



Senate

General Assembly

File No. 239

January Session, 2005

Senate Bill No. 1108

Senate, April 11, 2005

The Committee on Commerce reported through SEN. LEBEAU of the 3rd Dist., Chairperson of the Committee on the part of the Senate, that the bill ought to pass.

AN ACT ESTABLISHING A CONNECTICUT NEW OPPORTUNITIES FUND.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

- 1 Section 1. (NEW) (*Effective July 1, 2005*) (a) As used in this section:
- 2 (1) "Corporation" means Connecticut Innovations, Incorporated; and
- 3 (2) "Fund" means the Connecticut New Opportunities Fund.
- 4 (b) Connecticut Innovations, Incorporated shall establish a fund to
- 5 be known as the Connecticut New Opportunities Fund, for the
- 6 purpose of investing in emerging growth companies in the state. The
- 7 corporation, or a subsidiary created by the corporation for the
- 8 purposes of this section, shall serve as general partner or managing
- 9 partner of the fund and shall determine whether the fund should be
- 10 organized as a limited partnership or a limited liability company. The
- 11 general partner or managing partner of the fund shall be reimbursed
- 12 from the fund for its management costs, which shall not exceed two

13 per cent, annually, of the committed capital of the fund.

14 (c) Investors in the fund may include pension funds, foundations
 15 and private entities. Such investors shall participate as limited partners
 16 or members of the fund. The committed capital of the fund shall not
 17 exceed fifty million dollars.

18 (d) The moneys in the fund shall be invested in not more than
 19 twenty emerging growth companies, provided not more than three
 20 million dollars shall be invested in any single company. Fund
 21 investments shall be in the form of equity or similar instruments. A
 22 company may be eligible for such an investment if the company
 23 projects high growth, has a strong management team, has current and
 24 prospective customers, has had difficulty raising early stage venture
 25 capital and is a strong market driver but is facing entry barriers.

26 (e) The fund shall have a term of ten years, provided it may be
 27 extended for three one-year periods if necessary to complete
 28 liquidation of the fund's investments. Upon such liquidation, each
 29 investor shall be entitled to a return of the investment made, plus
 30 eighty per cent of all net realized gains of the fund. The state shall
 31 provide a first loss guarantee at the end of the tenth year, if needed, of
 32 not more than twenty-five million dollars. The state shall be entitled to
 33 ten per cent of all net realized gains of the fund and the general partner
 34 or managing partner of the fund shall also be entitled to ten per cent of
 35 all such net realized gains.

This act shall take effect as follows and shall amend the following sections:		
Section 1	July 1, 2005	New section

CE *Joint Favorable*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note***State Impact:*** None***Municipal Impact:*** None

OLR Bill Analysis

SB 1108

AN ACT ESTABLISHING A CONNECTICUT NEW OPPORTUNITIES FUND**SUMMARY:**

This bill requires Connecticut Innovations, Inc. (CII) to establish a fund for investing in Connecticut companies that are beginning to grow. The fund is open to pension funds, foundations, and other private entities. The bill specifies how CII may structure the fund, invest its assets, and liquidate its returns. The fund's term is 10 years, but CII may extend it for three one-year terms to liquidate its assets. If needed, the state must provide a first loss guarantee of up to \$25 million at the end of the tenth year.

EFFECTIVE DATE: July 1, 2005

CONNECTICUT NEW OPPORTUNITIES FUND***Eligible Companies***

The bill requires CII to create this fund to invest in up to 20 emerging growth companies. The fund can make equity or similar investments in a newly formed company that (1) finds it hard to raise early venture capital and faces entry barriers even though it is a "strong market driver" and (2) has a high growth potential, a strong management team, and current and prospective customers.

Fund Management

CII can manage the fund as a general or managing partner or create a subsidiary for this purpose. It or the subsidiary can organize the fund as a limited partnership or a limited liability company. It can reimburse itself for its management costs by charging the fund up to 2% of its committed capital. The investors can participate in the fund as fund members or limited partners.

During the fund's first 10 years, the fund's committed capital cannot exceed \$50 million. The fund can invest no more than \$3 million in

any one company. The investors may receive a return on their investments when the fund liquidates its investments plus 80% of the fund's net realized gains. The fund manager and the state equally split the remaining net gains.

COMMITTEE ACTION

Commerce Committee

Joint Favorable Report

Yea 25 Nay 0