

109TH CONGRESS
1ST SESSION

S. 1581

To facilitate the development of science parks, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JULY 29, 2005

Mr. BINGAMAN (for himself and Mr. BUNNING) introduced the following bill;
which was read twice and referred to the Committee on Finance

A BILL

To facilitate the development of science parks, 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 “Science Park Adminis-
5 tration Act of 2005”.

6 **SEC. 2. DEVELOPMENT OF SCIENCE PARKS.**

7 (a) FINDING.—Section 2 of the Stevenson-Wydler
8 Technology Innovation Act of 1980 (15 U.S.C. 3701) is
9 amended by adding at the end the following new para-
10 graph:

1 “(12) It is in the best interests of the Nation
2 to encourage the formation of science parks to pro-
3 mote the clustering of innovation through high tech-
4 nology activities.”.

5 (b) DEFINITION.—Section 4 of such Act (15 U.S.C.
6 3703) is amended by adding at the end the following new
7 paragraphs:

8 “(14) ‘Science park’ means a group of inter-
9 related companies and institutions, including sup-
10 pliers, service providers, institutions of higher edu-
11 cation, start-up incubators, and trade associations
12 that cooperate and compete and are located in a spe-
13 cific area whose administration promotes real estate
14 development, technology transfer, and partnerships
15 between such companies and institutions, and does
16 not mean a business or industrial park.

17 “(15) ‘Business or industrial park’ means pri-
18 marily a for-profit real estate venture of businesses
19 or industries which do not necessarily reinforce each
20 other through supply chain or technology transfer
21 mechanisms.

22 “(16) ‘Science park infrastructure’ means facili-
23 ties that support the daily economic activity of a
24 science park.”.

1 (c) PROMOTION OF DEVELOPMENT OF SCIENCE
2 PARKS.—Section 5(c) of such Act (15 U.S.C. 3704(c)) is
3 amended—

4 (1) in paragraph (14), by striking “and” at the
5 end;

6 (2) in paragraph (15), by striking the period at
7 the end and inserting “; and”; and

8 (3) by adding at the end the following new
9 paragraph:

10 “(16) promote the formation of science parks.”.

11 (d) SCIENCE PARKS.—Such Act is further amended
12 by adding at the end the following new section:

13 **“SEC. 24. SCIENCE PARKS.**

14 “(a) DEVELOPMENT OF PLANS FOR CONSTRUCTION
15 OF SCIENCE PARKS.—

16 “(1) IN GENERAL.—The Secretary shall award
17 grants for the development of feasibility studies and
18 plans for the construction of new or expansion of ex-
19 isting science parks.

20 “(2) LIMITATION ON AMOUNT OF GRANTS.—

21 The amount of a grant awarded under this sub-
22 section may not exceed \$750,000.

23 “(3) AWARD.—

1 “(A) COMPETITION REQUIRED.—The Sec-
2 retary shall award any grant under this sub-
3 section pursuant to a full and open competition.

4 “(B) ADVERTISING.—The Secretary shall
5 advertise any competition under this paragraph
6 in the Commerce Business Daily.

7 “(C) SELECTION CRITERIA.—The Sec-
8 retary shall publish the criteria to be utilized in
9 any competition under this paragraph for the
10 selection of recipients of grants under this sub-
11 section. Such criteria shall include requirements
12 relating to—

13 “(i) the number of jobs to be created
14 at the science park each year for a period
15 of 5 years;

16 “(ii) the funding to be required to
17 construct or expand the science park over
18 the first 5 years;

19 “(iii) the amount and type of cost
20 matching by the applicant;

21 “(iv) the types of businesses and re-
22 search entities expected in the science park
23 and surrounding community;

1 “(v) letters of intent by businesses
2 and research entities to locate in the
3 science park;

4 “(vi) the capacity of the science park
5 for expansion over a period of 25 years;

6 “(vii) the quality of life at the science
7 park for employees at the science park;

8 “(viii) the capability to attract a well
9 trained workforce to the science park;

10 “(ix) the management of the science
11 park;

12 “(x) expected risks in the construction
13 and operation of the science park;

14 “(xi) risk mitigation;

15 “(xii) transportation and logistics;

16 “(xiii) physical infrastructure, includ-
17 ing telecommunications; and

18 “(xiv) ability to collaborate with other
19 science parks throughout the world.

20 “(4) AUTHORIZATION OF APPROPRIATIONS.—

21 There is authorized to be appropriated for each of
22 fiscal years 2006 through 2011, \$7,500,000 to carry
23 out this subsection.

24 “(b) REVOLVING LOAN PROGRAM FOR DEVELOP-
25 MENT OF SCIENCE PARK INFRASTRUCTURE.—

1 “(1) IN GENERAL.—The Secretary shall make
2 grants to six regional centers for the development of
3 existing science park infrastructure through the op-
4 eration of revolving loan funds by such centers.

5 “(2) SELECTION OF CENTERS.—

6 “(A) IN GENERAL.—The Secretary shall
7 select the regional centers to be awarded grants
8 under this subsection utilizing such criteria as
9 the Secretary shall prescribe.

10 “(B) CRITERIA.—The criteria prescribed
11 by the Secretary under this paragraph shall in-
12 clude criteria relating to revolving loan funds
13 and revolving loan fund operators under para-
14 graph (4), including—

15 “(i) the qualifications of principal offi-
16 cers;

17 “(ii) non-Federal cost matching re-
18 quirements; and

19 “(iii) conditions for the termination of
20 loan funds.

21 “(3) LIMITATION ON LOAN AMOUNT.—The
22 amount of any loan for the development of existing
23 science park infrastructure that is funded under this
24 subsection may not exceed \$3,000,000.

25 “(4) REVOLVING LOAN FUNDS.—

1 “(A) IN GENERAL.—A regional center re-
2 ceiving a grant under this subsection shall fund
3 the development of existing science park infra-
4 structure through the utilization of a revolving
5 loan fund.

