

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 864

Session of 1987

INTRODUCED BY RHOADES, STAUFFER, ROCKS, REIBMAN, SHUMAKER, HELFRICK, FUMO, FISHER, LINCOLN, SHAFFER, MADIGAN, MUSTO, LEMMOND, PETERSON, ANDREZESKI, O'PAKE, WENGER, KELLEY, SALVATORE, ROMANELLI AND JONES, JUNE 1, 1987

SENATOR SHAFFER, COMMUNITY AND ECONOMIC DEVELOPMENT, AS AMENDED, JUNE 15, 1987

AN ACT

1 Amending the act of July 2, 1984 (P.L.545, No.109), entitled "An
2 act establishing a loan program for capital development
3 projects; providing for the use of funds made available under
4 the Appalachian Regional Development Act of 1965 and the
5 Public Works and Economic Development Act of 1965; providing
6 for loans, loan guarantees and other programs for capital
7 development projects of small businesses; creating the
8 Capital Loan Fund; providing standards for and requirements
9 of the program; and making appropriations," extending for two
10 years the period during which apparel industry loans may be
11 made.

12 The General Assembly of the Commonwealth of Pennsylvania
13 hereby enacts as follows:

14 Section 1. Section 4(C)(5) AND (d) of the act of July 2, <—
15 1984 (P.L.545, No.109), known as the Capital Loan Fund Act,
16 AMENDED OR added December 20, 1985 (P.L.364, No.104), is amended <—
17 to read:

18 Section 4. Eligibility for loans; terms and conditions.

19 \* \* \*

20 (C) CLASS III LOANS.-- <—

21 \* \* \*

1 (5) NO CLASS III LOANS OR OTHER CLASS III AID MAY BE  
2 APPROVED AFTER JUNE 30, [1987] 1989.

3 (d) Apparel industry loans.--

4 (1) The secretary may make advances from the fund,  
5 subject to the terms, conditions and restrictions provided  
6 under this act, to area loan organizations for the purpose of  
7 making loans to manufacturers of apparel products for capital  
8 development projects limited to the modernization, upgrading  
9 or replacement of equipment OR TECHNICAL ASSISTANCE: ←

10 Provided, however, That no loans shall be made which would do  
11 any of the following:

12 (i) Cause, aid or assist in, directly or indirectly,  
13 the relocation of any business operations from one part  
14 of this Commonwealth to another, unless there is at least  
15 a 15% increase in net employment.

16 (ii) Supplant funding that is otherwise available  
17 expeditiously from private sector sources on commercially  
18 reasonable terms.

19 (iii) Be for the purpose of refinancing any portion  
20 of the total project cost or other existing loans or  
21 debt.

22 (iv) Be for the purpose of financing projects  
23 located outside the geographic boundaries of this  
24 Commonwealth.

25 (v) Be for the purpose of paying off a creditor  
26 which is inadequately secured and is in a position to  
27 sustain a loss.

28 (vi) Provide funds, directly or indirectly, for  
29 payment, distribution or as a loan to owners, partners or  
30 shareholders of the small business enterprise, except as

1 ordinary compensation for services rendered.

2 (vii) Be for the purpose of repaying a debt owed to  
3 a small business investment company.

4 (viii) Provide funds for speculation in any kind of  
5 property, real or personal, tangible or intangible.

6 (2) Loans may be made in an amount not exceeding 50% of  
7 the total project cost, or \$200,000, whichever is less:  
8 Provided, however, That no loans shall be made which will  
9 exceed \$10,000 for each employment opportunity created or  
10 preserved by the project.

11 (3) All loans shall be secured by lien positions on  
12 collateral at the highest level of priority which can  
13 accommodate the borrower's ability to raise sufficient debt  
14 and equity capital and shall be made for such period and  
15 shall bear such interest as may be determined by the area  
16 loan organization with the approval of the board: Provided,  
17 however, That:

18 (i) The term of any loan shall not exceed seven  
19 years.

20 (ii) The interest rate shall in no case be less than  
21 3%.

22 (iii) The secretary may defer interest and principal  
23 payments at his discretion.

24 (4) No apparel industry loans or other apparel industry  
25 aid may be approved after June 30, [1987] 1989.

26 (5) A manufacturer of apparel products is not  
27 disqualified from seeking Class I, II or III loans because of  
28 eligibility to apply for an apparel industry loan: Provided,  
29 however, That the loans approved shall not exceed in the  
30 aggregate 50% of total project cost, or \$200,000, whichever

1 is less.

2 \* \* \*

3 Section 2. This act shall be retroactive to June 30, 1987,  
4 if enacted after that date.

5 Section 3. This act shall take effect immediately.