

1 tor-protege relationships if such relationships are between
2 a covered protege and covered mentor” after “each partici-
3 pant”.

4 **SEC. 862. OPPORTUNITIES FOR EMPLOYEE-OWNED BUSI-**
5 **NESS CONCERNS THROUGH SMALL BUSINESS**
6 **ADMINISTRATION LOAN PROGRAMS.**

7 (a) DEFINITIONS.—In this Act—

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

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

15 (3) the term “employee-owned business con-
16 cern” means—

17 (A) a cooperative; and

18 (B) a qualified employee trust;

19 (4) the terms “qualified employee trust” and
20 “small business concern” have the meanings given
21 those terms in section 3 of the Small Business Act
22 (15 U.S.C. 632); and

23 (5) the term “small business development cen-
24 ter” means a small business development center de-

1 scribed in section 21 of the Small Business Act (15
2 U.S.C. 648).

3 (b) EXPANSION OF 7(A) LOANS.—

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

6 (A) in paragraph (15)—

7 (i) in subparagraph (A)—

8 (I) by striking “this subsection to
9 qualified employee trusts” and insert-
10 ing “this subsection—

11 “(i) to qualified employee trusts”;

12 (II) in clause (i), as so des-
13 ignated—

14 (aa) by inserting “, and for
15 any transaction costs associated
16 with purchasing,” after “pur-
17 chasing”;

18 (bb) by striking the period
19 at the end and inserting “; and”;
20 and

21 (III) by adding at the end the
22 following:

23 “(ii) to a small business concern under a
24 plan approved by the Administrator, if the pro-
25 ceeds from the loan are only used to make a

1 loan to a qualified employee trust, and for any
2 transaction costs associated with making that
3 loan, that results in the qualified employee trust
4 owning at least 51 percent of the small business
5 concern.”;

6 (ii) in subparagraph (B)—

7 (I) in the matter preceding clause
8 (i), by inserting “or by the small busi-
9 ness concern” after “the trustee of
10 such trust”;

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

13 (III) in clause (iii), by striking
14 the period at the end and inserting “,
15 and”;

16 (IV) by adding at the end the fol-
17 lowing:

18 “(iv) with respect to a loan made to a
19 trust, or to a cooperative in accordance with
20 paragraph (35)—

21 “(I) a seller of the small business con-
22 cern may remain involved as an officer, di-
23 rector, or key employee of the small busi-
24 ness concern when a qualified employee
25 trust or cooperative has acquired 100 per-

1 cent of ownership of the small business
2 concern; and

3 “(II) any seller of the small business
4 concern who remains as an owner of the
5 small business concern, regardless of the
6 percentage of ownership interest, shall be
7 required to provide a personal guarantee
8 by the Administration.”; and

9 (iii) by adding at the end the fol-
10 lowing:

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

17 “(G) With respect to a loan made to a qualified
18 employee trust under this paragraph, or to a cooper-
19 ative in accordance with paragraph (35), the Admin-
20 istrator may, as deemed appropriate, elect to not re-
21 quire any mandatory equity to be provided by the
22 qualified employee trust or cooperative to make the
23 loan.”; and

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

25 “(35) LOANS TO COOPERATIVES.—

1 “(A) DEFINITION.—In this paragraph, the
2 term ‘cooperative’ means an entity that is de-
3 termined to be a cooperative by the Adminis-
4 trator, in accordance with applicable Federal
5 and State laws and regulation.

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

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

15 (c) SMALL BUSINESS INVESTMENT COMPANY PRO-
16 GRAM OUTREACH.—The Administrator shall provide out-
17 reach and educational materials to companies licensed
18 under section 301(c) of the Small Business Investment
19 Act of 1958 (15 U.S.C. 681(c)) to increase the use of
20 funds to make investments in company transitions to em-
21 ployee-owned business concerns.

22 (d) SMALL BUSINESS MICROLOAN PROGRAM OUT-
23 REACH.—The Administrator shall provide outreach and
24 educational materials to intermediaries under section 7(m)
25 of the Small Business Act (15 U.S.C. 636(m)) to increase

1 the use of funds to make loans to employee-owned busi-
2 ness concerns, including transitions to employee-owned
3 business concerns.

4 (e) SMALL BUSINESS DEVELOPMENT CENTER OUT-
5 REACH AND ASSISTANCE.—

6 (1) ESTABLISHMENT.—The Administrator shall
7 establish a Small Business Employee Ownership and
8 Cooperatives Promotion Program to offer technical
9 assistance and training on the transition to employee
10 ownership through cooperatives and qualified em-
11 ployee trusts.

12 (2) SMALL BUSINESS DEVELOPMENT CEN-
13 TERS.—

14 (A) IN GENERAL.—In carrying out the
15 program established under subsection (a), the
16 Administrator shall enter into agreements with
17 small business development centers under which
18 the centers shall—

19 (i) provide access to information and
20 resources on employee ownership through
21 cooperatives or qualified employee trusts as
22 a business succession strategy;

23 (ii) conduct training and educational
24 activities; and

1 (iii) carry out the activities described
2 in subparagraph (U) of section 21(c)(3) of
3 the Small Business Act (15 U.S.C.
4 648(c)(3)).

5 (B) ADDITIONAL SERVICES.—Section
6 21(c)(3) of the Small Business Act (15 U.S.C.
7 648(c)(3)) is amended—

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

10 (ii) in subparagraph (T), by striking
11 the period at the end and inserting “;
12 and”; and

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

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

21 “(i) providing training to individuals to
22 promote the successful management, govern-
23 ance, or operation of a business purchased by
24 those individuals in the formation of an em-
25 ployee-owned business concern;

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

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

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

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

24 (f) AMENDMENT TO REPORT TO CONGRESS ON STA-
25 TUS OF EMPLOYEE-OWNED FIRMS.—Section 7(a)(15)(E)

1 of the Small Business Act (15 U.S.C. 636(a)(15)(E)) is
2 amended by striking “Administration.” and inserting “Ad-
3 ministration, which shall include—

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

12 “(I) to small business concerns
13 owned and controlled by socially and
14 economically disadvantaged individ-
15 uals; and

16 “(II) to cooperatives;

17 “(ii) the total number of financings
18 made to employee-owned business concerns
19 by companies licensed under section 301(c)
20 of the Small Business Investment Act of
21 1958 (15 U.S.C. 696(c)), including the
22 number of financings made—

23 “(I) to small business concerns
24 owned and controlled by socially and

1 economically disadvantaged individ-
2 uals; and
3 “(II) to cooperatives; and
4 “(iii) any outreach and educational
5 activities conducted by the Administration
6 with respect to employee-owned business
7 concerns.”.

8 (g) REPORT ON COOPERATIVE LENDING.—

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

15 (2) STUDY AND REPORT.—

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

22 (B) REPORT.—Not later than 180 days
23 after the date of enactment of this Act, the Ad-
24 ministrator shall submit to Congress the rec-
25 ommendations developed under paragraph (1)

1 and a plan to implement such recommenda-
2 tions.

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

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

17 **Subtitle G—Provisions Related to**
18 **Software and Technical Data**
19 **Matters**

20 **SEC. 865. VALIDATION OF PROPRIETARY AND TECHNICAL**
21 **DATA.**

22 Section 2321(f) of title 10, United States Code, is
23 amended—

24 (1) by striking “(1) Except as provided in para-
25 graph (2), in” and inserting “In”; and