

104TH CONGRESS  
2D SESSION

# S. 1784

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## AN ACT

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

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Small Business Invest-  
5 ment Company Improvement Act of 1996”.

1 **SEC. 2. DEFINITIONS.**

2 (a) **SMALL BUSINESS CONCERN.**—Section 103(5) of  
3 the Small Business Investment Act of 1958 (15 U.S.C.  
4 662(5)) is amended by inserting before the semicolon the  
5 following: “, except that, for purposes of this Act, an in-  
6 vestment by a venture capital firm, investment company  
7 (including a small business investment company) employee  
8 welfare benefit plan or pension plan, or trust, foundation,  
9 or endowment that is exempt from Federal income tax-  
10 ation—

11 “(A) shall not cause a business concern to be  
12 deemed not independently owned and operated;

13 “(B) shall be disregarded in determining wheth-  
14 er a business concern satisfies size standards estab-  
15 lished pursuant to section 3(a)(2) of the Small Busi-  
16 ness Act; and

17 “(C) shall be disregarded in determining wheth-  
18 er a small business concern is a smaller enterprise”.

19 (b) **PRIVATE CAPITAL.**—Section 103(9) of the Small  
20 Business Investment Act of 1958 (15 U.S.C. 662(9)) is  
21 amended to read as follows:

22 “(9) the term ‘private capital’—

23 “(A) means the sum of—

24 “(i) the paid-in capital and paid-in  
25 surplus of a corporate licensee, the contrib-  
26 uted capital of the partners of a partner-

1 ship licensee, or the equity investment of  
2 the members of a limited liability company  
3 licensee; and

4 “(ii) unfunded binding commitments,  
5 from investors that meet criteria estab-  
6 lished by the Administrator, to contribute  
7 capital to the licensee: *Provided*, That such  
8 unfunded commitments may be counted as  
9 private capital for purposes of approval by  
10 the Administrator of any request for lever-  
11 age, but leverage shall not be funded based  
12 on such commitments; and

13 “(B) does not include any—

14 “(i) funds borrowed by a licensee from  
15 any source;

16 “(ii) funds obtained through the issu-  
17 ance of leverage; or

18 “(iii) funds obtained directly or indi-  
19 rectly from any Federal, State, or local  
20 government, or any government agency or  
21 instrumentality, except for—

22 “(I) funds invested by an em-  
23 ployee welfare benefit plan or pension  
24 plan; and

1                   “(II) any qualified nonprivate  
2                   funds (if the investors of the qualified  
3                   nonprivate funds do not control, di-  
4                   rectly or indirectly, the management,  
5                   board of directors, general partners,  
6                   or members of the licensee);”.

7           (c) NEW DEFINITIONS.—Section 103 of the Small  
8 Business Investment Act of 1958 (15 U.S.C. 662) is  
9 amended by striking paragraph (10) and inserting the fol-  
10 lowing:

11                   “(10) the term ‘leverage’ includes—

12                           “(A) debentures purchased or guaranteed  
13                   by the Administration;

14                           “(B) participating securities purchased or  
15                   guaranteed by the Administration; and

16                           “(C) preferred securities outstanding as of  
17                   October 1, 1995;

18                   “(11) the term ‘third party debt’ means any in-  
19                   debtedness for borrowed money, other than indebt-  
20                   edness owed to the Administration;

21                   “(12) the term ‘smaller enterprise’ means any  
22                   small business concern that, together with its affili-  
23                   ates—

24                           “(A) has—

1           “(i) a net financial worth of not more  
2           than \$6,000,000, as of the date on which  
3           assistance is provided under this Act to  
4           that business concern; and

5           “(ii) an average net income for the 2-  
6           year period preceding the date on which  
7           assistance is provided under this Act to  
8           that business concern, of not more than  
9           \$2,000,000, after Federal income taxes  
10          (excluding any carryover losses); or

11          “(B) satisfies the standard industrial clas-  
12          sification size standards established by the Ad-  
13          ministration for the industry in which the small  
14          business concern is primarily engaged;

