

Before The Finance, Revenue and Bonding Committee

FOR PUBLIC HEARING ON MARCH 22, 2016

Testimony of CURE (Connecticut United for Research Excellence, Inc.) “Support For”

SB 1, An Act Concerning Innovation, Entrepreneurship and Connecticut’s Economic Future, Section 24- THE REAUTHORIZATION OF THE ANGEL TAX CREDIT

Senator Fonfara, Representative Berger, Senator Frantz, Representative Davis and Members of the Finance, Revenue and Bonding Committee:

Thank you for this opportunity to comment on SB 1, Section 24 concerning “the reauthorization of the Angel Tax Credit and its transferability”.

My name is Dr. Susan Froshauer. I am the President of CURE, the 21 year old association serving the bioscience industry of Connecticut. Our membership includes established pharmaceutical and medical device companies in the state, start-up companies, research universities, Jackson Laboratories, community colleges, investors, individual bioscience entrepreneurs and service providers. I have been active in Connecticut’s start-up community for over 25 years, first at Pfizer, where I helped with investments in biotech companies, and then at Rib-X (now Melinta), which I co-founded with Yale scientists. Today I mentor and advise CURE members, UCONN and Yale start-ups on their funding strategies. I am also an angel investor.

CURE is fully aligned with and supports the reauthorization of the Angel Tax Credit and the ability of the credit to be transferable. I urge the Committee to move forward with this legislation because it is in the best interest of Connecticut’s thriving bioscience ecosystem. It supports the public good by stimulating formation of new companies, creation of jobs, as well as development of innovative approaches to health care and cures.

CURE supports Section 24 of the Bill for the following reasons:

The Angel Tax Credit stimulates access to crucial sources of capital by that enables biotech entrepreneurs to pressure test and de-risk their very very early ideas. Angel investors are motivated by this credit to take these early investment risks that are essential to discover the most innovative of new cures. As ideas are de-risked, their value increases and this then opens the door for start-ups to engage in conversations with investment firms who invest substantially larger sums of capital (e.g. venture capitalists).

Under Section 24, Connecticut start-ups may take-in up to \$ 2 M from angel investors and allow its angels to still receive the credit. This system promotes the formation of the best companies with the biggest of (albeit risky) ideas, the capture of the best of talent and the potential for large returns to the Connecticut bioscience ecosystem. Two million dollars is sufficient to recruit a quality management team and execute some critical experiments that begin to validate new technology. Since the initiation of the credit system in 2011, 25 bioscience companies alone have been launched by raising at least \$ 16 M through angel investment. Forty-seven information technology firms, some of which may have a bioscience component, have raised from angels about \$ 45 M.

2. Angels often invest by forming syndicates, groups of angels who together may invest a large sum in one company. Syndicates spread the risk and allow angels access to expertise and investment power from a wider network. In the case of bioscience, it is particularly useful for Connecticut angels to connect with Boston and New York angel associations where historically there has been a larger deal flow and more investment in this arena. As Angel Investor Forum and other Connecticut angels see the exciting ramp of bioscience deals in Connecticut, syndication with groups outside of Connecticut is advantageous. The transferability of credits will motivate external investment in Connecticut angel syndicates.

3. Connecticut seeks to attract venture capital investors from outside of our region to invest in our companies and keep them here. As the transferability of credits attracts a wider network of angels to join syndicates here, this will provide a further avenue for showcasing our start-ups outside of Connecticut, introducing our portfolio to new venture funds. As Connecticut's entrepreneurship ecosystem continues to grow due to a number of strategic and well-established programs, not the least of which is these Angel Tax Credits, non-Connecticut venture investors will discover the talent, technology and benefit of investing here.

Summary

For the foregoing reasons, CURE urges this Committee to progress Section 24, SB 1. It is in the best interest of the State's biotechnology and pharmaceutical industries, and the public at large. As Yale and UCONN continue to bolster their very strong programs in entrepreneurship and encourage the rapid spin-out of their innovative technologies to start new companies, a continuing source of risk-taking angels will be rewarded by this credit. It is my expectation that this will prime the pump and attract new next level investors and more talent into our State.

Thank you.

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