



Ohio Small Business Council

*BEFORE THE HOUSE FINANCIAL INSTITUTIONS, HOUSING AND
URBAN DEVELOPMENT COMMITTEE
PROPONENT TESTIMONY ON HB 10
TUESDAY, JUNE 13, 2017*

Chair Dever, Vice Chair Sprague, Ranking Member Smith, and members of the House Financial Institutions, Housing and Urban Development Committee, thank you for the opportunity to provide proponent testimony on House Bill 10. My name is Brandon Ogden and I am the Director of the Small Business Council for the Ohio Chamber of Commerce. In my role, I aim to fulfil the Ohio Small Business Council's mission, which is to promote the establishment, growth and vitality of small business in Ohio.

The Ohio Chamber is the state's leading business advocate, as we represent nearly 8,000 companies that do business in Ohio. Our mission is to aggressively champion free enterprise, economic competitiveness and growth for the benefit of all Ohioans. The Ohio Chamber of Commerce is a champion for Ohio business so our state enjoys economic growth and prosperity.

The Ohio Chamber of Commerce and the Ohio Small Business Council support HB 10 as we recognize that crowdfunding is an increasingly emerging and valuable tool for entrepreneurs to gain access to capital for their start-up or small business. In the age of most financial transactions taking place online, it seems inherent that businesses should also have access to using the internet for raising money. Furthermore, this option for raising capital fills a void that traditional lending cannot always fill.

Currently, crowdfunding "donations" are already taking place in Ohio and throughout the U. S. but this legislation authorizes the use of intrastate crowdfunding as a means of purchasing a "stake" or a "share" of the business. Also, it creates uniformity and guidelines on the practice. HB 10 will permit Ohioans to invest directly in startup businesses through an online portal, known as the OhioInvests Portal. This portal will provide the intermediaries with a means to offer and sell the securities to investors.

As with any equity investment there are risks involved with the type of investments included in this legislation. To that end, HB 10 includes a provision that is essentially a disclosure of the risks associated with the investment and makes it clear that no state or federal securities commission has reviewed or approved the offering. Each investor must sign the disclosure and attest to being an Ohio resident before they are able to purchase any security. Another potential protection is that individuals with a prior state

or federal securities misdemeanor or felony conviction will be prohibited from being an issuer or affiliated party.

Finally, it is worth mentioning that more than thirty states have adopted similar legislation in recent months. The flurry of states passing legislation has been taking place since 2015 when the U.S. Securities and Exchange Commission (SEC) adopted rules to facilitate the crowdfunding offerings. According to experts in crowdfunding, no two states have identical laws, as there is no right or wrong way in which to offer intrastate exemptions to investors. For instance, not every state uses portals in which to facilitate the transactions. Also, each state has their own cap on how much can be raised in a twelve-month period, many are \$2 or \$3 million, under this bill the limit is \$5 million for each offering. The \$5 million maximum would put Ohio in the high-end of the spectrum but we feel that this threshold is appropriate as it could expand access beyond start-ups to additional small and mid-size firms wishing to gain new forms of capital.

Once again, Chairman Dever, thank you for the opportunity to testify. We feel that House Bill 10 will provide another option for entrepreneurs to either get their ideas off the ground or to expand or grow their existing business. Let's help other amazing product ideas such as the male romper (a current Kickstarter campaign) become a reality! With that Mr. Chairman, I am glad to answer any questions that you or the committee members may have.