

Legislation Introduced to Support Investment in Delaware Entrepreneurs

Follows through on Governor's State of the State proposal to improve access to capital

Wilmington, DE – Building on efforts like regulatory reform and broadband improvements that have made Delaware a more welcoming place to start and expand a business, Governor Markell joined members of the General Assembly today to announce legislation that will give startups and small businesses better opportunities to access capital.

The bipartisan bill, which will be filed when the legislature returns to session next week and is sponsored by Representative Bryon Short (D-Highland Woods) and Senator Brian Bushweller (D-Dover), would permit the use of online crowdfunding platforms, allowing Delaware residents to be investors in Delaware start-ups and small businesses, expanding the potential pool of investment capital for small businesses while also giving Delawareans the chance to be early stage investors in these ventures.

“With the best job growth in the region, we are making progress in strengthening our economy, but we can only realize the full potential of our state if we remove unnecessary barriers to innovation and entrepreneurship,” said Governor Markell. “This legislation sends another signal that Delaware supports small business growth, which is vital to our state’s continued success, and I thank the bill sponsors, Representative Short and Senator Bushweller, for their commitment to seeing it pass the General Assembly.”

As the Governor mentioned in his State of the State address, with leadership from Congressman John Carney, Congress has

given states the flexibility to permit citizens to more easily invest in startups. Much of this investing can be done through what is known as crowdfunding, through which companies around the world raise billions of dollars. This year, the amount of investment is expected to exceed the funding provided through traditional sources like venture capital. But state laws currently prevent citizens from using crowdfunding to its full potential to help Delaware businesses.

“We need to make sure our laws keep pace with technology so that our small businesses have access to new methods of raising much-needed capital,” said Representative Bryon Short, the bill’s prime sponsor in the House. “Delawareans have a strong sense of pride in locally owned and operated businesses. This bill will take steps to help new companies by enabling Delaware residents to invest and participate in the success of homegrown Delaware start-ups.”

The bill would enable Delaware-based companies to offer equity stakes to Delaware residents or other Delaware businesses over internet platforms. (Due to Federal law, Delaware cannot permit investment from residents of other states.) Although the bill would require certain disclosures in order to ensure the validity of the offerings, it does not require issuers to make detailed financial disclosures that might be prohibitively costly for many small businesses and start-ups. A business can raise up to \$1 million over a 12-month period and an individual can invest up to \$5,000 in any one offering.

“We must strike the right balance between protecting the public from fraudulent activity and making sure our small businesses can access investment capital, and this bill accomplishes that,” said Senator Bushweller, the bill’s prime sponsor in the Senate. “I look forward to working with my colleagues to pass this into law.”

The bill has received support from Republicans in the legislature as well.

“This bill is a recognition of the changing landscape of how businesses are conceived and financed in the 21st Century,” said State Rep. Lyndon Yearick, R-Dover South. “There are many examples of businesses that got their start through online crowdfunding. It’s time we allow Delaware entrepreneurs to tap into a resource that could help them turn a dream into a viable enterprise.”

“Any advantage we can give our home-grown companies is a benefit in the new economy,” said Senator Greg Lavelle. “It’s important to give Delaware companies access to Delaware investors, and any time we can do that in a safe and responsible way, we should.”

The state Department of Justice’s Investor Protection Unit will maintain oversight of sale registration and equity offerings.

“It has never been more important to maintain a nurturing and supportive economic environment in our state that will encourage growth for small businesses,” said Congressman Carney. “I am proud that I was able to join a bipartisan effort in Congress to make it easier for small businesses to access needed capital through crowdfunding and other innovative platforms, which will pave the way for our state to take advantage of this opportunity.”

“This is a good way to enable small businesses to more easily access the capital they need to grow,” said Rich Heffron, President of the State Chamber of Commerce. “We support this legislation, and hope to see it become law.”