

Testimony on General Assembly Bill #5435, 307 & 323. 9 March 2010

My name is Joseph DeMartino. I am Connecticut native who spent most of my working career out of the state while working as a software executive in both Northern California and Boston. I came back to Connecticut in the early 90s and settled in Glastonbury for family reasons but for career reasons continued to work in the Boston Area.

After retiring from the software business in 2007 following the sale of the company I was with to a private equity firm I began looking for opportunities to apply my skills closer to home. I became involved in Angel investing with the Angel Investor Forum here in Connecticut and over the past 2.5 years have made investment in 10 companies. I am currently President of AIF.

During my time in both Silicon Valley and along Boston's 128 corridor I experienced an environment that supported and encouraged both investment in and the growth on new businesses. I watched many of the small companies I was involved with grow and then spin off other companies which in turn attracted investment and support.

A recent Harvard study on geography and entrepreneurship shows a high correlation between the presence of small firms and long term job growth. Here is an excerpt from Xconomy on the report:

Glaeser and Kerr use the presence of small firms as a proxy for entrepreneurship and find, that all else being equal, regional economic growth is highly correlated with an abundance of smaller firms. Specifically, they found that a 10 percent increase in the number of firms per worker in a metropolitan region in 1977 was associated with a nine percent increase in employment growth in that region between 1977 and 2000. Looking more closely at the connection between small independent firms and subsequent growth, they report that a 10 percent increase in average establishment size in 1992 was associated with a 7 percent decline in subsequent employment growth due to new startups. Regions with lots of small firms, in other words, tend to experience faster job growth than those with a few big ones.

The environment in Connecticut has been less than I had hoped for encouraging the establishment and growth of new businesses. I have watched as new CT companies get off the ground only to look at other geographies when it comes time to expand. Lack of workforce depth and difficulty attracting capital are prime reasons I hear for companies moving elsewhere.

The proposed Tax Credit for Angel investors and related legislation such as the sidecar fund will, I believe, encourage more investors to put money

into the very high risk start up environment by offsetting some of the risk and freeing up more capital for additional investments.

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