



100TH GENERAL ASSEMBLY

State of Illinois

2017 and 2018

SB3205

Introduced 2/15/2018, by Sen. Don Harmon

SYNOPSIS AS INTRODUCED:

30 ILCS 265/5
30 ILCS 265/11

Amends the Technology Development Act. Provides that the State Treasurer may segregate a portion of the Treasurer's State investment portfolio that at no time shall be greater than 5% (rather than 2%) of the portfolio, in the Technology Development Account IIa. Provides further requirements regarding investment in Technology Development Account IIa. Provides that the Treasurer may solicit proposals from entities to manage and be the general partner of a separate fund consisting of investments from private sector investors that must invest, at the direction of the general partner (rather than Treasurer), in tandem with Technology Development Account IIa in a pro-rata portion. Provides that moneys in Technology Development Account IIa may be invested by the State Treasurer to provide venture capital to technology businesses, including co-investments. Provides that in no case shall more than 15% (rather than 10%) of the capital in the Technology Development Account IIa be invested in firms based outside of Illinois. Requires any Technology Development Account II-Recipient Fund to report the specified additional information to the Treasurer on a quarterly or annual basis as determined by the Treasurer. Removes language prohibiting the State Treasurer from investing more than one-third of Technology Development Account II in any given calendar year. Modifies the purpose of the Act. Makes conforming and technical changes. Defines terms.

LRB100 18941 RJF 34191 b

1 AN ACT concerning finance.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 5. The Technology Development Act is amended by
5 changing Sections 5 and 11 as follows:

6 (30 ILCS 265/5)

7 Sec. 5. Policy. The Illinois General Assembly finds that it
8 is important for the State to encourage technology development
9 in the State. The purpose of this Act is to attract, assist,
10 and retain quality technology businesses and promote the growth
11 of jobs and entrepreneurial and venture capital environments in
12 Illinois. The creation of the Technology Development Account
13 will allow the State to bring together, and add to, Illinois'
14 rich science, technology, agricultural, financial, and
15 business communities.

16 (Source: P.A. 92-851, eff. 8-26-02.)

17 (30 ILCS 265/11)

18 Sec. 11. Technology Development Account II.

19 (a) Including ~~In addition to~~ the amount provided in Section
20 10 of this Act, the State Treasurer may segregate a portion of
21 the Treasurer's State investment portfolio, that at no time
22 shall be greater than 5% ~~2%~~ of the portfolio, in the Technology

1 Development Account IIa ("TDA IIa"), an account that shall be
2 maintained separately and apart from other moneys invested by
3 the Treasurer. Distributions from the investments in TDA IIa
4 may be reinvested into TDA IIa without being counted against
5 the 5% 2% cap. At the time of deposit, the aggregate investment
6 in TDA IIa and the aggregate commitment of investment capital
7 in a TDA II-Recipient Fund shall at no time be greater than 5%
8 of the State's investment portfolio, which shall be calculated
9 as: (1) the balance at the inception of the State's fiscal
10 year; or (2) the average balance in the immediately preceding 5
11 fiscal years, whichever number is greater. Distributions from a
12 TDA II-Recipient Fund, in an amount not to exceed the
13 commitment amount, may be reinvested into TDA IIa without being
14 counted against the 5% cap. The Treasurer may make investments
15 from TDA IIa that help attract, assist, and retain quality
16 technology businesses in Illinois. The earnings on TDA IIa
17 shall be accounted for separately from other investments made
18 by the Treasurer.

19 (b) The Treasurer may solicit proposals from entities to
20 manage and be the General Partner of a separate fund
21 ("Technology Development Account IIb" or "TDA IIb") consisting
22 of investments from private sector investors that must invest,
23 at the direction of the general partner ~~Treasurer~~, in tandem
24 with TDA IIa in a pro-rata portion. The Treasurer may enter
25 into an agreement with the entity managing TDA IIb to advise on
26 the investment strategy of TDA IIa and TDA IIb (collectively

1 "Technology Development Account II" or "TDA II") and fulfill
2 other mutually agreeable terms. Funds in TDA IIB shall be kept
3 separate and apart from moneys in the State treasury.

4 (c) Moneys in TDA IIA may be invested by the State
5 Treasurer to provide venture capital to technology businesses,
6 including co-investments, seeking to locate, expand, or remain
7 in Illinois by placing money with Illinois venture capital
8 firms for investment by the venture capital firms in technology
9 businesses. "Venture capital", as used in this Section, means
10 equity financing that is provided for starting up, expanding,
11 or relocating a company, or related purposes such as financing
12 for seed capital, research and development, introduction of a
13 product or process into the marketplace, or similar needs
14 requiring risk capital. "Technology business", as used in this
15 Section, means a company that has as its principal function the
16 providing of services, including computer, information
17 transfer, communication, distribution, processing,
18 administrative, laboratory, experimental, developmental,
19 technical, or testing services;~~;~~ manufacture of goods or
20 materials;~~;~~ the processing of goods or materials by physical or
21 chemical change;~~;~~ computer related activities;~~;~~ robotics,
22 biological, or pharmaceutical industrial activities; ~~activity,~~
23 or technology-oriented ~~technology-oriented~~ or emerging
24 industrial activity. "Illinois venture capital firm", as used
25 in this Section, means an entity that: (1) has a majority of
26 its employees in Illinois (more than 50%) or that has at least

