



October 11, 2017

**Testimony**  
**Senate Transportation, Commerce and Workforce Committee**  
**Written Proponent Testimony on HB 10**  
**Brad Cole, Managing Director of Research**

Chair LaRose, Vice Chair Kunze, Ranking Minority Member Schiavoni and members of the Senate Transportation, Commerce and Workforce Committee, CCAO would like to thank you for the opportunity to provide written proponent testimony on HB 10. This legislation permits Ohio to participate in intrastate equity crowdfunding to raise operating funds for Ohio businesses as permitted by federal law.

CCAO also would like to thank Representative Steve Arndt for his sponsorship of HB 10 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 period of one year. 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.

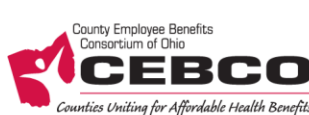
The escrow agent used for holding payments for the purchase of securities must be a financial institution or credit union authorized to do business in Ohio.

CCAO notes that HB 10 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. 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.



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HB 10 also provides constructive 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 be able to support HB 10 and encourages the Senate Transportation, Commerce and Workforce Committee to act favorably on this legislation.