



General Assembly

**Substitute Bill No. 323**

February Session, 2010

\*       SB00323CE      031910      \*

**AN ACT CONCERNING ANGEL INVESTORS AND PROGRAMS  
IMPLEMENTED BY CONNECTICUT INNOVATIONS, INCORPORATED.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1       Section 1. (NEW) (*Effective July 1, 2010, and applicable to taxable years*  
2       *commencing on or after January 1, 2010*) (a) As used in this section:

3       (1) "Angel investor" or "investor" means an accredited investor, as  
4       defined in Rule 501 of Regulation D of the federal Securities Act of  
5       1933, who may seek active involvement, such as consulting or  
6       mentoring, in a business, but "angel investor" or "investor" does not  
7       include (A) persons controlling fifty per cent or more of the  
8       Connecticut business invested in by the angel investor or investor, (B)  
9       a venture capital company, or (C) any bank, bank and trust company,  
10      insurance company, trust company, national bank, savings association  
11      or building and loan association for activities that are a part of its  
12      normal course of business;

13      (2) "Cash investment" means money or money equivalent paid in  
14      exchange for qualified securities;

15      (3) "Connecticut business" means any business owned by an  
16      individual or a partnership, association or corporation, and domiciled  
17      in Connecticut, or any corporation, even if a wholly-owned subsidiary  
18      of a foreign corporation, that does business primarily in Connecticut,

19 or does substantially all of such business's production in Connecticut;

20 (4) "Qualified securities" means (A) any form of equity, including a  
21 general or limited partnership interest, common stock, preferred stock,  
22 with or without voting rights, without regard to seniority position and  
23 whether or not convertible into common stock, any form of  
24 subordinate or convertible debt, or both, with warrants or other means  
25 of equity conversion attached, or (B) a debt instrument, including a  
26 note or debenture that is secured or unsecured, subordinated to the  
27 general creditors of the debtor and requiring no payments of principal,  
28 other than principal payments required to be made out of any future  
29 profits of the debtor, for at least a seven-year period after  
30 commencement of such debt instrument's term.

31 (b) There shall be allowed a credit for an angel investor against the  
32 tax imposed under chapter 229 of the general statutes for a cash  
33 investment in the qualified securities of a Connecticut business by such  
34 investor. The credit shall be in an amount equal to twenty-five per cent  
35 of such investor's cash investment, provided no credit shall be greater  
36 than one hundred twenty-five thousand dollars. The credit shall be  
37 taken in the year in which such cash investment is made by the angel  
38 investor.

39 (c) To be a cash investment qualifying for a tax credit pursuant to  
40 this section, such investment shall be in a Connecticut business that (1)  
41 has been approved as a qualified Connecticut business pursuant to  
42 subsection (d) of this section; (2) had annual gross revenues of less  
43 than five million dollars in the most recent income year of such  
44 business; (3) has fewer than twenty-five employees, more than half of  
45 whom reside in this state; (4) has been operating in this state for less  
46 than ten consecutive years; (5) is primarily owned by the management  
47 of the business and their families; and (6) receives less than one million  
48 dollars in cash investments eligible for the tax credits provided by this  
49 section. No investor may claim a credit pursuant to this section for  
50 cash investments granted or contributed to Connecticut Innovations,  
51 Incorporated.

52 (d) (1) A Connecticut business may apply to Connecticut  
53 Innovations, Incorporated, for approval as a Connecticut business  
54 qualified to receive cash investments eligible for tax credits pursuant to  
55 this section. The application shall include (A) the name of the business  
56 and a copy of the organizational documents of such business, (B) a  
57 business plan, including a description of the business and the  
58 management, product, market and financial plan of the business, (C) a  
59 description of the business's innovative and proprietary technology,  
60 product or service, (D) a statement of the potential economic impact of  
61 the business, including the number, location and types of jobs expected  
62 to be created, (E) a description of the qualified securities to be issued,  
63 the consideration to be paid for the qualified securities, the amount of  
64 any tax credits requested and the earliest year in which such tax credits  
65 may be redeemed, (F) a statement of the amount, timing and projected  
66 use of the proceeds to be raised from the proposed sale of qualified  
67 securities, and (G) such other information as the executive director of  
68 Connecticut Innovations, Incorporated, may require.

