Alabama Senate Unanimously Passed Bill to Promote Raising Capital for Small Business

MONTGOMERY, ALABAMA (January 24, 2014) State Senator Arthur Orr (R), Senate Pro Tem Del Marsh (R), and Joseph Borg, Director of the Alabama Securities Commission announced today that Senate Bill 44 sponsored by Senator Orr and drafted with the assistance of the Alabama Securities Commission unanimously passed the Alabama Senate and has been sent to the Alabama House of Representatives. Senate Bill 44 (SB44) will provide an opportunity for a new fundraising mechanism to streamline capital formation for small businesses in Alabama.

Under the proposed legislation the new intrastate crowdfunding exemption would allow Alabama entrepreneurs to raise up to $1,000,000 from Alabama investors in a streamlined and cost effective process. Small businesses and startup ventures will be able to advertise and raise capital from Alabama ‘main street’ investors and may raise such capital with or without a broker. If the business uses a securities broker, the broker will have to be properly registered with the Alabama Securities Commission. Investments of up to $5,000 may be accepted from any Alabama investor; investments in excess of $5,000 may be accepted from Alabama investors who qualify as accredited investors (as defined by federal law).

When the bill becomes law, ASC intends to partner with entities that promote business formation in Alabama to provide workshops for entrepreneurs that wish to use this crowdfunding mechanism to raise capital for new business ventures. ASC will provide information to Alabama investors informing them of certain risks associated with investing in startup businesses. By educating entrepreneurs relating to their responsibilities to investors and informing the investors relating to some of the risks associated with these offerings, the ASC hopes that this new fundraising mechanism may be used responsibly by entrepreneurs and that investors will be able to make informed investment decisions.

Senator Arthur Orr, “Small business is the backbone of Alabama’s economy and it is important that we work to protect and promote their ability to continue providing jobs and services to our citizens. This legislation not only has the potential to help small businesses recover from the effects of a sluggish national economy, but it can also help build a foundation for significant growth well into the future.”

Senate Pro Tem Del Marsh said, “Our number one goal as lawmakers is to improve Alabama’s private sector economy by enacting pro-growth policies and reducing unnecessary red tape. Senate Bill 44 represents a common sense, yet innovative approach to increasing capital for Alabama small businesses. I applaud Senator Orr and Director Borg for partnering on this legislation and was proud to see it pass the Senate with bipartisan support.”

ASC Director Joseph Borg said, “This crowdfunding mechanism will be a significant opportunity to Alabama entrepreneurs who wish to raise capital to start small businesses. Due to current economic conditions more traditional financing for startup ventures has been limited. Senate Bill 44 will allow small businesses, where traditional financing resources are limited, to pursue an economical way to raise funds through localized securities offerings. While investment in startup businesses has risk the potential rewards in promoting new business and job formation in our local communities are invaluable.”

SB44 may be viewed at: http://www.legislature.state.al.us.

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