

HB4615



98TH GENERAL ASSEMBLY

State of Illinois

2013 and 2014

HB4615

by Rep. Lou Lang

SYNOPSIS AS INTRODUCED:

30 ILCS 265/11

Amends the Technology Development Act. Changes "may" to "shall" in certain provisions concerning investments of moneys in the Technology Development Account IIa. Effective immediately.

LRB098 17902 HLH 53026 b

FISCAL NOTE ACT
MAY APPLY

A BILL FOR

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 Section 11 as follows:

6 (30 ILCS 265/11)

7 Sec. 11. Technology Development Account II.

8 (a) In addition to the amount provided in Section 10 of
9 this Act, the State Treasurer shall ~~may~~ segregate a portion of
10 the Treasurer's investment portfolio, that at no time shall be
11 greater than 2% of the portfolio, in the Technology Development
12 Account IIa ("TDA IIa"), an account that shall be maintained
13 separately and apart from other moneys invested by the
14 Treasurer. Distributions from the investments in TDA IIa shall
15 ~~may~~ be reinvested into TDA IIa without being counted against
16 the 2% cap. The Treasurer shall ~~may~~ make investments from TDA
17 IIa that help attract, assist, and retain quality technology
18 businesses in Illinois. The earnings on TDA IIa shall be
19 accounted for separately from other investments made by the
20 Treasurer.

21 (b) The Treasurer shall ~~may~~ solicit proposals from entities
22 to manage and be the General Partner of a separate fund
23 ("Technology Development Account IIb" or "TDA IIb") consisting

1 of investments from private sector investors that must invest,
2 at the direction of the Treasurer, in tandem with TDA IIa in a
3 pro-rata portion. The Treasurer shall ~~may~~ enter into an
4 agreement with the entity managing TDA IIb to advise on the
5 investment strategy of TDA IIa and TDA IIb (collectively
6 "Technology Development Account II" or "TDA II") and fulfill
7 other mutually agreeable terms. Funds in TDA IIb shall be kept
8 separate and apart from moneys in the State treasury.

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

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

24 (d) Any fund created by an Illinois venture capital firm in
25 which the State Treasurer places money pursuant to this Section
26 shall be required by the State Treasurer to seek investments in

1 technology businesses seeking to locate, expand, or remain in
2 Illinois. Any fund created by an Illinois venture capital firm
3 in which the State Treasurer places money under this Section
4 ("TDA II-Recipient Fund") shall invest a minimum of twice (2x)
5 the aggregate amount of investable capital that is received
6 from the State Treasurer under this Section in Illinois
7 companies during the life of the fund. "Illinois companies", as
8 used in this Section, are companies that are headquartered or
9 that otherwise have a significant presence in the State at the
10 time of initial or follow-on investment. Investable capital is
11 calculated as committed capital, as defined in the firm's
12 applicable fund's governing documents, less related estimated
13 fees and expenses to be incurred during the life of the fund.

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 basis for all investments:

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

4 (2) the addresses of reported portfolio companies;

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

6 (4) the cost of the investment;

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

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

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

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

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

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

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

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

17 Section 99. Effective date. This Act takes effect upon
18 becoming law.