6 “(B) OPERATION AND INTEGRITY.—The
7 Secretary shall prescribe regulations to main-
8 tain the proper operation and financial integrity
9 of revolving loan funds under this paragraph.

10 “(C) EFFICIENT ADMINISTRATION.—The
11 Secretary may—

12 “(i) at the request of a grantee,
13 amend and consolidate grant agreements
14 governing revolving loan funds to provide
15 flexibility with respect to lending areas and
16 borrower criteria;

17 “(ii) assign or transfer assets of a re-
18 volving loan fund to a third party for the
19 purpose of liquidation, and a third party
20 may retain assets of the fund to defray
21 costs related to liquidation; and

22 “(iii) take such actions as are appro-
23 priate to enable revolving loan fund opera-
24 tors to sell or securitize loans (except that

1 the actions may not include issuance of a
2 Federal guaranty by the Secretary).

3 “(D) TREATMENT OF ACTIONS.—An action
4 taken by the Secretary under this paragraph
5 with respect to a revolving loan fund shall not
6 constitute a new obligation if all grant funds
7 associated with the original grant award have
8 been disbursed to the recipient.

9 “(E) PRESERVATION OF SECURITIES
10 LAWS.—

11 “(i) NOT TREATED AS EXEMPTED SE-
12 CURITIES.—No securities issued pursuant
13 to subparagraph (C)(iii) shall be treated as
14 exempted securities for purposes of the Se-
15 curities Act of 1933 or the Securities Ex-
16 change Act of 1934, unless exempted by
17 rule or regulation of the Securities and Ex-
18 change Commission.

19 “(ii) PRESERVATION.—Except as pro-
20 vided in clause (i), no provision of this
21 paragraph or any regulation issued by the
22 Secretary under this paragraph shall su-
23 persede or otherwise affect the application
24 of the securities laws (as such term is de-
25 fined in section 2(a)(47) of the Securities

1 Exchange Act of 1934) or the rules, regu-
2 lations, or orders of the Securities and Ex-
3 change Commission or a self-regulatory or-
4 ganization thereunder.

5 “(5) AUTHORIZATION OF APPROPRIATIONS.—

6 There is authorized to be appropriated for each of
7 fiscal years 2006 through 2011, \$60,000,000 to
8 carry out this subsection.

9 “(c) LOAN GUARANTEES FOR SCIENCE PARK INFRA-
10 STRUCTURE.—

11 “(1) IN GENERAL.—The Secretary shall guar-
12 antee up to 80 percent of the loan amount for loans
13 exceeding \$10,000,000 for projects for the construc-
14 tion of science park infrastructure.

15 “(2) LIMITATIONS ON GUARANTEE AMOUNTS.—

16 The maximum amount of loan principal guaranteed
17 under this subsection may not exceed—

18 “(A) \$50,000,000 with respect to any sin-
19 gle project; and

20 “(B) \$500,000,000 with respect to all
21 projects.

22 “(3) SELECTION OF GUARANTEE RECIPI-

23 ENTS.—The Secretary shall select recipients of loan
24 guarantees under this subsection based upon the
25 ability of the recipient to collateralize the loan

1 amount through bonds, equity, property, and other
2 such criteria as the Secretary shall prescribe.

3 “(4) TERMS AND CONDITIONS FOR LOAN GUAR-
4 ANTEES.—For purposes of this section, the loans
5 guaranteed shall be subject to such terms and condi-
6 tions as the Secretary may prescribe, except that—

7 “(A) the final maturity of such loans made
8 or guaranteed shall not exceed (as determined
9 by the Secretary) the lesser of—

10 “(i) 30 years and 32 days, or

11 “(ii) 90 percent of the useful life of
12 any physical asset to be financed by such
13 loan;

14 “(B) no loan made or guaranteed may be
15 subordinated to another debt contracted by the
16 borrower or to any other claims against the bor-
17 rowers in the case of default;

18 “(C) no loan may be guaranteed unless the
19 Secretary determines that the lender is respon-
20 sible and that adequate provision is made for
21 servicing the loan on reasonable terms and pro-
22 tecting the financial interest of the United
23 States;

24 “(D) no loan may be guaranteed if the in-
25 come from such loan is excluded from gross in-

1 come for purposes of chapter 1 of the Internal
2 Revenue Code of 1986, or if the guarantee pro-
3 vides significant collateral or security, as deter-
4 mined by the Secretary, for other obligations
5 the income from which is so excluded;

6 “(E) any guarantee shall be conclusive evi-
7 dence that said guarantee has been properly ob-
8 tained, that the underlying loan qualified for
9 such guarantee, and that, but for fraud or ma-
10 terial misrepresentation by the holder, such
11 guarantee shall be presumed to be valid, legal,
12 and enforceable;

13 “(F) the Secretary shall prescribe explicit
14 standards for use in periodically assessing the
15 credit risk of new and existing direct loans or
16 guaranteed loans;

17 “(G) the Secretary must find that there is
18 a reasonable assurance of repayment before ex-
19 tending credit assistance; and

20 “(H) new loan guarantees may not be com-
21 mitted except to the extent that appropriations
22 of budget authority to cover their costs are
23 made in advance, as required in section 504 of
24 the Federal Credit Reform Act of 1990.

1 “(5) PAYMENT OF LOSSES.—For purposes of
2 this section—

3 “(A) IN GENERAL.—If, as a result of a de-
4 fault by a borrower under a guaranteed loan,
5 after the holder thereof has made such further
6 collection efforts and instituted such enforce-
7 ment proceedings as the Secretary may require,
8 the Secretary determines that the holder has
9 suffered a loss, the Secretary shall pay to such
10 holder the percentage of such loss (not more
11 than 80 percent) specified in the guarantee con-
12 tract. Upon making any such payment, the Sec-
13 retary shall be subrogated to all the rights of
14 the recipient of the payment. The Secretary
15 shall be entitled to recover from the borrower
16 the amount of any payments made pursuant to
17 any guarantee entered into under this section.

