

**154.20-283 Prohibition against certain qualified investments and financial interests
-- Investment fund manager's limitations on holding management positions in
small businesses in which investment fund has invested.**

- (1) No qualified investments shall be made in a small business that is the "alter ego" of the investment fund or the investment fund manager. For purposes of this subsection, a business is an "alter ego" of an investment fund or an investment fund manager if any of the following criteria are satisfied:
 - (a) Prior to an investment fund making a qualified investment in the small business, the small business is owned in whole or in an amount greater than twenty percent (20%) of the small business by an investor, officer, director, partner, member, manager, trustee or employee of the investment fund or the investment fund manager; or
 - (b) The small business employs on a full-time or part-time basis an investor.
- (2) An investment fund manager may occupy any management position in any small business in which that investment fund has made a qualified investment for the purpose of:
 - (a) Filling a management position in an effort to remedy problems arising from a lack of profitability of the small business, or from dishonesty of the persons otherwise managing the small business; or
 - (b) Serving in a management position in the small business in order to add value to the investment fund and the business by his or her experience, skills, or relationships to help a business succeed.
- (3) No officer, member, or employee of the authority shall have a direct or indirect financial interest in any investment fund or investment fund manager.

Effective: July 15, 2002

History: Amended 2002 Ky. Acts ch. 230, sec. 28, effective July 15, 2002. -- Created 1998 Ky. Acts ch. 414, sec. 14, effective July 15, 1998.