



Governor's Council on Youth Entrepreneurship

Report November 1, 2016

Committee's Vision Statement

The Governor's Council for Youth Entrepreneurship is dedicated to equipping Virginia's youth with the mindset, resources, and opportunities to learn entrepreneurial thinking as a life skill. The Council's focus is to create opportunities for students in the Commonwealth to build the confidence, capacity, and connections to start their own projects and prepare for careers in the innovation economy.

Background

Governor Terry McAuliffe signed [Executive Order 47](#) on August 24, establishing the Governor's Council on Youth Entrepreneurship. The Council will be responsible for coordinating and implementing youth entrepreneurship initiatives and fostering the growth of the entrepreneurial ecosystem for young people in Virginia. The Council, which is co-chaired by Secretary of Commerce and Trade Maurice Jones, includes student innovators, entrepreneurs, business leaders, and educators from every region in the Commonwealth. Working with higher education and other public and private sector resources, the Council will conduct a comprehensive assessment of current local, state and federal programs and services available to young entrepreneurs. The Council will work closely with institutions of higher education and other state agencies to grow vibrant regional ecosystems across Virginia, while supporting opportunities to advance research, innovation and commercialization at Virginia's colleges and universities.

Initial Key Priorities

Governor McAuliffe identified the following initial key priorities for the Council:

- Clarify and expand students' intellectual property (IP) rights
- Promote the formation of collaborative spaces for entrepreneurs and students to meet
- Encourage schools to offer courses in entrepreneurship that are easily accessible to all students and to integrate innovation into curriculum
- Identify ways for colleges and universities to award academic credit to students for starting a business
- Remove unnecessary costs for students starting a business in Virginia

Working Group Recommendations

The Council set a Working Group structure to mirror Governor McAuliffe's key priorities. Recommendations are categorized in two ways: by Working Group and education designation of K-12 or higher education recommendations.

- **Educations Recommendations**

- K-12
 - Establishing a Non-profit 501 (c) 3 Foundation to Support K-12 Youth Entrepreneurship Across the Commonwealth
 - Governor's Youth Entrepreneurship Competitions
 - Student IP Policy for K – 12 Institutions
- Higher Education
 - Establishment of a Statewide Proof of Concept Fund/Commercialization Assistance Resource for Technology Transfer from Higher Education and Community Colleges
 - Launch a task force composed of Vice Presidents for Research and Innovation Entrepreneurial Centers and private sector partners

- **Climate Recommendations**

- Market assets and related impact of higher education resources
- Governor's Challenge for formal degree programs in entrepreneurship and innovation
- Business Address Alternatives
- Streamline Business Stock Assignment and Transfer
- Improve Business Fee Schedule

- **Marketing Recommendations**

- Promotional advice and launch of the campaign: Virginia is for Entrepreneurs; Virginia is for Start-Ups; Virginia is for Small Business

Working Group Membership

Capacity Building:

Members – Timothy Sands (Chair), represented by Theresa Mayer and Elizabeth Tranter; Jay Markiewicz; David Miller; Nancy Grden; William Donaldson; Graham Henshaw; John Rothenberger; Keaton Wadzinski; Allie Howe; Devon Bortz; Chad Ratliff

Climate:

Members – Kristin D'Amore (Chair); Ace Callwood; David Touve; Liz Doerr; Jade Garrett; Elliot Roth; Caroline Pugh; Danielle Campbell

Marketing:

Members – Robby Demeria (Chair); Angeline Godwin; Jody Keenan; Zack Miller; Adolph Brown; Shahed Amanullah

K – 12 Recommendations:

Recommendation: Establishing a Non-profit 501 (c) 3 Foundation to Support K-12 Youth Entrepreneurship Across the Commonwealth

Objectives:

- Sustain and grow the work of the Council for Youth Entrepreneurship
- Build capacity for K-12 educators to engage in entrepreneurial thinking
- Recognize contributors and advocates of youth entrepreneurship

Background

The Capacity Building working group of the Governor’s Council for Youth Entrepreneurship proposes to the Governor’s Office the establishment of a non-profit 501 (c) 3 foundation to support K-12 youth entrepreneurship across the Commonwealth. The proposed foundation is designed to *coordinate, convene, and catalyze* K-12 youth entrepreneurship advocates in order to grow opportunities for students to learn entrepreneurial thinking as a life skill, in alignment with the Virginia Department of Education’s Profile of a Virginia Graduate. This foundation will grow upon the groundwork laid by the Governor’s Council for Youth Entrepreneurship and its members in order to further prepare our youth for a changing workforce in our emerging innovation economy.