15          “(13) the term ‘qualified nonprivate funds’  
16          means any—

17               “(A) funds directly or indirectly invested in  
18               any applicant or licensee on or before August  
19               16, 1982, by any Federal agency, other than  
20               the Administration, under a provision of law ex-  
21               plicitly mandating the inclusion of those funds  
22               in the definition of the term ‘private capital’;

23               “(B) funds directly or indirectly invested  
24               in any applicant or licensee by any Federal  
25               agency under a provision of law enacted after

1           September 4, 1992, explicitly mandating the in-  
2           clusion of those funds in the definition of the  
3           term ‘private capital’; and

4                   “(C) funds invested in any applicant or li-  
5           censee by one or more State or local govern-  
6           ment entities (including any guarantee extended  
7           by those entities) in an aggregate amount that  
8           does not exceed—

9                           “(i) 33 percent of the private capital  
10                          of the applicant or licensee, if such funds  
11                          were committed for investment before the  
12                          date of enactment of the Small Business  
13                          Investment Company Improvement Act of  
14                          1996; or

15                           “(ii) 20 percent of the private capital  
16                          of the applicant or licensee, if such funds  
17                          were committed for investment on or after  
18                          the date of enactment of the Small Busi-  
19                          ness Investment Company Improvement  
20                          Act of 1996;

21                          “(14) the terms ‘employee welfare benefit plan’  
22           and ‘pension plan’ have the same meanings as in  
23           section 3 of the Employee Retirement Income Secu-  
24           rity Act of 1974, and are intended to include—

1           “(A) public and private pension or retire-  
2           ment plans subject to such Act; and

3           “(B) similar plans not covered by such Act  
4           that have been established and that are main-  
5           tained by the Federal Government or any State  
6           or political subdivision, or any agency or instru-  
7           mentality thereof, for the benefit of employees;

8           “(15) the term ‘member’ means, with respect to  
9           a licensee that is a limited liability company, a hold-  
10          er of an ownership interest or a person otherwise ad-  
11          mitted to membership in the limited liability com-  
12          pany; and

13          “(16) the term ‘limited liability company’  
14          means a business entity that is organized and oper-  
15          ating in accordance with a State limited liability  
16          company statute approved by the Administration.”.

17 **SEC. 3. ORGANIZATION OF SMALL BUSINESS INVESTMENT**  
18 **COMPANIES.**

19          (a) LIMITED LIABILITY COMPANIES.—Section  
20 301(a) of the Small Business Investment Act of 1958 (15  
21 U.S.C. 681(a)) is amended in the first sentence, by strik-  
22 ing “body or” and inserting “body, a limited liability com-  
23 pany, or”.

1 (b) ISSUANCE OF LICENSE.—Section 301(c) of the  
2 Small Business Investment Act of 1958 (15 U.S.C.  
3 681(c)) is amended to read as follows:

4 “(c) ISSUANCE OF LICENSE.—

5 “(1) SUBMISSION OF APPLICATION.—Each ap-  
6 plicant for a license to operate as a small business  
7 investment company under this Act shall submit to  
8 the Administrator an application, in a form and in-  
9 cluding such documentation as may be prescribed by  
10 the Administrator.

11 “(2) PROCEDURES.—

12 “(A) STATUS.—Not later than 90 days  
13 after the initial receipt by the Administrator of  
14 an application under this subsection, the Ad-  
15 ministrator shall provide the applicant with a  
16 written report detailing the status of the appli-  
17 cation and any requirements remaining for  
18 completion of the application.

19 “(B) APPROVAL OR DISAPPROVAL.—With-  
20 in a reasonable time after receiving a completed  
21 application submitted in accordance with this  
22 subsection and in accordance with such require-  
23 ments as the Administrator may prescribe by  
24 regulation, the Administrator shall—

1           “(i) approve the application and issue  
2           a license for such operation to the appli-  
3           cant if the requirements of this section are  
4           satisfied; or

5           “(ii) disapprove the application and  
6           notify the applicant in writing of the dis-  
7           approval.

