

Senate Bill 150

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SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

Creates Mezzanine Financing Fund to bridge financing gap between loans provided by lending institutions and loans provided by venture capital investors to Oregon businesses.

A BILL FOR AN ACT

1
2 Relating to economic development; and appropriating money.

3 **Be It Enacted by the People of the State of Oregon:**

4 **SECTION 1. (1) There is created within the State Treasury the Mezzanine Financing**
5 **Fund, separate and distinct from the General Fund. Interest earned by the Mezzanine Fi-**
6 **ancing Fund shall be credited to the fund. Moneys in the fund are continuously appropriated**
7 **to the Economic and Community Development Department for the following purposes:**

8 (a) To provide loans to Oregon businesses that entail a greater risk than loans typically
9 serviced by banks, but a lesser risk than financing typically provided by venture capital in-
10 vestors.

11 (b) To pay administrative expenses of the department that are incurred in fund-related
12 marketing, application processing, proposed business development project financing and
13 outstanding loan servicing.

14 (c) To provide funding for the direct royalty financing program under section 2 of this
15 2007 Act and the Multi-Bank Account under section 3 of this 2007 Act.

16 (2) The fund created by subsection (1) of this section shall consist of:

17 (a) Revenues derived from fees imposed under section 2 of this 2007 Act.

18 (b) Appropriations to the fund by the Legislative Assembly.

19 (c) Moneys obtained from interest accrued on funds.

20 (d) Moneys from any grant made to the fund by any federal agency.

21 (e) Moneys transferred from the Oregon Business Development Fund, in an amount not
22 to exceed \$1 million.

23 (f) Lottery moneys that are allocated to the fund by the legislative assembly.

24 (3) The fund may not be used to retire any debt. Except upon approval of the Legislative
25 Assembly or, if the Legislative Assembly is not in session, the Emergency Board, the fund
26 may not be used to pay administrative expenses of the department. Expenses that are project
27 related may not be considered to be administrative expenses of the department.

28 **SECTION 2. (1)(a) The Economic and Community Development Department shall develop**
29 **a direct royalty financing program under which the department provides loans to Oregon**
30 **businesses through the Mezzanine Financing Fund. The department shall require loans made**

NOTE: Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted. New sections are in **boldfaced** type.

1 by the program to be secured by advances on future sales, with repayment structured as a
2 percentage of sales. In addition, the program shall require loans to be made for only the
3 following purposes:

4 (A) To develop and market new products of established businesses;

5 (B) For business acquisitions; or

6 (C) For other situations in which financing entails a greater risk than loans typically
7 serviced by banks, but a lesser risk than financing typically provided by venture capital in-
8 vestors.

9 (b) The aggregate amount of loans to any person or business participating in the program
10 created under this section may not exceed \$250,000.

11 (2) The department shall establish an advisory council consisting of at least three mem-
12 bers to evaluate requests for financing under sections 2 and 3 of this 2007 Act and, if ap-
13 propriate, approve requests for financing under this section. The advisory council shall
14 include individuals who, by reason of education or experience in business finance, are quali-
15 fied to serve on the council. The advisory council shall include one member from the de-
16 partment.

17 (3) In administering the program created by this section, the department may evaluate
18 specific products and markets in consultation with:

19 (a) The advisory council established by the department under subsection (2) of this sec-
20 tion;

21 (b) Universities and other organizations, in partnership with the department; or

22 (c) Any other person with relevant expertise or specialized knowledge.

23 (4)(a) When making loan or credit guarantees under the program established under this
24 section, the department shall establish fees and other terms for loan or credit guarantees.

25 (b) The department shall set fees and other terms at levels sufficient to reasonably as-
26 sure that the program is self-financing.

27 (c) The department may charge an application fee. The fee shall be in addition to any
28 other fees charged by the department under this section and may not exceed \$250 for each
29 application.

30 **SECTION 3.** (1) The Multi-Bank Account is established in the Mezzanine Financing Fund,
31 separate and distinct from the Mezzanine Financing Fund. Interest earned on the account
32 shall be credited to the account. The following moneys shall be credited to the Multi-Bank
33 Account:

34 (a) Funds transferred from the Mezzanine Financing Fund;

35 (b) Revenues derived from fees imposed under this section; and

36 (c) Funds that are unrestricted appropriations, grants or contract proceeds from banks
37 or financial institutions, with investments or funds from banks or financial institutions.

38 (2) The purpose of the Multi-Bank Account is to serve as a repository for both public and
39 private moneys designated to provide financing for Oregon businesses:

40 (a) To develop and market new products of established businesses;

41 (b) For business acquisitions; and

42 (c) For other situations in which the risk level of the financing entails a greater risk than
43 loans typically serviced by banks, but a lesser risk than financing typically provided by ven-
44 ture capital investors.

45 (3) All moneys in the Multi-Bank Account are continuously appropriated to the Economic

1 **and Community Development Department for the purposes of this section.**

2 **(4)(a) When making loans or credit enhancements under this section, the department**
3 **shall establish fees and other terms for loans or credit enhancements.**

4 **(b) The department shall set fees and other terms at levels sufficient to reasonably as-**
5 **sure that the program is self-financing.**

6 **(c) The department may charge a loan applicant an application fee. The fee shall be in**
7 **addition to any other fees charged by the department under this section and may not exceed**
8 **\$250 for each application.**

9 **(5)(a) The department shall establish a Multi-Bank Financing Account Board to deter-**
10 **mine whether to approve or reject requests for loans from this account. The board must**
11 **consist of seven members appointed by the department.**

12 **(b) The financial institutions may nominate individuals who, by reason of education and**
13 **experience in business finance, are qualified to serve, for appointment to the board by pro-**
14 **viding the department with the names of the qualified individuals. The department shall ap-**
15 **point six members to the board from the nominees provided by the financial institutions and**
16 **one member to the board from the department.**

17 **(c) In making the determination whether to approve a loan from this account, the board**
18 **shall consider the recommendation of the advisory council established in section 2 of this**
19 **2007 Act. A majority of the members of the board constitutes a quorum for the transaction**
20 **of business.**

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