18 “(B) ENFORCEMENT OF RIGHTS.—The At-
19 torney General shall take such action as may be
20 appropriate to enforce any right accruing to the
21 United States as a result of the issuance of any
22 guarantee under this section.

23 “(C) FORBEARANCE.—Nothing in this sec-
24 tion may be construed to preclude any forbear-
25 ance for the benefit of the borrower which may

1 be agreed upon by the parties to the guaranteed
2 loan and approved by the Secretary, if budget
3 authority for any resulting subsidy costs (as de-
4 fined under the Federal Credit Reform Act of
5 1990) is available.

6 “(D) MANAGEMENT OF PROPERTY.—Not-
7 withstanding any other provision of law relating
8 to the acquisition, handling, or disposal of prop-
9 erty by the United States, the Secretary shall
10 have the right in the Secretary’s discretion to
11 complete, recondition, reconstruct, renovate, re-
12 pair, maintain, operate, or sell any property ac-
13 quired by the Secretary pursuant to the provi-
14 sions of this section.

15 “(6) REVIEW.—The Comptroller General of the
16 United States shall, within 2 years of the date of en-
17 actment of this section, conduct a review of the sub-
18 sidy estimates for the loan guarantees under this
19 subsection, and shall submit to Congress a report on
20 the review conducted under this paragraph.

21 “(7) TERMINATION.—No loan may be guaran-
22 teed under this subsection after September 30,
23 2011.

24 “(8) AUTHORIZATION OF APPROPRIATIONS.—
25 There is authorized to be appropriated—

1 “(A) such sums as may be necessary for
2 the cost, as defined in section 502(5) of the
3 Federal Credit Reform Act of 1990, of guaran-
4 teeing \$500,000,000 of loans under this sub-
5 section, and

6 “(B) \$6,000,000 for administrative ex-
7 penses for fiscal year 2006 and such sums as
8 necessary thereafter for administrative expenses
9 in subsequent years.

10 “(d) NATIONAL ACADEMY OF SCIENCES EVALUA-
11 TION.—

12 “(1) IN GENERAL.—The Secretary shall enter
13 into an agreement with the National Academy of
14 Sciences under which the Academy shall evaluate, on
15 a tri-annual basis, the activities under this section.

16 “(2) TRI-ANNUAL REPORT.—Under the agree-
17 ment under paragraph (1), the Academy shall sub-
18 mit to the Secretary a report on its evaluation of
19 science park development under that paragraph.
20 Each report may include such recommendations as
21 the Academy considers appropriate for additional ac-
22 tivities to promote and facilitate the development of
23 science parks in the United States.

24 “(e) TRI-ANNUAL REPORT.—Not later than March
25 31 of every third year, the Secretary shall submit to Con-

1 gress a report on the activities under this section during
2 the preceding 3 years, including any recommendations
3 made by the National Academy of Sciences under sub-
4 section (d)(2) during such period. Each report may in-
5 clude such recommendations for legislative or administra-
6 tive action as the Secretary considers appropriate to fur-
7 ther promote and facilitate the development of science
8 parks in the United States.

9 “(f) REGULATIONS.—

10 “(1) REGULATIONS.—Consistent with Office of
11 Management and Budget Circular A–129, ‘Policies
12 for Federal Credit Programs and Non-Tax Receiv-
13 ables’, the Secretary shall prescribe regulations to
14 carry out this section.

15 “(2) DEADLINE.—The Secretary shall prescribe
16 such regulations not later than one year after the
17 date of enactment of this section.”.

18 **SEC. 3. SCIENCE PARK VENTURE CAPITAL FUND PILOT**
19 **PROGRAM.**

20 Title III of the Small Business Investment Act of
21 1958 (15 U.S.C. 681 et seq.) is amended by adding at
22 the end the following:

1 **“PART C—SCIENCE PARK VENTURE CAPITAL**

2 **FUND PILOT PROGRAM**

3 **“SEC. 1. DEFINITIONS.**

4 “As used in this part, the following definitions shall
5 apply:

6 “(1) BUSINESS OR INDUSTRIAL PARK.—The
7 term ‘Business or industrial park’ means primarily
8 a for-profit real estate venture of businesses or in-
9 dustries which do not necessarily reinforce each
10 other through supply chain or technology transfer
11 mechanisms.

12 “(2) EQUITY CAPITAL.—The term ‘equity cap-
13 ital’ means common or preferred stock or a similar
14 instrument, including subordinated debt with equity
15 features.

16 “(3) HIGH-TECHNOLOGY.—The term ‘high-
17 technology’ means any of the high technology indus-
18 tries in the North American Industrial Classification
19 System, as listed in table 8–25 of the National
20 Science Board publication entitled ‘Science and En-
21 gineering Indicators 2004’, or as listed in any suc-
22 ceeding editions of such publication.

23 “(4) LEVERAGE.—The term ‘leverage’ in-
24 cludes—

25 “(A) debentures purchased or guaranteed
26 by the Administrator;

1 “(B) participating securities purchased or
2 guaranteed by the Administrator; and

3 “(C) preferred securities outstanding as of
4 the date of enactment of this part.

5 “(5) MEZZANINE FINANCING.—The term ‘mez-
6 zanine financing’ means late-stage venture capital
7 usually associated with the final round of financing
8 prior to an initial public offering.

9 “(6) OPERATIONAL ASSISTANCE.—The term
10 ‘operational assistance’ means management, mar-
11 keting, and other technical assistance that assists
12 high-technology start-up companies with business
13 development.