Organizational Precedents

The Virginia Career Education Foundation was established by Gov. Mark Warner to “*connect business/industry, government and education to inform all stakeholders of the benefits of career and technical programs and to enhance Virginia's future workforce by connecting viable career and technical programs to job market requirements.*” The [VCEF](#) was founded by a sitting governor’s administration and continues to receive some state funding to support (from VDOE) as well as private donations and fundraising activities.

Summary of Foundation and its Functions

The proposed foundation is designed to *coordinate, convene, and catalyze* K-12 youth entrepreneurship:

- **Coordinate:** the foundation will conduct needs assessments and stakeholder meetings, as well as host a website which includes a statewide event calendar and digital resources.
- **Convene:** the foundation will facilitate entrepreneurial thinking workshops for youth, showcase events for youth, and pitch competitions for youth.

- *Catalyze*: the foundation will develop entrepreneurial curricula, offer entrepreneurship education grants, and recognize entrepreneurship advocates through a statewide award ceremony.

Leveraging and Scaling Existing Events and Programs

Members of the Governor’s Council for Youth Entrepreneurship have already successfully launched:

- Local Boot Camps and the Governor’s Youth Entrepreneurship Challenge driven by leaders at VCU
 - Entrepreneurship boot camps have been hosted and the statewide competition, Governor's Entrepreneurial Challenge, was successfully hosted in October.
- Tom Tom Youth Summit
 - In April 2016, 700+ high school students convened in Charlottesville to learn about entrepreneurship as a life skill. At the Summit, Governor McAuliffe signed [HB 1230](#).
- Entrepreneurship and Business Academy at Kempsville High School
 - Local schools hosted a entrepreneurship academy in Virginia Beach.
- Youth “Entrepreneur in Residence” internship
 - Albemarle County Public Schools have employed a UVA student to “increase the district’s capacity for innovation” by teaching innovation workshops, hosting events, and mentoring students.
- “Startup Weekend” and similar events
 - Startup Weekend events rally communities around designing business and social innovations in 2-3 days.
- Design, Make, Launch! Summer Camp
 - Students in Albemarle County created entrepreneurial projects in 2.5 weeks through an entrepreneurship summer camp.
- Incubator visits for high school students
- Junior Achievement and YEA! partnerships
- Broader statewide entrepreneurship initiatives such as the Virginia Velocity Tour and national initiatives such as the University Innovation Fellows

The foundation can scale this programming and more through centralized planning and offering support to local endeavors.

Future Events and Programming

The Foundation can establish a statewide youth entrepreneurship events timeline, which would include: summer camps, weekend bootcamps, startup weekends, and pitch events. These events

will culminate in a statewide youth entrepreneurship event that will recognize major advocates, educators, and student entrepreneurs, and provide a venue for a statewide competition. This event will build on the success of the Governor's Youth Entrepreneurship Challenge and the Tom Tom Youth Summit.

Future programs will include educator training sessions, mentorship initiatives, and K-12 / higher education partnerships.

Structure of Foundation

The Foundation is structured as a 501 (c) 3 nonprofit organization. The Foundation will be advised and governed by a Founding Board, managed and directed by an Executive Director position, and supported and staffed by college student interns. The Founding Board will be comprised of members from the Governor's Council for Youth Entrepreneurship. The Executive Director is designated as a full-time, salaried position for the first year of operations. College student interns will be hired by stipend to help advance the goals of the Foundation using their entrepreneurial backgrounds and creative problem-solving.

Budgetary Recommendations

The operating budget of this Foundation is to be determined at a later date by Council and administration at a later date. As points of reference in establishing the operating budget, the approximate costs of previous youth entrepreneurship programs are as follows:

- Entrepreneurial Thinking workshop \$1,000
 - This would cover the cost of workshop design, materials, and facilitation.
- "Startup/Start Something Weekend" - \$5,000
 - This would cover event planning, marketing, food for 2.5 days, facilitation, and small prizes.
- Youth Entrepreneurship Challenge - \$10,000 per location
- Youth Summit - \$15,000
 - This would cover the cost of venue, marketing, food, and small prizes for winners.
- Stakeholder convenings - \$500 per convening
 - This would cover costs for light food and reimbursements for travel by car for a convening of ~20 people.