1 one general ~~managing~~ partner or principal ~~member of the general~~
2 ~~partner~~ domiciled in Illinois, and that (2) provides equity
3 financing for starting up or expanding a company, or related
4 purposes such as financing for seed capital, research and
5 development, introduction of a product or process into the
6 marketplace, or similar needs requiring risk capital.
7 "Illinois venture capital firm" may also mean an entity that
8 has a track record of identifying, evaluating, and investing in
9 Illinois companies and that provides equity financing for
10 starting up or expanding a company, or related purposes such as
11 financing for seed capital, research and development,
12 introduction of a product or process into the marketplace, or
13 similar needs requiring risk capital. For purposes of this
14 Section, "track record" means having made, on average, at least
15 one investment in an Illinois company in each of its funds if
16 the Illinois venture capital firm has multiple funds or at
17 least 2 investments in Illinois companies if the Illinois
18 venture capital firm has only one fund. In no case shall more
19 than 15% ~~10%~~ of the capital in the TDA IIa be invested in firms
20 based outside of Illinois.

21 (d) Any fund created by an Illinois venture capital firm in
22 which the State Treasurer places money pursuant to this Section
23 shall be required by the State Treasurer to seek investments in
24 technology businesses seeking to locate, expand, or remain in
25 Illinois. Any fund created by an Illinois venture capital firm
26 in which the State Treasurer places money under this Section

1 ("TDA II-Recipient Fund") shall invest a minimum of twice (2x)
2 the aggregate amount of investable capital that is received
3 from the State Treasurer under this Section in Illinois
4 companies during the life of the fund. "Illinois companies", as
5 used in this Section, are companies that are headquartered or
6 that otherwise have a significant presence in the State at the
7 time of initial or follow-on investment. Investable capital is
8 calculated as committed capital, as defined in the firm's
9 applicable fund's governing documents, less related estimated
10 fees and expenses to be incurred during the life of the fund.
11 For the purposes of this subsection (d), "significant presence"
12 means at least one physical office and one full-time employee
13 within the geographic borders of this State.

14 Any TDA II-Recipient Fund shall also invest additional
15 capital in Illinois companies during the life of the fund if,
16 as determined by the fund's manager, the investment:

17 (1) is consistent with the firm's fiduciary
18 responsibility to its limited partners;

19 (2) is consistent with the fund manager's investment
20 strategy; and

21 (3) demonstrates the potential to create risk-adjusted
22 financial returns consistent with the fund manager's
23 investment goals.

24 In addition to any reporting requirements set forth in
25 Section 10 of this Act, any TDA II-Recipient Fund shall report
26 the following additional information to the Treasurer on a

1 quarterly or annual basis, as determined by the Treasurer, for
2 all investments:

3 (1) the names of portfolio companies invested in during
4 the applicable investment period;

5 (2) the addresses of reported portfolio companies;

6 (3) the date of the initial (and follow-on) investment;

7 (4) the cost of the investment;

8 (5) the current fair market value of the investment;

9 (6) for Illinois companies, the number of Illinois
10 employees on the investment date; and

11 (7) for Illinois companies, the current number of
12 Illinois employees.

13 If, as of the earlier to occur of (i) the fourth year of
14 the investment period of any TDA II-Recipient Fund or (ii) when
15 that TDA II-Recipient Fund has drawn more than 60% of the
16 investable capital of all limited partners, that TDA
17 II-Recipient Fund has failed to invest the minimum amount
18 required under this subsection (d) in Illinois companies, then
19 the Treasurer shall deliver written notice to the manager of
20 that fund seeking compliance with the minimum amount
21 requirement under this subsection (d). If, after 180 days of
22 delivery of notice, the TDA II-Recipient Fund has still failed
23 to invest the minimum amount required under this subsection (d)
24 in Illinois companies, then the Treasurer may elect, in
25 writing, to terminate any further commitment to make capital
26 contributions to that fund which otherwise would have been made

1 under this Section.

2 (e) Notwithstanding the limitation found in subsection (d)
3 of Section 10 of this Act, the investment of the State
4 Treasurer in any fund created by an Illinois venture capital
5 firm in which the State Treasurer places money pursuant to this
6 Section shall not exceed 15% of the total investments in the
7 fund.

8 (f) (Blank). ~~The State Treasurer shall not invest more than~~
9 ~~one third of Technology Development Account II in any given~~
10 ~~calendar year. If in any calendar year less than one third of~~
11 ~~Technology Development Account II is invested, 50% of the~~
12 ~~shortfall may be invested in the following calendar year in~~
13 ~~addition to the regular one-third investment.~~

14 (g) The Treasurer may deposit no more than 10% of the
15 earnings of the investments in the Technology Development
16 Account IIa into the Technology Development Fund.

17 (Source: P.A. 97-197, eff. 7-25-11.)