14 “(7) PARTICIPATION AGREEMENT.—The term
15 ‘participation agreement’ means an agreement, be-
16 tween the Administrator and a company granted
17 final approval by the Administrator under section
18 374(e), that—

19 “(A) details the operating plan and invest-
20 ment criteria of the company; and

21 “(B) requires the company to make invest-
22 ments in high-technology start-up companies
23 within a science park.

24 “(8) PRIVATE CAPITAL.—The term ‘private
25 capital’—

1 “(A) means the total of—

2 “(i)(I) the paid-in capital and paid-in
3 surplus of a corporate science park venture
4 capital company;

5 “(II) the contributed capital of the
6 partners of a partnership science park ven-
7 ture capital company; or

8 “(III) the equity investment of the
9 members of a limited liability company
10 science park venture capital company; and

11 “(ii) unfunded binding commitments
12 from investors that meet criteria estab-
13 lished by the Administrator to contribute
14 capital to the science park venture capital
15 company, except that—

16 “(I) unfunded commitments may
17 be counted as private capital for pur-
18 poses of approval by the Adminis-
19 trator of any request for leverage; and

20 “(II) leverage shall not be funded
21 based on the commitments; and

22 “(B) does not include—

23 “(i) any funds borrowed by a science
24 park venture capital company from any
25 source;

1 “(ii) any funds obtained through the
2 issuance of leverage; or

3 “(iii) any funds obtained directly or
4 indirectly from Federal, State, or local gov-
5 ernment, except for—

6 “(I) funds obtained from the
7 business revenues of any federally
8 chartered or government-sponsored
9 enterprise established before the date
10 of enactment of this part;

11 “(II) funds invested by an em-
12 ployee welfare benefit plan or pension
13 plan; and

14 “(III) any qualified nonprivate
15 funds, if the investors of such funds
16 do not directly or indirectly control
17 the management, board of directors,
18 general partners, or members of the
19 science park venture capital company.

20 “(9) PROGRAM.—The term ‘Program’ means
21 the Science Park Venture Capital Program estab-
22 lished under section 372.

23 “(10) QUALIFIED NONPRIVATE FUNDS.—The
24 term ‘qualified nonprivate funds’ means—

1 “(A) any funds directly or indirectly in-
2 vested in any applicant or science park venture
3 capital company on or before the date of enact-
4 ment of this part, by any Federal agency other
5 than the Administration, under a law explicitly
6 mandating the inclusion of those funds in the
7 definition of the term private capital; and

8 “(B) any funds invested in any applicant
9 or science park venture capital company by 1 or
10 more entities of any State, including any guar-
11 antee extended by any such entity, in an aggre-
12 gate amount not to exceed 33 percent of the
13 private capital of the applicant or science park
14 venture capital company.

15 “(11) SCIENCE PARK.—The term ‘science park’
16 means a group of interrelated companies and institu-
17 tions, including suppliers, service providers, institu-
18 tions of higher education, start-up incubators, and
19 trade associations that cooperate and compete and
20 are located in a specific area whose administration
21 promotes real estate development, technology trans-
22 fer, and partnerships between such companies and
23 institutions, and does not mean a business or indus-
24 trial park.

1 “(12) SCIENCE PARK VENTURE CAPITAL.—The
2 term ‘science park venture capital’ means equity
3 capital investments in high-technology start-up busi-
4 nesses located in science parks to foster economic
5 development and technological innovation.

6 “(13) SCIENCE PARK VENTURE CAPITAL COM-
7 PANY.—The term ‘science park venture capital com-
8 pany’ means a company that—

9 “(A) meets the requirements under section
10 373;

11 “(B) has been granted final approval by
12 the Administrator under section 374(e); and

13 “(C) has entered into a participation
14 agreement with the Administrator.

15 “(14) START-UP COMPANY.—The term ‘start-up
16 company’ means a company that has developed intel-
17 lectual property protection of research and develop-
18 ment, but has not reached the stage associated with
19 equity or securitized investments typical of venture
20 capital or mezzanine financing.

21 “(15) STATE.—The term ‘State’ means each of
22 the several States of the United States, the District
23 of Columbia, the Commonwealth of Puerto Rico, the
24 Virgin Islands, Guam, American Samoa, the Com-
25 monwealth of the Northern Mariana Islands, and

1 any other commonwealth, territory, or possession of
2 the United States.

3 **“SEC. 2. ESTABLISHMENT.**

4 “There is established a Science Park Venture Capital
5 Program, under which the Administrator may—

6 “(1) enter into participation agreements with
7 companies granted final approval under section
8 374(e);

9 “(2) guarantee the debentures issued by science
10 park venture capital companies under section 375;
11 and

12 “(3) award grants to science park venture cap-
13 ital companies under section 377.

14 **“SEC. 3. REQUIREMENTS FOR SCIENCE PARK VENTURE
15 CAPITAL COMPANIES.**

16 “(a) ORGANIZATION.—For purposes of this part, a
17 science park venture capital company—

18 “(1) shall be an incorporated body, a limited li-
19 ability company, or a limited partnership organized
20 and chartered, or otherwise existing under State law
21 solely for the purpose of performing the functions
22 and conducting the activities authorized by this part;

23 “(2) if incorporated, shall have succession for a
24 period of not less than 30 years unless earlier dis-
25 solved by the shareholders of the company;

1 “(3) if a limited partnership or a limited liabil-
2 ity company, shall have succession for a period of
3 not less than 10 years; and

4 “(4) shall possess the powers reasonably nec-
5 essary to perform the functions and conduct the ac-
6 tivities.

7 “(b) ARTICLES.—The articles of any science park
8 venture capital company—

9 “(1) shall specify in general terms—

10 “(A) the purposes for which the company
11 is formed;

12 “(B) the name of the company;

13 “(C) the area or areas in which the oper-
14 ations of the company are to be carried out;

15 “(D) the place where the principal office of
16 the company is to be located; and

17 “(E) the amount and classes of the shares
18 of capital stock of the company;

19 “(2) may contain any other provisions con-
20 sistent with this part that the science park venture
21 capital company may determine to be appropriate to
22 adopt for the regulation of the business of the com-
23 pany and the conduct of the affairs of the company;
24 and

1 “(3) shall be subject to the approval of the Ad-
2 ministrators.