Additionally, estimates for marketing and personnel, based on the rates of college student professionals are as follows:

- Web design and development - \$2,000
 - This includes the design and development of a user-friendly website.

- Branding and marketing - \$2,000
 - This includes logo, style guide, and basic assets (flyers, event banners, etc.).
- Summer Intern - \$2,000 per student
 - This is a basic living stipend for students who could contribute ~30-40 hours per week for ~2 months.

Sustainability

After initial seed funding, this foundation will be supported through a combined effort, including: allocation of state funds, donations of philanthropic gifts, grant writing, sponsorship from the private sector, and general fundraising conducted by an executive director.

Recommendation: Governor’s Youth Entrepreneurship Competition

Leverage the power of entrepreneurial education as a force for the Virginia economy, arm high school students with practical career skills, and foster a commonwealth of Virginia culture of entrepreneurship

Through the delivery of local boot camps and a statewide competition that:

**Brands Virginia entrepreneurship
Builds belief of Virginia youth
Provides practical entrepreneurial tools and processes**

Local boot camps

Various educational institutions (high schools and universities) will host local boot camps. The Council’s goal is to launch at least five regional boot camps in 2017, with a reach of more than 500 high school students statewide. These boot camps are to be open to individual H.S. youth or teams that desire to learn more about entrepreneurship. At the boot camps, educators will brand VA entrepreneurship, build belief, and teach entrepreneurial tools and processes to VA youth. Local boot camps will conclude with a competition where H.S. teams will pitch their ideas and submit high-level business plans to a panel of independent community judges. The judges will select a winning team. That winning team will be invited to compete in the annual Governor’s statewide competition.

Statewide competition

VCU would host an annual statewide competition comprised of teams from across the commonwealth. This one-day event will feature guest speakers, a fun and engaging entrepreneurial atmosphere, local venture capitalists, community members and family. Each team will pitch their venture idea to independent community judges who will award the top prizes. The Governor will personally speak and present the award to the winning team.

Traction

- “Boot camp in a box” designed and ready to be leveraged by other institutions, complete with agenda, budget, curriculum, and supporting documents, based on successful boot camp hosted by VCU/Junior Achievement
- 2015 VCU/JA summer boot camp of 60 students, feedback overwhelmingly positive
- 2016 VCU/JA fall boot camp of 10 teams of 5 students each
- 2016 VCU/JA fall Governor’s competition hosted at VCU awarding a \$2,500 cash prize to first place team. Governor of Virginia and VCU President in attendance.
- Successful community fund raising of over \$15,000 for 2016 boot camp (community is supporting the event)

Recommendation: Student IP Policy for K – 12 Institutions

Background

In 2016, in order to provide a pathway to commercialization for student entrepreneurs, the Commonwealth enacted the following language related to intellectual property policies for employees and students.

§ [23-4.3](#). Adoption of intellectual property policies; employees to be bound by such policies.

A. The boards of visitors of state-supported institutions of higher education and the State Board for Community Colleges shall adopt policies regarding the ownership, protection, assignment, and use of intellectual property.

B. All employees, *including student employees*, of state-supported institutions of higher education, including the Virginia Community College System, as a condition of employment, shall be bound by the intellectual property policies of the institution employing them.

C. Upon adoption of *policies pursuant to subsection A*, the boards of visitors of state-supported institutions of higher education, including the State Board for Community Colleges, shall provide a copy of their intellectual property policies to the Governor and the Joint Commission on Technology and Science.

D. *The boards of visitors of state-supported institutions of higher education shall adopt policies that are supportive of the intellectual property rights of matriculated students who are not employed by such institution.*

E. For purposes of this section, "intellectual property" means (i) a potentially patentable machine, article of manufacture, composition of matter, process, or improvement in any of those; (ii) an issued patent; (iii) a legal right that inheres in a patent; or (iv) anything that is copyrightable.

Since entrepreneurial activity is being inculcated by both school programs, and those supported by the Commonwealth, the Governor’s Council on Youth Entrepreneurship recommends that the

language such as that which was passed for higher education be adapted for public K – 12 institutions, with the guidance and engagement of school representatives including students, faculty and school boards. Specifically, the Council recommends the Governor work with the Virginia School Boards Association to develop a model policy for student intellectual property rights.

