

**AMENDMENT TO RULES COMMITTEE PRINT 115-**

**70**

**OFFERED BY MS. VELÁZQUEZ OF NEW YORK**

Add at the end of subtitle E of title VIII the following new section:

1 **SEC. 8\_\_ . OPPORTUNITIES FOR EMPLOYEE-OWNED BUSI-**  
2 **NESS CONCERNS THROUGH SMALL BUSINESS**  
3 **ADMINISTRATION LOAN PROGRAMS.**

4 (a) DEFINITIONS.—In this Act—

5 (1) the terms “Administration” and “Adminis-  
6 trator” means the Small Business Administration  
7 and the Administrator thereof, respectively;

8 (2) the term “cooperative” means an entity  
9 that is determined to be a cooperative by the Admin-  
10 istrator, in accordance with applicable Federal and  
11 State laws and regulations;

12 (3) the term “employee-owned business con-  
13 cern” means—

14 (A) a cooperative; and

15 (B) a qualified employee trust;

16 (4) the terms “qualified employee trust” and  
17 “small business concern” have the meanings given

1 those terms in section 3 of the Small Business Act  
2 (15 U.S.C. 632); and

3 (5) the term “small business development cen-  
4 ter” means a small business development center de-  
5 scribed in section 21 of the Small Business Act (15  
6 U.S.C. 648).

7 (b) EXPANSION OF 7(A) LOANS.—

8 (1) IN GENERAL.—Section 7(a) of the Small  
9 Business Act (15 U.S.C. 636(a)) is amended—

10 (A) in paragraph (15)—

11 (i) in subparagraph (A)—

12 (I) by striking “this subsection to  
13 qualified employee trusts” and insert-  
14 ing “this subsection—

15 “(i) to qualified employee trusts”;

16 (II) in clause (i), as so des-  
17 ignated—

18 (aa) by inserting “, and for  
19 any transaction costs associated  
20 with purchasing,” after “pur-  
21 chasing”;

22 (bb) by striking the period  
23 at the end and inserting “; and”;  
24 and

1 (III) by adding at the end the  
2 following:

3 “(ii) to a small business concern under a  
4 plan approved by the Administrator, if the pro-  
5 ceeds from the loan are only used to make a  
6 loan to a qualified employee trust, and for any  
7 transaction costs associated with making that  
8 loan, that results in the qualified employee trust  
9 owning at least 51 percent of the small business  
10 concern.”;

11 (ii) in subparagraph (B)—

12 (I) in the matter preceding clause  
13 (i), by inserting “or by the small busi-  
14 ness concern” after “the trustee of  
15 such trust”;

16 (II) in clause (ii), by striking  
17 “and” at the end;

18 (III) in clause (iii), by striking  
19 the period at the end and inserting “,  
20 and”;

21 (IV) by adding at the end the fol-  
22 lowing:

23 “(iv) with respect to a loan made to a  
24 trust, or to a cooperative in accordance with  
25 paragraph (35)—

1           “(I) a seller of the small business con-  
2           cern may remain involved as an officer, di-  
3           rector, or key employee of the small busi-  
4           ness concern when a qualified employee  
5           trust or cooperative has acquired 100 per-  
6           cent of ownership of the small business  
7           concern; and

8           “(II) any seller of the small business  
9           concern who remains as an owner of the  
10          small business concern, regardless of the  
11          percentage of ownership interest, shall be  
12          required to provide a personal guarantee  
13          by the Administration.”; and

14                 (iii) by adding at the end the fol-  
15          lowing:

16                 “(F) A small business concern that makes a  
17          loan to a qualified employee trust under subpara-  
18          graph (A)(ii) is not required to contain the same  
19          terms and conditions as the loan made to the small  
20          business concern that is guaranteed by the Adminis-  
21          tration under such subparagraph.

22                 “(G) With respect to a loan made to a qualified  
23          employee trust under this paragraph, or to a cooper-  
24          ative in accordance with paragraph (35), the Admin-  
25          istrator may, as deemed appropriate, elect to not re-

1       quire any mandatory equity to be provided by the  
2       qualified employee trust or cooperative to make the  
3       loan.”; and

4               (B) by adding at the end the following:

5               “(35) LOANS TO COOPERATIVES.—

6                       “(A) DEFINITION.—In this paragraph, the  
7                       term ‘cooperative’ means an entity that is de-  
8                       termined to be a cooperative by the Adminis-  
9                       trator, in accordance with applicable Federal  
10                      and State laws and regulation.