3 “(c) CAPITAL REQUIREMENTS.—

4 “(1) IN GENERAL.—Except as provided in para-
5 graph (2), the private capital of each science park
6 venture capital company shall be not less than—

7 “(A) \$5,000,000; or

8 “(B) \$10,000,000, with respect to each
9 science park venture capital company author-
10 ized or seeking authority to issue participating
11 securities to be purchased or guaranteed by the
12 Administrator under this part.

13 “(2) EXCEPTION.—The Secretary may, in the
14 discretion of the Administrator, and based on a
15 showing of special circumstances and good cause,
16 permit the private capital of science park venture
17 capital company described in paragraph (1)(B) to be
18 less than \$10,000,000, but not less than
19 \$5,000,000, if the Administrator determines that the
20 action would not create or otherwise contribute to an
21 unreasonable risk of default or loss to the Federal
22 Government.

23 “(3) ADEQUACY.—In addition to the require-
24 ments under paragraph (1), the Administrator
25 shall—

1 “(A) determine whether the private capital
2 of each science park venture capital company is
3 adequate to ensure a reasonable prospect that
4 the company will be operated soundly and prof-
5 itably, and managed actively and prudently in
6 accordance with the articles of the company;

7 “(B) determine that the science park ven-
8 ture capital company will be able to comply
9 with the requirements of this part; and

10 “(C) ensure that the science park venture
11 capital company is designed primarily to meet
12 equity capital needs of the businesses in which
13 the company invests and not to compete with
14 traditional financing by commercial lenders of
15 high-technology startup businesses.

16 “(d) DIVERSIFICATION OF OWNERSHIP.—The Ad-
17 ministrators shall ensure that the management of each
18 science park venture capital company licensed after the
19 date of enactment of this part is sufficiently diversified
20 from, and unaffiliated with, the ownership of the company
21 so as to ensure independence and objectivity in the finan-
22 cial management and oversight of the investments and op-
23 erations of the company.

1 **“SEC. 4. SELECTION OF SCIENCE PARK VENTURE CAPITAL**
2 **COMPANIES.**

3 “(a) **ELIGIBILITY.**—A company is eligible to partici-
4 pate as a science park venture capital company in the Pro-
5 gram if the company—

6 “(1) is a newly formed for-profit entity or a
7 newly formed for-profit subsidiary of an existing en-
8 tity;

9 “(2) has a management team in the science
10 park with experience in development financing or
11 relevant venture capital financing;

12 “(3) has a primary objective of economic devel-
13 opment of the science park and its surrounding geo-
14 graphic area; and

15 “(4) promotes innovation of science and tech-
16 nology in the science park.

17 “(b) **APPLICATION.**—Any eligible company that de-
18 sires to participate as a science park venture capital com-
19 pany in the Program shall submit an application to the
20 Administrator, which shall include—

21 “(1) a business plan describing how the com-
22 pany intends to make successful venture capital in-
23 vestments in start up companies within the science
24 park;

25 “(2) a description of the qualifications and gen-
26 eral reputation of the management of the company;

1 “(3) an estimate of the ratio of cash to in-kind
2 contributions of binding commitments to be made to
3 the company under the Program;

4 “(4) a description of the criteria to be used to
5 evaluate whether, and to what extent, the company
6 meets the objectives of the Program;

7 “(5) information regarding the management
8 and financial strength of any parent firm, affiliated
9 firm, or other firm essential to the success of the
10 business plan of the company; and

11 “(6) such other information as the Adminis-
12 trator may require.

13 “(c) STATUS.—Not later than 90 days after the ini-
14 tial receipt by the Administrator of an application under
15 this section, the Administrator shall provide to the appli-
16 cant a written report that describes the status of the appli-
17 cants and any requirements remaining for completion of
18 the application.

19 “(d) MATTERS CONSIDERED.—In reviewing and
20 processing any application under this section, the Admin-
21 istrator—

22 “(1) shall determine if—

23 “(A) the applicant meets the requirements
24 under subsection (e); and

1 “(B) the management of the applicant is
2 qualified and has the knowledge, experience,
3 and capability necessary to comply with this
4 part;

5 “(2) shall take into consideration—

6 “(A) the need for and availability of fi-
7 nancing for high-technology start-up companies
8 in the science park in which the applicant is to
9 commence business;

10 “(B) the general business reputation of the
11 owners and management of the applicant; and

12 “(C) the probability of successful oper-
13 ations of the applicant, including adequate prof-
14 itability and financial soundness;

15 “(3) shall not take into consideration any pro-
16 jected shortage or unavailability of grant funds or le-
17 verage; and

18 “(4) shall emphasize the promotion of regional
19 science park venture capital companies to serve mul-
20 tiple research parks in order to avoid geographic di-
21 lution of management and capital.

22 “(e) APPROVAL; LICENSE.—The Administrator may
23 approve an applicant to operate as a science park venture
24 capital company under this part and license the applicant
25 as a science park venture capital company, if—

1 “(1) the Administrator determines that the ap-
2 plication satisfies the requirements under subsection
3 (b);

4 “(2) the Administrator approves—

5 “(A) the area in which the science park
6 venture capital company is to conduct its oper-
7 ations; and

8 “(B) the establishment of branch offices or
9 agencies (if authorized by the articles); and

10 “(3) the applicant enters into a participation
11 agreement with the Administrator.

12 **“SEC. 5. DEBENTURES.**

13 “(a) GUARANTEES.—The Administrator may guar-
14 antee the timely payment of principal and interest, as
15 scheduled, on debentures issued by any science park ven-
16 ture capital company.