Higher Education Recommendations:

Recommendation: Establishment of a Statewide Proof of Concept Fund/Commercialization Assistance Resource for Technology Transfer from Higher Education and Community Colleges

Background

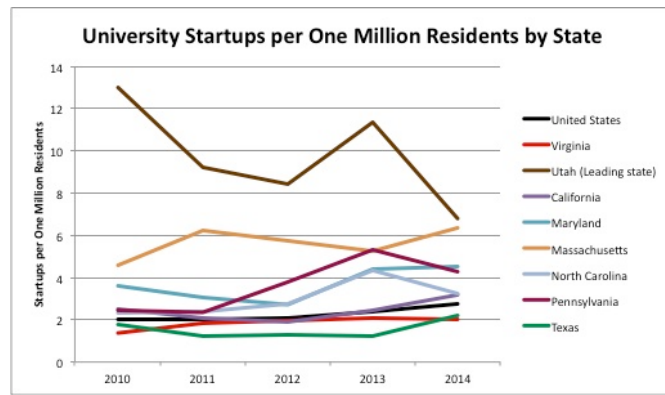
Virginia benefits from enormous advantages in terms of federal support, a highly-educated and technologically-oriented workforce (particularly in Northern Virginia), and a strong network of research universities across the state. However, as shown below, Virginia has an opportunity to capitalize more comprehensively on these advantages through a renewed statewide focus on technology transfer across its higher education institutions.

In 2014, the Center for Innovative Technology began its Innovation and Entrepreneurship Measurement System (IEMS) initiative as a means of collecting quantifiable outputs for the talent pipeline, research and development outputs, annual access to capital from year to year, and commercialization. Despite Virginia's results from the first two years of the IEMS survey have indicated significant opportunities for Virginia to improve performance relative to other states in the areas of licensing and commercialization.

Startups

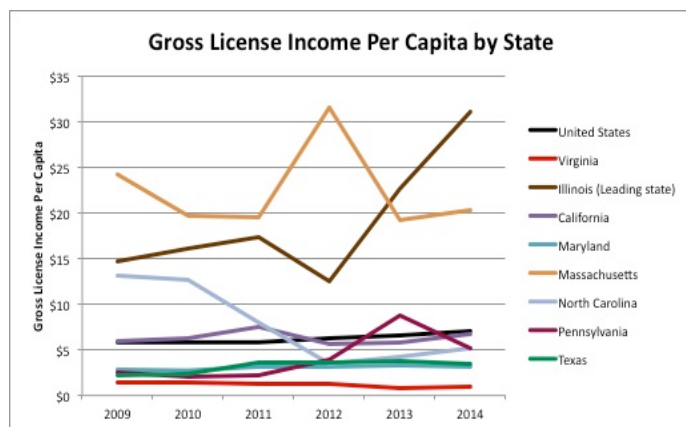
The number of university startups that begin operations based on licensed technology each year increased from 11 startups in 2010, to 17 startups in 2013. In 2014, 17 university startups resulted once again. Of this total, 14 startups established operations within the Commonwealth of Virginia. The cumulative total number of active startups from current and previously issued licenses increased from 74 in 2011 to 104 in 2014. Virginia universities produced 2.04 startups per one million residents in 2014. This is lower than the national average of 2.72 per million; Virginia ranked 27th among states. It was also lower than all benchmark states. The nation's leader was Utah at 6.80 startups per million residents.¹

¹ Center for Innovative Technology, Innovation and Entrepreneurship Measurement System (IEMS), 2015, <http://www.cit.org/initiatives/iems/commercialization/#UniversityLicensing>



University Licensing

The number of licenses has increased each year since 2011 when 97 university licenses were issued. In 2013, 112 licenses were issued. The cumulative number of active licenses issued by Virginia’s universities jumped to 747 in 2013 from 545 the year before, in part as a result of Virginia Tech reporting this number for the first time. In 2014, total active licenses increased further to a level of 787.



Recommendation: Launch a task force composed of Vice Presidents for Research and Innovation Entrepreneurial Centers and Private Sector Partners

To address these opportunities, the Capacity-Building Working Group of the Youth Entrepreneurship Council proposes the launch of a task force composed of Vice Presidents for Research and Innovation Entrepreneurial Centers and private sector partners across the Commonwealth to develop by August 31, 2017 a proposal for development, launch and sustainable operation of a seed fund, together with appropriate commercialization support resources, designed to address funding gaps within commercialization pathways. Working collaboratively with Virginia’s universities and research institutions, the task force should address:

- Scope of industry sectors across which proof of concept funds will be considered.
- The nature and duration of support.
- Timeline and mechanism for funding.
- Proposal review process.
- Operational needs for the management, deployment and tracking of the fund.
- Metrics for success.
- Identification of initial private sector partners.
- Assistance with key steps to commercialize, including business plan development, market assessment, interim management, advisers, and other related support.

