



General Assembly

Substitute Bill No. 1280

January Session, 2007

* SB01280CE_FIN031407 *

**AN ACT RECAPITALIZING CONNECTICUT INNOVATIONS,
INCORPORATED AND THE BIO-BUS.**

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

1 Section 1. (*Effective July 1, 2007*) (a) For the purposes described in
2 subsection (b) of this section, the State Bond Commission shall have
3 the power, from time to time, to authorize the issuance of bonds of the
4 state in one or more series and in principal amounts not exceeding in
5 the aggregate fifty million dollars.

6 (b) The proceeds of the sale of said bonds, to the extent of the
7 amount stated in subsection (a) of this section, shall be used by
8 Connecticut Innovations, Incorporated, for its corporate purposes as
9 set forth in section 32-39 of the general statutes to support the
10 programs of Connecticut Innovations, Incorporated, described in
11 sections 32-41b to 32-41u, inclusive, of the general statutes, provided
12 an amount not exceeding one million five hundred thousand dollars
13 shall be used by the Department of Education for a mobile learning
14 laboratory for bioscience.

15 (c) All provisions of section 3-20 of the general statutes, or the
16 exercise of any right or power granted thereby, which are not
17 inconsistent with the provisions of this section are hereby adopted and
18 shall apply to all bonds authorized by the State Bond Commission
19 pursuant to this section, and temporary notes in anticipation of the

20 money to be derived from the sale of any such bonds so authorized
21 may be issued in accordance with said section 3-20 and from time to
22 time renewed. Such bonds shall mature at such time or times not
23 exceeding twenty years from their respective dates as may be provided
24 in or pursuant to the resolution or resolutions of the State Bond
25 Commission authorizing such bonds. None of said bonds shall be
26 authorized except upon a finding by the State Bond Commission that
27 there has been filed with it a request for such authorization which is
28 signed by or on behalf of the Secretary of the Office of Policy and
29 Management and states such terms and conditions as said commission,
30 in its discretion, may require. Said bonds issued pursuant to this
31 section shall be general obligations of the state and the full faith and
32 credit of the state of Connecticut are pledged for the payment of the
33 principal of and interest on said bonds as the same become due, and
34 accordingly and as part of the contract of the state with the holders of
35 said bonds, appropriation of all amounts necessary for punctual
36 payment of such principal and interest is hereby made, and the State
37 Treasurer shall pay such principal and interest as the same become
38 due.

39 Sec. 2. Section 32-41v of the general statutes is repealed and the
40 following is substituted in lieu thereof (*Effective from passage*):

41 (a) As used in this section:

42 (1) "Corporation" means Connecticut Innovations, Incorporated; and

43 (2) "Fund" means the Connecticut New Opportunities Fund.

44 (b) Connecticut Innovations, Incorporated shall establish a fund to
45 be known as the Connecticut New Opportunities Fund, for the
46 purpose of investing in seed stage and emerging growth companies in
47 the state. The corporation, or a subsidiary created by the corporation
48 for the purposes of this section, pursuant to subsection (g) of this
49 section, shall serve as general partner or managing member of the fund
50 and shall determine whether the fund should be organized as a limited
51 partnership or a limited liability company. The general partner or

52 managing member of the fund shall be reimbursed from the fund for
53 its management costs, which shall not exceed two per cent, annually,
54 of the committed capital of the fund.

55 (c) The state shall provide twenty-five million dollars of committed
56 capital as a special limited partner or nonmanaging member of the
57 Connecticut New Opportunities Fund, established pursuant to
58 subsection (b) of this section. The total committed capital of the fund
59 shall not be less than fifty million dollars. As a special limited partner
60 or nonmanaging member, the state shall be entitled to receive its
61 twenty-five-million-dollar investment as a return of capital on a
62 prorata basis with the other limited partners or nonmanaging
63 members. The state shall not be entitled to any return on its investment
64 as a special limited partner or nonmanaging member but instead shall
65 receive fifty per cent of all returns to the general partner or managing
66 member of the Connecticut New Opportunities Fund.

67 ~~[(c)]~~ (d) Investors in the fund may include pension funds,
68 foundations and private entities or other institutional investors. Such
69 investors shall participate as limited partners or nonmanaging
70 members of the fund. [The committed capital of the fund shall not
71 exceed fifty million dollars.]

72 ~~[(d)]~~ The moneys in the fund shall be invested as follows: (1) (e) Not
73 more than twenty-five per cent of the moneys in the fund shall be
74 invested in seed stage companies. [, and (2) not more than seventy-five
75 per cent in not more than twenty emerging growth companies.] Not
76 more than [three million dollars] ten per cent of the fund's capital shall
77 be invested in any single [seed stage or emerging growth] company.
78 Fund investments shall be in the form of equity or similar instruments.
79 [An emerging growth company may be eligible for an investment if
80 the company projects high growth, has a strong management team, has
81 current and prospective customers, has had difficulty raising early
82 stage venture capital and is a strong market driver but is facing entry
83 barriers.]

84 [(e)] (f) The fund shall [have a term of ten years, provided it may be
 85 extended for three one-year periods if necessary to complete
 86 liquidation of the fund's investments. Upon such liquidation, each
 87 investor shall be entitled to a return of the investment made, plus
 88 eighty per cent of all net realized gains of the fund. The state shall
 89 provide a first loss guarantee at the end of the tenth year, if needed, of
 90 not more than twenty-five million dollars. The state shall be entitled to
 91 ten per cent of all net realized gains of the fund and the general partner
 92 or managing member of the fund shall also be entitled to ten per cent
 93 of all such net realized gains] be subject to any terms and conditions
 94 pursuant to this section and otherwise, as may be determined by the
 95 corporation to be necessary and appropriate to achieve the fund's
 96 objectives.

97 (g) A subsidiary created by the corporation for purposes of this
 98 section may be formed as a nonstock corporation or a limited liability
 99 company and shall be deemed a quasi-public agency for purposes of
 100 chapter 12. The corporation may, as it deems necessary, (1) transfer to
 101 such subsidiary any money or real or personal property, and (2)
 102 provide services and support to such subsidiary. Such subsidiary shall
 103 act in furtherance of the public purposes of the corporation and shall
 104 have all the privileges, immunities, tax exemptions and other
 105 exemptions of the corporation. In connection with the formation,
 106 administration and operation of the Connecticut New Opportunities
 107 Fund, the corporation and such subsidiary shall have and may exercise
 108 all of the powers set forth in section 32-39.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2007</i>	New section
Sec. 2	<i>from passage</i>	32-41v

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Joint Favorable Subst. C/R

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