

# A New Law for Oregon Securities-Based Crowdfunding to Fund Start-up, Social Enterprise, and Small Business

## *The facts*

- ✓ Small businesses represent 97.7 percent of all employers in Oregon.
- ✓ In 2011, small business created 10,454 net new jobs in Oregon.
- ✓ In 2012 alone, 88% of Oregon's exporters were small businesses.

**Start-ups and small businesses play a critical role in Oregon's economy - fostering innovation, creating new jobs, and growing the early stages of our economic pipeline. Yet, critical capital gaps are increasing for these job creators, hindering marketplace development and economic stability across the state, particularly in rural Oregon.**

## **The Opportunity for Oregon: "Community Public Offerings" (CPOs)**

The SEC allows for intrastate direct public offerings and has since 1934—the nation's original "crowdfunding law"—but the process is prohibitive for those raising less than \$250,000, which are the vast majority of startups and small business that build vibrant communities, especially in rural Oregon, and create our state's jobs.

**Oregon's new exemption will create a cost-effective, appropriate pathway for registered Oregon small businesses and startups to raise limited amounts of capital (securities of all kinds) directly from Oregon residents.**

In May 2014, Amy Pearl, founder and CEO of HatchLab and Springboard Innovation, gathered a statewide team of Oregon's stakeholders to explore the crowdfunding law trends around the country in order to define what an Oregon exemption could look like. Representative Tobias Read agreed to be the chief sponsor if it went through the legislative process, and a research fellow was engaged. During the process, Pearl met with the state securities regulators and the State Bar to solicit feedback. Then, working with the team, she authored the first draft of the law which was then used to craft the state's first draft.

*"Gaps in the supply of capital represent inefficiencies in the capital ecosystem and represent clear opportunities for both profitable investment and increased economic development."*  
-Oregon Capital Scan, 2012

The team incorporated a number of investor protections: a cap on the amount raised (\$250,000) and a cap on the amount allowed per investor (\$2,000 *proposed*) making Oregon's law unique in the country. Additionally, entrepreneurs must meet in person with a local Oregon organization chartered to provide technical services to small business, strengthening relationships between expert service providers and business owners. Net gain is a strong business network supporting Oregon businesses who, in turn, create real economic development.

**Oregon's state regulators are crafting a uniquely Oregon law, by rule making, to establish a crowdfunding exemption. While this rule is currently in a comment period, this rule could become law *by the end of this year*, creating a huge market demand for practical legal, financial, and strategic information about the offering of securities to Oregonians. This market demand will only increase.**

**A network of these service providers needs to be created, and statewide curriculum needs to be written. Statewide service providers need to better understand compliance with the law, and educational information needs to be available to entrepreneurs and investors. Comprehensive education is key.**

**Springboard Innovation is uniquely positioned as the leading facilitator of this effort, and, as an educational nonprofit chartered in Oregon, to create the network and the curriculum for effective and critical uptake within the state. They are seeking partners to build curriculum materials online and in print, and to identify appropriate statewide resources.**

**DATA POINT – 1%**  
Using national data on savings and extracting out Oregon data, a mere 1% of Oregonians' savings represent over \$915 million dollars. This is capital that could be used in local investing.