



ANGEL FUND QUALIFIED INVESTMENT REPORTING FORM
 NORTH DAKOTA OFFICE OF STATE TAX COMMISSIONER
 SFN 28201 (7-2017)

IMPORTANT: This form is for the Angel Investor Tax Credit Program created by the 2017 North Dakota Legislature. Only angel funds organized and certified on or after July 1, 2017, may use this form. It is to be used to report qualified investments made on or after July 1, 2017, in qualified businesses certified by the North Dakota Department of Commerce.

Part 1 - Angel fund

Name of angel fund		Federal employer identification number	
Address	City	State	ZIP Code

Part 2 - Qualified business

Legal name of qualified business			Federal employer identification number
Address			<input type="radio"/> In-state (35% credit) <input type="radio"/> Out-of-state (25% credit)
City	State	ZIP Code	

Part 3 - Qualified investment

Date of investment	Number of attached Participating Angel Investor Investment Statements
Total amount invested. This must equal the sum of the separate investments reported on the Participating Angel Investor Investment Statements (Attach copy of all Participating Angel Investor Investment Statements)	
Type of equity (ownership) interest received in exchange for cash investment: <input type="radio"/> Common stock <input type="radio"/> Preferred stock: <input type="radio"/> Partnership or LLC member interest <input type="radio"/> Debt with mandatory conversion to equity (Attach copy of debt instrument) <input type="radio"/> Equivalent ownership interest approved by Tax Commissioner (Attach copy of approval letter)	

Part 4 - Angel fund declaration

I declare that: <ul style="list-style-type: none"> None of the angel fund's members own directly or indirectly 50 percent or more of the ownership interests in the qualified business. None of the angel fund's members own an interest in a passthrough entity that directly or indirectly owns 50 percent or more of the ownership interests in the qualified business. This form and the accompanying Participating Angel Investor Investment Statements are correct and complete to the best of my knowledge and belief. 	
Signature of authorized representative of angel fund	Date
Printed name of authorized representative	Title

Privacy Act Notification. In compliance with the Privacy Act of 1974, disclosure of a social security number or Federal Employer Identification Number (FEIN) on this form is required under N.D.C.C. §§ 57-01-15 and 57-38-01.26, and will be used for tax reporting, identification, and administration of North Dakota tax laws. Disclosure is mandatory. Failure to provide the social security number or FEIN may delay or prevent the processing of this form.

Mail this form to:
 Attn Supervisor
 Individual Income Tax Section
 Office of State Tax Commissioner
 600 East Boulevard Ave., Dept. 127
 Bismarck, ND 58505-0599

Due date of this form:
 This report must be filed within 30 days after the date of the investment.
 A late filing penalty of \$1,000 applies to the angel fund for each month (or fraction of a month) this report is late.

General instructions

Purpose of form

An angel fund organized and certified on or after July 1, 2017, is required to complete and file with the Office of State Tax Commissioner an Angel Fund Qualified Investment Reporting Form to report a qualified investment in a qualified business.

The angel fund must also complete a separate Participating Angel Investor Investment Statement for each of its angel investors participating in the qualified investment and attach it to the Angel Fund Qualified Investment Reporting Form.

Certified angel fund

To participate under the program, an angel fund must be a new fund organized on or after July 1, 2017, that meets certain criteria, as certified by the North Dakota Department of Commerce, Division of Economic Development and Finance (Commerce Department). The Commerce Department will issue a letter to the fund to confirm the certification and specify the time period for which it is effective.

Qualified investment

A qualified investment means a transaction in which a certified angel fund exchanges cash for an equity (ownership) interest in a qualified business. An equity interest may be in the form of common stock, preferred stock, partnership or member interest, debt with a mandatory conversion to equity, or an equivalent ownership interest approved by the tax commissioner.

For debt with a mandatory conversion to equity, the terms of the convertible note must include a non-conditional, mandatory conversion to equity requirement. The debt must convert to equity within three years of the date of the investment.

To qualify, the investment transaction must be completed within the angel fund's certification period, as specified in the certification letter from the Commerce Department.

An angel fund may not invest in a qualified business if either of the following apply:

- Any of the angel fund's members own directly or indirectly 50 percent or more of the ownership interests in the qualified business.
- Any of the angel fund's members own an interest in a partnership or other passthrough entity that directly or indirectly owns 50 percent or more of the ownership interests in the qualified business.

Minimum holding period. The angel fund must hold the equity interest in the qualified business for a minimum of three years to maintain the investment's qualified status. The following exceptions to the three-year holding period apply:

- The investment becomes worthless.
- 80% or more of the qualified business's assets are sold.
- The qualified business is sold.
- The common stock of the qualified business begins trading on a public exchange.
- An angel investor dies, in which case the exception applies to the portion of the investment made by that investor.