17 “(b) TERMS AND CONDITIONS.—The Administrator
18 may make guarantees under this section on such terms
19 and conditions as the Administrator determines to be ap-
20 propriate, except that the term of any debenture guaran-
21 teed under this section shall not exceed 15 years.

22 “(c) FULL FAITH AND CREDIT OF THE UNITED
23 STATES.—The full faith and credit of the United States
24 is pledged to pay all amounts that may be required to be
25 paid under any guarantee under this part.

1 “(d) MAXIMUM GUARANTEE.—The Administrator
2 may—

3 “(1) guarantee the debentures issued by a
4 science park venture capital company only to the ex-
5 tent that the total face amount of outstanding guar-
6 anteed debentures of such company does not exceed
7 the lesser of—

8 “(A) 300 percent of the private capital of
9 the company, or

10 “(B) \$100,000,000; and

11 “(2) provide for the use of discounted debentures.
12

13 **“SEC. 6. ISSUANCE AND GUARANTEE OF TRUST CERTIFI-**
14 **CATES.**

15 “(a) ISSUANCE.—The Administrator may issue trust
16 certificates representing ownership of all or a part of de-
17 bentures issued by a science park venture capital company
18 and guaranteed by the Administrator under this part, if
19 such certificates are based on and backed by a trust or
20 pool approved by the Administrator and composed solely
21 of guaranteed debentures.

22 “(b) GUARANTEE.—

23 “(1) IN GENERAL.—The Administrator may,
24 under such terms and conditions as it deems appro-
25 priate, guarantee the timely payment of the principal

1 of and interest on trust certificates issued by the
2 Administrator or its agents for purposes of this sec-
3 tion.

4 “(2) LIMITATION.—Each guarantee under this
5 subsection shall be limited to the extent of principal
6 and interest on the guaranteed debentures that com-
7 pose the trust or pool.

8 “(3) PREPAYMENT OR DEFAULT.—

9 “(A) IN GENERAL.—In the event that a
10 debenture in a trust or pool is prepaid, or in
11 the event of default of such a debenture, the
12 guarantee of timely payment of principal and
13 interest on the trust certificates shall be re-
14 duced in proportion to the amount of principal
15 and interest such prepaid debenture represents
16 in the trust or pool.

17 “(B) INTEREST.—Interest on prepaid or
18 defaulted debentures shall accrue and be guar-
19 anteed by the Administrator only through the
20 date of payment of the guarantee.

21 “(C) REDEMPTION.—At any time during
22 its term, a trust certificate may be called for re-
23 demption due to prepayment or default of all
24 debentures.

1 “(c) FULL FAITH AND CREDIT.—The full faith and
2 credit of the United States is pledged to pay all amounts
3 that may be required to be paid under any guarantee of
4 a trust certificate issued by the Administrator or its
5 agents under this section.

6 “(d) SUBROGATION AND OWNERSHIP RIGHTS.—

7 “(1) SUBROGATION.—If the Administrator pays
8 a claim under a guarantee issued under this section,
9 it shall be subrogated fully to the rights satisfied by
10 such payment.

11 “(2) OWNERSHIP RIGHTS.—No provision of
12 Federal, State, or local law shall preclude or limit
13 the exercise by the Administrator of its ownership
14 rights in the debentures residing in a trust or pool
15 against which 1 or more trust certificates are issued
16 under this section.

17 “(e) MANAGEMENT AND ADMINISTRATION.—

18 “(1) REGISTRATION.—The Administrator may
19 provide for a central registration of all trust certifi-
20 cates issued under this section.

21 “(2) CONTRACTING OF FUNCTIONS.—

22 “(A) IN GENERAL.—Notwithstanding any
23 other provision of law, the Administrator may
24 contract with an agent or agents to carry out
25 on behalf of the Administrator the pooling and

1 the central registration functions provided for
2 in this section, including—

3 “(i) maintenance, on behalf of and
4 under the direction of the Administrator,
5 of such commercial bank accounts or in-
6 vestments in obligations of the United
7 States as may be necessary to facilitate the
8 creation of trusts or pools backed by de-
9 bentures guaranteed under this part; and

10 “(ii) the issuance of trust certificates
11 to facilitate the creation of such trusts or
12 pools.

13 “(B) FIDELITY BOND OR INSURANCE RE-
14 QUIREMENT.—Any agent performing functions
15 on behalf of the Administrator under this para-
16 graph shall provide a fidelity bond or insurance
17 in such amounts as the Administrator deter-
18 mines necessary to fully protect the interests of
19 the United States.

20 “(C) REGULATION OF BROKERS AND
21 DEALERS.—The Administrator may regulate
22 brokers and dealers in trust certificates issued
23 under this section.

24 “(D) ELECTRONIC REGISTRATION.—Noth-
25 ing in this subsection may be construed to pro-

1 hibit the use of a book entry or other electronic
2 form of registration for trust certificates issued
3 under this section.

4 **“SEC. 7. OPERATIONAL ASSISTANCE GRANTS.**

5 “(a) IN GENERAL.—

6 “(1) GRANTS AUTHORIZED.—The Adminis-
7 trator may award grants to science park venture
8 capital companies and other entities to provide oper-
9 ational assistance to high-technology start-up com-
10 panies financed, or expected to be financed, by such
11 companies.

12 “(2) TERMS.—Grants under this subsection
13 shall be made over a period not to exceed 10 years,
14 under such other terms as the Administrator may
15 require.

16 “(3) GRANT AMOUNT.—Each grant awarded
17 under this subsection shall be equal to the lesser
18 of—

19 “(A) 10 percent of the private capital
20 raised by the science park venture capital com-
21 pany; or

22 “(B) \$1,000,000.

