

By Senator Altman

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1                                   A bill to be entitled  
2           An act relating to the Technology Seed Capital Fund;  
3           providing definitions; providing for the creation of  
4           the Technology Seed Capital Fund by the Institute for  
5           the Commercialization of Public Research; providing  
6           for the creation of a fund management committee by the  
7           board of directors of the institute; forbidding  
8           members of the committee from investing in a company  
9           for a specified period after an investment in a  
10          company is approved; specifying responsibilities of  
11          the institute and the fund management committee with  
12          respect to the fund; specifying the requirements for  
13          an investment management plan proposal from interested  
14          applicants for the investment manager position;  
15          specifying the authority of the investment manager for  
16          the fund; specifying qualifications for investments of  
17          the fund; requiring that proposed investments be  
18          matched by the private sector before the fund invests;  
19          requiring that the company be domiciled in the state  
20          and operate in one of the targeted industry clusters;  
21          requiring that the company have certain positions and  
22          abilities; limiting the amount of individual  
23          investments of the fund; requiring earnings from the  
24          fund to be reinvested; limiting the administrative  
25          costs of the fund; requiring the institute to submit  
26          an annual report to the Governor and Legislature  
27          relating to the activities of the fund; providing an  
28          appropriation; providing an effective date.  
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30 WHEREAS, consistent access to significant risk capital at  
31 all stages of development is integral to the creation and growth  
32 of small technology companies, and the maturation of these  
33 companies into the leading companies of tomorrow will facilitate  
34 the diversification of Florida's economy, and

35 WHEREAS, young companies have little to no collateral with  
36 which to secure traditional loans and limited assets and track  
37 records with which to attract financing from private equity  
38 firms, and

39 WHEREAS, this state is not the natural home of the venture  
40 capital industry, and as a result, companies in this state are  
41 severely disadvantaged in their efforts to attract venture  
42 capital investment, and

43 WHEREAS, a lack of seed-stage funding exists in this state  
44 despite the fact that the leaders of this state have recognized  
45 the venture capital challenge and in recent years have taken  
46 significant action to help address it, in particular through the  
47 creation of the Florida Opportunity Fund and the Florida Growth  
48 Fund, and

49 WHEREAS, to date very little capital is available to  
50 companies in this state in the crucial seed stage, and

51 WHEREAS, the 2010-2015 Roadmap to Florida's Future called  
52 for the creation of a new mechanism for seed-stage funding to  
53 address the state's seed stage capital gap as part of a  
54 comprehensive strategy to promote high-tech, high-wage,  
55 innovation-driven growth, and

56 WHEREAS, broad-based support exists among the state's  
57 economic development, business, and academic leaders for the  
58 creation of a Florida Technology Seed Capital Fund, and

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59 WHEREAS, it is recommended that the state make a \$25  
60 million investment to establish a Technology Seed Capital Fund,  
61 NOW, THEREFORE,

62  
63 Be It Enacted by the Legislature of the State of Florida:

64  
65 Section 1. Technology Seed Capital Fund; creation; duties.-

66 (1) DEFINITIONS.-As used in this section, the term:

67 (a) "Fund" means the Technology Seed Capital Fund.

68 (b) "Institute" means the Institute for the  
69 Commercialization of Public Research.

70 (2) TECHNOLOGY SEED CAPITAL FUND.-

71 (a) The institute shall facilitate the creation of the  
72 fund. This fund shall be a private, nonprofit corporation  
73 organized and operated under chapter 617, Florida Statutes. The  
74 institute shall be the fund's sole shareholder or member. The  
75 fund is not a public corporation or instrumentality of the  
76 state. The fund shall manage its business affairs and conduct  
77 business consistent with its organizational documents and the  
78 purposes set forth in this section. Notwithstanding the powers  
79 granted under chapter 617, Florida Statutes, the fund may not  
80 amend, modify, or repeal a bylaw or article of incorporation  
81 without the express written consent of the institute.

82 (b) The board of directors of the institute shall direct  
83 its venture advisory board to elect or appoint a five-person  
84 fund management committee. Members of the committee shall serve  
85 without compensation, but are entitled to reimbursement for all  
86 reasonable, necessary, and actual expenses authorized under s.  
87 112.061, Florida Statutes, and as determined and approved by the

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88 board of directors of the institute. Members of the committee  
89 may not invest in any company receiving funding from the fund  
90 for 6 months after an investment in the company by the fund is  
91 formally approved. The staff of the institute shall provide  
92 administrative support and assistance to the fund management  
93 committee upon request.