Qualified business

A qualified business means a business that the Commerce Department certifies as meeting all of the following criteria:

- It is a nonpublicly traded for-profit entity having annual revenues of \$10 million or less.
- It relies on research or the development of new products or processes in its plans for growth and profits.
- It is compliant with federal and North Dakota securities laws.
- It is **NOT** any of the following:
 - A real estate holding company.
 - A entity engaged in real estate development.
 - An entity that derives its income from the sale or lease of residential or commercial real estate.
 - An entity that operates in the hotel, restaurant, convention, or hospitality industries.
 - An entity that makes any other similar use of real estate.

In-state qualified business. An in-state qualified business is a qualified business that:

- is created under North Dakota law, or has a satellite operation in North Dakota, **and**
- has its principal office in North Dakota and performs the majority of its business activity (except sales activity) in North Dakota, or has a significant operation in North Dakota that employs or is projected to employ over 10 employees.

Out-of-state qualified business. An out-of-state qualified business is a qualified business that does not meet the in-state qualified business criteria.

Minimum in-state investment requirement. Eligibility for the credit is conditioned on an angel fund investing at least 50 percent of its qualified investments in **in-state** qualified businesses. This threshold must be satisfied for the period July 1, 2017, through December 31, 2019, and for each subsequent two-calendar-year period thereafter.

When and where to file

The Angel Fund Qualified Investment Reporting Form and accompanying Participating Angel Investor Investment Statements must be filed with the Office of State Tax Commissioner within thirty days after the date the investment is made. If the Angel Fund Qualified Investment Reporting Form is not filed by its due date, the angel fund is subject to a late filing penalty of \$1,000 for each month (or fraction of a month) the form is late.

Mail the forms to:

Attn Supervisor
Individual Income Tax
Office of State Tax Commissioner
600 E. Boulevard Ave., Dept. 127
Bismarck, ND 58505-0599

Specific instructions for completing the Angel Fund Qualified Investment Reporting Form

An angel fund must complete and file an Angel Fund Qualified Investment Reporting Form with the Office of State Tax Commissioner for each qualified investment it makes in a qualified business. A separate form must be completed and filed for each separate investment.

Important: *Only use this form to report a qualified investment in a qualified business. Do not use it to report any other investment activity.*

Part 1 – Angel fund

Complete Part 1 to identify the qualifying angel fund. The angel fund must have been organized and certified on or after July 1, 2017.

Part 2 – Qualified business

Complete Part 2 to identify the qualified business in which the angel fund made the qualified investment. A business is not a qualified business unless it has been certified by the Commerce Department, as

evidenced by a certification letter issued to the business by the Commerce Department. Also fill in the applicable circle to identify the business as an in-state (35% credit) qualified business or an out-of-state (25% credit) qualified business.

For an equivalent ownership interest approved by the Tax Commissioner, attach a copy of the letter received from the Office of State Tax Commissioner confirming the Tax Commissioner's approval of the equivalent equity interest.

Note: *The angel investor must be an individual or a passthrough entity; do not include any other type of member (e.g., estate, trust, or regular C corporation).*

Part 3 – Qualified investment

Date of investment. Enter the date on which the qualified investment was made by the angel fund.

Total amount invested. Enter the total amount of cash paid in exchange for the equity interest in the qualified business. This amount must equal the sum of the separate cash investment amounts reported on the Participating Angel Investor Investment Statements that are required to be attached to the Angel Fund Qualified Investment Reporting Form—see the instructions to the Participating Angel Investor Investment Statement.

Type of interest. Fill in the applicable circle to identify the type of equity interest received by the angel fund in exchange for the cash investment.

For debt with mandatory conversion to equity, the terms of the convertible note must include a non-conditional, mandatory conversion requirement. The debt must convert to equity within three years of the date of the investment.

Specific instructions for completing the Participating Angel Investor Investment Statement

The angel fund must complete a Participating Angel Investor Investment Statement for each participating angel investor and attach it to the Angel Fund Qualified Investment Reporting Form. A copy must also be provided to the angel investor—see Reporting to Investor below.

Note: Enter the total number of statements attached in Part 3.

Angel investor information

For "Type of investor," if the eligible taxpayer is a limited liability company (LLC), check the box indicating how the LLC is filing for federal income tax purposes. For example, if the LLC is filing as a partnership for federal income tax purposes, check the "Partnership" box.

Angel investor's investment information

Enter the date of investment and the portion of the angel fund's total investment (as reported in Part 3) that was contributed by the angel investor.

Also fill in the applicable circle to identify the business as an in-state (35% credit) qualified business or an out-of-state (25% credit) qualified business. This must be the same as shown in Part 2 of the Angel Fund Qualified Investment Reporting Form.

Important: *The sum of the participating angel investors' separate investment amounts reported on the Participating Angel Investor Investment Statements must equal the total amount invested by the angel fund reported in Part 3 of the Angel Fund Qualified Investment Reporting Form.*

Reporting to investor

The angel fund must provide to each participating angel investor a copy of the investor's Participating Angel Investor Investment Statement.