11                     “(B) AUTHORITY.—The Administration  
12                     shall guarantee loans made to a cooperative for  
13                     the purpose described in paragraph (15).”.

14               (2) DELEGATION OF AUTHORITY TO PRE-  
15               FERRED LENDERS.—Section 5(b)(7) of the Small  
16               Business Act (15 U.S.C. 634(b)(7)) is amended by  
17               inserting “, including loans guaranteed under para-  
18               graph (15) or (35) of section 7(a)” after “deferred  
19               participation loans”.

20               (c) SMALL BUSINESS INVESTMENT COMPANY PRO-  
21               GRAM OUTREACH.—The Administrator shall provide out-  
22               reach and educational materials to companies licensed  
23               under section 301(c) of the Small Business Investment  
24               Act of 1958 (15 U.S.C. 681(c)) to increase the use of

1 funds to make investments in company transitions to em-  
2 ployee-owned business concerns.

3 (d) SMALL BUSINESS MICROLOAN PROGRAM OUT-  
4 REACH.—The Administrator shall provide outreach and  
5 educational materials to intermediaries under section 7(m)  
6 of the Small Business Act (15 U.S.C. 636(m)) to increase  
7 the use of funds to make loans to employee-owned busi-  
8 ness concerns, including transitions to employee-owned  
9 business concerns.

10 (e) SMALL BUSINESS DEVELOPMENT CENTER OUT-  
11 REACH AND ASSISTANCE.—

12 (1) ESTABLISHMENT.—The Administrator shall  
13 establish a Small Business Employee Ownership and  
14 Cooperatives Promotion Program to offer technical  
15 assistance and training on the transition to employee  
16 ownership through cooperatives and qualified em-  
17 ployee trusts.

18 (2) SMALL BUSINESS DEVELOPMENT CEN-  
19 TERS.—

20 (A) IN GENERAL.—In carrying out the  
21 program established under subsection (a), the  
22 Administrator shall enter into agreements with  
23 small business development centers under which  
24 the centers shall—

1 (i) provide access to information and  
2 resources on employee ownership through  
3 cooperatives or qualified employee trusts as  
4 a business succession strategy;

5 (ii) conduct training and educational  
6 activities; and

7 (iii) carry out the activities described  
8 in subparagraph (U) of section 21(c)(3) of  
9 the Small Business Act (15 U.S.C.  
10 648(c)(3)).

11 (B) ADDITIONAL SERVICES.—Section  
12 21(c)(3) of the Small Business Act (15 U.S.C.  
13 648(c)(3)) is amended—

14 (i) in subparagraph (S), by striking  
15 “and” at the end;

16 (ii) in subparagraph (T), by striking  
17 the period at the end and inserting “;  
18 and”; and

19 (iii) by adding at the end the fol-  
20 lowing:

21 “(U) encouraging and assisting the provision of  
22 succession planning to small business concerns with  
23 a focus on transitioning to cooperatives, as defined  
24 in section 7(a)(35), and qualified employee trusts

1 (collectively referred to in this subparagraph as ‘em-  
2 ployee-owned business concerns’), including by—

3 “(i) providing training to individuals to  
4 promote the successful management, govern-  
5 ance, or operation of a business purchased by  
6 those individuals in the formation of an em-  
7 ployee-owned business concern;

8 “(ii) assisting employee-owned business  
9 concerns that meet applicable size standards es-  
10 tablished under section 3(a) with education and  
11 technical assistance with respect to financing  
12 and contracting programs administered by the  
13 Administration;

14 “(iii) coordinating with lenders on con-  
15 ducting outreach on financing through pro-  
16 grams administered by the Administration that  
17 may be used to support the transition of owner-  
18 ship to employees;

19 “(iv) supporting small business concerns in  
20 exploring or assessing the possibility of  
21 transitioning to an employee-owned business  
22 concern; and

23 “(v) coordinating with the cooperative de-  
24 velopment centers of the Department of Agri-  
25 culture, the land grant extension network, the

1 Manufacturing Extension Partnership, commu-  
2 nity development financial institutions, em-  
3 ployee ownership associations and service pro-  
4 viders, and local, regional and national coopera-  
5 tive associations.”.

