

1 STATE OF OKLAHOMA

2 1st Session of the 60th Legislature (2025)

3 HOUSE BILL 2841

By: Burns

6 AS INTRODUCED

7 An Act relating to public finance; amending 62 O.S.
8 2021, Section 2306, which relates to the Board of
9 Investors of the Tobacco Settlement Endowment Trust
Fund; providing for investments of certain amount of
funds in eligible venture capital entities; and
providing an effective date.

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11 BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

12 SECTION 1. AMENDATORY 62 O.S. 2021, Section 2306, is
13 amended to read as follows:

14 Section 2306. A. The Board of Investors of the Tobacco
Settlement Endowment Trust Fund shall discharge their duties as
trustees of the Tobacco Settlement Endowment Trust Fund:

15 1. With the care, skill, prudence, and diligence, under the
circumstances then prevailing, that a prudent person acting in a
like capacity and familiar with such matters would use in the
conduct of an enterprise of a like character and with like aims;

16 2. By diversifying the investments in the trust fund so as to
minimize the risk of large losses, unless, under the circumstances,
it is clearly prudent not to do so; and

1 3. In accordance with the laws, documents, and instruments
2 governing the trust fund;

3 4. By investment of at least four percent (4%) of funds in
4 eligible Oklahoma venture capital companies or eligible Oklahoma
5 venture capital fund of funds;

6 5. As used in this section, "eligible Oklahoma venture capital
7 company" means a business entity that meets the definition of
8 "venture capital fund" set forth in 17 CFR Section 275.203(l)-1 and
9 which:

10 a. has five or more investors, and no investor, including
11 their closely related family members and affiliates,
12 may own or have a capital interest in more than forty
13 percent (40%) of the eligible Oklahoma venture capital
14 company's capitalization,

15 b. as used in this subsection, "closely related" means
16 any of the following in relation to the investor or
17 the investor's spouse:

18 (1) parents or grandparents,
19 (2) children, grandchildren or their spouses, or
20 (3) siblings or their spouses and their children,

21 c. has either:

22 (1) its principal place of business in the State of
23 Oklahoma, or

(2) has more than fifty percent (50%) of its assets, operations, and employees in the State of Oklahoma, and

d. is included on the list maintained by the Oklahoma Department of Commerce pursuant to subsection D of Section 2401 of this title.

Eligible Oklahoma venture capital company shall also include any
cial purpose vehicle created and managed by an eligible Oklahoma
ture capital company for the sole purpose of investing in a
gle eligible Oklahoma business venture; and

6. "Eligible Oklahoma venture capital fund of funds" means a business entity that invests more than fifty percent (50%) of its aggregate capital contributions and uncalled committed capital in the equity of "venture capital funds" as defined in 17 CFR Section 275.203(l)-1 and that meets the requirements set forth in subparagraphs a through d of paragraph 5 of this subsection.

17 B. The Board of Investors shall retain qualified investment
18 managers, eligible Oklahoma venture capital companies, or eligible
19 Oklahoma venture fund of funds, as applicable, to provide for the
20 investment of the monies of the trust fund. The investment
21 managers, eligible Oklahoma venture capital companies, or eligible
22 Oklahoma venture fund of funds shall be chosen by a solicitation of
23 proposals on a competitive basis pursuant to standards set by the
24 Board of Investors. The investment managers, eligible Oklahoma

1 venture capital companies, or eligible Oklahoma venture fund of
2 funds shall manage those monies of the trust fund allocated to the
3 investment managers, eligible Oklahoma venture capital companies, or
4 eligible Oklahoma venture fund of funds in compliance with the
5 overall investment guidelines set by the Board of Investors. The
6 monies of the trust fund allocated to the investment managers,
7 eligible Oklahoma venture capital companies, or eligible Oklahoma
8 venture fund of funds shall be managed by the investment managers,
9 eligible Oklahoma venture capital companies, or eligible Oklahoma
10 venture fund of funds in accordance with the investment guidelines
11 and other directions of the Board of Investors. The investment
12 managers, eligible Oklahoma venture capital companies, or eligible
13 Oklahoma venture fund of funds may sell investments and realize
14 losses if such action is considered advantageous to longer-term
15 return maximization. Because of the total return objective, no
16 distinction shall be made for management and performance evaluation
17 purposes between realized and unrealized capital gains and losses.
18 The Board of Investors may have the State Treasurer manage those
19 monies not specifically allocated to the investment managers,
20 eligible Oklahoma venture capital companies, or eligible Oklahoma
21 venture fund of funds.

22 C. The trust fund may be invested in the manner in which a
23 prudent person would invest it and consistent with the manner that
24

1 state retirement funds are invested. Investment as required by
2 paragraph 4 of subsection A of this section is deemed to be prudent.

3 D. The Board of Investors shall select a custodial bank to
4 settle transactions involving the investment of funds in the trust
5 fund and to hold custody of the securities in the trust fund
6 portfolio. The custodian shall be a bank or trust company offering
7 pension fund master trustee and master custodial services. The
8 custodian shall be chosen by a solicitation of proposals on a
9 competitive basis pursuant to standards set by the Board of
10 Investors. The Board of Investors may also select professional
11 investment consultants, attorneys, auditors, and actuaries to assist
12 the Board of Investors in carrying out its fiduciary
13 responsibilities. All these professionals shall be selected by a
14 solicitation of proposals on a competitive basis pursuant to
15 standards set by the Board of Investors.

16 E. The Board of Investors shall choose the professional
17 custodians and managers of the assets of the trust fund, eligible
18 Oklahoma venture capital companies, or eligible Oklahoma venture
19 fund of funds, shall establish investment and fund management
20 guidelines, and shall adopt an investment policy. The selection of
21 investment managers, eligible Oklahoma venture capital companies, or
22 eligible Oklahoma venture fund of funds, investment consultants,
23 auditors, and actuaries, and a custodian bank shall be exempt from
24 the provisions of the Oklahoma Central Purchasing Act.

1 F. The Board of Investors shall set aside cash reserves from
2 the earnings of the Tobacco Settlement Endowment Trust Fund if
3 requested by the Board of Directors of the Tobacco Settlement
4 Endowment Trust Fund pursuant to subsection B of Section ~~10~~ 2310 of
5 this ~~act~~ title.

6 G. The State Treasurer shall provide any necessary staff
7 support to the Board of Investors. The cost of up to two full-time-
8 equivalent employees for the Office of the State Treasurer may be
9 considered as an administrative expense of the trust fund. However,
10 the amount provided to the State Treasurer for this purpose shall be
11 determined by the Board of Directors of the Tobacco Settlement
12 Endowment Trust Fund.

13 SECTION 2. This act shall become effective November 1, 2025.

15 60-1-11153 MAH 12/23/24