Existing gaps and progress should be measured in part, through the IEMS activity conducted by CIT.

Funding offered by the Institute should align with (but not overlap) the commercialization activities supported by the Commonwealth Research Commercialization Fund (CRCF) and the Virginia Biosciences Health Research Corporation (VBHRC).

There are several state models across the country, including Florida’s Institute for the Commercialization of Public Sector Research (www.florida-institute.com), which has demonstrated a significant economic impact from 2011-2016:

- Companies supported creation of 4,091 jobs during this period;
- Average job earnings were \$77,842; and
- The companies raised over \$180 million, including capital to the state.

The impact report notes that “commercialization of public research is integral to the economic viability of Florida since it contributes significantly to high-wage job creation, generates tax revenues, and addresses 21st challenges to improve the quality of life.”

Climate for all Virginians Recommendations:

It is important to note here the impact that Virginia’s higher education institutions have on the entire Commonwealth, as well as to provide specific recommendations to make Virginia the best place for any person to start a business.

Recommendation: Market assets and related impact of higher education resources; and, establish a Governor’s Challenge for formal degree programs in entrepreneurship and innovation

Market the assets and related impact on the Commonwealth in a centralized location. In addition, the Council recommends that the Governor challenge all higher education institutions to establish formal degree programs in entrepreneurship and innovation. The Council proposes that

all higher education institutions have minors in entrepreneurship and innovation by the end of the McAuliffe Administration. Programs should include credit for students engaging in entrepreneurial activity or starting a business. Examples of institutions with such programs and existing infrastructure are listed below.

Background

As reported by the Commonwealth Innovation and Entrepreneurship Measurement System (IEMS) maintained by CIT, “ Virginia’s public institutions of higher education stimulate interest and develop skills in entrepreneurship through training, experiential learning, formal degree programs and concentrations, entrepreneurial centers, student clubs and organizations, and entrepreneurial student living arrangements. Many colleges and universities have started or scaled up resources and programs in these areas in recent years. George Mason University and Virginia Tech provide **formal degree programs in entrepreneurship**, while the College of William and Mary, James Madison University, the University of Virginia, and Virginia Commonwealth University offer **concentrations at the Master’s or Baccalaureate** levels. **Centers for Entrepreneurship have been established at most institutions**, including: the Alan B. Miller Entrepreneurship Center at the College of William & Mary; the Mason Enterprise Center (MEC) at George Mason University; James Madison University’s Center for Entrepreneurship; the Strome Entrepreneurial Center and Center for Enterprise Innovation at Old Dominion University; the Galant Center for Entrepreneurship at the University of Virginia; the da Vinci Center at Virginia Commonwealth University; and the Apex Systems Center for Innovation and Entrepreneurship at Virginia Tech.

Seven graduate-level public universities offer **clubs and experiential learning programs and entrepreneurship training programs for students and members of the public. Total headcount in student and public entrepreneurial training in FY2015 was estimated at 8,469.** In addition, the College of William and Mary, Old Dominion University, Virginia Commonwealth University, and Virginia Tech offer **student entrepreneurship living arrangements, which provide a living-learning community for learning, networking, and mentoring.”**

The Virginia Community College System contributes to creating entrepreneurial minded students and communities with courses and degree programs, ideation labs and experiential learning.

The higher education system also supports programs and resources such as SBDC, PTAP, incubators and accelerators, maker spaces and start-up events to connect students with the intellectual capital, social capital, experiential capital and financial capital required to create, launch and grow a company.

SCHEV convened a statewide focus group to address the question: What are the key messages regarding Virginia’s higher education system that should be communicated? The working group

offered these key features which could also impress young entrepreneurs looking for a state and community of like-minded people:

The System Offers a Wide Array of Choices - Virginia offers varying levels of educational and professional development opportunity available through a variety of pathways: community colleges, four year institutions, graduate programs, credentialing and certifications. The system offers versatile, adaptable and responsive educational building blocks. Multiple paths provide abundant opportunities for meeting individual needs and aspirations.

Higher Education Increases Opportunities for Success - Higher education provides increased opportunities for financial stability and success. Higher education offers the chance to proactively improve one's quality of life by fostering physical, mental and financial security.

It's an Investment in the Future - Productive, successful citizens create healthy and vibrant communities that benefit all Virginians. An educated population is more financially sound, socially and culturally enriched, and civically engaged. Future generations will benefit from the higher quality of life that education helps create.

