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Re: Support (FAV) for HB 744/ SB 702

To Whom It May Concern:

I am writing to express my support for **HB 744/ SB 702, Income Tax – Biotechnology Investment Incentive Tax Credit Program – Pass-Through Entities.**

Sonogen Medical is a startup medical devices company, headquartered in Baltimore. We are working to commercialize a next generation bone fracture healing device that's poised to revolutionize orthopedic care. I myself have been a Maryland small business owner for more than 20 years, and I'm sincerely grateful for all the services and programs that the state of Maryland has put in place that together serve as a massive flywheel for economic growth. This is especially true in the biotechnology sector in which Sonogen Medical operates.

For years now, the state of Maryland has been working to establish what is slowly becoming a vibrant biotechnology corridor. There is absolutely no reason whatsoever why our friends up in Boston should get to hog that spotlight! Maryland has all the core fundamentals to put the state we love at the forefront of US biotechnology innovation. That said, it is tough out there. Raising money for a startup venture is one of the hardest things I've ever done, and the entire process is filled with massive risk and almost vibrates with disappointment at every turn. In that regard, the state's Biotechnology Investment Incentive Tax Credit has not only opened doors for me, it's a huge part of the reason why my company is afloat today. Without that program, I don't believe we could have raised the seed funding that is allowing us to operate today. When Maryland puts skin in the game, everybody wins!

One of the disappointing realities of the current investment climate is that angel investors are making fewer and fewer seed investments. Angel groups are increasingly looking for de-risked investment opportunities, at higher valuations than early-stage startups like Sonogen can muster. This means that a good part of our investment capital is still coming from friends and family investors, with a \$25k-100k check size. To be completely clear, the only way I'll be able to close our current \$1.2M seed funding round is with quite a number of small investments, and the only reason I'm getting those investments at all is because of the state BIITC reimbursement program. By running those investments through a special purpose vehicle (SPV) managed by Ecphora Capital (a BIITC-certified Maryland investor), I achieve the dual goals of keeping a clean cap table while attracting investors with the highest possible BIITC reimbursement.

Having established the exceptional value of the SPV/BIITC investment approach, it's also true that forcing my investors to apply for their own tax credits directly is exceptionally onerous. This is especially untenable for out-of-state investors who aren't organically filing Maryland tax returns;



people just aren't going to do that. They've told me they're not going to do it, and I've lost investors as a result. Even for in-state residents, it represents a massive and needless hassle, and also puts Ecphora Capital in the position of having to chase down dozens of members for payment. This all has a cooling effect on the BIITC program, reduces the state's ability to attract out-of-state capital, and will ultimately reduce the value of the program. More to the point, it makes an incredibly hard path even harder for Maryland startup companies like Sonogen Medical. We can fix this, and we can all win.

With that, I respectfully request a vote in favor of **HB 744/ SB 702**.

Sincerely,

Jason Winder, CEO
Sonogen Medical, Inc.