69 (2) Said executive director shall, on or before August 1, 2010, and  
70 monthly thereafter, compile a list of approved applications,  
71 categorized by the estimated amount of tax credits and type of  
72 qualified securities offered, submitted by qualified Connecticut  
73 businesses.

74 (e) (1) Any angel investor who intends to provide a cash investment  
75 to a business on the list compiled pursuant to subsection (d) of this  
76 section, may apply to the Commissioner of Revenue Services to reserve  
77 a tax credit in the amount indicated by such investor. The aggregate  
78 amount of all tax credits which may be reserved by the Commissioner  
79 of Revenue Services shall be six million dollars annually for the fiscal  
80 years commencing July 1, 2010, to July 1, 2012, inclusive, and shall be  
81 three million dollars in each fiscal year thereafter. Any unused portion  
82 of the tax credits reserved by the Commissioner of Revenue Services  
83 for each year may be added to the amount reserved by said  
84 commissioner for the following fiscal year. No credits may be allowed  
85 under this section on or after July 1, 2020.

86 (2) The amount of the credit granted to any investor pursuant to this  
87 section for any year shall not exceed the amount of tax due from such  
88 investor under chapter 229 of the general statutes with respect to any  
89 such taxable year. Any tax credit not used in the taxable year during  
90 which the cash investment was made may be carried forward for the  
91 five immediately succeeding taxable years until the full credit has been  
92 allowed.

93 (3) Any credit allowed pursuant to this section may be sold,  
94 assigned or otherwise transferred, in whole or in part, to one or more  
95 taxpayers, and such taxpayers may sell, assign or otherwise transfer, in  
96 whole or in part, such credit. If an investor sells, assigns or otherwise  
97 transfers a credit to another taxpayer, the transferor and transferee  
98 shall jointly submit written notification of such transfer to the  
99 Commissioner of Revenue Services not later than thirty days after such  
100 transfer. If such transferee sells, assigns or otherwise transfers a credit  
101 under this section to a subsequent transferee, such transferee and such  
102 subsequent transferee shall jointly submit written notification of such  
103 transfer to the Commissioner of Revenue Services not later than thirty  
104 days after such transfer. The notification after each transfer shall  
105 include the credit certificate number, the date of transfer, the amount  
106 of such credit transferred, the tax credit balance before and after the  
107 transfer, the tax identification numbers for both the transferor and the  
108 transferee, and any other information required by the Commissioner of  
109 Revenue Services. Failure to comply with this subdivision shall result  
110 in a disallowance of the tax credit until there is full compliance on the  
111 part of the transferor and the transferee and for a second transfer, on  
112 the part of the transferee, and the subsequent transferee.

113 (f) A review of the effectiveness of the credit shall be conducted by  
114 Connecticut Innovations, Incorporated, by September 1, 2015. Such  
115 review shall be submitted, in accordance with the provisions of section  
116 11-4a of the general statutes, to the joint standing committees of the  
117 General Assembly having cognizance of matters relating to commerce  
118 and finance, revenue and bonding.

119 Sec. 2. Subsection (b) of section 32-35 of the 2010 supplement to the  
120 general statutes is repealed and the following is substituted in lieu  
121 thereof (*Effective October 1, 2010*):

122 (b) The corporation shall be governed by a board of fifteen directors.  
123 Eight members shall be appointed by the Governor, (1) at least six of  
124 whom shall be knowledgeable, and have favorable reputations for  
125 skill, knowledge and experience, in the development of innovative  
126 technology and technological processes including, but not limited to,  
127 expertise in academic research, technology transfer and application,  
128 the development of technological invention and new enterprise  
129 development, and (2) one member shall be an angel investor in the  
130 state. Three members shall be the Commissioner of Economic and  
131 Community Development, the Commissioner of Higher Education and  
132 the Secretary of the Office of Policy and Management, who shall serve  
133 ex officio and shall have all of the powers and privileges of a member  
134 of the board of directors. Each ex-officio member may designate his  
135 deputy or any member of his staff to represent him at meetings of the  
136 corporation with full power to act and vote in his behalf. Four  
137 members shall be appointed as follows: One by the president pro  
138 tempore of the Senate, one by the minority leader of the Senate, one by  
139 the speaker of the House of Representatives and one by the minority  
140 leader of the House of Representatives. Each member appointed by the  
141 Governor shall serve at the pleasure of the Governor but no longer  
142 than the term of office of the Governor or until the member's successor  
143 is appointed and qualified, whichever is longer. Each member  
144 appointed by a member of the General Assembly shall serve in  
145 accordance with the provisions of section 4-1a. A director shall be  
146 eligible for reappointment. The Governor shall fill any vacancy for the  
147 unexpired term of a member appointed by the Governor. The  
148 appropriate legislative appointing authority shall fill any vacancy for  
149 the unexpired term of a member appointed by such authority.