It's Essential to Helping Solve Problems and Embrace Opportunities - The capacity to anticipate, identify, research and find viable solutions to business and societal problems is essential for future prosperity. Higher education produces innovative, entrepreneurial, forward-thinking individuals whose skills will help address our biggest challenges while creating new opportunities for growth and success.

Economic Stability and Growth Demands a Talented Workforce - Virginia's higher education system helps produce the workers businesses need to remain nimble and adaptable to an ever-changing global marketplace. The system produces a reliable, capable and consistent supply of educated and credentialed workers who provide employers the talent they need to succeed. The ready workforce helps attract and retain employers and facilitates business growth and expansion.

Accessibility and Affordability Provide a High Return on Investment - The higher education system offers a multitude of access points for individuals, businesses and organizations across the state. Virginia's system is consistently rated as one of the best values in the country, helping produce a high return on investment.

The value and reputation of Virginia’s higher education institutions coupled with a vibrant economy is a winning combination for young entrepreneurs looking for a place to learn, and start and grow companies.

HIGHER EDUCATION ACCOLADES	ECONOMIC ACCOLADES
#2 Best State for Higher Education, SmartAssets.com (2016)	#1 Highest Concentration of Computer Specialists, National Science Foundation (2012)
3 Universities ranked in Top 100 National Universities, US News & World Report (2016)	#1 Highest Quality of Life in the Mid-Atlantic and Southeast, Forbes (2015)
3 Universities ranked in Top 100 America’s Top Colleges, Forbes (2016)	#3 Business Friendliness, CNBC (2015)
5 Universities ranked in Top 100 Best Values in Public Colleges, Kiplinger (2015)	#4 Best State for Small Business, Business Insider (2014)
	#5 Top State for Technology and Entrepreneurship, Enterprising States Report (2014)
	#7 Best State for Business, Forbes (2015)

Recommendation: Business Address Alternatives

Background

For young people just beginning their journey into adulthood, moving around is a fact of life. Rarely do young go-getters stay in one location for more than a year at a time. This is amplified during college and the time immediately after school is done. For young entrepreneurs, a parent’s address is the only permanent location they can use as a means of establishing a company.

In the digital age, the use of a physical location for purposes of having a registered agent for incorporation is a bit dated. Digital fingerprints can be uncovered through social media profiles, email addresses and phone numbers. This data is oftentimes more accurate at identifying and reaching a person than their listed physical address. By using electronic mail rather than physical mail, the State of Virginia would be able to save on printing and delivery costs.

For those without homes, orphaned, or from broken households, having a permanent physical address is even more challenging. In addition, the cost of employing a registered agent to receive business mail on your behalf may be cost-prohibitive to those who are just beginning to start a business.

As a young entrepreneur moves from place-to-place, it is a challenge and a headache to change the address of a business and/or the address of the registered agent. Many businesses have no need of a physical address and instead operate completely online.

It is our recommendation that the Governor put forth a bill that suggests an alternative to having a need for a physical address for a business. A few potential options for doing so:

- Registering a multitude of digital addresses that can serve as a means of reaching an individual
- Creating a location on state-owned property that can serve as a registered address for new business owners
- Clarifying the law in terms of allowing for a PO Box to be used as a registered address

The law in question is pursuant to 13.1-1015 of the Code of Virginia in subsection 2b:

1. A registered office that may be the same as any of its places of business; and

...

b. A domestic or foreign stock or nonstock corporation, limited liability company or registered limited liability partnership authorized to transact business in the Commonwealth, the business office of which is identical with the registered office; provided such a registered agent (i) shall not be its own registered agent and (ii) shall designate by instrument in writing, acknowledged before a notary public, one or more natural persons at the office of the registered agent upon whom any process, notice or demand may be served and shall continuously maintain at least one such person at that office. Whenever any such person accepts service, a photographic copy of such instrument shall be attached to the return.

B. The sole duty of the registered agent is to forward to the limited liability company or foreign limited liability company at its last known address any process, notice or demand that is served on the registered agent.

Which can be amended to say:

1. A registered office that may, *but need not* be the same as any of its places of business; and

...

b. A domestic or foreign stock or nonstock corporation, limited liability company or registered limited liability partnership authorized to transact business in the Commonwealth, the business office of which *may, but need not be identical* with the registered office; provided such a registered agent (i) shall not be its own registered agent and (ii) shall designate by instrument in writing, acknowledged before a notary public, one or more natural persons at the office of the registered agent upon whom any process, notice or demand may be served and shall continuously maintain at least one such person at that office. Whenever any such person accepts service, a photographic copy of such instrument shall be attached to the return.

