

Shirley I apologize but something has come up and I will not be able to make the testimony tomorrow but perhaps you could pass my comments below on to the committee with my sincere apologies for not being able to be there in person. I apologize for typos below as this email was written with some haste.

- 1) In terms of the creation or updating of a website to provide a clear guide to resources and technical assistance for all phases of growth I would respectfully suggest that the implementation needs to be dramatically shortened and that there needs to also be a plan to continuously update information once the site is created or updated. I would sacrifice completeness and accuracy in favor of speed to get a site created or updated. I think the State of Vermont should treat this project like a lean startup where the “build-measure-learn” cycle is shortened to a matter of months. The link below is an example of something that we put together in less than a week which got quite a bit of publicity and sees steady usage. It is simply a list of links and sites pertaining to resources for early stage businesses in Vermont. It could be easily and quickly replicated  
<http://www.freshtrackscap.com/blogs/bd/2013/08/22/FreshTracks-Capital%E2%80%99s-Roadmap-through-Vermont%E2%80%99s-Innovation-Economy/>
- 2) In terms of the Entrepreneurial Lending Program we note that although it is called a “lending” program the wording in several places uses the word “investments” and in other places uses the word “loans.” We are unclear on exactly what the intent of this program is. If the intent is to create a pool of risk capital that can be lent to growth companies that might otherwise be unable to access loans due to inadequate collateral (particular when the borrowers have limited real property or business assets) then we are in favor of this. If the intent is to create a pool of investment capital that may compete with existing venture capital and private equity investors such as FreshTracks Capital then we are not in favor of this provision.
- 3) In terms of the additions to 32 VSA 5930 regarding Vermont Entrepreneurial Investment Tax Credits we note that section 2(d) seems quite limiting and may be problematic for angel investors. We also wonder if the word “person” which is used multiple times throughout this section would include a fund such as FreshTracks Capital which is a “pass through” entity for tax purposes. If not then we believe that the 75 families and individuals who are Limited Partners of the FreshTracks Capital funds are unfairly penalized compared to individual investors who would likely meet the definition of person. Many times FreshTracks serves as the lead investor and becomes the catalyst that organizes and structures a round of capital in a Vermont company which meets the revenue definitions of this section. Many times individual angel investors “co-invest” alongside our fund. In such a case the angel investors would appear to meet the definition of “person” and would receive a credit for investing the company, but the 75 families and individuals who are Limited Partners of the FreshTracks funds would not receive a credit because their investment would be technically made by and owned by the fund not by them as individuals. This seems particularly unfair

in the cases where we perform the bulk of the work to get the investment round organized and closed and are performing a service to the company and other investors by doing so. We would respectfully suggest that the definition of person include Vermont taxpayers who are owners of a company by virtue of their investment in a pass through investment vehicle such as a venture capital fund organized as a limited partnership. We would therefore be able to pass the tax credits through to individual Vermont taxpayers who are limited partners in our fund. Finally we wonder how the credits awarded can be “capped” at only \$6,000,000. On an annual basis we estimate that there is a minimum of \$25,000,000 of money invested by angel investors and venture capital firms in companies that meet the definition of this section. It seems that the tax credits would be spoken for within months of their creation and would not really serve the purpose of spurring new capital creation.

- 4) Regarding Section 5 Networking Initiative Appropriation, we would like the committee to note that we have been operating Peak Pitch for 10 years with the generous support of sponsors including \$500 each year from the State Economic Development Department.
- 5) Regarding Section 15 we are supportive of any provision that does not tax remotely accessed software including prewritten software and software as a service products.
- 6) We are supportive of changes to 9 VSA 5202 regarding small business securities exemptions. We do question why the offering has to be limited to no more than \$10,000 per investor particularly if the offering company has completed a financial audit according to GAAP. We would suggest a much higher individual investing threshold perhaps \$50,000
- 7) We are supportive of a DFR study of the licensed lender market.

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