

Public Law 92-595

AN ACT

To amend the Small Business Investment Act of 1958, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the “Small Business Investment Act Amendments of 1972”.

SEC.2. The Small Business Investment Act of 1958, as amended, is further amended as follows:

(a) Sections 103 (3) and (7) are amended by striking “(c)” after “Section 301” at the end thereof.

(b) Section 301 is amended by adding the following new subsection:

“(d) Notwithstanding any other provision of this Act, a small business investment company, the investment policy of which is that its investments will be made solely in small business concerns which will contribute to a well-balanced national economy by facilitating ownership in such concerns by persons whose participation in the free enterprise system is hampered because of social or economic disadvantages may be organized and chartered under State business or non-profit corporation statutes, and may be licensed by the Administration to operate under the provisions of this Act.”

(c) Section 303 is amended—

(1) by inserting the word “private” in the first sentence of paragraph (1) of subsection (b), to read “combined private paid-in capital and paid-in surplus”;

(2) by striking the figure “\$7,500,000” in the last sentence of paragraph (1) of subsection (b), and inserting the figure “\$15,000,000”;

(3) by amending paragraph (2) of said subsection (b) to read as follows:

“(2) The total amount of debentures which may be purchased or guaranteed and outstanding at any one time from a company not complying with section 301(d) of this Act, which has investments or legal commitments of 65 per centum or more of its total funds available for investment in small business concerns invested or committed in venture capital, and which has combined private paid-in capital and paid-in surplus of \$500,000 or more shall not exceed 300 per centum of its combined private paid-in capital and paid-in surplus. In no event shall the debentures of any such company purchased or guaranteed and outstanding under this paragraph exceed \$20,000,000. Such additional purchases or guarantees which the Administration makes under this paragraph shall contain conditions to insure appropriate maintenance by the company receiving such assistance of the described ratio during the period in which debentures under this paragraph are outstanding.”

(d) Section 303 is amended by adding the following new subsection:

“(c) Subject to the following conditions, the Administration is authorized to purchase preferred securities, and to purchase, or to guarantee the timely payment of all principal and interest payments as scheduled, on debentures issued by small business investment companies operating under authority of section 301(d) of this Act. The full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under any guarantee under this subsection.

(e) Subsection 304(a) of the Small Business Investment Act of 1958 is amended by inserting “and unincorporated” after “incorporated”.

(f) Section 306 is amended (1) by inserting the word “private” in subsection (a) thereof to read “combined private paid-in capital and paid-in surplus” and (2) by repealing subsection (b) thereof.

(g) Title III is further amended by adding thereto new sections to read as follows:

“SEC. 317. Notwithstanding section 303(b), the effective rate of interest after October 13, 1971, during the first five years thereafter of the term of any debenture purchased by the Administration from a small business investment company under authority of section 303(c), shall be the greater of 3 per centum or 3 percentage points below the interest rate determined pursuant to section 303(b). The Administration is authorized to apply interest paid to it by such company for the period from October 13, 1971, to the effective date of this section, without interest thereon, to interest payable after such effective date. No company which has received the benefit of this section may make a distribution (other than to the Administration) unless it has first paid to the Administration an amount equal to the difference between the rate of interest payable to the Administration pursuant to the previous sentence, and the rate of interest which would have been payable pursuant to section 303(b).

“SEC. 318. The Administration is authorized to extend the benefits of sections 303 (c) and 317 to any small business investment company operating under authority of section 301(d) of this Act, and which is owned, in whole or in part, by one or more small business investment companies, in accordance with regulations promulgated by the Administration.

“SEC. 319. Section 18 of the Investment Company Act of 1940, as amended (15 U.S.C. 80a-18), is further amended by amending subsection (k) to read as follows:

“ (k) The provisions of subparagraphs (A) and (B) of paragraph (1) of subsection (a) of this section shall not apply to investment companies operating under the Small Business Investment Act of 1958, and the provisions of paragraph (2) of said subsection shall not apply to such companies so long as such class of senior security shall be held or guaranteed by the Small Business Administration.”

SEC. 3. The Small Business Act is amended as follows:

(a) Subsection (c) of section 4 of the Small Business Act (15 U.S.C. 633 (c)) is amended by inserting “7(g),” immediately after “7(e),” in each of paragraphs (1), (2), and (4) thereof.

(b) Section 7 of the Small Business Act (15 U.S.C. 636) is amended by adding at the end thereof the following new subsection:

“(g) (1) The Administration also is empowered, where other financial assistance is not available on reasonable terms, to make such loans (either directly or in cooperation with Banks or other lending institutions through agreements to participate on an immediate or deferred basis) as the Administration may determine to be necessary or appropriate—

“(A) to assist any public or private organization—

“(i) which is organized under the laws of the United States or of any State, operated in the interest of handicapped individuals, the net income of which does not inure in whole or in part to the benefit of any shareholder or other individual;

“(ii) which complies with any applicable occupational health and safety standard prescribed by the Secretary of Labor; and