23 “(4) OTHER ENTITIES.—The amount of a
24 grant made under this subsection to any entity other
25 than a science park venture capital company shall be

1 equal to the resources (in cash or in kind) raised by
2 the entity in accordance with the requirements appli-
3 cable to science park venture capital companies
4 under this part.

5 “(b) SUPPLEMENTAL GRANTS.—

6 “(1) IN GENERAL.—The Administrator may
7 award supplemental grants to science park venture
8 capital companies and other entities, under such
9 terms as the Administrator may require, to provide
10 additional operational assistance to start-up compa-
11 nies financed, or expected to be financed, by such
12 companies or entities.

13 “(2) MATCHING REQUIREMENT.—The Adminis-
14 trator may require, as a condition of any supple-
15 mental grant made under this subsection, that the
16 company or entity receiving the grant provide a
17 matching contribution equal to 50 percent of the
18 amount of the supplemental grant from non-Federal
19 cash or in-kind resources.

20 “(c) LIMITATION.—None of the assistance made
21 available under this section may be used for any overhead
22 or general and administrative expense of a science park
23 venture capital company or other entity.

1 **“SEC. 8. REPORTING REQUIREMENTS.**

2 “(a) SCIENCE PARK VENTURE CAPITAL COMPA-
3 NIES.—Each science park venture capital company shall
4 provide the Administrator with such information as the
5 Administrator may require, including information relating
6 to the criteria described in section 374(b)(4).

7 “(b) PUBLIC REPORTS.—

8 “(1) IN GENERAL.—The Administrator shall
9 prepare and make available to the public an annual
10 report on the Program, which shall include detailed
11 information on—

12 “(A) the number of science park venture
13 capital companies licensed by the Administrator
14 during the previous fiscal year;

15 “(B) the aggregate amount of leverage
16 that science park venture capital companies
17 have received from the Federal Government
18 during the previous fiscal year;

19 “(C) the aggregate number of each type of
20 leveraged instruments used by science park ven-
21 ture capital companies during the previous fis-
22 cal year, and how each such number compares
23 to the number in previous fiscal years;

24 “(D) for the previous fiscal year, the num-
25 ber of—

1 “(i) science park venture capital com-
2 pany licenses surrendered; and

3 “(ii) the number of science park ven-
4 ture capital companies placed in liquida-
5 tion;

6 “(E) the amount and type of leverage each
7 such company has received from the Federal
8 Government;

9 “(F) the amount of losses sustained by the
10 Federal Government as a result of operations
11 under this part during the previous fiscal year
12 and an estimate of the total losses that the
13 Federal Government can reasonably expect to
14 incur as a result of the operations during the
15 current fiscal year;

16 “(G) actions taken by the Administrator to
17 maximize recoupment of funds of the Federal
18 Government expended to implement and admin-
19 ister the Program during the previous fiscal
20 year and to ensure compliance with the require-
21 ments of this part, including implementing reg-
22 ulations;

23 “(H) the amount of Federal Government
24 leverage that each licensee received in the pre-

1 various fiscal year and the types of leverage in-
2 struments used by each licensee;

3 “(I) for each type of financing instrument,
4 the sizes, types of geographic locations, and
5 other characteristics of the small business in-
6 vestment companies using the instrument dur-
7 ing the previous fiscal year, including the extent
8 to which the investment companies have used
9 the leverage from each instrument to make
10 loans or equity investments in science parks;
11 and

12 “(J) the actions of the Administrator to
13 carry out this part.

14 “(2) PROHIBITION.—In compiling the report re-
15 quired under paragraph (1), the Administrator may
16 not—

17 “(A) compile the report in a manner that
18 permits identification of any particular type of
19 investment by an individual science park ven-
20 ture capital company in which a science park
21 venture capital company invests; or

22 “(B) release any information that is pro-
23 hibited under section 1905 of title 18, United
24 States Code.

1 **“SEC. 9. EXAMINATIONS.**

2 “(a) IN GENERAL.—Each science park venture cap-
3 ital company that participates in the Program shall be
4 subject to examinations made at the direction of the Ad-
5 ministrator, in accordance with this section.

6 “(b) ASSISTANCE OF PRIVATE SECTOR ENTITIES.—
7 An examination under this section may be conducted with
8 the assistance of a private sector entity that has the quali-
9 fications and expertise necessary to conduct such an exam-
10 ination.

11 “(c) COSTS.—

12 “(1) IN GENERAL.—The Administrator may as-
13 sess the cost of an examination under this section,
14 including compensation of the examiners, against the
15 science park venture capital company examined.

16 “(2) PAYMENT.—Any science park venture cap-
17 ital company against which the Administrator as-
18 sesses costs under this subsection shall pay the costs
19 assessed.

20 “(d) DEPOSIT OF FUNDS.—Funds collected under
21 this section—

22 “(1) shall be deposited in the account that in-
23 curred the costs for carrying out this section;

24 “(2) shall be made available to the Adminis-
25 trator to carry out this section, without further ap-
26 propriation; and

1 “(3) shall remain available until expended.

2 **“SEC. 10. BANK PARTICIPATION.**

3 “(a) IN GENERAL.—Except as provided under sub-
4 section (b), any national bank, any member bank of the
5 Federal Reserve System, and, to the extent permitted
6 under applicable State law, any insured bank that is not
7 a member of such system, may invest in—

8 “(1) any science park venture capital company;

9 or

10 “(2) any entity established to invest solely in
11 science park venture capital companies.

12 “(b) LIMITATION.—No bank described in subsection
13 (a) may make investments described in that subsection
14 that are greater than 5 percent of the capital and surplus
15 of the bank.

16 **“SEC. 11. FEES.**

17 “(a) IN GENERAL.—Except as provided under sub-
18 section (b), the Administrator may charge such fees as
19 it determines to be appropriate with respect to any guar-
20 antee or grant issued under this part.

