Mr. Chairman and Committee Members
RE: Angel Tax Credit Program

I would like to formally state my support for the 45% Angel Fund Tax Credit Program that is currently under discussion. It is this program that allows me to currently pursue a career as an angel fund manager and investor. Without this program, I would not have been able to help raise the Harvest Fund (of Dakota Venture Group) to its total of $1.4 million. We struggled to fundraise early on in the fund and it wasn't until after we recruited a number of cautious ND investors that we were able to generate interest from out of state investors. Similarly with the 701 Angel Fund, a new fund that I currently manage, we have 9 ND Investors and are in the midst of bringing on our first out of state investor. We continue to fund raise with plans to attract another 15-20 investors. Many of my investors have openly stated to me their interest in the opportunity because of the tax credits. The majority of these same investors have no background in angel investing, and it is an incentivizing program like this that has garnered their commitment over other investment opportunities.

Historically, the angel or venture capital funds of North Dakota have performed poorly having too many losses and no ROI. Since 2006, when the network of funds was generated in eastern ND, there have only been 5 exits and over 50 deals invested in among those funds. Unfortunately, there has not yet been a true "blockbuster" investment for any of the area funds to date and the investors have generally not received a full return of funds much less a return on their investment

We have become more and more sophisticated each year in the angel capital industry for North Dakota. The 701 Angel Fund has partnered with a number of North Dakota & Minnesota organizations in order to identify the best investment opportunities around the state and region. We have syndicated deals with funds in both states in the past and the Minnesota funds now have a heavy interest in the portfolio of ND opportunities. In addition, I had a conversation with two companies on 4/25/16 who were specifically interested in growing their business in ND because of the local angel networks (which only exists because of this program) and their expertise is becoming highly sought after by entrepreneurs. It is because of our tax credit program that we have been able to grow and become experts for these companies to rely on.

I think there are probably a couple angel funds throughout the history of the program that have misused the great opportunity put forward by our legislature, but revisions have been made in previous legislative sessions. It is in good faith that the majority of fund chairs operate these funds in ND. I understand the issues, but removing the program will truly only negatively affect my fund in its future success. Likewise, restricting the investments to be made solely in ND would have a similar effect. ND is growing, but we need to continue to develop the institution of angel capital in ND in order to reap the future benefits for our economy. I intend to make a career out of angel investing in North Dakota, the state I was born and raised in. I do believe others in my generation are attracted to this industry as well, which may help the state in retaining talent. It is my belief that the angel capital industry is just now hitting its growth stage within ND. We are in the midst of developing

ND as an emerging epicenter for startups and angel capital. If we continue to grow the capital industry it will allow us the opportunity to leverage future investments to take root in the state. Furthermore, I have gained more attention from out of state investors in my fund due to the growth of this industry in the past 5 years. Out of state investors want to collaborate on ND deals. I have seen a recent jump in the quality of ND investment opportunities which will be a targeted investment for my fund and others in the region. It is only with compromise and continued proactive efforts on the tax programs that we can expect this industry to succeed within the state. We still need more time to make it sustainable and the continuation of this program (or a variation) is something that is needed in order to avoid stunting the growth of this fledgling industry.

As chair of the 701 Angel Fund, I would ask the Chairman Dockter and your committee appoint a working group of Angel Chairs, Dept of Commerce, and committee members from this group to research and deliver a compromise that fits the legislature and the needs of this growing capital industry.

Thank you for your time and attention,

Greg Syrup, Chair
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