94 (3) FUND MANAGEMENT COMMITTEE RESPONSIBILITIES.-

95 (a) Upon organization, the fund management committee shall  
96 conduct a national solicitation for proposals for investment  
97 management plans from interested parties. The investment  
98 management plan must address the applicant's level of  
99 experience, quality of management, investment philosophy and  
100 process, proof of success in fund management and fundraising,  
101 prior investment fund results, and plan for achieving the  
102 purposes of this section.

103 (b) The fund management committee is responsible for  
104 negotiating the terms of the contract with an investment manager  
105 for the fund and for recommending the execution of the contract.

106 (c) The fund management committee must consult with the  
107 board of directors of the institute before recommending the  
108 pursuit of any investment management plan proposal or the hiring  
109 of an investment manager for the fund.

110 (4) RESPONSIBILITIES OF THE INSTITUTE.-The board of  
111 directors of the institute shall be responsible for managing the  
112 business affairs of the fund, such as accounting, audit,  
113 insurance, and related requirements; soliciting and negotiating  
114 the terms of, contracting for, and receiving investment capital  
115 and proceeds with the assistance of the investment manager;  
116 receiving investment returns; paying investors and debtors; and

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117 reinvesting the investment returns in the fund in order to  
118 provide additional seed capital to facilitate the creation of  
119 new businesses and jobs in this state and further diversify the  
120 economy of this state.

121 (5) FUND MANAGER.—For the purpose of mobilizing investment  
122 in Florida-based, new technology companies and generating a  
123 return sufficient to continue reinvestment, the investment  
124 manager of the fund may:

125 (a) Deploy the fund to make direct investments in  
126 individual businesses;

127 (b) Negotiate any and all terms and conditions for  
128 investments of the fund;

129 (c) Track progress of the companies in the fund's  
130 portfolio; and

131 (d) Increase the visibility of the companies in the fund's  
132 portfolio to help raise additional capital from private or  
133 corporate sources.

134 (6) INVESTMENTS BY THE FUND.—

135 (a) The fund may not invest in a company unless:

136 1. The fund's proposed investment in a company is matched  
137 at least 1 to 1 by the private sector before the fund invests;

138 2. The company is domiciled in this state and is operating  
139 in one of the state's targeted industries as identified pursuant  
140 to s. 288.106(2), Florida Statutes, which include, but are not  
141 limited to, life sciences, information technology, energy, clean  
142 technology, advanced manufacturing processes, aviation and  
143 aerospace, and homeland security and defense; and

144 3. The fund determines that the company has strong  
145 intellectual property positions, a capable management team,

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146 readily identifiable paths to market or commercialization, the  
147 ability to obtain other sources of capital to leverage the  
148 state's investment, and the potential to attract additional or  
149 follow-on funding.

150 (b) Individual seed investments by the fund may range from  
151 \$30,000 to \$300,000.

152 (c) Any earnings from the fund must be returned to the fund  
153 to be reinvested consistent with the purposes of this act.

154 (7) ADMINISTRATIVE COSTS OF THE FUND.—The annual  
155 administrative costs of the fund may not exceed 5 percent of the  
156 total program appropriation, except that the fund may pay its  
157 investment manager a carried interest.

158 (8) ANNUAL REPORT.—By December 1 of each year, the  
159 institute shall issue an annual report concerning the  
160 investments of the fund to the Governor, the President of the  
161 Senate, and the Speaker of the House of Representatives. The  
162 annual report, at a minimum, must include:

163 (a) An accounting of the amount of investments disbursed by  
164 the fund and the progress of the fund.

165 (b) A description of the benefits to this state resulting  
166 from the fund, including the number of businesses created,  
167 additional capital raised, associated industries started, the  
168 number of jobs created, and the growth of related research  
169 projects.

170 (c) Independently audited financial statements, including  
171 statements that show receipts and expenditures during the  
172 preceding fiscal year for the personnel, administration, and  
173 operational costs of the fund. Any returns on the investments of  
174 the fund shall be retained by the institute and reinvested in a

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175 manner consistent with the mandates of this section.

176       Section 2. The sum of \$25 million in nonrecurring funds  
177 from the General Revenue Fund is appropriated to the Institute  
178 for the Commercialization of Public Research solely for purposes  
179 of creating and administering the Technology Seed Capital Fund,  
180 pursuant to this act.

181       Section 3. This act shall take effect July 1, 2011.