

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 TILGHMAN, APPROPRIATIONS, RE-REPORTED AS AMENDED, JUNE 22, 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 CLASS III AND apparel industry <—
11 loans may be made; AND AUTHORIZING APPAREL INDUSTRY LOANS FOR <—
12 TECHNICAL ASSISTANCE.

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

15 Section 1. Section 4(c)(5) and (d) of the act of July 2,
16 1984 (P.L.545, No.109), known as the Capital Loan Fund Act,
17 amended or added December 20, 1985 (P.L.364, No.104), is amended
18 to read:

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

20 \* \* \*

21 (c) Class III loans.--

1           \* \* \*

2           (5) No Class III loans or other Class III aid may be  
3 approved after June 30, [1987] 1989.

4           (d) Apparel industry loans.--

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

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

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

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

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

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

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

29           (vi) Provide funds, directly or indirectly, for  
30 payment, distribution or as a loan to owners, partners or

1           shareholders of the small business enterprise, except as  
2           ordinary compensation for services rendered.

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

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

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

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

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

21               (ii) The interest rate shall in no case be less than  
22               3%.

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

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

27          (5) A manufacturer of apparel products is not  
28          disqualified from seeking Class I, II or III loans because of  
29          eligibility to apply for an apparel industry loan: Provided,  
30          however, That the loans approved shall not exceed in the

1 aggregate 50% of total project cost, or \$200,000, whichever  
2 is less.

3 \* \* \*

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

6 Section 3. This act shall take effect immediately.