



Substitute Senate Bill No. 401

Public Act No. 16-204

**AN ACT CONCERNING THE CONNECTICUT BIOSCIENCE
INNOVATION FUND AND INVESTMENTS BY CONNECTICUT
INNOVATIONS, INCORPORATED.**

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

Section 1. Section 32-39 of the general statutes is amended by adding subdivision (41) as follows (*Effective July 1, 2016*):

(NEW) (41) To invest in private equity investment funds, or funds of funds, and enter into related agreements of limited partnership or other contractual arrangements with such investment funds. Any such investment fund may be organized and managed, and may invest in businesses, located within or outside the state, provided the investment objectives and criteria for such fund shall be consistent with policies adopted by the corporation's board of directors, including, but not limited to, a requirement that not less than the amount invested by the corporation in such investment fund, net of reasonable management fees and closing costs, shall be invested in a manner that supports (A) the growth of business operations of companies in the technology, bioscience or precision manufacturing sectors in the state, or (B) the relocation of companies in such sectors to the state.

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Sec. 2. Section 32-41aa of the 2016 supplement to the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2016*):

For the purpose of this section and sections 32-41bb to 32-41dd, inclusive:

(1) "Administrative costs" means the costs paid or incurred by the administrator, including, but not limited to, peer review costs, professional fees, allocated staff costs and other out-of-pocket costs attributable to the administration and operation of the Connecticut Bioscience Innovation Fund.

(2) "Administrator" means Connecticut Innovations, Incorporated, in its capacity as administrator of the Connecticut Bioscience Innovation Fund established pursuant to section 32-41cc, as amended by this act.

(3) "Advisory committee" means the Bioscience Innovation Advisory Committee established pursuant to section 32-41bb.

(4) "Early-stage business" means a business that has [been in operation for not more than seven years and is developing or testing a product or service that is (A) not yet available for commercial release, or (B) commercially available in a limited manner, including, but not limited to, market testing of prototypes and clinical trials that have not begun phase II evaluation] not yet achieved an annual commercial revenue greater than two million dollars.

(5) "Eligible recipient" means a duly accredited college or university, a nonprofit corporation or a for-profit start-up or early-stage business. "Eligible recipient" also includes any entity that has received financial assistance from the Connecticut Bioscience Innovation Fund or from Connecticut Innovations, Incorporated, for the purpose of additional financial assistance to be awarded to such entity pursuant to section

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32-41cc, as amended by this act.

(6) "Financial assistance" means any and all forms of grants, extensions of credit, loans or loan guarantees, equity investments or other forms of financing.

(7) "Return on investment" means any and all forms of principal or interest payments, guarantee fees, returns on equity investments, royalties, options, warrants and debentures and all other forms of remuneration to the administrator in return for any financial assistance offered or provided.

[(8) "Phase II evaluation" means a phase II clinical trial conducted under the auspices of an independent peer-reviewed protocol that has been reviewed and approved by one of the National Institutes of Health or the federal Food and Drug Administration.]

Sec. 3. Section 32-41cc of the 2016 supplement to the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2016*):

(a) There is established a Connecticut Bioscience Innovation Fund, to be held, administered, invested and disbursed by the administrator pursuant to this section. The fund shall contain any moneys required or permitted by law to be deposited in the fund and any moneys received from any public or private contributions, gifts, grants, donations, bequests or devises to the fund. [Repayment of principal and interest on loans issued from the fund] Pending disbursement as financial assistance to eligible recipients, moneys in or received for the fund may be deposited with and invested by any institution as may be designated by the administrator at its sole discretion and paid as the administrator shall direct. The administrator may make payments from such deposit accounts for use in accordance with the provisions of this section. Earnings attributable to such investments shall be

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credited to the fund and shall become part of the assets of the fund. Any balance remaining in the fund at the end of any fiscal year shall be carried forward in the fund for the fiscal year next succeeding.

(b) [Any return on investment received by the administrator as a result of financial assistance provided from the Connecticut Bioscience Innovation Fund to eligible recipients, or attributable to the investment of the fund by the administrator, shall be deposited and held for the use and benefit of the fund. Moneys in or received for the fund may be deposited with and invested by any institution as may be designated by the administrator at its sole discretion and paid as the administrator shall direct. The administrator may make payments from such deposit accounts for use in accordance with the provisions of this section.] Any amount received by the administrator as repayment of loan principal or any other recovery of the original amount of financial assistance provided from the Connecticut Bioscience Innovation Fund to an eligible recipient shall be deposited and held for the use and benefit of the fund. Any income, earnings or return on investment in excess of such original amount and any repayment of interest received by the administrator shall be deemed unrestricted funds of the corporation as described in subsection (b) of section 32-41a.

(c) The Connecticut Bioscience Innovation Fund shall not be deemed an account within the General Fund and shall be used exclusively for the purposes provided in this section.

