanent full time position created by the business.

(c) The applicant is responsible for all attorney's fees and any other closing costs. Legal fees may be drawn from the fund.

(d) Disbursement of the loan shall be made at the discretion of the Commissioner in accordance with the provisions of the loan agreement.

(e) The Commissioner shall determine the method of payment of interest and principal due with respect to each loan.

(Effective August 28, 1984)

Sec. 32-72-5. Loan documentation

(a) Each loan shall be evidenced by a promissory note in the amount of the loan set forth in the loan agreement and 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 not more than 1% above the rate of interest borne by the bonds of the State of Connecticut last 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 installment which is not paid within ten days of the date thereof. 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 of the promissory note 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 installments of principal or interest due under the promissory note within fifteen days from the due 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 Commissioner, become immediately due and payable.

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

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

(Effective July 27, 1982)