David Bradbury, President
Vermont Center for Emerging Technologies (VCET)
House Committee on Commerce and Economic Development
Witness Testimony on Access to Capital
January 17, 2014

Please accept this testimony contribution to the Committee regarding input on technology lending and income tax credits for stimulating equity investment.

Technology Firm Lending Program – As operated by VEDA, this program fills a specific gap within Vermont's financial access continuum. I strongly support the concept of the State and VEDA contributing new cash reserves for this program. Implicit moral obligation is not sufficient as this program funds a very risky asset class with high losses expected.

This style of venture debt would complement equity investors, allow for founders to retain a greater ownership in their firms, and prepare the companies for commercial debt markets as well. It would be great to see this program recapitalized and back as an active funding resource in Vermont.

Use of Tax Credits to Increase Equity Investment Capacity: Tax credits have been a tough public policy sell historically and a small business investment tax credit administered by the Vermont Tax Department was phased out a handful of years back for lack of use (i.e. no relevance to investors). Some states like Maine use Tax Credits to incentivize risk capital for either direct investment into an eligible firm, or direct investment into an eligible venture fund. I am not opposed to either structure, and like Maine would support programs for both eligible individual companies and pools of managed high risk capital.

However, the data and programs are clear in that these tax credits need to exceed 50% for investors and be utilized over a 3-4 year period by investors to be effective. I would not bother with anything less than 50%.

Defining what is an "eligible firm" is another tough thing to do. Defining for the long term what a "technology" or "knowledge" based firm looks like is nearly impossible. So, I would urge the definition to specifically exclude types of firms, or forms of incorporation not being targeted. The SBA often uses this approach in its programs.

Finally, the administrative burdens around tax credits should be kept in mind. These must be simple, fast, and confidential between an investor and the designated entity approving these tax credits.

Other Options for Improving Access to Capital - Reinstate the exemption from long-term capital gains tax in Vermont for small business owners. This was taken away a few sessions back and I think if reinstated would be an effective way to incent more investment into Vermont companies. If I recall exemptions were

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maintained for farmers and generational transfer of a small business. It may be time to recognize that technology entrepreneurs are as equal importance and necessity to Vermont's economic future as farmers.

Crowdfunding – This is one where Vermont should do no harm, avoid getting "creative" and just simply follow SEC guidance without deviation. If Vermont becomes an outlier state for crowd funding (like Licensed Lending has been) , it would put a new generation of entrepreneurs at a competitive disadvantage. So, please tread carefully here.

Thank you for the opportunity to contribute some thinking here. Happy to chat more. I do plan on making Friday's meeting but not until 11:30am due to meeting conflicts.

Regards,

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IMPACT DATA	Annual Survey FY 2013	Cumulative Impact 2008 to 2013
Startups Assisted	204	691
Companies	22	36
Revenue	$17.6M	$52.8M
Payroll	$12.7M	$39.4M
Jobs	194	903
Capital	$12.0M	$55.6M
Interns & Fellows	8	39

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