In accordance to the precedence set by Delaware law in Title 8 Chapter 1 131a: “Every corporation shall have and maintain in this State a registered office which may, but need not be, the same as its place of business.”

Recommendation: Streamline Business Stock Assignment and Transfer

Background

Par value stock is an archaic concept that has virtually no meaning in the modern day regulated business environment. For a first time entrepreneur, approaching par value stock is a confusing process. Normally par value stock is set as low as possible, sometimes with prices reaching \$0.00001. There is no rationale behind why par value stock exists besides being the lowest value that stock can be issued during an initial public offering. Par value is set as low as possible merely to have a record of stock transfer to a given individual. With all of the tools at our disposal, there must be a simpler way in recording stock transfer after the initial formation of a company. In addition, the assignation of stock is often vested and not immediately purchased. Especially when starting a company, all of these values are arbitrary and cloud the process of incorporation. Par value has no connection to the market value of the share of the stock. Certain states (like Delaware) even offer the ability to file with no par value assigned.

It is our recommendation that the Governor put forth a bill that suggests doing away with par value stock and setting up a new system for initial stock assignment and transfer.

The law in question is located in 6.2-1117 of the Virginia Code of Law:

§ 6.2-1117. Par value of shares; payment of shares; reacquisitions of shares or acceptance thereof as security; how subscriptions to stock to be paid; disposition of money received before institution opens; stock option plans.

A. Shares of stock issued by a stock institution shall be paid for in full in cash at not less than their par value upon issuance or, in the case of a stock institution then actively conducting operations, in property or services valued, with the approval of the Commission, at an amount not less than the aggregate value of the shares issued in exchange therefor. A stock institution may not purchase, redeem or otherwise reacquire shares of stock that it has issued and may not accept its shares of stock as security. A stock institution shall have the power to redeem or otherwise reacquire shares of its common or preferred stock to the same extent as commercial banks incorporated under the laws of the Commonwealth are permitted to do under this title.

B. Subscriptions to the capital stock of a stock institution shall be paid in money at not less than par. No stock institution shall begin business until the amount specified in its certificate of authority to commence business has been received by it.

In accordance to the precedence set by Delaware law in Title 8 Chapter 1 151a: “Every corporation may issue 1 or more classes of stock or 1 or more series of stock within any class thereof, any or all of which classes may be of stock **with par value or stock without par value...**”

And subsection 153b: “Shares of stock without par value may be issued for such consideration as is determined from time to time by the board of directors, or by the stockholders if the certificate of incorporation so provides.”

And subsection 157d: “In case the shares of stock so to be issued shall be shares of stock without par value, the consideration therefor shall be determined in the manner provided in § 153 of this title.”

And subsection 173: “in the case of shares without par value being declared as a dividend, such amount as shall be determined by the board of directors. No such designation as capital shall be necessary if shares are being distributed by a corporation pursuant to a split-up or division of its stock rather than as payment of a dividend declared payable in stock of the corporation.”

Recommendation: Improve Business Fee Schedule

Background

Virginia has one of the most confusing fee schedules for issuing shares of a company (Table 1). To issue more than 1,000,000 authorized shares it costs an exorbitant fee of \$2,525. For a startup that is incredibly cost-prohibitive. There is also no indication of the reduced taxes in issuing less than 5,000 shares. In comparison, Delaware offers a flat rate minimum of \$89 for all incorporation (Table 2), no matter the stock. Their fee schedule is much more comprehensive and understandable.

For a first time entrepreneur, the simpler the fee schedule, the more likely they will incorporate their company in the state of Virginia.

It is our recommendation as the Governor’s Council for Youth Entrepreneurship to clarify the fee schedule for the State of Virginia. This can be done by:

- Setting a flat rate for incorporation (which may enable more businesses to incorporate in Virginia)
- By outlining the fee schedule in a much more clarified table
- Not basing incorporation fees on the amount of stock issued
 - This is especially true for startups whose stock has little-to-no value assigned

Initial work should be done on a cost-benefit analysis to project the amount of new businesses that would incorporate in the state of Virginia if the state shifted to a flat fee schedule. This can be compared to the current revenue that the state derives from the number of new businesses incorporated under the current fee schedule.