8           “(3) MATTERS CONSIDERED.—In reviewing and  
9           processing any application under this subsection, the  
10          Administrator—

11           “(A) shall determine whether—

12           “(i) the applicant meets the require-  
13           ments of subsections (a) and (c) of section  
14           302; and

15           “(ii) the management of the applicant  
16           is qualified and has the knowledge, experi-  
17           ence, and capability necessary to comply  
18           with this Act;

19           “(B) shall take into consideration—

20           “(i) the need for and availability of fi-  
21           nancing for small business concerns in the  
22           geographic area in which the applicant is  
23           to commence business;

1           “(ii) the general business reputation  
2           of the owners and management of the ap-  
3           plicant; and

4           “(iii) the probability of successful op-  
5           erations of the applicant, including ade-  
6           quate profitability and financial soundness;  
7           and

8           “(C) shall not take into consideration any  
9           projected shortage or unavailability of leverage.

10          “(4) EXCEPTION.—

11           “(A) IN GENERAL.—Notwithstanding any  
12           other provision of this Act, the Administrator  
13           may, in the discretion of the Administrator and  
14           based on a showing of special circumstances  
15           and good cause, approve an application and  
16           issue a license under this subsection with re-  
17           spect to any applicant that—

18           “(i) has private capital of not less  
19           than \$3,000,000;

20           “(ii) would otherwise be issued a li-  
21           cense under this subsection, except that  
22           the applicant does not satisfy the require-  
23           ments of section 302(a); and

24           “(iii) has a viable business plan rea-  
25           sonably projecting profitable operations

1 and a reasonable timetable for achieving a  
 2 level of private capital that satisfies the re-  
 3 quirements of section 302(a).

4 “(B) LEVERAGE.—An applicant licensed  
 5 pursuant to the exception provided in this para-  
 6 graph shall not be eligible to receive leverage as  
 7 a licensee until the applicant satisfies the re-  
 8 quirements of section 302(a).”.

9 (c) SPECIALIZED SMALL BUSINESS INVESTMENT  
 10 COMPANIES.—Section 301(d) of the Small Business In-  
 11 vestment Act of 1958 (15 U.S.C. 681(d)) is repealed.

12 **SEC. 4. CAPITAL REQUIREMENTS.**

13 (a) INCREASED MINIMUM CAPITAL REQUIRE-  
 14 MENTS.—Section 302(a) of the Small Business Invest-  
 15 ment Act of 1958 (15 U.S.C. 682(a)) is amended by strik-  
 16 ing “(a)” and all that follows through “The Administra-  
 17 tion shall also determine the ability of the company,” and  
 18 inserting the following:

19 “(a) AMOUNT.—

20 “(1) IN GENERAL.—Except as provided in para-  
 21 graph (2), the private capital of each licensee shall  
 22 be not less than—

23 “(A) \$5,000,000; or

24 “(B) \$10,000,000, with respect to each li-  
 25 censee authorized or seeking authority to issue

1 participating securities to be purchased or guar-  
2 anteed by the Administration under this Act.

3 “(2) EXCEPTION.—The Administrator may, in  
4 the discretion of the Administrator and based on a  
5 showing of special circumstances and good cause,  
6 permit the private capital of a licensee authorized or  
7 seeking authorization to issue participating securi-  
8 ties to be purchased or guaranteed by the Adminis-  
9 tration to be less than \$10,000,000, but not less  
10 than \$5,000,000, if the Administrator determines  
11 that such action would not create or otherwise con-  
12 tribute to an unreasonable risk of default or loss to  
13 the Federal Government.

14 “(3) ADEQUACY.—In addition to the require-  
15 ments of paragraph (1), the Administrator shall—

16 “(A) determine whether the private capital  
17 of each licensee is adequate to assure a reason-  
18 able prospect that the licensee will be operated  
19 soundly and profitably, and managed actively  
20 and prudently in accordance with its articles;  
21 and

22 “(B) determine that the licensee will be  
23 able”.

