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(Original Signature of Member)

115TH CONGRESS
2D SESSION

H. R. 5236

To expand opportunities available to employee-owned business concerns through Small Business Administration loan programs, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

Ms. VELÁZQUEZ introduced the following bill; which was referred to the
Committee on _____

A BILL

To expand opportunities available to employee-owned business concerns through Small Business Administration loan programs, 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 “Main Street Employee
5 Ownership Act of 2018”.

6 **SEC. 2. DEFINITIONS.**

7 In this Act—

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

4 (2) the term “cooperative” means an entity
5 that is determined to be a cooperative by the Admin-
6 istrator;

7 (3) the term “employee-owned business con-
8 cern” means—

9 (A) a cooperative in which employees are
10 eligible for membership; and

11 (B) a qualified employee trust;

12 (4) the terms “qualified employee trust” and
13 “small business concern” have the meanings given
14 those terms in section 3 of the Small Business Act
15 (15 U.S.C. 632); and

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

20 **SEC. 3. EXPANSION OF 7(A) LOANS.**

21 (a) IN GENERAL.—Section 7(a) of the Small Busi-
22 ness Act (15 U.S.C. 636(a)) is amended—

23 (1) in paragraph (15)—

24 (A) in subparagraph (A)—

- 1 (i) by striking “this subsection to
2 qualified employee trusts” and inserting
3 “this subsection—
4 “(i) to qualified employee trusts”;
5 (ii) in clause (i), as so designated—
6 (I) by inserting “, and for any
7 transaction costs associated with pur-
8 chasing,” after “purchasing”;
9 (II) by striking the period at the
10 end and inserting “; and”; and
11 (iii) by adding at the end the fol-
12 lowing:
13 “(ii) to a small business concern under a
14 plan approved by the Administrator, if the pro-
15 ceeds from the loan are only used to make a
16 loan to a qualified employee trust, and for any
17 transaction costs associated with making that
18 loan, that results in the qualified employee trust
19 owning at least 51 percent of the small business
20 concern.”;
21 (B) in subparagraph (B)—
22 (i) in the matter preceding clause (i),
23 by inserting “or by the small business con-
24 cern” after “the trustee of such trust”;

1 (ii) in clause (ii), by striking “and” at
2 the end;

3 (iii) in clause (iii), by striking the pe-
4 riod at the end and inserting “, and”; and

5 (iv) by adding at the end the fol-
6 lowing:

7 “(iv) with respect to a loan made to a
8 trust, or to a cooperative in accordance with
9 paragraph (35)—

10 “(I) a seller of the small business con-
11 cern may remain involved as an officer, di-
12 rector, or key employee of the small busi-
13 ness concern when a qualified employee
14 trust or cooperative has acquired 100 per-
15 cent of ownership of the small business
16 concern; and

17 “(II) any seller of the small business
18 concern who remains as an owner of the
19 small business concern, regardless of the
20 percentage of ownership interest, may be
21 required to provide a personal guarantee
22 by the Administration.”; and

23 (C) by adding at the end the following:

24 “(F) A small business concern that makes a
25 loan to a qualified employee trust under subpara-

1 graph (A)(ii) is not required to contain the same
2 terms and conditions as the loan made to the small
3 business concern that is guaranteed by the Adminis-
4 tration under such subparagraph.

5 “(G) The Administration shall not require a
6 qualified employee trust or any member of the trust
7 to provide a personal guarantee on a loan guaran-
8 teed under this paragraph unless any single member
9 of the trust has more than a 20 percent ownership
10 share in the trust.

11 “(H) With respect to a loan made to a qualified
12 employee trust under this paragraph, or to a cooper-
13 ative in accordance with paragraph (35), the Admin-
14 istrator may, as deemed appropriate, elect to not re-
15 quire any mandatory equity to be provided by the
16 qualified employee trust or cooperative to make the
17 loan.”; and

18 (2) by adding at the end the following:

19 “(35) LOANS TO COOPERATIVES.—

20 “(A) DEFINITION.—In this paragraph, the
21 term ‘cooperative’ means a corporation—

22 “(i) that is determined to be a cooper-
23 ative by the Administrator, in accordance
24 with applicable Federal and State laws and
25 regulations; and

1 “(ii) in which employees are eligible
2 for membership.

3 “(B) AUTHORITY.—The Administration
4 shall guarantee loans made to a cooperative for
5 the purpose described in paragraph (15).

6 “(C) NO GUARANTEE.—With respect to a
7 cooperative that is formed through a transfer of
8 ownership, the Administrator may, as deemed
9 appropriate, waive the requirement for a guar-
10 antee on a loan guaranteed under this para-
11 graph unless any single member of the coopera-
12 tive has more than a 20 percent ownership
13 share in the cooperative.”.

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

19 **SEC. 4. SMALL BUSINESS INVESTMENT COMPANY PRO-**
20 **GRAM OUTREACH.**

21 The Administrator shall establish an outreach pro-
22 gram with companies licensed under section 301(c) of the
23 Small Business Investment Act of 1958 (15 U.S.C.
24 681(c)) to increase the use of funds to make investments

1 in company transitions to employee-owned business con-
2 cerns.

