



Ohio Revised Code

Section 150.05 Selection of investment funds as program administrators.

Effective: October 16, 2009

Legislation: House Bill 1 - 128th General Assembly

(A) The authority shall select, as program administrators, not more than two private, for-profit investment funds to acquire loans for the program fund and to invest money in the program fund as prescribed in the investment policy established or modified by the authority in accordance with sections 150.03 and 150.04 of the Revised Code. The authority shall give equal consideration, in selecting these program administrators, to minority owned and controlled investment funds, to funds owned and controlled by women, to ventures involving minority owned and controlled funds, and to ventures involving funds owned and controlled by women that otherwise meet the policies and criteria established by the authority. To be eligible for selection, an investment fund must be incorporated or organized under Chapter 1701., 1705., 1775., 1776., 1782., or 1783. of the Revised Code, must have an established business presence in this state, and must be capitalized in accordance with any state and federal laws applicable to the issuance or sale of securities.

The authority shall select program administrators only after soliciting and evaluating requests for proposals as prescribed in this section. The authority shall publish a notice of a request for proposals in newspapers of general circulation in this state once each week for two consecutive weeks before a date specified by the authority as the date on which it will begin accepting proposals. The notices shall contain a general description of the subject of the proposed agreement and the location where the request for proposals may be obtained. The request for proposals shall include all the following:

- (1) Instructions and information to respondents concerning the submission of proposals, including the name and address of the office where proposals are to be submitted;
- (2) Instructions regarding the manner in which respondents may communicate with the authority, including the names, titles, and telephone numbers of the individuals to whom such communications shall be directed;
- (3) Description of the performance criteria that will be used to evaluate whether a respondent selected by the authority is satisfying the authority's investment policy;



(4) Description of the factors and criteria to be considered in evaluating respondents' proposals, the relative importance of each factor or criterion, and description of the authority's evaluation procedure;

(5) Description of any documents that may be incorporated by reference into the request for proposals, provided that the request specifies where such documents may be obtained and such documents are readily available to all interested parties.

After the date specified for receiving proposals, the authority shall evaluate submitted proposals. The authority may discuss a respondent's proposal with that respondent to clarify or revise a proposal or the terms of the agreement.

The authority shall choose for review proposals from at least three respondents the authority considers qualified to operate the program in the best interests of the investment policy adopted by the authority. If three or fewer proposals are submitted, the authority shall review each proposal. The authority may cancel a request for proposals at any time before entering into an agreement with a respondent. The authority shall provide respondents fair and equal opportunity for such discussions. The authority may terminate discussions with any respondent upon written notice to the respondent.

(B) After reviewing the chosen proposals, the authority may select not more than two such respondents and enter into a written agreement with each of the selected respondents, provided that at no time shall there be agreements with more than two persons.

The agreement shall do all of the following:

(1) Specify that borrowing and investing by the program administrator will be budgeted to guarantee that no tax credits will be granted during the first four years of the Ohio venture capital program, and will be structured to ensure that payments of principal, interest, or interest equivalent due in any fiscal year, when added to such payments due from any other program administrator, does not exceed twenty million dollars;

(2) Require investment by the program administrator or the fund manager employed by the program



administrator to be in compliance with the investment policy established or modified in accordance with sections 150.03 and 150.04 of the Revised Code that is in effect at the time the investment is made, and prohibit the program administrator or fund manager from engaging in any investment activities other than activities to carry out that policy;

(3) Require periodic financial reporting by the program administrator to the authority, which reporting shall include an annual audit by an independent auditor and such other financial reporting as is specified in the agreement or otherwise required by the authority for the purpose of ensuring that the program administrator is carrying out the investment policy;

(4) Specify any like standards or general limitations in addition to or in furtherance of investment standards or limitations that apply pursuant to division (H) of section 150.03 of the Revised Code;

(5) Require the program administrator to apply program fund revenue first to the payment of principal borrowed by the program administrator for investment under the program, then to interest related to that principal, and then to amounts necessary to cover the program administrator's pro rata share required under division (B)(9) of this section; and require the program administrator to pay the authority not less than ninety per cent of the amount by which program fund revenue attributable to investments under the program administrator's investment authority exceeds amounts so applied;

(6) Specify the procedures by which the program administrator shall certify immediately to the authority the necessity for the authority to issue tax credit certificates pursuant to contracts entered into under section 150.07 of the Revised Code;

(7) Specify any general limitations regarding the employment of a fund manager by the program administrator, in addition to an express limitation that the fund manager be a person with demonstrated, substantial, successful experience in the design and management of seed and venture capital investment programs and in capital formation. The fund manager may be, but need not be, an equity owner or affiliate of the program administrator.

(8) Specify the terms and conditions under which the authority or the program administrator may terminate the agreement, including in the circumstance that the program administrator or fund manager violates the investment policy;



(9) Require the program administrator or fund manager employed by the program administrator to provide capital in the form of a loan equal to one per cent of the amount of outstanding loans by lenders to the program fund. The loan from the program administrator or fund manager shall be on the same terms and conditions as loans from other lenders, except that the loan from the program administrator or fund manager shall not be secured by the Ohio venture capital fund or tax credits available to other lenders under division (B) of section 150.04 of the Revised Code. Such capital shall be placed at the same risk as the proceeds from such loans. The program administrator shall receive a pro rata share of the net income, including net loss, from the investment of money from the program fund, but is not entitled to the security against losses provided under section 150.04 of the Revised Code.