



Ohio Revised Code Section 122.77 Loan guarantees.

Effective: September 30, 2021

Legislation: House Bill 110

(A) The director of development with controlling board approval may make loan guarantees to small businesses and corporations for the purpose of guaranteeing loans made to small businesses by financial institutions for the purpose of procuring or improving real or personal property, or both, for the establishment, location, or expansion of industrial, distribution, commercial, or research facilities in the state, if the director determines, in the director's sole discretion, that all of the following apply:

- (1) The project is economically sound and will benefit the people of the state by increasing opportunities for employment, by strengthening the economy of the state, or expanding minority business enterprises.
- (2) The proposed small business borrower is unable to finance the proposed project through ordinary financial channels at comparable terms.
- (3) The value of the project is, or upon completion of it will be, at least equal to the total amount of the money expended in the procurement or improvement of the project and of which amount one or more financial institutions or other governmental entities have loaned not less than thirty per cent.
- (4) The amount to be guaranteed by the director will not exceed eighty per cent of the total amount expended in the procurement or improvement of the project.
- (5) The amount to be guaranteed by the director will be adequately secured by a first or second mortgage upon the project, or by mortgages, leases, liens, assignments, or pledges on or of other property or contracts as the director shall require and that such mortgage will not be subordinate to any other liens or mortgages except the liens securing loans or investments made by financial institutions referred to in division (A)(3) of this section, and the liens securing loans previously made by any financial institution in connection with the procurement or expansion of all or part of a project.



(B) The proposed small business borrower shall not have defaulted on a previous loan or guarantee from the director, and no full or limited partner, or major shareholder, or holder of any equity interest of the proposed minority business enterprise borrower shall have defaulted on a loan or guarantee from the director.

(C) The proposed small business borrower shall demonstrate to the satisfaction of the director that it is able to successfully compete in the private sector if it obtains the necessary financial, technical, or managerial support and that support is available through the director, the minority business development division of the department of development, or other identified and acceptable sources. In determining whether a small business borrower will be able to successfully compete, the director may give consideration to such factors as the successful completion of or participation in courses of study, recognized by the department of higher education as providing financial, technical, or managerial skills related to the operation of the business, by the economically disadvantaged individual, owner, or partner, and the prior success of the individual, owner, or partner in personal, career, or business activities, as well as to other factors identified by the director.

(D) The director shall not guarantee funds for the purpose of procuring or improving motor vehicles or accounts receivable.