24 (b) EXEMPTION FOR CERTAIN LICENSEES.—Section  
25 302(a) of the Small Business Investment Act of 1958 (15

1 U.S.C. 682(a)) is amended by adding at the end the fol-  
2 lowing new paragraph:

3           “(4) EXEMPTION FROM CAPITAL REQUIRE-  
4           MENTS.—The Administrator may, in the discretion  
5           of the Administrator, exempt from the capital re-  
6           quirements in paragraph (1) any licensee licensed  
7           under subsection (c) or (d) of section 301 before the  
8           date of enactment of the Small Business Investment  
9           Company Improvement Act of 1996, if—

10                   “(A) the licensee certifies in writing that  
11                   not less than 50 percent of the aggregate dollar  
12                   amount of its financings after the date of enact-  
13                   ment of the Small Business Investment Com-  
14                   pany Improvement Act of 1996 will be provided  
15                   to smaller enterprises; and

16                   “(B) the Administrator determines that—

17                           “(i) the licensee has a record of prof-  
18                           itable operations;

19                           “(ii) the licensee has not committed  
20                           any serious or continuing violation of any  
21                           applicable provision of Federal or State  
22                           law or regulation; and

23                           “(iii) such action would not create or  
24                           otherwise contribute to an unreasonable

1 risk of default or loss to the United States  
2 Government.”.

3 (c) DIVERSIFICATION OF OWNERSHIP.—Section  
4 302(c) of the Small Business Investment Act of 1958 (15  
5 U.S.C. 682(c)) is amended to read as follows:

6 “(c) DIVERSIFICATION OF OWNERSHIP.—The Ad-  
7 ministrator shall ensure that the management of each li-  
8 censee licensed after the date of enactment of the Small  
9 Business Investment Company Improvement Act of 1996  
10 is sufficiently diversified from and unaffiliated with the  
11 ownership of the licensee in a manner that ensures inde-  
12 pendence and objectivity in the financial management and  
13 oversight of the investments and operations of the li-  
14 censee.”.

15 **SEC. 5. BORROWING.**

16 (a) DEBENTURES.—Section 303(b) of the Small  
17 Business Investment Act of 1958 (15 U.S.C. 683(b)) is  
18 amended in the first sentence, by striking “(but only” and  
19 all that follows through “terms)”.

20 (b) THIRD PARTY DEBT.—Section 303(c) of the  
21 Small Business Investment Act of 1958 (15 U.S.C.  
22 683(c)) is amended to read as follows:

23 “(c) THIRD PARTY DEBT.—The Administrator—  
24 “(1) shall not permit a licensee having out-  
25 standing leverage to incur third party debt that

1 would create or contribute to an unreasonable risk  
2 of default or loss to the Federal Government; and

3 “(2) shall permit such licensees to incur third  
4 party debt only on such terms and subject to such  
5 conditions as may be established by the Adminis-  
6 trator, by regulation or otherwise.”.

7 (c) REQUIREMENT TO FINANCE SMALLER ENTER-  
8 PRISES.—Section 303(d) of the Small Business Invest-  
9 ment Act of 1958 (15 U.S.C. 683(d)) is amended to read  
10 as follows:

11 “(d) REQUIREMENT TO FINANCE SMALLER ENTER-  
12 PRISES.—The Administrator shall require each licensee,  
13 as a condition of approval of an application for leverage,  
14 to certify in writing that not less than 20 percent of the  
15 aggregate dollar amount of the financings of the licensee  
16 will be provided to smaller enterprises.”.

17 (d) CAPITAL IMPAIRMENT REQUIREMENTS.—Section  
18 303(e) of the Small Business Investment Act of 1958 (15  
19 U.S.C. 683(e)) is amended to read as follows:

20 “(e) CAPITAL IMPAIRMENT.—Before approving any  
21 application for leverage submitted by a licensee under this  
22 Act, the Administrator—

23 “(1) shall determine that the private capital of  
24 the licensee meets the requirements of section  
25 302(a); and

1           “(2) shall determine, taking into account the  
2           nature of the assets of the licensee, the amount and  
3           terms of any third party debt owed by such licensee,  
4           and any other factors determined to be relevant by  
5           the Administrator, that the private capital of the li-  
6           censee has not been impaired to such an extent that  
7           the issuance of additional leverage would create or  
8           otherwise contribute to an unreasonable risk of de-  
9           fault or loss to the Federal Government.”.