150 Sec. 3. (NEW) (*Effective October 1, 2010*) (a) There is established a  
151 Sidecar Investment Fund program to be administered by Connecticut  
152 Innovations, Incorporated, for the purpose of providing grants to

153 match preseed financing or seed financing by angel investors investing  
154 in companies in the state. "Angel investors" shall have the same  
155 meaning as in section 1 of this act, and "preseed financing" and "seed  
156 financing" shall have the same meanings as in section 32-34 of the  
157 general statutes.

158 (b) To implement the program established in subsection (a) of this  
159 section, the corporation shall establish criteria for providing matching  
160 investments and shall develop and implement a plan to market the  
161 program.

162 (c) The board of the corporation shall review and approve each  
163 application for matching grants for such financing.

164 (d) The grants authorized pursuant to this section shall be allocated  
165 as follows: (1) Ninety per cent of the investments shall match angel  
166 investment funding; and (2) not more than ten per cent shall be set  
167 aside to invest in state university student entrepreneurs receiving  
168 angel investment funding. Not more than a fifty per cent match, up to  
169 a maximum of two hundred fifty thousand dollars, shall be invested in  
170 any single company.

171 (e) The corporation shall adopt procedures, pursuant to section 1-  
172 121 of the general statutes, to implement the provisions of this section.

173 (f) A review of the effectiveness of the credit shall be conducted by  
174 the corporation by September 1, 2015. Such review shall be submitted,  
175 in accordance with the provisions of section 11-4a of the general  
176 statutes, to the joint standing committees of the General Assembly  
177 having cognizance of matters relating to commerce and finance,  
178 revenue and bonding.

179 Sec. 4. Section 32-41w of the general statutes is repealed and the  
180 following is substituted in lieu thereof (*Effective October 1, 2010*):

181 (a) There is established an early-stage venture capital program to be  
182 administered by Connecticut Innovations, Incorporated, to provide

183 preseed financing, seed financing, start-up financing, early or first-  
184 stage financing and expansion financing to companies in the state and  
185 to provide matching funds for the federal Small Business Innovation  
186 Research Program, as defined in subdivision (4) of section 32-344.

187 (b) In support of the program established in subsection (a) of this  
188 section, the corporation and the Small Business Innovation Research  
189 Office, established pursuant to subdivision (41) of section 32-39, as  
190 amended by this act, shall establish criteria for awarding such  
191 financing and shall develop and implement a plan to market the  
192 program.

193 (c) The board of the corporation shall review and approve each  
194 application for such financing.

195 (d) Funds provided for this section shall be allocated as follows: (1)  
196 Not less than five per cent for preseed financing; (2) not less than ten  
197 per cent for seed financing; (3) not less than ten per cent for start-up  
198 financing; (4) not less than fifteen per cent for early or first stage  
199 financing; [and] (5) not less than [forty] thirty per cent and not more  
200 than [sixty] fifty per cent on expansion financing, as such terms are  
201 defined in section 32-34; and (6) not less than ten per cent on matching  
202 grants of fifty per cent, not to exceed fifty thousand dollars per grant,  
203 for the small business innovation research program. The corporation  
204 shall use not more than three per cent of such funds for administration  
205 and marketing of such financial aid.

206 (e) The corporation shall adopt procedures, pursuant to section 1-  
207 121, to implement the provisions of this section.

