



Hartsell proposes state venture capital fund

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A bill introduced by Sen. Fletcher Hartsell in the N.C. Senate proposes to use state money to invest venture capital into fledgling North Carolina companies and to attract businesses to the state.

The proposal, called the New North Carolina Venture Capital Program, has a \$100 million price tag, but the exact amount would be up for debate in this year's budget process, Hartsell said.

"The bill was just filed last week and it has already generated a lot of discussion," Hartsell said. "This says that if you have an idea that, from a marketing standpoint, sounds useful, we want to help you to develop your idea, not just for your benefit, but for the benefit of the citizens of the state."

Under the proposal, to get state funds, a company or venture capitalist - business leaders that invest money into start-up companies - would have to invest a minimum of \$15 million into industry in North Carolina.

The state would then match either 50 percent of total investments into a company or \$30 million, whichever is less.

Hartsell said this would boost the national perception that North Carolina supports start-ups and reduce the risk of investing money into start-up companies.

"The biggest venture areas in the country are Boston, Silicon Valley, Austin and San Diego," Hartsell said. "We're doing OK in the Research Triangle Park, but which comes first, the ideas or the money? We have to be known for having the availability of both."

This bill, which is based on a similar program in Pennsylvania, could benefit biotechnology start-ups in the state. Hartsell said the state wants to attract more biotech manufacturing companies.

Billionaire David Murdock, who is building the North Carolina Research Campus in Kannapolis, has already pledged \$200 million in venture capital money to attract companies to the research campus.

Clyde Higgs, vice president of business development for Castle & Cooke, did not return phone calls Wednesday.

Hartsell said the idea for the bill did not come from Murdock, but out of conversations with **Taffy Williams**, a Concord native who runs Colonial Technology Development in Concord, a firm that advises start-up companies.

Williams, who has headed two biotech firms in his career, said he has been talking with Hartsell for more than a year about economic incentives to attract businesses to the region and the state.

The venture capital fund would not only help start-up companies in North Carolina, but also help attract companies to the state.

"An incentive program would be extremely important to the area," **Williams** said. "It would not dilute the base of companies we already have here, but it would attract companies from outside the state."

Williams said the state has to take the lead because the economy is changing from textile-and-tobacco-based to information-based.

"If you have the financial opportunity and the infrastructure to offer, you have to think about what that would do in the long term," Williams said.

John Hood, president of the John Locke Foundation in Raleigh, said the proposal is "fraught with peril."

"You would put venture capital into businesses that would otherwise not succeed," Hood said. "I believe it would be impossible to keep politics out of the process."

Hood said venture capitalists would "have more incentive to play politics."

"I don't think we need anymore reasons to do that," Hood said.

Hood said a better way to make North Carolina more attractive for businesses is to eliminate or reduce the capital gains tax.

"Our competitors - Massachusetts, for example - have done that," Hood said. "If you created a company and sold it, then you would pay less tax on the sale."

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