NDSU | RESEARCH AND TECHNOLOGY PARK

September 12, 2016

Mr. Chairman and Committee Members:

Thank you for your service to the state. I write today in support of the Angel Fund Tax Credit Program. We work with companies every day that are in search of capital to grow and expand their businesses. In fact, access to capital is the largest unmet need of startup companies that we work with. These firms have not reached cash flow breakeven and need a source of patient long term capital. Returns to investors on this capital is measured in years not months as in bank loans.

The Angel Fund Program in North Dakota is still in its formative stages. Drastic changes to the program would put it at risk to wither on the vine. We realize that there may have been some abuses of the program that have been corrected by ruling out real estate investments. However, further restricting investment opportunities or delaying the tax credits will only reduce the investor desire to participate in an Angel Fund.

Although the tax credit is very significant to the investors, please keep in mind that if the companies funded fail the investors will lose more money than the tax credit has allowed them. Investors have a strong profit motive to invest in companies that have a good chance for success.

As we have looked at the information generated by your committee, it appears that many of the problem funds are no longer investing or being formed. It is often the unintended consequences of dealing with the "bad actors" to harm the beneficial funds that are being to emerge and be successful.

We ask that you continue with the Angel Fund Program with the modifications suggested by the industry participants to allow for review and enforcement of current regulations by the North Dakota Department of Commerce. We would also support the formation of a committee of Angel Fund participants, the Department of Commerce and the State Tax Commissioners office to jointly develop and propose changes to the law.

Sincerely,

Chuck Hogel
Executive Director