



October 31, 2019

HOUSE FINANCIAL INSTITUTIONS COMMITTEE

HB 312 - INTRASTATE EQUITY CROWDFUNDING
PROPONENT TESTIMONY (written only)

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Chair Jordan, Vice Chair Hillyer, Ranking Minority Member Crossman, and members of the House Financial Institutions Committee, CCAO would like to thank you for the opportunity to provide written proponent testimony on HB 312. This legislation permits Ohio to participate in intrastate equity crowdfunding to raise operating funds for Ohio businesses as permitted by federal law.

CCAO would like to thank Representative Jena Powell for her sponsorship of HB 312 which has the potential to generate start-up capital for new businesses as well as existing small businesses operating in Ohio. The bill permits "Ohio Invests Issuers" to raise up to \$5 million in one or more offerings over a twelve month period. An Ohio Invests Issuer must be an entity organized under Ohio law that meets the following conditions:

- Principal office in Ohio
- 80 % of assets located in Ohio
- 80 % of gross revenues derived from Ohio
- The entity satisfies the requirements under the federal exemption for intrastate offers and sales of securities.

The escrow agent used for holding payments for the purchase of securities must be a financial institution or trust company authorized to do business in Ohio.

CCAO notes that HB 312 makes excellent use of existing economic development agents to offer intrastate equity crowdfunding opportunities to Ohio investors. The bill permits licensed security dealers, port authorities and community improvement corporations to act as portal operators for purposes of operating a secure website through which equity crowdfunding securities may be sold.



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Entities that are not already licensed security dealers would be required to register with the Ohio Division of Securities and be authorized to do business in the state of Ohio.

HB 312 also provides protections to unaccredited investors in intrastate equity crowdfunding. The bill limits such investors to \$10,000 from a single offering which is the same limit established by Michigan, Minnesota and Wisconsin. The portal operator would have to verify that only Ohio residents may invest in such securities and would require prospective purchasers of securities to acknowledge the risks of such purchases, the potential for substantial loss of invested funds, and the limited marketability of such securities once purchased. In addition, portal operators would be required to maintain and make available to the Ohio Division of Securities certain records for a period of 5 years.

CCAO is pleased to support HB 312 and encourages the House Financial Institutions Committee to act favorably on this legislation.