21 “(b) EXCEPTION.—The Administrator shall not col-
22 lect a fee for any guarantee of a trust certificate under
23 this section. Any agent of the Administrator may collect
24 a fee, upon the approval of the Administrator, for the
25 functions described in section 376(e)(2).

1 **“SEC. 12. APPLICABLE LAW.**

2 “(a) IN GENERAL.—The provisions relating to New
3 Market Venture Capital companies under sections 361
4 through section 366 shall apply to science park venture
5 capital companies.

6 “(b) PURCHASE OF GUARANTEED OBLIGATIONS.—
7 Section 318 shall not apply to any debenture issued by
8 a science park venture capital company under this part.

9 **“SEC. 13. REGULATIONS.**

10 “Not later than 12 months after the date of enact-
11 ment of this part, the Administrator shall issue such regu-
12 lations as it determines necessary to carry out this part.

13 **“SEC. 14. AUTHORIZATIONS OF APPROPRIATIONS.**

14 “(a) IN GENERAL.—There are authorized to be ap-
15 propriated to the Administration for each of the fiscal
16 years 2006 through 2011, to remain available until ex-
17 pended—

18 “(1) such sums as may be necessary for the
19 cost, as defined in section 502(5) of the Federal
20 Credit Reform Act of 1990, of guaranteeing
21 \$500,000,000 of debentures under this part; and

22 “(2) \$50,000,000 to make grants under this
23 part.

24 “(b) FUNDS COLLECTED FOR EXAMINATIONS.—
25 Funds deposited pursuant to section 362(d) may only be
26 used for—

1 “(1) examinations under section 362; and

2 “(2) other oversight activities of the Program.”.

3 **SEC. 4. TAX INCENTIVES FOR INVESTMENT IN SCIENCE**

4 **PARKS.**

5 (a) EXPENSING.—

6 (1) IN GENERAL.—Section 179(d) of the Inter-
7 nal Revenue Code of 1986 (relating to definitions
8 and special rules) is amended by adding at the end
9 the following new paragraph:

10 “(11) APPLICATION OF SECTION TO PROPERTY
11 PLACED IN SERVICE IN SCIENCE PARKS.—

12 “(A) IN GENERAL.—In the case of any sec-
13 tion 179 property placed in service in any
14 science park, this section shall be applied with-
15 out regard to paragraphs (1) and (2) of sub-
16 section (b).

17 “(B) SCIENCE PARK.—

18 “(i) IN GENERAL.—The term ‘science
19 park’ means a group of interrelated com-
20 panies and institutions, including suppliers,
21 service providers, institutions of higher
22 education, start-up incubators, and trade
23 associations that cooperate and compete
24 and are located in a specific area whose
25 administration promotes real estate devel-

1 opment, technology transfer, and partner-
2 ships between such companies and institu-
3 tions, and does not mean a business or in-
4 dustrial park.

5 “(ii) BUSINESS OR INDUSTRIAL
6 PARK.—The term ‘business or industrial
7 park’ means primarily a for-profit real es-
8 tate venture of businesses or industries
9 which do not necessarily reinforce each
10 other through supply chain or technology
11 transfer mechanisms.”.

12 (2) EFFECTIVE DATE.—The amendment made
13 by this subsection shall apply with respect to prop-
14 erty placed in service after the date of the enactment
15 of this Act.

16 (b) TAX CREDIT FOR RESEARCH ACTIVITIES.—

17 (1) IN GENERAL.—Section 41(a) of the Internal
18 Revenue Code of 1986 (relating to credit for increas-
19 ing research activities) is amended by striking “and”
20 at the end of paragraph (1)(B), by striking the pe-
21 riod at the end of paragraph (2) and inserting “,
22 and”, and by adding at the end the following new
23 paragraph:

24 “(3) 20 percent of the qualified research ex-
25 penses paid or incurred by the taxpayer during the

1 taxable year in carrying on any trade or business lo-
2 cated in a science park.”.

3 (2) SCIENCE PARK.—Section 41(f) of such
4 Code (relating to special rules) is amended by add-
5 ing at the end the following new paragraph:

6 “(6) SCIENCE PARK.—

7 “(A) IN GENERAL.—The term ‘science
8 park’ means a group of interrelated companies
9 and institutions, including suppliers, service
10 providers, institutions of higher education,
11 start-up incubators, and trade associations that
12 cooperate and compete and are located in a spe-
13 cific area whose administration promotes real
14 estate development, technology transfer, and
15 partnerships between such companies and insti-
16 tutions, and does not mean a business or indus-
17 trial park.

18 “(B) BUSINESS OR INDUSTRIAL PARK.—
19 The term ‘business or industrial park’ means
20 primarily a for-profit real estate venture of
21 businesses or industries which do not nec-
22 essarily reinforce each other through supply
23 chain or technology transfer mechanisms.”.

1 (3) EFFECTIVE DATE.—The amendments made
2 by this subsection shall apply to taxable years begin-
3 ning after the date of the enactment of this Act.

4 (c) PRIVATE BUSINESS USE OF A BOND-FINANCED
5 FACILITY DOES NOT INCLUDE PERFORMANCE OF RE-
6 SEARCH USING FEDERAL GOVERNMENT FUNDING IN
7 SUCH FACILITY.—

8 (1) IN GENERAL.—Subparagraph (A) of section
9 141(b)(6) of the Internal Revenue Code of 1986 (de-
10 fining private business use) is amended by inserting
11 “or use in the performance of research using, in
12 whole or in part, funds of the United States or any
13 agency or instrumentality thereof” before “shall not
14 be taken into account”.

15 (2) EFFECTIVE DATE.—

16 (A) IN GENERAL.—The amendment made
17 by this subsection shall apply to any use on or
18 after the date of the enactment of this Act.

19 (B) NO INFERENCE.—Nothing in the
20 amendment made by this subsection shall be
21 construed to create any inference with respect
22 to the use of tax-exempt bond financed facilities
23 before the effective date of such amendment.

○