



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

JUN 11 2012

The Honorable Pat Toomey
United States Senator
1150 South Cedar Crest Boulevard, Suite 101
Allentown, Pennsylvania 18103

Dear Senator Toomey:

Thank you for your recent inquiry on behalf of Mr. Wayne Fanelli, President of Pleasant Valley Modular Homes, Inc. (Pleasant Valley). Mr. Fanelli is concerned about the declined loan application for Pine Grove Manufactured Homes, Inc. (Pine Grove) for damages from Tropical Storm Lee.

Because U.S. Small Business Administration (SBA) disaster loans are funded with Federal taxpayer dollars, our loan decisions must balance the Federal government's role as a creditor against that of a provider of disaster assistance. Thus, we are only able to approve loans where there is a reasonable assurance of repayment ability and credit worthiness. In addition, in order to be eligible for SBA Disaster assistance, the applicant must be the legal owner of the property damaged in a disaster and must use the SBA loan to replace or repair the assets damaged in the disaster.

Tropical Storm Lee damaged Pine Grove's real estate, machinery and equipment, inventory, and other assets. As a result of the disaster, the shareholders of Pine Grove voted unanimously not to replace or repair the disaster damages but agreed to dissolve the corporation and wind up its affairs. This was primarily due to the fact that the property where the business was located had flooded four times in the last seven years and the shareholders did not want to incur additional debt to rebuild the facility and replace the damaged business contents. As part of the dissolution of the corporation, certain Pine Grove assets were sold to Pleasant Valley for \$100,000 via a bill of sale. The assets sold to Pleasant Valley included trade names, logos, copyrights, domain names and other intellectual property. Neither the damaged real estate nor the other damaged business contents were included in the post disaster transfer. Also, as part of Pine Grove's Pre-Distribution and Release Agreement to the Plan of Liquidation, which was adopted by the Board of Directors and shareholders on September, 23, 2011, the company was to liquidate all assets of the corporation and distribute the proceeds to the individual shareholders.

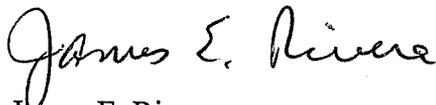
In December 2011, Pleasant Valley submitted a loan application to SBA and indicated the corporation planned to use the SBA loan proceeds to purchase machinery and equipment, inventory and other assets that would be utilized in Pleasant Valley's operations. Pleasant Valley assumed the company would be able to draw on Pine Grove's disaster loan eligibility to repair or replace the real estate and contents damaged in the disaster. Mr. Fanelli's correspondence to your office indicated he had informed SBA of these intentions when the original SBA loan application was submitted and this would not be disbarment to any potential loan approval. However, Mr. Fanelli did not provide a copy of the bill of sale or the Pre-Distribution Plan of Liquidation for Pine Grove until March 2012. After a thorough review of these documents, SBA determined

Pleasant Valley did not have any eligibility for an SBA disaster loan since they did not purchase any disaster damaged physical assets of Pine Grove. Also, because Pine Grove has filed the appropriate documents with the state of Pennsylvania to formally dissolve the corporation, this entity cannot legally enter into a contract, such as an SBA loan, thus making them ineligible to receive an SBA disaster loan.

Our Processing and Disbursement Center (PDC) in Fort Worth, TX detailed the reason for decline in their letter dated March 22, 2012. In that letter, we provided instructions to Pleasant Valley on how to request reconsideration of their declined loan application. Pleasant Valley has until September 22, 2012, to request reconsideration. If Mr. Fanelli has questions about this loan application, including seeking reconsideration, he should contact Ms. Tami Ralstin, Deputy Director for Loan Processing, at (800) 366-6303, extension 3400.

We appreciate your continued support of the SBA Disaster Assistance Program. If you and your staff have additional questions, please contact the SBA Office of Congressional and Legislative Affairs at (202) 205-6700.

Sincerely,



James E. Rivera
Associate Administrator
for Disaster Assistance