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Good afternoon, Senator DeFronzo, Representative Keeley and members of the bonding subcommittee. I am Frank Dinucci, President and Executive Director of Connecticut Innovations, Inc. Connecticut Innovations is a quasi-public authority charged with growing high-technology businesses in the state. Our vision is to drive a vibrant, entrepreneurial technology-based economy in Connecticut. We accomplish this by investing in early-stage technology companies and by managing a host of programs and initiatives that support the technology sector. Your support as policymakers has been a key ingredient to our success.

You asked us here today to address our unallocated bond balance needs. CI recently submitted to this committee a detailed list of projects associated with our only outstanding bond program, the BioScience Facilities Fund (fund number 6024). The list, entitled Schedule A - BioScience Facilities Fund Tracking Report, details the status of all projects associated with this program as of February 28, 2007

The immediate goal of the bioscience facilities fund is to significantly increase the inventory of wet laboratory and related space in the state so that existing biotech companies can grow here, start-up companies have space available in which to incubate and out-of-state companies may locate here. To date, we have expanded that inventory by over 310,000 sq. ft. Of the \$46 million approved by the legislature for this fund over \$29 million has been invested in eleven companies. The last year has shown increased interest in the fund. Our pipeline is strong and an additional \$4.6 million is in discussion or negotiation for the fit-out of up to an additional 55,000 square feet. One of the companies in our pipeline, Cara Therapeutics, will be moving their operations from Tarrytown, New York to Shelton, Connecticut. According to the company, they have already hired approximately half a dozen former Bayer employees and they plan on hiring more than 70 additional employees over the next few years.

Without the facilities fund, many of Connecticut's biotechnology companies may have located to or expanded in another state where pre-existing vacant laboratory space is more prevalent. Additionally, without the resources of this fund early-stage bioscience companies would have to divert precious equity capital away from research and development which could often mean lower employment levels. This program allows companies to focus their resources on growing their businesses as opposed to tying those resources up in expensive real-estate. As you might be aware, wet-lab space can cost as much as \$350 per square foot to construct. This is a cost that many start-up companies are not able to absorb.

In 2004 Connecticut Innovations launched its transitional laboratory space - 10,600 square feet of space in New Haven's Science Park at Yale. This space, managed by Connecticut Innovations, is divided into two suites and is geared to accommodate start-

Connecticut Innovations administers:

Eli Whitney Fund Connecticut Clean Energy Fund BioScience Facilities Fund Connecticut BioSeed Fund Yankee Ingenuity

up biotechnology companies on either a short-term or mid-term basis. The space is currently occupied by two companies and a third company is in the process of evaluating our proposed lease term sheet. We expect that the space at Science Park at Yale will be fully occupied for some time to come.

I should mention that one of our newest tenants, which we are finalizing lease terms with now, is a company called Cheminpharma. Cheminpharma was recently formed to service the biotechnology and pharmaceutical industry by former Bayer scientists. These scientists were recently laid off when Bayer decided to close its facility in West Haven. Without our transitional lab space being available, these scientists and their talent could have been lost to another state and this startup might not have been formed. Currently, there are approximately 50 biotechnology companies in Connecticut with thousands of employees. Prior to the creation of the BioScience Facilities Fund the number of biotech companies and employees in Connecticut was a fraction of what it is today. Our goal is to continue to deploy the money available through the fund to meet the market demands of the biotechnology sector. I should note that there has been a shift in the market demands. We have found that Connecticut's reputation as a hotspot for biotechnology start-up companies is fueling the need for more small incubator-like space. Space between 500 and 2000 square feet is an area for which there is little pre-existing space. As a result we are determining, along with our partners such as UCONN, how to best address these space needs and could consider fitting out additional space in smaller and more easily dividable laboratories. In addition, we are reviewing the state's incubator needs as they relate to industries other than bioscience.

Connecticut Innovations requests that the existing \$16.9 million currently available through the fund remain available to support approved projects and our pipeline of projects being considered now and in the future.

There is one additional item I would like to mention. Back in January, I met with the chairs of the finance committee to introduce myself. At that time, they asked that I help develop ideas for ways to help the film industry grow here in Connecticut. The tax credit passed last year was instrumental in increasing the number of films shot on location in Connecticut. However, Representative Staples and Senator Daily were hoping to find ways to induce the film industry to actually set up shop in Connecticut. I would like to suggest that our BioScience Facilities Fund may be a tool to accomplish this. The statutory language that created the fund is broadly worded and would allow CI to support the fit out and development of high-technology infrastructure that the film industry needs. The big problem is that the fund does not have enough money to support a second industry. I propose that if the finance committee decides that this fund is an appropriate tool to attract the film industry, we have discussions with members of the industry to help us determine how much funding would be necessary to make a meaningful impact and attract companies to Connecticut. For that matter, it may be appropriate to consider other industries that need to develop lab or research space as suitable candidates for funding through this fund.

Thank you for having me here today. I will be happy to take questions.

Schedule A
BioScience Facilities Fund Tracking Report
February 28, 2007

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<u>Borrower</u>	<u>Area S/F</u>	<u>Funding Requested</u>	<u>Funding Committed</u>	<u>Funds Drawn Down</u>	<u>Approval Date</u>	<u>Location</u>
<u>Proposed Financings</u>						
Term Sheet A	40,000	\$ 4,000			TBD	Shelton
Term Sheet B	2,400	\$ 600			TBD	New Haven
Total:	<u>42,400</u>	<u>\$ 4,600</u>				
<u>Closed Financings</u>						
Achillion	30,000		\$ 1,650	\$ 278	Feb-01	New Haven
Achillion	20,000		\$ 1,400	\$ 1,400	May-00	New Haven
CGI	14,000		\$ 1,500	\$ 1,500	May-00	Branford
CGI	9,000		\$ 1,600	\$ 1,600	Jan-02	Branford
Genaissance I	20,000		\$ 950	\$ 950	Dec-97	New Haven
Genaissance II	28,000		\$ 2,720	\$ 2,718	May-99	New Haven
Genaissance III	13,000		\$ 1,500	\$ 1,500	May-00	New Haven
Ikonisys	7,200		\$ 1,380	\$ 1,380	Nov-99	New Haven
Neurogen	58,000		\$ 5,000	\$ 5,000	Jun-99	Branford
Protometrix	13,700		\$ 1,700	\$ 1,700	Jul-02	Branford
Protometrix			\$ 172	\$ 172	Aug-03	Branford
PhytoCeutica	9,500		\$ 1,900	\$ 1,900	Feb-00	New Haven
Sopherion Therapeutics	25,000		\$ 2,800	\$ 2,800	Nov-02	Branford
Research Dev. Of Woodbridge	20,000		\$ -	\$ -	May-99	Woodbridge
Rib-X Pharmaceuticals	26,384		\$ 3,100	\$ 3,100	Mar-02	New Haven
CTDC	17,025		\$ 5,213	\$ 3,034	Jul-99	New Haven
Total:	<u>310,809</u>	<u>-</u>	<u>32,585</u>	<u>29,032</u>		
Grand Total:	<u>353,209</u>	<u>4,600</u>	<u>32,585</u>	<u>29,032</u>		

Summary

Proposed Financings	\$ 4,600
Approved but not drawn	\$ 3,553
Closed	\$ 29,032
	<u>\$ 37,185</u>