10          (e) EQUITY INVESTMENT REQUIREMENT.—Section  
11          303(g)(4) of the Small Business Investment Act of 1958  
12          (15 U.S.C. 683(g)(4)) is amended by striking “and main-  
13          tain”.

14          (f) FEES.—Section 303 of the Small Business Invest-  
15          ment Act of 1958 (15 U.S.C. 683) is amended—

16                 (1) in subsection (b), in the fifth sentence, by  
17                 striking “1 per centum”, and all that follows before  
18                 the period at the end of the sentence and inserting  
19                 the following: “1 percent, plus an additional charge  
20                 of .50 percent per annum which shall be paid to and  
21                 retained by the Administration”;

22                 (2) in subsection (g)(2), by striking “1 per cen-  
23                 tum,” and all that follows before the period at the  
24                 end of the paragraph and inserting the following: “1  
25                 percent, plus an additional charge of .50 percent per

1       annum which shall be paid to and retained by the  
2       Administration”; and

3               (3) by adding at the end the following new sub-  
4       sections:

5       “(i) LEVERAGE FEE.—With respect to leverage  
6       granted by the Administration to a licensee, the Adminis-  
7       tration shall collect from the licensee a nonrefundable fee  
8       in an amount equal to 3 percent of the face amount of  
9       leverage granted to the licensee, payable upon the earlier  
10      of the date of entry into any commitment for such leverage  
11      or the date on which the leverage is drawn by the licensee.

12      “(j) CALCULATION OF SUBSIDY RATE.—All fees, in-  
13      terest, and profits received and retained by the Adminis-  
14      tration under this section shall be included in the calcula-  
15      tions made by the Director of the Office of Management  
16      and Budget to offset the cost (as that term is defined in  
17      section 502 of the Federal Credit Reform Act of 1990)  
18      to the Administration of purchasing and guaranteeing de-  
19      bentures and participating securities under this Act.”.

20      **SEC. 6. LIABILITY OF THE UNITED STATES.**

21      Section 308(e) of the Small Business Investment Act  
22      of 1958 (15 U.S.C. 687(e)) is amended by striking “Noth-  
23      ing” and inserting “Except as expressly provided other-  
24      wise in this Act, nothing”.

1 **SEC. 7. EXAMINATIONS; VALUATIONS.**

2 (a) EXAMINATIONS.—Section 310(b) of the Small  
3 Business Investment Act of 1958 (15 U.S.C. 687b(b)) is  
4 amended in the first sentence by inserting “which may be  
5 conducted with the assistance of a private sector entity  
6 that has both the qualifications to conduct and expertise  
7 in conducting such examinations,” after “Investment Divi-  
8 sion of the Administration,”.

9 (b) VALUATIONS.—Section 310(d) of the Small Busi-  
10 ness Investment Act of 1958 (15 U.S.C. 687b(d)) is  
11 amended to read as follows:

12 “(d) VALUATIONS.—

13 “(1) FREQUENCY OF VALUATIONS.—

14 “(A) IN GENERAL.—Each licensee shall  
15 submit to the Administrator a written valuation  
16 of the loans and investments of the licensee not  
17 less often than semiannually or otherwise upon  
18 the request of the Administrator, except that  
19 any licensee with no leverage outstanding shall  
20 submit such valuations annually, unless the Ad-  
21 ministrator determines otherwise.

22 “(B) MATERIAL ADVERSE CHANGES.—Not  
23 later than 30 days after the end of a fiscal  
24 quarter of a licensee during which a material  
25 adverse change in the aggregate valuation of  
26 the loans and investments or operations of the

1 licensee occurs, the licensee shall notify the Ad-  
2 ministrator in writing of the nature and extent  
3 of that change.

4 “(C) INDEPENDENT CERTIFICATION.—

5 “(i) IN GENERAL.—Not less than once  
6 during each fiscal year, each licensee shall  
7 submit to the Administrator the financial  
8 statements of the licensee, audited by an  
9 independent certified public accountant ap-  
10 proved by the Administrator.