208 Sec. 5. Section 32-39 of the 2010 supplement to the general statutes is  
209 repealed and the following is substituted in lieu thereof (*Effective*  
210 *October 1, 2010*):

211 The purposes of the corporation shall be to stimulate and encourage  
212 the research and development of new technologies, businesses and  
213 products, to encourage the creation and transfer of new technologies,

214 to assist existing businesses in adopting current and innovative  
215 technological processes, to stimulate and provide services to industry  
216 that will advance the adoption and utilization of technology, to  
217 achieve improvements in the quality of products and services, to  
218 stimulate and encourage the development and operation of new and  
219 existing science parks and incubator facilities, and to promote science,  
220 engineering, mathematics and other disciplines that are essential to the  
221 development and application of technology within Connecticut by the  
222 infusion of financial aid for research, invention and innovation in  
223 situations in which such financial aid would not otherwise be  
224 reasonably available from commercial or other sources, and for these  
225 purposes the corporation shall have the following powers:

226 (1) To have perpetual succession as a body corporate and to adopt  
227 bylaws, policies and procedures for the regulation of its affairs and  
228 conduct of its businesses as provided in section 32-36;

229 (2) To enter into venture agreements with persons, upon such terms  
230 and on such conditions as are consistent with the purposes of this  
231 chapter, for the advancement of financial aid to such persons for the  
232 research, development and application of specific technologies,  
233 products, procedures, services and techniques, to be developed and  
234 produced in this state, and to condition such agreements upon  
235 contractual assurances that the benefits of increasing or maintaining  
236 employment and tax revenues shall remain in this state and shall  
237 accrue to it;

238 (3) To solicit, receive and accept aid, grants or contributions from  
239 any source of money, property or labor or other things of value, to be  
240 held, used and applied to carry out the purposes of this chapter,  
241 subject to the conditions upon which such grants and contributions  
242 may be made, including but not limited to, gifts or grants from any  
243 department or agency of the United States or the state;

244 (4) To invest in, acquire, lease, purchase, own, manage, hold and  
245 dispose of real property and lease, convey or deal in or enter into

246 agreements with respect to such property on any terms necessary or  
247 incidental to the carrying out of these purposes; provided, however,  
248 that all such acquisitions of real property for the corporation's own use  
249 with amounts appropriated by the state to the corporation or with the  
250 proceeds of bonds supported by the full faith and credit of the state  
251 shall be subject to the approval of the Secretary of the Office of Policy  
252 and Management and the provisions of section 4b-23;

253 (5) To borrow money or to guarantee a return to the investors in or  
254 lenders to any capital initiative, to the extent permitted under this  
255 chapter;

256 (6) To hold patents, copyrights, trademarks, marketing rights,  
257 licenses, or any other evidences of protection or exclusivity as to any  
258 products as defined herein, issued under the laws of the United States  
259 or any state or any nation;

260 (7) To employ such assistants, agents and other employees as may  
261 be necessary or desirable, which employees shall be exempt from the  
262 classified service and shall not be employees, as defined in subsection  
263 (b) of section 5-270; establish all necessary or appropriate personnel  
264 practices and policies, including those relating to hiring, promotion,  
265 compensation, retirement and collective bargaining, which need not be  
266 in accordance with chapter 68, and the corporation shall not be an  
267 employer as defined in subsection (a) of section 5-270; and engage  
268 consultants, attorneys and appraisers as may be necessary or desirable  
269 to carry out its purposes in accordance with this chapter;

270 (8) To make and enter into all contracts and agreements necessary or  
271 incidental to the performance of its duties and the execution of its  
272 powers under this chapter;

273 (9) To sue and be sued, plead and be impleaded, adopt a seal and  
274 alter the same at pleasure;

275 (10) With the approval of the State Treasurer, to invest any funds  
276 not needed for immediate use or disbursement, including any funds

277 held in reserve, in obligations issued or guaranteed by the United  
278 States of America or the state of Connecticut and in other obligations  
279 which are legal investments for retirement funds in this state;

280 (11) To procure insurance against any loss in connection with its  
281 property and other assets in such amounts and from such insurers as it  
282 deems desirable;

283 (12) To the extent permitted under its contract with other persons, to  
284 consent to any termination, modification, forgiveness or other change  
285 of any term of any contractual right, payment, royalty, contract or  
286 agreement of any kind to which the corporation is a party;

287 (13) To do anything necessary and convenient to render the bonds  
288 to be issued under section 32-41 more marketable;

289 (14) To acquire, lease, purchase, own, manage, hold and dispose of  
290 personal property, and lease, convey or deal in or enter into  
291 agreements with respect to such property on any terms necessary or  
292 incidental to the carrying out of these purposes;

