

Summary of Verbal Statement of Connecticut Innovations, Incorporated regarding S.B. 1366 An Act Establishing Tax Credits For Angel Investors

Connecticut Innovations, Inc. (CI) supports S.B. 1366 An Act Establishing Tax Credits For Angel Investors. The following summarizes verbal testimony given by Emily Smith, managing director, external relations, Connecticut Innovations, March 6, 2007.

Early stage companies in Connecticut have higher barriers in obtaining capital, labor and professional services than companies in communities that are more receptive to entrepreneurial ventures. This bill will help to address the availability of capital to entrepreneurs. It will provide angels with a small incentive to invest here in CT rather than NY or Boston. It will also signal to entrepreneurs that CT is getting serious about attracting them and keeping them here.

Why is this important?

- This bill will stimulate angel investing in Connecticut. In 1998 there were 6 angel groups in the US. Today there are almost 250. Only 1 is located in Connecticut. There are over 30 in Boston and 12 in New York. This bill will help us get some of the capital in CT working in CT. Right now it is being invested elsewhere.
 - CT has hundreds of early stage companies looking for capital. They will find it elsewhere and will move to be close to their investors.
- Angel investors provide more than capital. They become closely involved with their investments and often this means moving the company close to the capital resources.
 - The involvement of angels will bring needed expertise to companies. The activation of retired executives' contacts, ideas and wisdom are crucial to early stage companies.
- Early capital is difficult to obtain but is the driver of a vibrant economy. A well developed pool of early stage capital attracts entrepreneurs. A pipeline of well funded early stage companies attracts later stage funds. This is a continuum that Connecticut has to build because it has not developed of its own accord. It exists in Boston, Silicon Valley and New York.

Early stage companies create jobs and wealth. In places where early stage companies are able to find capital the vitality of the local economies is undisputed. This includes places such as Palo Alto, Boston, Austin. Connecticut is not on this list today and it must be if it is to become a contender for the next generation of entrepreneurial companies.