3 **SEC. 5. SMALL BUSINESS MICROLOAN PROGRAM OUT-**
4 **REACH.**

5 The Administrator shall establish an outreach pro-
6 gram with intermediaries under section 7(m) of the Small
7 Business Act (15 U.S.C. 636(m)) to increase the use of
8 funds to make loans to employee-owned business concerns,
9 including transitions to employee-owned business con-
10 cerns.

11 **SEC. 6. SMALL BUSINESS DEVELOPMENT CENTER OUT-**
12 **REACH AND ASSISTANCE.**

13 (a) ESTABLISHMENT.—The Administrator shall es-
14 tablish a Small Business Employee Ownership and Co-
15 operatives Promotion Program to offer technical assist-
16 ance and training on the transition to employee ownership
17 through cooperatives and qualified employee trusts.

18 (b) SMALL BUSINESS DEVELOPMENT CENTERS.—

19 (1) IN GENERAL.—In carrying out the program
20 established under subsection (a), the Administrator
21 shall enter into agreements with small business de-
22 velopment centers under which the centers shall—

23 (A) provide access to information and re-
24 sources on employee ownership through co-

1 operatives or qualified employee trusts as a
2 business succession strategy;

3 (B) conduct training and educational ac-
4 tivities; and

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

8 (2) ADDITIONAL SERVICES.—Section 21(c)(3)
9 of the Small Business Act (15 U.S.C. 648(c)(3)) is
10 amended—

11 (A) in subparagraph (S), by striking
12 “and” at the end;

13 (B) in subparagraph (T), by striking the
14 period at the end and inserting “; and”; and

15 (C) by adding at the end the following:

16 “(U) encouraging and assisting the provision of
17 succession planning to small business concerns with
18 a focus on transitioning to cooperatives, as defined
19 in section 7(a)(35), and qualified employee trusts
20 (collectively referred to in this subparagraph as ‘em-
21 ployee-owned business concerns’), including by—

22 “(i) providing training to individuals to
23 promote the successful management, govern-
24 ance, or operation of a business purchased by

1 those individuals in the formation of an em-
2 ployee-owned business concern;

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

9 “(iii) coordinating with lenders on con-
10 ducting outreach on financing through pro-
11 grams administered by the Administration that
12 may be used to support the transition of owner-
13 ship to employees;

14 “(iv) supporting small business concerns in
15 exploring or assessing the possibility of
16 transitioning to an employee-owned business
17 concern; and

18 “(v) coordinating with the cooperative de-
19 velopment centers of the Department of Agri-
20 culture, the land grant extension network, the
21 Manufacturing Extension Partnership, commu-
22 nity development financial institutions, em-
23 ployee ownership associations and service pro-
24 viders, and local, regional and national coopera-
25 tive associations.”.

1 **SEC. 7. INTERAGENCY WORKING GROUP.**

2 (a) IN GENERAL.—Not later than 90 days after the
3 date of enactment of this Act, the Administrator (or a des-
4 ignee of the Administrator) shall coordinate and chair an
5 interagency working group, which shall—

6 (1) develop recommendations on how Federal
7 programs can promote, support, and increase the
8 number of employee-owned business concerns;

9 (2) ensure coordination with Federal agencies
10 and national and local employee ownership, coopera-
11 tive, and small business organizations; and

12 (3) submit an annual report to Congress on the
13 activities of the interagency working group.

14 (b) MEETINGS.—The interagency working group
15 shall meet at such times as determined necessary by the,
16 but not less than biannually. Such meetings may occur
17 in person or via electronic resources.

18 **SEC. 8. AMENDMENT TO REPORT TO CONGRESS ON STATUS**
19 **OF EMPLOYEE-OWNED FIRMS.**

20 Section 7(a)(15)(E) of the Small Business Act (15
21 U.S.C. 636(a)(15)(E)) is amended by striking “Adminis-
22 tration.” and inserting “Administration, which shall in-
23 clude—

24 “(i) the total number of loans made to
25 employee-owned business concerns that
26 were guaranteed by the Administrator

1 under section 7(a) of the Small Business
2 Act (15 U.S.C. 636(a)) or section 502 of
3 the Small Business Investment Act of
4 1958 (15 U.S.C. 696), including the num-
5 ber of loans made—

6 “(I) to small business concerns
7 owned and controlled by socially and
8 economically disadvantaged individ-
9 uals; and

10 “(II) to cooperatives in which
11 employees are eligible for membership;
12 and

13 “(ii) the total number of financings
14 made to employee-owned business concerns
15 by companies licensed under section 301(c)
16 of the Small Business Investment Act of
17 1958 (15 U.S.C. 696(c)), including the
18 number of financings made—

19 “(I) to small business concerns
20 owned and controlled by socially and
21 economically disadvantaged individ-
22 uals; and

23 “(II) to cooperatives in which
24 employees are eligible for membership;
25 and

1 “(iii) any outreach and educational
2 activities conducted by the Administration
3 with respect to employee-owned business
4 concerns.”.