Table 1: Virginia's Fee Schedule

Authorized shares	Total fees*	Authorized shares	Total fees*
1 - 25,000	\$ 75	500,001 - 525,000	\$1,075
25,001 - 50,000	125	525,001 - 550,000	1,125
50,001 - 75,000	175	550,001 - 575,000	1,175
75,001 - 100,000	225	575,001 - 600,000	1,225
100,001 - 125,000	275	600,001 - 625,000	1,275
125,001 - 150,000	325	625,001 - 650,000	1,325
150,001 - 175,000	375	650,001 - 675,000	1,375
175,001 - 200,000	425	675,001 - 700,000	1,425
200,001 - 225,000	475	700,001 - 725,000	1,475
225,001 - 250,000	525	725,001 - 750,000	1,525
250,001 - 275,000	575	750,001 - 775,000	1,575
275,001 - 300,000	625	775,001 - 800,000	1,625
300,001 - 325,000	675	800,001 - 825,000	1,675
325,001 - 350,000	725	825,001 - 850,000	1,725
350,001 - 375,000	775	850,001 - 875,000	1,775
375,001 - 400,000	825	875,001 - 900,000	1,825
400,001 - 425,000	875	900,001 - 925,000	1,875
425,001 - 450,000	925	925,001 - 950,000	1,925
450,001 - 475,000	975	950,001 - 975,000	1,975
475,001 - 500,000	1,025	975,001 -1,000,000	2,025

More than 1,000,000 authorized shares: \$2,525

* includes \$25 filing fee

Table 2: Delaware Fee Schedule

DELAWARE DEPARTMENT OF STATE
DIVISION OF CORPORATIONS FEE SCHEDULE

Revised August 1, 2016

Certificate Type	State Filing Fee	Certified Copy (each)	Same Day Fee	24-Hour Fee
Corporations – Domestic				
Incorporation (including Public Benefit Corporations)	*\$89.00	\$50.00	\$100.00	\$50.00
Domestication	\$214.00	\$50.00	\$200.00	\$100.00
and Incorporation	*\$89.00	\$50.00	\$100.00	\$50.00
Incorporation – exempt	\$89.00	\$50.00	\$100.00	\$50.00
Change of Agent/Office	\$50.00	\$50.00	\$200.00	\$100.00
Change of Agent/Office - exempt	\$5.00	\$50.00	\$200.00	\$100.00
Blanket Change of Office/Name	\$149.00	\$50.00	\$200.00	\$100.00
Resignation of Agent w/appointment	\$99.00	\$50.00	\$200.00	\$100.00
Resignation of Agent w/out appointment	\$2.00 (per co.)	\$50.00	\$200.00	\$100.00
Designation	\$169.00	\$50.00	\$200.00	\$100.00
Amendment	*\$194.00	\$50.00	\$200.00	\$100.00
Retirement	\$194.00	\$50.00	\$200.00	\$100.00
Restated Certificate of Incorporation - amends	*\$194.00	\$50.00	\$200.00	\$100.00
Restated Certificate of Inc - not amending	\$194.00	\$50.00	\$200.00	\$100.00
Merger (plus taxes if DE merging out)	***\$239.00	\$50.00	\$200.00	\$100.00
Conversion: (plus tax when DE entity is converting)				
Corp. to other domestic entity	See resulting entity for fees			
Corp. to non-Delaware entity	**\$264.00	\$50.00	\$200.00	\$100.00
Domestic and non-Delaware entities to corporation	+\$164.00	\$50.00	\$200.00	\$100.00
Correction to:				
Incorporation	*\$179.00	\$50.00	\$200.00	\$100.00
Domestication	\$264.00	\$50.00	\$200.00	\$100.00
Change of Agent	\$214.00	\$50.00	\$200.00	\$100.00
Blanket Change of Office/Name	\$214.00	\$50.00	\$200.00	\$100.00

Marketing Recommendations:

Recommendation: Promotional advice and launch of the campaign: Virginia is for Entrepreneurs; Virginia is for Start-Ups; Virginia is for Small Business

- Promotion campaign that mirrors the renowned slogan “Virginia is for Lovers”, for example: Virginia is for Entrepreneurs; Virginia is for Start-Ups; Virginia is for Small Business.

**VIRGINIA
IS FOR
STARTUPS**



- Promotion featuring campus student entrepreneurs akin to promotions that feature student athletes
- Promotion featuring young entrepreneurs who call Virginia home for their start-up business