

SCHIMMINGER BILL CREATES SEED-NY INVESTMENT FUND

MARCH 9, 2011 - Assemblyman Robin Schimminger introduced legislation yesterday (A.6167) that would create a new investment fund to provide regional equity funds for early stage commercialization of technologies.

If enacted, the new SEED-NY fund would competitively grant funds to regional investment funds with a demonstrated record for making equity-based seed-stage investments. In turn, these regional funds would make individual investments not exceeding \$500,000, or \$750,000 in the case of a biotechnology company, which must be matched by at least a one-to-one basis with funds other than state monies.

“The need for this fund is critical for commercialization assistance in New York,” said Assemblyman Schimminger, chair of the Assembly Committee on Economic Development. “Government-sponsored research has supported the invention of numerous ideas and products that could greatly benefit society. The problem is that these inventions often do not go farther than the inception stage because most New York inventors and entrepreneurs lack the resources and expertise to commercially develop their scientific discoveries.”

The new fund would replace the state’s Small Business Technology Investment Fund, and its assets would be liquidated to help finance the new fund. Federal funds would also support the new program with an allocation of \$25 million in funding made available to New York State through the federal Small Business Jobs Act of 2010, which provides assistance for a variety of economic development initiatives including the establishment of regional investment funds.

Schimminger noted that this bill introduces the concept of “investing in investors.” “In a series of Assembly public hearings and roundtables in recent years on commercializing R&D innovations, we’ve learned that although New York State has invested well over \$1 billion in university-based R&D at institutions throughout the state, concern was expressed by many participants that the state does not invest enough in the early, start-up stage, where these funds are deficient, and the smallest businesses, those with the least amount of funding available, are least able to take advantage of federal investments which require a dollar-for-dollar match. The case was made again and again that the state needs to provide seed or gap funding for this crucial period of business development,” Schimminger explained.

Al Culliton, COO ECIDA and a co-founder of the Project JumpStart New York, a public-private partnership modeled on JumpStart (Cleveland) with the goal of developing and funding a best-practices commercialization system in Upstate NY, noted “as JumpStart works to improve the commercialization system, a vital element will be enhanced State support in the Imagining and Incubating/Demonstrating phases where the greatest risk and potential is to be found. New York support trails the top 25 states by a wide margin which forces entrepreneurs to go elsewhere.”

Thomas A. Kucharski, President of Buffalo Niagara Enterprise, said, “Our experience in working with biotechnology and emerging technology companies tells us that the creation of a new investment fund like SEED-NY would be welcome news to entrepreneurs and research and educational institutions across the Buffalo Niagara region. In addition to filling a critical need for gap financing for commercialization efforts, such a fund could also be a valuable attraction tool that we could use to entice young companies to conduct not only their research and development here, but their manufacturing activities as well,” Kucharski added.

Theresa Mazzullo, CEO, Excell Partners, Inc., said, “Providing seed capital to high tech start-ups is essential for developing an Innovation Economy. We are encouraged by and support Assemblyman Schimminger's initiative to create a technology seed fund in New York State.”

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