293 (15) In connection with any application for assistance under this  
294 chapter, or commitments therefor, to make and collect such fees as the  
295 corporation shall determine to be reasonable;

296 (16) To enter into venture agreements with persons, upon such  
297 terms and conditions as are consistent with the purposes of this  
298 chapter to provide financial aid to such persons for the marketing of  
299 new and innovative services based on the use of a specific technology,  
300 product, device, technique, service or process;

301 (17) To enter into limited partnerships or other contractual  
302 arrangements with private and public sector entities as the corporation  
303 deems necessary to provide financial aid which shall be used to make  
304 investments of seed venture capital in companies based in or  
305 relocating to the state in a manner which shall foster additional capital  
306 investment, the establishment of new businesses, the creation of new

307 jobs and additional commercially-oriented research and development  
308 activity. The repayment of such financial aid shall be structured in  
309 such manner as the corporation deems will best encourage private  
310 sector participation in such limited partnerships or other  
311 arrangements. The board of directors, executive director, officers and  
312 staff of the corporation may serve as members of any advisory or other  
313 board which may be established to carry out the purposes of this  
314 subdivision;

315 (18) To account for and audit funds of the corporation and funds of  
316 any recipients of financial aid from the corporation;

317 (19) To advise the Governor, the General Assembly, the  
318 Commissioner of Economic and Community Development and the  
319 Commissioner of Higher Education on matters relating to science,  
320 engineering and technology which may have an impact on state  
321 policies, programs, employers and residents, and on job creation and  
322 retention;

323 (20) To promote technology-based development in the state;

324 (21) To encourage and promote the establishment of and, within  
325 available resources, to provide financial aid to advanced technology  
326 centers;

327 (22) To maintain an inventory of data and information concerning  
328 state and federal programs which are related to the purposes of this  
329 chapter and to serve as a clearinghouse and referral service for such  
330 data and information;

331 (23) To conduct and encourage research and studies relating to  
332 technological development;

333 (24) To provide technical or other assistance and, within available  
334 resources, to provide financial aid to the Connecticut Academy of  
335 Science and Engineering, Incorporated, in order to further the  
336 purposes of this chapter;

337 (25) To recommend a science and technology agenda for the state  
338 that will promote the formation of public and private partnerships for  
339 the purpose of stimulating research, new business formation and  
340 growth and job creation;

341 (26) To encourage and provide technical assistance and, within  
342 available resources, to provide financial aid to existing manufacturers  
343 and other businesses in the process of adopting innovative technology  
344 and new state-of-the-art processes and techniques;

345 (27) To recommend state goals for technological development and  
346 to establish policies and strategies for developing and assisting  
347 technology-based companies and for attracting such companies to the  
348 state;

349 (28) To promote and encourage and, within available resources, to  
350 provide financial aid for the establishment, maintenance and operation  
351 of incubator facilities;

352 (29) To promote and encourage the coordination of public and  
353 private resources and activities within the state in order to assist  
354 technology-based entrepreneurs and business enterprises;

355 (30) To provide services to industry that will stimulate and advance  
356 the adoption and utilization of technology and achieve improvements  
357 in the quality of products and services;

358 (31) To promote science, engineering, mathematics and other  
359 disciplines that are essential to the development and application of  
360 technology;

361 (32) To coordinate its efforts with existing business outreach centers,  
362 as described in section 32-9qq;

363 (33) To develop a marketing campaign that promotes the state as a  
364 place of innovation, which may be part of a larger marketing campaign  
365 conducted by a commission, agency or political subdivision of the state  
366 including, but not limited to, the Connecticut Commission on Culture

367 and Tourism, the Connecticut Development Authority or the  
368 Department of Economic and Community Development;

369 [(33)] (34) To do all acts and things necessary and convenient to  
370 carry out the purposes of this chapter;