11 “(ii) AUDIT REQUIREMENTS.—Each  
12 audit conducted under clause (i) shall in-  
13 clude—

14 “(I) a review of the procedures  
15 and documentation used by the li-  
16 censee in preparing the valuations re-  
17 quired by this section; and

18 “(II) a statement by the inde-  
19 pendent certified public accountant  
20 that such valuations were prepared in  
21 conformity with the valuation criteria  
22 applicable to the licensee established  
23 in accordance with paragraph (2).

24 “(2) VALUATION CRITERIA.—Each valuation  
25 submitted under this subsection shall be prepared by

1 the licensee in accordance with valuation criteria,  
2 which shall—

3 “(A) be established or approved by the Ad-  
4 ministrator; and

5 “(B) include appropriate safeguards to en-  
6 sure that the noncash assets of a licensee are  
7 not overvalued.”.

8 **SEC. 8. TRUSTEE OR RECEIVERSHIP OVER LICENSEES.**

9 (a) FINDING.—It is the finding of the Congress that  
10 increased recoveries on assets in liquidation under the  
11 Small Business Investment Act of 1958 are in the best  
12 interests of the Federal Government.

13 (b) DEFINITIONS.—For purposes of this section—

14 (1) the term “Administrator” means the Ad-  
15 ministrator of the Small Business Administration;

16 (2) the term “Administration” means the Small  
17 Business Administration; and

18 (3) the term “licensee” has the same meaning  
19 as in section 103 of the Small Business Investment  
20 Act of 1958.

21 (c) LIQUIDATION PLAN.—

22 (1) IN GENERAL.—Not later than October 15,  
23 1996, the Administrator shall submit to the Com-  
24 mittees on Small Business of the Senate and the  
25 House of Representatives a detailed plan to expedite

1 the orderly liquidation of all licensee assets in liq-  
2 uidation, including assets of licensees in receivership  
3 or in trust held by or under the control of the Ad-  
4 ministration or its agents.

5 (2) CONTENTS.—The plan submitted under  
6 paragraph (1) shall include a timetable for liquidat-  
7 ing the liquidation portfolio of small business invest-  
8 ment company assets owned by the Administration,  
9 and shall contain the Administrator’s findings and  
10 recommendations on various options providing for  
11 the fair and expeditious liquidation of such assets  
12 within a reasonable period of time, giving due con-  
13 sideration to the option of entering into one or more  
14 contracts with private sector entities having the ca-  
15 pability to carry out the orderly liquidation of simi-  
16 lar assets.

17 **SEC. 9. BOOK ENTRY REGISTRATION.**

18 Subsection 321(f) of the Small Business Investment  
19 Act of 1958 (15 U.S.C. 687*l*) is amended by adding at  
20 the end the following new paragraph:

21 “(5) Nothing in this subsection shall prohibit the uti-  
22 lization of a book entry or other electronic form of reg-  
23 istration for trust certificates.”

1 **SEC. 10. TECHNICAL AND CONFORMING AMENDMENTS.**

2 (a) SMALL BUSINESS INVESTMENT ACT OF 1958.—

3 The Small Business Investment Act of 1958 (15 U.S.C.  
4 661 et seq.) is amended—

5 (1) in section 303—

6 (A) in subsection (a), by striking “deben-  
7 ture bonds,” and inserting “securities,”;

8 (B) by striking subsection (f) and inserting  
9 the following:

10 “(f) REDEMPTION OR REPURCHASE OF PREFERRED  
11 STOCK.—Notwithstanding any other provision of law—

12 “(1) the Administrator may allow the issuer of  
13 any preferred stock sold to the Administration be-  
14 fore November 1, 1989 to redeem or repurchase  
15 such stock, upon the payment to the Administration  
16 of an amount less than the par value of such stock,  
17 for a repurchase price determined by the Adminis-  
18 trator after consideration of all relevant factors, in-  
19 cluding—

20 “(A) the market value of the stock;

21 “(B) the value of benefits provided and an-  
22 ticipated to accrue to the issuer;