(d) The Connecticut Bioscience Innovation Fund shall be used (1) to provide financial assistance to eligible recipients as may be approved by the advisory committee pursuant to subsection (e) of this section, (2) for the repayment of state bonds in such amounts as may be required by the State Bond Commission, and (3) to pay or reimburse the administrator for administrative costs pursuant to subsection (j) of this section. Such financial assistance shall be awarded to further the development of bioscience, biomedical engineering, health information

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management, medical care, medical devices, medical diagnostics, pharmaceuticals, personalized medicine and other related disciplines that are likely to lead to an improvement in or development of services, therapeutics, diagnostics or devices that are commercializable and designed to advance the coordination, quality or efficiency of health care and lower health care costs, and that promise, directly or indirectly, to lead to job growth in the state in these or related fields.

(e) All expenditures from the Connecticut Bioscience Innovation Fund, except for administrative costs reimbursed to the administrator pursuant to subsection (j) of this section and amounts required for the repayment of state bonds in such amounts as may be required by the State Bond Commission, shall be approved by the advisory committee. Any such approval shall be (1) specific to an individual expenditure to be made, (2) for budgeted expenditures with such variations as the advisory committee may authorize at the time of such budget approval, or (3) for a financial assistance program to be administered by staff of the administrator, subject to limits, eligibility requirements and other conditions established by the advisory committee at the time of such program approval. The advisory committee may provide financial assistance directly to eligible recipients or indirectly to eligible recipients by investment in private equity investment funds, including investment funds organized, managed and investing in businesses within or outside the state, as described in subsection (g) of this section.

(f) Connecticut Innovations, Incorporated shall provide any necessary staff, office space, office systems and administrative support for the operation of the Connecticut Bioscience Innovation Fund in accordance with this section. In acting as administrator of the fund, the administrator shall have and may exercise all of the powers of Connecticut Innovations, Incorporated set forth in section 32-39, as amended by this act, provided expenditures from the fund shall be

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approved by the advisory committee pursuant to subsection (e) of this section.

(g) The advisory committee shall establish an application and approval process with guidelines and terms for financial assistance awarded from the Connecticut Bioscience Innovation Fund directly to eligible recipients. Such guidelines and terms shall include (1) a requirement that any applicant for financial assistance shall be operating in the state, or proposing to relocate operations to the state, in whole or in part, as a condition of such financial assistance, (2) limitations on the total amount of financial assistance that may be awarded in the form of loans and grants, (3) eligibility requirements for loans and grants designed to encourage and support collaborative ventures among eligible recipients, (4) peer review requirements, (5) a process for preliminary review of applications for strength and eligibility by the administrator before such applications are presented to the advisory committee for consideration, (6) return on investment objectives, and (7) such other guidelines and terms as the advisory committee determines to be necessary and appropriate in furtherance of the objectives of this section. The advisory committee shall adopt guidelines for any financial assistance provided indirectly to eligible recipients by investment into private equity investment funds, including, but not limited to, a requirement that any private equity investment fund that receives an investment from the advisory committee invest not less than the amount of such investment by the advisory committee, net of reasonable management fees and closing costs, in eligible recipients in the state.

(h) Financial assistance awarded from the Connecticut Bioscience Innovation Fund to eligible recipients shall be used for costs related to facilities, necessary furniture, fixtures and equipment, materials and supplies, peer review, proof of concept or relevance, compensation, and such other costs that the advisory committee determines to be

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eligible for financial assistance within the purposes of this section.

(i) Beginning January 1, 2014, the administrator shall prepare for each fiscal year a plan of operations and an operating and capital budget for the Connecticut Bioscience Innovation Fund. Not later than ninety days prior to the start of the fiscal year, the administrator shall submit the plan and budget to the advisory committee for its review and approval.

(j) Administrative costs shall be paid or reimbursed to the administrator from the Connecticut Bioscience Innovation Fund, provided the total of such administrative costs in any fiscal year shall not exceed five per cent of the total amount of the allotted funding for such fiscal year as determined in the operating budget prepared pursuant to subsection (i) of this section. Nothing in section 32-41aa, as amended by this act, 32-41bb or this section shall require the administrator to risk or expend the funds of Connecticut Innovations, Incorporated in connection with the administration of the Connecticut Bioscience Innovation Fund.

(k) Not later than April 15, 2014, and annually thereafter, the administrator shall provide a report of the activities of the Connecticut Bioscience Innovation Fund to the advisory committee for its review and approval. Upon its approval, the advisory committee shall provide such report, in accordance with the provisions of section 11-4a, to the joint standing committees of the General Assembly having cognizance of matters relating to finance, revenue and bonding, appropriations, commerce, public health and higher education. Such report shall contain available information on the status and progress of the operations and funding of the Connecticut Bioscience Innovation Fund and the types, amounts and recipients of financial assistance awarded and any returns on investment.

Approved June 9, 2016