

A bill for an act

relating to economic development; establishing an investment fund for eligible organizations; authorizing loans; appropriating money; proposing coding for new law in Minnesota Statutes, chapter 116J.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. **[116J.417] GREATER MINNESOTA BUSINESS DEVELOPMENT INVESTMENT FUND.**

Subdivision 1. **Eligible organization.** For the purposes of this section, "eligible organization" means an organization selected under section 116J.415, subdivision 3, that provides business financing to greater Minnesota businesses.

Subd. 2. **Investment fund establishment.** The commissioner shall establish an investment fund from which fund investments can be made in eligible organizations. The funds repaid by the eligible organizations must be returned to the fund for subsequent reinvestment in eligible organizations.

Subd. 3. **Authorized investments.** The commissioner may make investments in eligible organizations. The commissioner shall invest funds in the form of loans to eligible organizations for the purpose of providing capital to new and expanding businesses in the form of debt or equity, or both.

Subd. 4. **Investment authorized.** The commissioner may make investments in eligible organizations under the following terms:

(1) the organization seeking an investment of funds must guarantee repayment of not less than 100 percent of the funds invested in the eligible organization;

(2) the investments must be made in the form of a loan to the eligible organization for a term of ten years, at an interest rate of one percent;

(3) during the ten-year term of the loan, the eligible organization must make annual interest-only payments;

(4) at the end of the ten-year term, the eligible organization must make a payment in the entire principal amount of the initial loan;

(5) the state investment by the commissioner in any eligible organization must not exceed \$2,000,000;

(6) the full amount of state investment must be advanced to the approved eligible organization upon execution of a formal investment agreement, specifying the terms of the loan, as well as reporting and other requirements outlined in subdivision 5;

(7) the eligible organization must maintain the funds in accounts that allow the funds to be readily available for business investments;

(8) the eligible organization must make business investments totaling the entire amount of funds loaned by the state within three years of the execution of the investment agreement and subsequent transmittal of the funds; and

(9) an eligible organization that receives an investment under this section must report annually, in a format prescribed by the commissioner, the nature and amount of the business investments made, including, for each financing transaction involving funds received pursuant to this section, all forms and amounts of financing provided by the eligible organization from sources other than the investment fund established pursuant to this section, along with the number of jobs created and private sector investment leveraged.

**Subd. 5. Requirements for state investments.** All investments are subject to an investment agreement which must include:

(1) a description of the eligible organization, including business finance experience, qualifications, and investment history;

(2) a description of the uses of investment proceeds by the eligible organization;

(3) an explanation of the investment objectives;

(4) a description of accounting and reporting standards to be used by the eligible organization; and

(5) a copy of the most recent audited financial statements of the eligible organization.

## Sec. 2. **APPROPRIATION.**

\$12,000,000 is appropriated in fiscal year 2010 from the general fund to the commissioner of employment and economic development to provide loans authorized under section 1. This appropriation is available until expended.