6 (f) INTERAGENCY WORKING GROUP.—

7 (1) IN GENERAL.—Not later than 90 days after  
8 the date of enactment of this Act, the Administrator  
9 (or a designee of the Administrator) shall coordinate  
10 and chair an interagency working group, which  
11 shall—

12 (A) develop recommendations on how Fed-  
13 eral programs can promote, support, and in-  
14 crease the number of employee-owned business  
15 concerns;

16 (B) ensure coordination with Federal agen-  
17 cies and national and local employee ownership,  
18 cooperative, and small business organizations;  
19 and

20 (C) publish a report on the activities of the  
21 interagency working group that is indexed and  
22 maintained for public review.

23 (2) MEETINGS.—The interagency working  
24 group shall meet at such times as determined nec-  
25 essary by the, but not less than biannually. Such

1 meetings may occur in person or via electronic re-  
2 sources.

3 (g) AMENDMENT TO REPORT TO CONGRESS ON STA-  
4 TUS OF EMPLOYEE-OWNED FIRMS.—Section 7(a)(15)(E)  
5 of the Small Business Act (15 U.S.C. 636(a)(15)(E)) is  
6 amended by striking “Administration.” and inserting “Ad-  
7 ministration, which shall include—

8 “(i) the total number of loans made to  
9 employee-owned business concerns that  
10 were guaranteed by the Administrator  
11 under section 7(a) of the Small Business  
12 Act (15 U.S.C. 636(a)) or section 502 of  
13 the Small Business Investment Act of  
14 1958 (15 U.S.C. 696), including the num-  
15 ber of loans made—

16 “(I) to small business concerns  
17 owned and controlled by socially and  
18 economically disadvantaged individ-  
19 uals; and

20 “(II) to cooperatives;

21 “(ii) the total number of financings  
22 made to employee-owned business concerns  
23 by companies licensed under section 301(c)  
24 of the Small Business Investment Act of

1                   1958 (15 U.S.C. 696(c)), including the  
2                   number of financings made—

3                   “**(I)** to small business concerns  
4                   owned and controlled by socially and  
5                   economically disadvantaged individ-  
6                   uals; and

7                   “**(II)** to cooperatives; and

8                   “**(iii)** any outreach and educational  
9                   activities conducted by the Administration  
10                  with respect to employee-owned business  
11                  concerns.”.

12                **(h) REPORT ON COOPERATIVE LENDING.—**

13                **(1) SENSE OF CONGRESS.—**It is the sense of  
14                Congress that cooperatives have a unique business  
15                structure and are unable to access the lending pro-  
16                grams of the Administration effectively due to loan  
17                guarantee requirements that are incompatible with  
18                the business structure of cooperatives.

19                **(2) STUDY AND REPORT.—**

20                **(A) STUDY.—**The Administrator, in coordi-  
21                nation with lenders, stakeholders, and Federal  
22                agencies, shall study and recommend practical  
23                alternatives for cooperatives that will satisfy the  
24                loan guarantee requirements of the Administra-  
25                tion.

1 (B) REPORT.—Not later than 120 days  
2 after the date of enactment of this Act, the Ad-  
3 ministrator shall submit to Congress the rec-  
4 ommendations developed under paragraph (1)  
5 and a plan to implement such recommenda-  
6 tions.

7 (i) AMENDMENT TO DEFINITION OF QUALIFIED EM-  
8 PLOYEE TRUST.—Section 3(c)(2)(A)(ii) of the Small  
9 Business Act (15 U.S.C. 632(c)(2)(A)(ii)) is amended to  
10 read as follows:

11 “(ii) which provides that each participant  
12 is entitled to direct the plan trustee as to the  
13 manner of how to vote the qualified employer  
14 securities (as defined in section 4975(e)(8) of  
15 the Internal Revenue Code of 1986), which are  
16 allocated to the account of such participant  
17 with respect to a corporate matter which (by  
18 law or charter) must be decided by a vote con-  
19 ducted in accordance with section 409(e) of the  
20 Internal Revenue Code of 1986; and”.

