

HB 1512 -- Technology-Based Business Development

Sponsor: Flook

This bill establishes the Seed Capital Technology Business Finance Program Act and the Proof of Concept Technology Business Finance Program Act and authorizes tax credits for investments in technology-based early stage Missouri companies.

SEED CAPITAL TECHNOLOGY BUSINESS FINANCE PROGRAM ACT

The Seed Capital Technology Business Finance Program Act creates, within the Missouri Technology Investment Fund, the Seed Capital Technology Business Finance Program Account. The account will consist of appropriations, gifts, contributions, grants, bequests, payments on loans made from the account dividends paid on shares of stock purchased with moneys from the account, royalty proceeds, and any other form of return on authorized investments made under the Seed Capital Technology Business Finance Program.

The Missouri Technology Corporation may use moneys in the account to make investments in an advanced technology company that is at the early development stage of commercializing advanced technology. Investments must be equity, loans convertible to equity, or loans with stock subscriptions or similar warrants that are beneficially owned by the corporation.

An eligible company must have 50% or more of its employees and assets in Missouri, be at the seed or start-up stage, and have innovative products and services. Eligible advanced technology industries include animal health, biotechnology, information technology, communications technology, aerospace, electronics, robotics, medical devices and instruments, telecommunications, plant sciences, and energy. Ineligible industries include banking and lending, development, management and investment companies, finance, insurance, mining, oil and gas exploration, real estate, wholesale, and retail.

The corporation is required to contract with professional equity fund managers for professional review of applications, performance of due diligence, and other advisory services before any investments can be made. Investments can only be made upon the recommendation of the professional equity fund managers. The bill specifies the requirements which must be met before the corporation can make investments in eligible advanced technology companies.

Investments made by the corporation cannot be greater than the lesser of \$750,000 or the amount necessary to gain 49% ownership

interest in any advanced technology company at the time of investment. The investment can be used for intellectual property development, business prototypes, market studies, and business operations.

PROOF OF CONCEPT TECHNOLOGY BUSINESS FINANCE PROGRAM ACT

The Proof of Concept Technology Business Finance Program Act is established which creates, within the Missouri Technology Investment Fund, the Proof of Concept Technology Business Finance Program Account consisting of appropriations, gifts, grants, contributions, bequests, and payments on loans made from the account.

The Missouri Technology Corporation may use moneys in the fund to make a one-time loan to a company that is at the early development stage of commercializing advanced technology. The loan amount to any single company cannot exceed \$75,000. Loans must be repaid within five years in an amount equal to twice the amount loaned. Early repayment will result in prorating the repayment amount.

Eligible companies must be technology-based; sufficiently innovative to provide a competitive advantage in the marketplace; have the potential for significant, high-performance growth; be at the early development stage of commercializing an advanced technology; have 50% or more of its employees and assets in Missouri; and have average wage levels of at least 35% higher than the average county wage level as determined by the Department of Economic Development for the most recently completed calendar year.

At the time a loan is made, the eligible company must be a small business concern that meets the requirements of the United States Small Business Administration's qualification size standards for its business loan program.

Eligible advanced technology industries include animal health, biotechnology, information technology, communications technology, aerospace, electronics, robotics, medical devices and instruments, telecommunications, plant sciences, and energy. Ineligible industries include banking and lending, development, management and investment companies, finance, insurance, mining, oil and gas exploration, real estate, wholesale, and retail.

The bill specifies the requirements which must be met before the corporation can make a proof of concept loan.

TAX CREDITS FOR TECHNOLOGY-BASED EARLY STAGE MISSOURI COMPANIES

The department is allowed to authorize up to \$5 million in tax credits per year to encourage equity investment in technology-based early stage Missouri companies, commonly known as angel investments. Investors who contribute the first \$500,000 in equity investment to a qualified Missouri business may be issued a tax credit equal to 30% of the investment or 40% if the qualified business is in a rural area or distressed community. An investor can receive a credit of up to \$50,000 for an investment in a single qualified business and up to \$100,000 for investments in more than one qualified business per year. Credits can be carried forward for up to three years or transferred.