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Speech for CVG's *Venture Capital 2007*  
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It's a pleasure for me to be here tonight, and I want to thank Dave Sturgess, Mike Roer and the other CVG board members for inviting me to speak.

Let me start by saying all of us at Connecticut Innovations believe CVG is doing a spectacular job with its efforts to stimulate business development and economic growth in Connecticut. CVG's objectives and Connecticut Innovations' mission of building a vibrant technology economy line up perfectly. We at CI are committed to working closely with CVG to take advantage of the remarkable synergies between our two organizations.

Exciting things are happening at Connecticut Innovations these days, and I'm glad to have the opportunity to tell you about them. Before I do, though, I thought I'd mention a little bit about my own background, since I'm relatively new to CI.

Like some of you, I've been in the finance arena for a very long time—more than 34 years—and I've pretty much covered the waterfront. I've been an institutional investor, portfolio manager, investment banker and venture capitalist. I've run my own company, chaired others. My companies ranged from tech transfers to multinational conglomerates. As you can imagine, I've done and seen just about everything in this industry. When I was approached about CI, I got to learn a lot about the operation. I became excited about the opportunity but I was really impressed with the people. They are talented, experienced and committed to providing a real service. This is a great franchise and I get to be in the right place at the right time. I bring to CI a new perspective and a new focus on aggressively driving business development and investment in deserving companies.

**Connecticut Innovations administers:**

Eli Whitney Fund Connecticut Clean Energy Fund BioScience Facilities Fund Connecticut BioSeed Fund Yankee Ingenuity

You'll see this new approach in action in the coming months. We've already taken innovative steps to develop a larger pool of capital, so we'll have more money to invest. We're being more aggressive in identifying promising companies to fund. And we've widened our scope—now we'll look at *any* technology company in Connecticut rather than just those in specific industries. We're looking for more ways to work closely with our partners in the community to build relationships and do deals. In fact, as part of a recent reorganization, we've created a whole new position focused exclusively on developing new opportunities and strengthening ties with other investors. We're reaching out to universities, out-of-state companies and overseas companies. I believe that Connecticut—with its educated work force, great universities and strategic location—has a lot going for it in terms of competing for businesses. So we're going to be very aggressive in looking for new ideas and enterprises we can fund and build on behalf of the state.

But I think there has always been a little confusion about CI's mission. Just so we are clear, CI is aggressive, but we are not the investor of last resort. Unlike other investors, we will take a good look at any opportunity, and at an earlier stage than most. However, we will still only invest in opportunities we believe have a good chance to succeed and grow based on our due diligence.

Most of you are probably pretty familiar with CI in general. I was, too, before I came on board. But I wasn't completely aware of the scope of CI's initiatives. In case you aren't either, let me give you a brief overview.

Our core fund is the Eli Whitney Fund, which we use to invest in technology companies in various stages. Since 1995, the Eli Whitney Fund has invested \$104 million in 63 companies, many of which have become successful. In the past, the fund has focused primarily on a number of specific technologies like biotech, medical devices, IT and telecom. The board and I have asked the deal team to expand its focus because we believe there are growing technology opportunities in areas such as consumer, media, business applications and financial services.

Another important fund is our recently created BioSeed Fund. This provides pre-series A-round financing to bioscience companies. To date, we've invested \$1.6 million in 3 companies and

have \$1 million in commitments to 2 companies. As a result of our new, aggressive approach to attracting deal flow, the BioSeed fund has a robust pipeline as well as a large number of tech transfers from out-of-state. This will continue to be a great market for us.

Our BioScience Facilities Fund is an extremely valuable tool. It provides early-stage biotech companies with affordable capital for the build-out of wet lab space. Typically debt with warrants, we've loaned \$29 million through this program and created over 330,000 sq. ft. of lab space. We are currently helping a therapeutics company relocate to Connecticut with a \$3.5 million loan for its lab space. This program has been so successful, we are considering expanding it to other types of facilities.

We administer the Connecticut Clean Energy Fund. CCEF was created in 2000 as a vehicle to help develop alternative energy sources, power production and consumer awareness. It also works to develop new energy technologies. This is a very exciting market with lots of growth potential that will ultimately build the renewable energy industry in Connecticut. CCEF has committed \$57 million to these initiatives and allocated \$65 million more. We believe CI will also end up funding a number of new technology companies from this effort.

We also administer the \$100 million Connecticut Stem Cell Research Fund, which will be allocated over a 10-year period to support stem cell research projects in the state. This is an excellent growth opportunity that CI is very excited about. Although still in the very early stages, the research funded today will hopefully become commercialization opportunities, as well as attract other companies to Connecticut that want to be near our research universities.

A unique program we administer is the Yankee Ingenuity Technology Program, which provides matching grants for joint university/industry applied research and development projects. Over the years, we have committed about \$20 million to projects that were matched by about \$100 million of private and federal money.

Lastly, but most importantly, we have committed \$3 million to a new pre-seed support services and seed investment program as a way of jump-starting a comprehensive initiative in this area.

Last legislative session, the legislature approved the creation of an early-stage venture capital program at CI. Unfortunately, the program was never funded. The CI board decided to launch the pre-seed and seed portions of the legislative initiative with a \$3 million commitment. We know this is not enough money to address the lack of capital in this area; however, it gets the program started. We have a new capital request in the legislature this session to provide additional funds for this initiative.

As you know, there are many good ideas developing that are just not ready for venture investment. But they need real support and guidance. CI's support of emerging technology companies will go beyond dollars and cents. We will also provide non-financial support and service to early-stage companies. As part of the pre-seed program and reorganization I mentioned, we've created the position of vice president, technology and program management. This position will oversee guidance of early-stage entrepreneurial ideas and business plans. The function will be executed by two program directors and two executives in residence. We will provide mentoring, some financial support as needed, and help prepare these businesses for seed stage funding. We will also be working closely with CVG and its members, drawing on their wide range of expertise, to help support new-business growth.

All of this requires significant capital. As I mentioned, we're taking decisive steps to acquire that capital.

First, we have approached the state for funding, and I'm encouraged by the preliminary support legislators have shown. We have asked the legislature for \$50 million in bond funds. Of the \$50 million, we would allocate \$5 million to the BioSeed Fund; \$4 million to our Yankee Ingenuity Technology Program; \$1 million to stem cell administration; \$20 million to follow-on investments in existing portfolio companies; and \$20 million to new investments in companies from the pre-seed through expansion stages. This is all in addition to about \$30 million of cash we have for investment.

Second, we have asked the legislature to amend earlier legislation and provide \$25 million as a special limited partner in a targeted venture fund, with CI as the general partner. Our plan is to

leverage this money to raise an additional \$75 million from other sources—corporations, institutions, pension funds, endowments—maybe even some of you! We're doing this because everyone in this room knows that capital is the lifeblood of emerging businesses. You can have the best business plan, the most innovative technology or the most talented management team. But young companies live or die on capital. That's why we're putting our creative energies into making sure emerging Connecticut technology companies can get the capital they need, when they need it. If successful, we expect this venture fund model can be replicated over the years.

So, to wrap up, the point I want to leave you with is this: Connecticut Innovations is reorganized, reinvigorated and on the move. We are thinking in broad, creative terms about how to acquire more capital, identify more opportunities, fund more companies and work more closely with organizations statewide. I invite all of you to talk with us about how we can work together to achieve our common goals.