

Delaware: The Small State Big on Innovation

DELAWARE PROSPERITY PARTNERSHIP TOUTS IMPACT OF ANGEL INVESTOR TAX CREDIT

»» Some of the world's most transformative scientific innovations got their start in Delaware. Thanks to Governor Carney and the General Assembly, there's now an added incentive to nurture Delaware's storied legacy of innovation with the newly signed legislation - The Job Creation and Innovation Act for Small Technology Companies (HB 170) otherwise known as the Angel Investor Tax Credit.

President of award-winning LabWare, Vance Kershner says "angel investor" tax credits like HB 170 are good news for the scientists and the investor. "Tax credits are a win/win to start-ups as well as investors because the investor is not putting all their capital at risk and the start-ups win because they can attract more investors."

"Access to capital is the blood of a start-up and consequently they will go where it is available. Too often, that has meant Delaware start-ups leave the state because competing states have better programs. Investor tax credits are available in many neighboring states, and it is great that Delaware is now able to compete on this front," said Kershner.

The angel investor tax credit offers a 25% tax break to individual backers who invest a minimum of \$10,000 in a qualified Delaware company. Businesses eligible for the incentive must have fewer than 25 employees and engage in innovation as their primary business activity. The angel investor tax credit incentive canvases a broad range of start-ups including but not limited to renewable energy, food technology, cellulosic ethanol, materials



science technology, nanotechnology, biotechnology, medical device products, pharmaceuticals, diagnostics, biologicals, and chemistry.

According to Kurt Foreman, President of Delaware's lead economic development group, Delaware Prosperity Partnership, angel investor tax incentives play a unique role in Delaware because of its talent pool. "When you combine Delaware's new angel investor tax credit with access to an exceptionally experienced and welcoming talent pool from some of Fortune's most innovative companies as well as some of the nation's most interesting start-ups, emerging science entrepreneurs have the best of both worlds, as well as the wonderful quality of life Delaware has to offer."

Just ask research scientist, Sumedh Surwade, Ph.D. He joined Fujifilm in New Castle, Delaware after post-doctoral research at the University of Pittsburgh

and Oak Ridge National Lab. With four patents in review process, Surwade could have started his new company anywhere but he chose Delaware.

He founded SAS Nanotechnologies and is developing a potentially transformative innovation – environmentally friendly, self-healing, anti-corrosive coatings. It's not only a green idea, it has implications and applications for everything from aerospace to the marine industry. Industries spend billions annually on repairing or replacing corrosive metallic structures; a planet-friendly, self-healing coating would revolutionize industries that use metal.

The brand name for the planet-friendly coating is Shobha ion. Surwade and his wife named the coating after his mother Shobha which in Indian means Grace and then blended the name with the defining super quality of the coatings "to inhibit corrosion" and came up with Shobhatation.

"In my opinion, Delaware is a wonderful place to start a business. It is a welcoming

and friendly state with extremely talented people willing to share and support scientists and engineers starting out on their own. The support and guidance SAS Nanotechnologies received has been essential to our success,” said Surwade.

Shobhation is now being reviewed by industry partners and potential customers for feedback. Based on their insights, it will be further refined inching closer to commercial launch. As a beneficiary of investment capital, Surwade says angel investor tax credits play an important role for science and tech start-ups. “Angel investment is essential in the early days of capital-intensive research. To complete the journey from innovation to bench, to prototype, to commercial scale, is labor and capital intensive. Angel investors make all the difference.”

Mike Patterson, Director, Business Accelerator sees the challenges scientists experience first-hand in his role with the Virtual Incubator Program (VIP), a one-of-kind program that helps science entrepreneurs bridge the gap between research and marketplace with services and mentoring. VIP is a free program open to entrepreneurs and startup companies regardless of geographic location and is offered by the Delaware Innovation Space, an innovation ecosystem designed specifically for science entrepreneurs.

Patterson says, “Increased capital requirements and longer time to market can make the economics less appealing for first money in when compared with other types of ventures. Incentives like the angel investor tax credit helps narrow the gap when considering risk and time adjusted returns.”

Angel investor tax credits benefit everyone and that includes the community because it incentivizes creative entrepreneurs to keep their home-grown ideas right here in Delaware. ■

Chairman’s Message BY GARY STOCKBRIDGE

»» With more than half the year behind us, Chamber staff, board members, and committees are hard at work making progress on the priorities our members care about. Our Spring Survey showed that economic development and the quality of our schools remain at the top of the list. I believe these two issues are inseparable. Schools are the foundation for developing the next generation of employees, entrepreneurs, and leaders who will drive economic activity. We continue to focus our efforts on advancing policies and initiatives that will address these concerns.

Delaware Pathways is as an important part of the solution to these issues and we continue to support the program’s growth. Our support provides students with the skills and experience they need to establish successful careers in critical sectors, while giving local businesses new employees who are ready for the job on day one. Delaware Pathways now boasts programs in Manufacturing Production & Logistics and Manufacturing Engineering Technology, as well as a growing list of other in-demand sectors.

We also continue to focus our resources and efforts in Dover. Each year, the legislature considers policies that directly impact economic development and education in the state. Coming out of session this year, I was pleased to see funding for early learning strengthened, an area that continues to offer the best return for every dollar invested. Some inroads were also made to increase transparency on spending in our schools, which will hope-



Gary Stockbridge

fully lead to a better funding mechanism for the State. As we move into 2019, I am optimistic that we can also develop a consistent and timely method to address poor performing schools, so our students do not suffer year after year with the same poor outcomes.

This recent activity underscores the need for us to be engaged and participate effectively in the political process, which requires all of us to know what is going on in the state. When we know what is going on, we can be vocal about what matters to us. To help you keep your finger on the pulse of Dover, we share important updates on legislative issues through our website, email list, Facebook, Twitter, LinkedIn, and YouTube channel. Not only do we have more impact when all our members are engaged, but also when we work together with other chambers and business organizations across the state. You will continue to see us increasingly collaborate with those partners to make our voice heard. To that end, our new leader, Mike Quaranta, will be embarking on developing a common business agenda to align the business community going into 2019.

Our Spring Survey also showed that member satisfaction is strong, at 86 percent. While most members are satisfied, we are always striving to make sure we are serving the needs of every single member. Whether it’s education, economic development, or a new opportunity, we are here to serve our members and work with you to carry our momentum into the second half of the year and into 2019.