371 [(34)] (35) To accept from the department: (A) Financial assistance,  
372 (B) revenues or the right to receive revenues with respect to any  
373 program under the supervision of the department, and (C) loan assets  
374 or equity interests in connection with any program under the  
375 supervision of the department; to make advances to and reimburse the  
376 department for any expenses incurred or to be incurred by it in the  
377 delivery of such assistance, revenues, rights, assets, or interests; to  
378 enter into agreements for the delivery of services by the corporation, in  
379 consultation with the department, the Connecticut Housing Finance  
380 Authority and the Connecticut Development Authority, to third  
381 parties which agreements may include provisions for payment by the  
382 department to the corporation for the delivery of such services; and to  
383 enter into agreements with the department or with the Connecticut  
384 Development Authority or Connecticut Housing Finance Authority for  
385 the sharing of assistants, agents and other consultants, professionals  
386 and employees, and facilities and other real and personal property  
387 used in the conduct of the corporation's affairs;

388 [(35)] (36) To transfer to the department: (A) Financial assistance, (B)  
389 revenues or the right to receive revenues with respect to any program  
390 under the supervision of the corporation, and (C) loan assets or equity  
391 interests in connection with any program under the supervision of the  
392 corporation, provided the transfer of such financial assistance,  
393 revenues, rights, assets or interests is determined by the corporation to  
394 be practicable, within the constraints and not inconsistent with the  
395 fiduciary obligations of the corporation imposed upon or established  
396 upon the corporation by any provision of the general statutes, the  
397 corporation's bond resolutions or any other agreement or contract of  
398 the corporation and to have no adverse effect on the tax-exempt status  
399 of any bonds of the state;

400        [(36)] (37) With respect to any capital initiative, to create, with one  
401 or more persons, one or more affiliates and to provide, directly or  
402 indirectly, for the contribution of capital to any such affiliate, each such  
403 affiliate being expressly authorized to exercise on such affiliate's own  
404 behalf all powers which the corporation may exercise under this  
405 section, in addition to such other powers provided to it by law;

406        [(37)] (38) To provide financial aid to enable biotechnology and  
407 other technology companies to lease, acquire, construct, maintain,  
408 repair, replace or otherwise obtain and maintain production, testing,  
409 research, development, manufacturing, laboratory and related and  
410 other facilities, improvements and equipment;

411        [(38)] (39) To provide financial aid to persons developing smart  
412 buildings, as defined in section 32-23d, incubator facilities or other  
413 information technology intensive office and laboratory space;

414        [(39)] (40) To administer the Renewable Energy Investment Fund  
415 established pursuant to section 16-245n;

416        [(40)] (41) To provide financial aid to persons developing or  
417 constructing the basic buildings, facilities or installations needed for  
418 the functioning of the media and motion picture industry in this state;

419        [(41)] (42) To coordinate the development and implementation of  
420 strategies regarding technology-based talent and innovation among  
421 state and quasi-public agencies, including the creation and  
422 administration of the Connecticut Small Business Innovation Research  
423 Office to act as a centralized clearinghouse and provide technical  
424 assistance to applicants in developing small business innovation  
425 research programs in conformity with the federal program established  
426 pursuant to the Small Business Research and Development  
427 Enhancement Act of 1992, P.L. 102-564, as amended, and other  
428 proposals;

429        (43) To establish the Sidecar Investment program, as established in  
430 section 3 of this act, and provide moneys to said program from the

431 Connecticut Innovations, Incorporated, Fund established pursuant to  
 432 section 32-41a.

433 Sec. 6. Subsection (h) of section 32-35 of the 2010 supplement to the  
 434 general statutes is repealed and the following is substituted in lieu  
 435 thereof (*Effective October 1, 2010*):

436 (h) The corporation shall provide funding for the operation of the  
 437 Connecticut Small Business Innovation Research Office in accordance  
 438 with subdivision [(41)] (42) of section 32-39, as amended by this act.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2010, and applicable to taxable years commencing on or after January 1, 2010</i>	New section
Sec. 2	<i>October 1, 2010</i>	32-35(b)
Sec. 3	<i>October 1, 2010</i>	New section
Sec. 4	<i>October 1, 2010</i>	32-41w
Sec. 5	<i>October 1, 2010</i>	32-39
Sec. 6	<i>October 1, 2010</i>	32-35(h)

**Statement of Legislative Commissioners:**

"Paid" was added in subdivision (2) of section 1 to achieve the intent of the committee. Grammatical corrections or internal references were added to subsections (a), (c) and (e) of section 1, subsection (b) of section 2 and subsection (b) of section 3 for clarity and consistency with the style of the general statutes.

**CE**            *Joint Favorable Subst.*