

74 O.S.5060.21. Seed-Capital Revolving Fund - Authorized investments - Investment committee

A. There is hereby created in the State Treasury a revolving fund for the Oklahoma Center for the Advancement of Science and Technology to be designated the "Seed-Capital Revolving Fund". The fund shall be a continuing fund, not subject to fiscal year limitations. The fund shall consist of all monies authorized by law for deposit in the fund including but not limited to gifts, grants, private donations and funds by government entities authorized to provide funding for the purposes authorized for use of the fund and with payments on loans made from the fund, rents, dividends paid on shares of stock purchased with monies from the fund, royalty proceeds, or any other form of return on authorized investments made by the Center. Monies deposited or apportioned to the credit of the fund in excess of that required for implementation of the program or programs for which expenditures from the fund are authorized may be transferred to any other fund under the control of the Center. All monies accruing to the credit of said fund are hereby appropriated and may be budgeted and expended by the Oklahoma Center for the Advancement of Science and Technology for purposes authorized by law. Expenditures from said fund shall be made upon warrants issued by the State Treasurer against claims filed as prescribed by law with the Director of State Finance for approval and payment.

B. The Seed-Capital Revolving Fund shall be managed consistent with the long-term goal that revenues earned from investment of the fund be used to cover administrative costs of the fund; however, the revenues from the Seed-Capital Revolving Fund shall not be used for the fund's administrative expenses of the fund until the principal of the fund would not be endangered by such use of fund revenues.

C. The Center may use the Seed-Capital Revolving Fund as follows:

1. To carry out the purposes of this act through authorized investments, including:

a. loans, loans convertible to equity, and equity,

b. leaseholds,

c. management or consultant service agreements,

d. loans with stock subscription or similar warrants that are beneficially owned by the Center,

e. loans with stock subscription or similar warrants that are beneficially owned by a party other than the Center,

f. any other contractual arrangement in which the Center is providing scientific and technological services to any federal, state, county or municipal agency, or to any individual, corporation, enterprise, association or any other entity involving science and technology. The Center, in connection with the provision of any form of financial assistance, may enter into royalty agreements with an enterprise,

g. participation as a general or limited partner in other seed-capital funds or participation as a limited partner in individual cases as authorized by the board of directors,

h. royalty or other interests in patents, licenses, trade secrets or other technology, and

i. all other qualified securities as defined in this act; and
2. To pay all or a portion of the Center's administrative costs, including salary, fringe benefits and other operating expenses. Amounts to be used for the payment of administrative costs shall be transferred to the Administration and Data Processing Revolving Fund before being encumbered or expended.

D. The Center may use the Seed-Capital Revolving Fund to purchase qualified securities issued by enterprises engaged in new product or process innovations subject to the conditions set forth in this section.

E. The Center may use the Seed-Capital Revolving Fund to make loans to business incubator facilities in exchange for interests in the enterprises of the type described in subparagraphs a through i in subsection C of this section.

F. The Center shall make authorized investments in enterprises engaged in new product or process innovations only after:

1. Receipt of an application from the enterprise which contains:

a. a business plan including a description of the enterprise and its management, product and market,

b. a statement of the amount, timing and projected use of the capital required,

c. a statement of the potential economic impact of the enterprise, including the number, location and types of jobs expected to be created, and

d. such other information as the Center board of directors shall request.

2. Approval of the investment by the Center. Such approval may be made after the board of directors finds, based upon the application submitted by the enterprise and such additional investigation as the staff of the Center shall make and incorporate in its minutes, that:

a. the proceeds of the investment or financial assistance will be used only to cover the seed-capital needs of the enterprise except as authorized by this section,

b. the enterprise has a reasonable chance of success,

c. the Center's participation is instrumental to the success of the enterprise and will assist in its retention within the state,

- d. the Center's investment is leveraged by at least one additional equity or near-equity investor,
- e. the enterprise has the reasonable potential to enhance employment opportunities within the state,
- f. the entrepreneur and other founders of the enterprise have already made or are contractually committed to make an appropriate financial and time commitment to the enterprise,
- g. any securities to be purchased are qualified securities,
- h. there is a reasonable possibility that the Center will recoup at least its initial investment or financial commitment, and
- i. binding commitments have been made to the Center by the enterprise for adequate reporting of financial data to the Center, which shall include a requirement for an annual report, or if required by the board, an annual audit of the financial and operational records of the enterprise, and for such control on the part of the Center as the board of directors shall consider prudent over the management of the enterprise, so as to protect the investment or financial commitment of the Center, including in the discretion of the board and without limitation, right of access to financial and other records of the enterprise, and membership or representation on the board of directors of the enterprise.

G. The board of directors shall create an investment committee to assist in evaluating potential investments in qualified securities and provision of other forms of authorized financial assistance. The membership of this investment committee shall serve at the pleasure of the board and shall consist of:

1. no more than two members of the board of directors, neither of whom serves on any advisory committee to the Center; and
2. persons drawn from sources other than the Center who meet standards similar to those applying to the board of directors and who are recognized by their peers for outstanding knowledge and leadership in their fields, all of whom shall serve at the pleasure of the board.

H. The Center shall not make investments in qualified securities issued by enterprises in excess of the amount necessary to own more than forty-nine percent (49%) of qualified securities in any one enterprise at the time such securities are purchased by the Center, after giving effect to the conversion of all outstanding convertible qualified securities of the enterprise; however, in the event of severe financial difficulty of the enterprise, threatening, in the judgment of the board of directors, the investment of the Center therein, a greater percentage of such securities may be owned by the Center.