

Statement of Connecticut Innovations Regarding S.B. 547 An Act Concerning Connecticut Innovations, Incorporated

Good Morning Senator LeBeau, Representative Berger and members of the Commerce Committee. I would like to thank this committee for raising S.B. 547 An Act Concerning Connecticut Innovations, Incorporated. This bill makes two changes to CI's statutes both of which are needed by CI in order to clear up audit points made by the Auditors of Public Accounts.

Section 1 of the bill addresses an audit point that arose during our recent audit. At its January 29, 2007 meeting, the CI Board of Directors passed a resolution allowing the CI investment team to approve seed investments of up to \$500,000. Upon passage of the board resolution, CI drafted an amendment to its operating procedures and presented it to the board's Audit, Compliance & Governance Committee for approval. Following the committee's approval on February 14, 2007, CI posted public notice of the amendment to the operating procedures in the Connecticut Law Journal for 30 days and then brought the amendment to the CI Board of Directors for approval. The board voted to approve the amendment to the operating procedures on April 12, 2007.

The resolution and operating procedures amendment are applicable to seed investments up to \$500,000 only. These investments are fully vetted by the CI investment team. They must be approved by a majority of the investment managers, the chief investment officer and the president and executive director or any other officer of the corporation. During fiscal year 2007, one seed deal was approved under this procedure. During fiscal year 2008, which we are in currently, 3 seed deals have been approved in this manner. At every Board of Directors meeting, the president & executive director reports to the board on any seed deal approved under this procedure.

The Auditors of Public Accounts concluded that despite the fact that the CI board passed a resolution authorizing this procedure, and the board and its Audit, Compliance & Governance Committee voted to approve the new procedure after it underwent public notice, the procedure is in conflict with the statutory requirement found in Connecticut General Statute 32-40(a). Therefore, CI has requested an amendment to Section 32-40(a) as found in section 1 of this bill.

Section 2 of the bill amends C.G.S 32-47a which is CI's financial assistance report statute. The current statute requires CI to annually report, amongst other things, gross revenues for each recipient of financial assistance. In order to protect the confidential nature of our companies' financial information, CI includes the gross revenue information in the financial assistance report in the aggregate instead of by individual company. Based on the recommendation of the auditors, CI is not in compliance with the requirements of C.G.S. 32-47a because we report this data in the aggregate. Therefore, we are asking for the amendment found in Section 2 of the bill to allow CI to be in compliance with the requirements of C.G.S. 32-47a.