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Sent: Thursday, May 26, 2016 8:17 AM
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Subject: RE: Presentation Request - Interim Political Subdivision Taxation Committee

Dear Committee Members:

An informal group of individuals that have some connection to ND Angel Funds held several conference calls on how to address the concerns expressed by your committee in regard to the angel fund legislation. We have attached a draft of changes to the current law. To summarize we addressed the following:

1. Holding funds and not making any investments. The change to 3.b. would state that a fund MUST invest in a portfolio of at least 3 primary sector companies

2. Out of state investments. 3.b. would state that a fund MUST invest in at least half of their portfolio in companies with a significant presence in ND.

3. Enforcement by DOC of the rules. 3.k. would require the angel fund to report results to the DOC on the 3rd anniversary of their license to allow the DOC to determine if they have invested per the requirements. If not the DOC would report to the Tax Commissioner that the fund is not in compliance and may revoke the tax credits given to the investors. It also allows for a fund to have time to come into compliance. This is a very strong enforcement action as the investors in an angel fund would not want to have to amend a previously filed tax return if the credits are disallowed. Since the funds are investor owned and investor managed they would be able to take immediate and effective action to insure compliance with the rules.

We hope that this may provide an outline for changes that will assist both the investors and the state in continuing a very worthwhile program.

Thank you.