

**OCIC Testimony regarding HB 10
Senate Transportation, Commerce and Workforce Committee
October 11, 2017**

Chairman LaRose, Vice Chairwoman Kunze, Ranking Member Schiavoni and members of the Senate Transportation, Commerce and Workforce Committee, I am Jamie N. Beier Grant and currently serve as Director of the Ottawa County Improvement Corporation (OCIC). The OCIC serves as the lead economic and workforce development agency for Ottawa County, Ohio where our economy represents business from a variety of industry sectors (agricultural, industrial, recreation/service/tourism) most of which are driven by small business owners and local entrepreneurs. I would like to thank you for the opportunity to provide written testimony regarding House Bill 10.

House Bill 10 presents legislation that would allow intrastate crowdfunding as authorized in the Federal Jobs Bill. While the concept of crowdfunding is relatively new, platforms like Kickstarter have created a movement for America's next generation of entrepreneurs to present ideas and creatively look for funding. Per the North American Securities Administrators Association, nine (9) states in the Midwest currently have intrastate crowdfunding programs in place. Ohio joins only North Dakota and South Dakota as Midwest states without such a program. As Ohio looks to keep pace with creative financing and incentive programs that attract our next generation of ideas and business owners, a program as presented in HB 10 provides a platform for raising capital and equity for a wide variety of business ventures.

The ability of a local Community Improvement Corporation to serve as an Issuer for intrastate crowdfunding is attractive as a local tool to support small business and entrepreneurship. It establishes a mechanism to provide a holistic structure to project financing when lenders view a project as higher risk and define a need for gap funding. In previous written testimony before the House, I asked the following questions for consideration of vetting:

1. As an Issuer, are we held responsible for vetting the business venture prior to the business venture introducing its concept to investors? Essentially, *it is critical to make sure any legislation and structure around crowdfunding provides for fraud protection of the Issuer and allows a pathway to eliminate "bad actors" from being promoted on a crowdfunding platform.*
2. Does the Issuer assume any liabilities for the introduction of business ventures to investors (e.g., what if the business venture does not have proper authorizations or registration with the State of Ohio, what if it is discovered that ownership of the venture has prior tax delinquencies, etc.)?
3. Similarly, as an Issuer do we assume any liabilities for transactions that occur between the business venture and investor(s)?
4. Is the Issuer responsible for coordinating where investor funds are to be deposited and held, and is the Issuer then responsible for the release of funds to the business venture when the funding timeframe closes?
5. Is a business venture able to use an Issuer if it, or any of its ownership, currently has debt obligations to the Issuer? (e.g., some Port Authorities and CICs have loan programs that provide gap financing or loan guarantees on investment projects).
6. Would an Issuer (e.g., Port Authority or CIC) have the ability to offer a loan to a business venture if the business venture has a gap in funding after it closes the funding request through the intrastate crowdfunding platform?

I am confident the Ohio House of Representatives and the Ohio Senate will ensure these questions and others have been properly vetted and addressed.

Fundable.com did an article entitled, "Starting Point: What is Crowdfunding?" where they outlined some of the basic benefits of crowdfunding:

- Reach – creates access to thousands of accredited investors from a broad geographic market;
- Presentation – forces a new business venture to create their "elevator speech" right away as a means of attracting interest;
- PR & Marketing – makes sharing and promoting the business venture campaign through a variety of marketing tactics more accessible;
- Validation of Concept – with access to a broad range of experts and investors, entrepreneurs have additional insight into the strengths and weaknesses of their proposal; and
- Efficiency – crowdfunding platforms create a single source of information for everyone to see.

These aspects of crowdfunding as a more flexible fundraising option help enhance the potential for successful ventures to be realized, which will in turn reduce the initial risk of traditional lenders and allow the startup a chance to prove its business plan. It will also give local communities more potential for small business growth in their downtown districts (which helps with downtown revitalization), for new products to find their way to the market and helps make new business startups more attractive to budding entrepreneurs.

I applaud Representative Arndt, and the twenty-nine (29) Representatives signed on as co-sponsors for their work in presenting House Bill 10. Intrastate crowdfunding is a creative financing tool that can benefit business across multiple industry sectors and is forward-thinking and inclusive of Ohio's diverse business base and entrepreneurial spirit that has led to many of this country's greatest ideas.

Thank you for your consideration of this testimony. I look forward to continued dialogue surrounding this bill and please do not hesitate to contact me directly if you have any questions.

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