



Proponent Testimony for House Bill 312  
Senate Finance Committee  
Tuesday, November 10, 2020

Chair Dolan, Vice-Chair Burke, Ranking Member Sykes and members of the Senate Finance Committee, thank you for the opportunity to speak in support of House Bill 312. My name is Brandon Ogden. I am the Principal of SBCO where our mission is to protect small businesses and nonprofits from harmful regulations and champion policies that allow them to grow and thrive.

HB 312 is a perfect example of a policy that, if enacted, would allow small businesses to grow. This legislation would allow startups and other small businesses to raise up to \$5 million in intrastate equity crowdfunding. I understand that to many, crowdfunding is an unfamiliar topic and as a result could cause apprehension. However, certain types of crowdfunding have been around since the early 2000's. Crowdfunding has become essential for many startups and small businesses that do not qualify for traditional lending or wish to use it as a supplement to other forms or capital.

More than thirty-five other states have passed legislation similar to HB 312. The surge of states adopting intrastate equity crowdfunding laws began between 2012 and 2014, after Congress passed the JOBS (Jumpstart Our Business Startup) Act. The JOBS Act had various phases including a provision that gives states the ability to allow intrastate equity crowdfunding under more lenient laws, of which I will outline in just a few moments. Until Ohio passes a bill, our small businesses will not be able to take advantage of the provisions and exemptions included in the federal legislation.

Let me briefly walk you through what a typical crowdfunding campaign (offering) would look like under the bill. First, a small business or startup (offeror) decides they wish to raise capital and get connected with an intermediary. Second, the intermediary, also referred to as a portal operator, agrees to place the offering on their online portal. Third, both the offeror and portal operator begin marketing the offering to potential investors. Fourth, the portal begins accepting investment dollars from investors and holds it in escrow until the offering expires, a duration of twelve months. Fifth, after twelve months, if the crowdfunding campaign reaches its goal, the money is distributed to the business. If the campaign fails to meet the initial goal, the funds are returned to the investors.

Key provisions of HB 312:

- Saves businesses (offerors) money by allowing them to bypass costly and timely Securities and Exchange Commission (SEC) registrations and filings
- Removes the requirement that an investor be an “accredited investor”, meaning they do not have to meet the SEC requirements of \$200k in annual income and \$1 million in net worth
- The issuer must use at least 80% of the proceeds in the state of Ohio, thus not letting Ohioan’s money leave the state
- Investors must be Ohio residents, thus the basis for the term “Ohioinvests”
- Limits investor risk by capping the total investment at \$10,000 per year
- Each portal operator/intermediary must register with the Ohio Division of Securities and indicate they have not been convicted of a securities related felony or misdemeanor within the past ten years
- Provides civil and criminal penalties for those who conduct fraudulent, deceptive and manipulative acts

As you can see, HB 312 is a good balance of pro-business and pro-consumer protection policies.

To date, there have been no opponents of the bill and it was passed unanimously out of the House Financial Institutions committee and the House.

Chairman Dolan, thank you again for allowing me to testify in support of House Bill 312. I am happy to answer any questions that you or members of the committee may have at this time.