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HEALTH CARE

Five Questions With: Timothy Ehrlich

By Richard Asinof
Contributing Writer
Twitter: @RichardAsinof

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Timothy Ehrlich is a co-founder of Ocean State Angels with his father, Dr. Michael G. Ehrlich, chief of orthopedics at Rhode Island Hospital.

Timothy Ehrlich is also a partner with the Waltham, Mass.-based law firm Gunderson Dettmer LLP, which represents emerging technology companies and investors.

Providence Business News asked Ehrlich to talk about the potential of the medtech, the life sciences and the biotech sectors emerging in Rhode Island.

PBN: Why is Providence becoming an attractive location to launch new startups in the life sciences and biosciences sectors?

EHRlich: I think Providence is becoming attractive for two main reasons. First, people are starting to realize that there are world-class researchers, institutions and technology being developed here, all of which are essential components to creating successful life science companies.

Second, other biotech hubs like Cambridge are becoming so saturated with companies and expensive to the point where entrepreneurs are starting to look for other places where they can build their business in a capital efficient way and Providence, with its lower cost of living, accessibility and ample real estate opportunities, is becoming an attractive option.

PBN: Two different cluster groups, one in med tech, one in biosciences, have formed here in Rhode Island? What advantages can they leverage by speaking with one voice?

EHRlich: I think that the more these two groups can speak with one voice, the greater the influence they can have at the state level to help drive new initiatives that contribute to the growth of life science companies in Rhode Island, such as tax

incentives and infrastructure changes.

A coordinated group also demonstrates to everyone that there is in fact a critical mass of medtech/biosciences companies in Rhode Island, which many people in the investing and entrepreneurial communities may not realize or appreciate.

At the same time, the two groups have somewhat different goals and constituencies, so having both of them is useful and necessary.

PBN: Are your colleagues in Massachusetts surprised by what is happening in Providence?

EHRLICH: Most certainly, yes. Some of my colleagues initially questioned whether Rhode Island had all of the necessary elements to grow a successful life sciences industry.

As I have continued to share with them all of the exciting initiatives and compelling companies that I have encountered here their views have definitely changed. Consequently I am starting to see a lot of the top service providers that specialize in serving the venture capital and start-up communities (including my own law firm Gunderson Dettmer) focusing more energy and attention on this area.

Another positive trend I have witnessed through the Ocean State Angels funding process is that a number of companies located outside of Rhode Island have expressed a willingness and interest in moving their business here under the right circumstances given what they see as the opportunities emerging here.

PBN: How many firms have contacted Ocean State Angels seeking potential funding for their enterprises?

EHRLICH: Since Ocean State Angels launched in October of 2012 I have spoken with about 15 different companies about funding.

To date we have had three of those companies present to the full membership and we are currently in due diligence on our first potential investment.

Some of the other companies are in the process of preparing their funding applications for consideration at one of our next investment meetings; the rest we ultimately determined did not meet the fund's investment criteria, so we advised them it didn't make sense to submit a formal application.

This sifting process is very typical for any type of investment fund and the goal is always to try to identify the best opportunities for the fund's investors to consider.

In general I have been very pleased with the level of deal flow we have been able to generate in a relatively short period of time.

PBN: What kinds of infrastructure investments would you recommend that Rhode Island make to support this entrepreneurial activity?

EHRLICH: There are any number of things that Rhode Island could do to help support the growth of local life science companies, some of which are already being pursued or considered.

For example, the Founder's League (which has the backing of a number of local institutions) should help to build a sense of community among local entrepreneurs, which is an essential component of a vibrant startup ecosystem.

My understanding is that the state is also considering building a new health sciences center with URI and that part of that building might be reserved for an incubator type space.

Whether it is in that building or somewhere else, I think that having some sort of flexible lab space for biotech companies, similar to the Lab Central building currently being built in Cambridge, where scientists from the hospitals can go to start their companies and young companies can get access to essential laboratory facilities at a reasonable cost, would give biotech companies here a huge boost.

I have also heard people mention ideas like low-interest loans to companies, angel investment tax credits and lowering the corporate tax rate, all of which would be helpful.