

**Legislative Testimony-March, 2016**  
**Tommy Kenville-Chair Valley Angel Investment Fund LLC**

My Name is Tommy Kenville, the Chair of Valley Angel Investment Fund, LLC (The first Angel Fund in North Dakota-2006). Valley Angels has \$1.29 Million worth of capital deployed in 12 investments with 8 of these investments having offices, staff, distribution, or manufacturing in the state of North Dakota. Our focus is on investing in high growth startups in our region. Valley Angels has 28 investors, with 20 of those investors being from North Dakota and the remaining 8 investors have ties, family, or graduated from a North Dakota University.

A number of our investors have told me that because of the level of risk for these ventures the tax credit from North Dakota was critical to the decision to deploy investment money through angel funds instead of investing in less risky investments in California, Arizona, and Florida.

Entrepreneurs can walk into Bismarck (Idea Center) Fargo (NDSU Research) or Grand Forks (Center for Innovation) today and get the opportunity as referred by Centers above to angel fund network and present opportunities to Angels for equity in a large part because of the tax credit and our investors believing in these high risk-high growth ventures.

**Are any of you angel investors? All of these investments are in pre-bankable businesses.**

I have put together two short case studies of investments that Valley Angels or I have assisted from out of state companies to show the effects of this investment;

1. **Vital Surge LLC** (founded in Ada MN)- The founder was looking for funding in MSP and was referred to Valley Angels from MSP. The total raise was 3 million and the angel funds and North Dakota investors lead about 600k of this raise. This company had

distribution in Fargo Moorhead, and Minot, with corporate offices at the Center for Innovation. This company displayed and marketed at the Fargo Marathon many times. When the president of the company landed a large contract on the east coast he came to the investors and needed a line of credit. Jim Buus from FM Angels and I lead the line of credit activities and secured LOC for \$300k with guarantees from 5 North Dakotans and one out of state investor. The North Dakota bank was paid in full, but the 6 guarantors lost \$300k, I personally lost \$25k, in cash and a lot of time that was uncompensated to make this work. This company closed on December 31, 2014 and North Dakota investment funds, and loan guarantee people lost \$900k plus combined.

2. **Altavian** (Headquarters Gainesville, Florida) North Dakota is focusing on bringing the UAV industry to North Dakota and thankfully supported by our legislators and Department of Commerce. Altavian came to me as I am an expert in the UAV industry and they were looking to grow and raise \$3 million. I told them if they moved manufacturing to North Dakota, that I would help them raise the money.

- Total raised \$3.3 million
- \$2 million from Minnesota investor that also invested in Dakota Venture group 100k
- \$360,000 from North Dakota Angels and Angel Funds
- North Dakota state programs Dev Fund, CDBG others
- Created manufacturing jobs at COMDEL innovations
- Created consulting jobs in Grand Forks
- Hired pilots from North Dakota and stationed in North Dakota
- Worked with State Test site
- Worked with APUC
- Research projects in Ag, and Energy

This out of state investment isn't out of the woods yet, as they hope to cash flow this year and will ramp up manufacturing and job hires in North Dakota as sales grows while leaving company headquarters in Florida.

In summary it is critical to have North Dakota known for investing, as capital brings ideas and innovation to North Dakota. **The 20 North Dakota investors in my fund decided to put the investment money in North Dakota Angel Fund instead of other states in a large part because of the tax credit. To date with the tax credits included, 4 of our investments have failed, 4 are alive but on oxygen and 4 are cash flowing with 2 having a potential of some type of return down the road.**

It is critical to keep the tax credit, I can speak for myself that we favor North Dakota investments for many reasons however the deal flow isn't strong enough to only focus on North Dakota deals. We are just now gaining a foothold in developing an Angel Fund community in North Dakota. Second round fund discussions are underway, and because of the lack of exits, high risk, any additional restrictions such as in state only investments will make raising repeat funds more difficult. On behalf of the Network of fund chairs whom I visited with most this week, Thank you for the opportunity to present this testimony.

Respectfully submitted,

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