

No. 1987-34

AN ACT

HB 1478

Amending the act of July 2, 1984 (P.L.545, No.109), entitled "An act establishing a loan program for capital development projects; providing for the use of funds made available under the Appalachian Regional Development Act of 1965 and the Public Works and Economic Development Act of 1965; providing for loans, loan guarantees and other programs for capital development projects of small businesses; creating the Capital Loan Fund; providing standards for and requirements of the program; and making appropriations," extending the time limit for Class III, export assistance and apparel industry loans or aid; and authorizing apparel industry loans for technical assistance.

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

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

Section 4. Eligibility for loans; terms and conditions.

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(c) Class III loans.—

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

(d) Apparel industry loans.—

(1) The secretary may make advances from the fund, subject to the terms, conditions and restrictions provided under this act, to area loan organizations for the purpose of making loans to manufacturers of apparel products for capital development projects limited to the modernization, upgrading or replacement of equipment *or technical assistance*: Provided, however, That no loans shall be made which would do any of the following:

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

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

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

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

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

(vi) Provide funds, directly or indirectly, for payment, distribution or as a loan to owners, partners or shareholders of the small business enterprise, except as ordinary compensation for services rendered.

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

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

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

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

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

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

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

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

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

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Section 2. This act shall be retroactive to June 30, 1987.

Section 3. This act shall take effect immediately.

APPROVED—The 9th day of July, A. D. 1987.

ROBERT P. CASEY