23 “(C) the amount of dividends paid, ac-  
24 crued, and anticipated; and

25 “(D) the Administrator’s estimate of any  
26 anticipated redemption; and

1           “(2) any moneys received by the Administration  
2           from the repurchase of preferred stock shall be  
3           available solely to provide debenture leverage to li-  
4           censees having 50 percent or more in aggregate dol-  
5           lar amount of their financings invested in smaller  
6           enterprises.”; and

7                   (C) in subsection (g)(8)—

8                           (i) by striking “partners or sharehold-  
9                           ers” and inserting “partners, shareholders,  
10                           or members”;

11                           (ii) by striking “partner’s or share-  
12                           holder’s” and inserting “partner’s, share-  
13                           holder’s, or member’s”; and

14                           (iii) by striking “partner or share-  
15                           holder” and inserting “partner, share-  
16                           holder, or member”;

17           (2) in section 308(h), by striking “subsection  
18           (c) or (d) of section 301” each place that term ap-  
19           pears and inserting “section 301”;

20           (3) in section 310(c)(4), by striking “not less  
21           than four years in the case of section 301(d) licens-  
22           ees and in all other cases,”;

23           (4) in section 312—

1 (A) by striking “shareholders or partners”  
2 and inserting “shareholders, partners, or mem-  
3 bers”; and

4 (B) by striking “shareholder, or partner”  
5 each place that term appears and inserting  
6 “shareholder, partner, or member”;

7 (5) by striking sections 317 and 318, and re-  
8 designating sections 319 through 322 as sections  
9 317 through 320, respectively;

10 (6) in section 319, as redesignated—

11 (A) in subsection (a), by striking “, includ-  
12 ing companies operating under the authority of  
13 section 301(d),”; and

14 (B) in subsection (f)(2), by inserting “or  
15 investments in obligations of the United States”  
16 after “accounts”;

17 (7) in section 320, as redesignated, by striking  
18 “section 321” and inserting “section 319”; and

19 (8) in section 509—

20 (A) in subsection (a)(1), by striking the  
21 second sentence; and

22 (B) in subsection (e)(1)(B), by striking  
23 “subsection (e) or (d) of section 301” and in-  
24 serting “section 301”.

1 (b) AMENDMENT IN OTHER LAW.—Section 11(h) of  
2 the Federal Home Loan Bank Act (12 U.S.C. 1431(h))  
3 is amended by striking “301(d)” and inserting “301”.

4 **SEC. 11. AMENDMENTS TO THE SMALL BUSINESS ACT.**

5 (a) POWERS OF THE ADMINISTRATOR.—Section  
6 5(b)(7) of the Small Business Act (15 U.S.C. 634(b)(7))  
7 is amended by striking the colon and all that follows before  
8 the semicolon at the end of the paragraph and inserting  
9 the following: “: *Provided*, That with respect to deferred  
10 participation loans, the Administrator may, in the discre-  
11 tion of and pursuant to regulations promulgated by the  
12 Administrator, authorize participating lending institutions  
13 to take actions relating to loan servicing on behalf of the  
14 Administrator, including determining eligibility and credit-  
15 worthiness and loan monitoring, collection, and liquida-  
16 tion”.

17 (b) AUTHORIZATION OF APPROPRIATIONS.—Section  
18 20(p)(3) of the Small Business Act (15 U.S.C. 631 note)  
19 is amended by striking subparagraph (B) and inserting  
20 the following:

21 “(B) \$300,000,000 in guarantees of de-  
22 bentures; and”.

1 **SEC. 12. EXTENSION OF SMALL BUSINESS COMPETITIVE-**  
2 **NESS DEMONSTRATION PROGRAM.**

3 Section 711(c) of the Small Business Competitiveness  
4 Demonstration Program Act of 1988 (15 U.S.C. 644 note)  
5 is amended by striking “September 30, 1996” and insert-  
6 ing “September 30, 1997”.

7 **SEC. 13. EFFECTIVE DATE.**

8 This Act and the amendments made by this Act shall  
9 become effective on the date of enactment of this Act.

Passed the Senate July 25, 1996.

Attest:

*Secretary.*

104<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION

**S. 1784**

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**AN ACT**

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

S 1784 ES—2

S 1784 ES—3

S 1784 ES—4

S 1784 ES—5