

As Reported by the House Technology and Innovation Committee

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Sub. H. B. No. 505

Representatives Odioso, Abrams

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To enact sections 1716.30, 1716.301, 1716.302, 1
1716.303, 1716.304, 1716.305, 1716.306, 2
1716.307, 1716.308, and 1716.309 of the Revised 3
Code to prohibit the use of funds collected 4
through crowdfunding for fraudulent or 5
misleading purposes and to require crowdfunding 6
platforms to register with the Attorney General. 7

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF OHIO:

Section 1. That sections 1716.30, 1716.301, 1716.302, 8
1716.303, 1716.304, 1716.305, 1716.306, 1716.307, 1716.308, and 9
1716.309 of the Revised Code be enacted to read as follows: 10

Sec. 1716.30. As used in sections 1716.30 to 1716.309 of 11
the Revised Code: 12

(A) "Crowdfunding" means the practice of obtaining funding 13
by soliciting and receiving donated funds or virtual currency 14
from individuals, organizations, or companies for a 15
noncommercial purpose described in the solicitation. 16

"Crowdfunding" does not include any of the following: 17

(1) The practice of obtaining funding by soliciting funds 18
in exchange for a stake, share, or partial ownership in any 19
company, organization, real or personal property, or other 20

<u>financial asset;</u>	21
<u>(2) The practice of obtaining funding by soliciting funds</u>	22
<u>in exchange for participation in any transaction conducted under</u>	23
<u>Chapter 1308., 1309., or 1321. of the Revised Code;</u>	24
<u>(3) The practice of obtaining funding by soliciting funds</u>	25
<u>to develop a product or service, or in exchange for future</u>	26
<u>delivery of, or access to, that product or service;</u>	27
<u>(4) The practice of soliciting or obtaining funds for the</u>	28
<u>benefit of a political campaign, political candidate, or</u>	29
<u>political action committee;</u>	30
<u>(5) The practice of soliciting or obtaining funds for the</u>	31
<u>benefit of a charitable organization or charitable purpose.</u>	32
<u>(B) "Crowdfunding organizer" means any individual or</u>	33
<u>entity that conducts a crowdfunding solicitation.</u>	34
<u>(C) "Crowdfunding platform" means any publicly available</u>	35
<u>web site, software application, or online service specifically</u>	36
<u>designed or offered for use by a crowdfunding organizer to</u>	37
<u>solicit or receive donated funds.</u>	38
<u>Sec. 1716.301. Every crowdfunding platform shall include</u>	39
<u>in its terms of service a prohibition against crowdfunding</u>	40
<u>organizers using funds raised via crowdfunding for either of the</u>	41
<u>following:</u>	42
<u>(A) Promoting or supporting an offense of violence, as</u>	43
<u>defined by section 2901.01 of the Revised Code;</u>	44
<u>(B) An act prohibited by the laws of this state.</u>	45
<u>Sec. 1716.302. (A) A crowdfunding platform shall terminate</u>	46
<u>a campaign for a violation under section 1716.301 of the Revised</u>	47

Code. 48

(B) If a crowdfunding platform terminates a campaign for a 49
violation of section 1716.301 of the Revised Code, the 50
crowdfunding organizer or beneficiary, as applicable, shall 51
return any withdrawn funds to the payment service provider. 52

(C) A crowdfunding platform shall use commercially 53
reasonable efforts to facilitate the refund of the funds as 54
described in division (B) of this section, including by 55
providing operational support to the crowdfunding organizer or 56
beneficiary to refund such funds to donors in amounts equal to 57
the donors' respective donations. 58

Sec. 1716.303. Crowdfunding platforms shall keep complete 59
and accurate records of all facts and circumstances surrounding 60
the fundraising and disposition of those funds and virtual 61
currency for at least three years. 62

Sec. 1716.304. On or before the thirty-first day of 63
January each year and beginning in the second calendar year 64
following the effective date of this section, every crowdfunding 65
platform operating in this state shall submit to the charitable 66
law section of the office of the attorney general a report that 67
contains all of the following information with respect to the 68
prior calendar year: 69

(A) The number of crowdfunding campaigns that were created 70
by an individual in this state and that raised over ten thousand 71
dollars through the platform; 72

(B) The total dollar amount donated for all such 73
crowdfunding campaigns; 74

(C) The total dollar amount withdrawn for use by all 75
crowdfunding campaigns; 76

<u>(D) The number of crowdfunding campaigns terminated by the</u>	77
<u>crowdfunding platform for noncompliance with the requirements of</u>	78
<u>section 1716.301 of the Revised Code;</u>	79
<u>(E) The reason for which each crowdfunding campaign was</u>	80
<u>terminated by the crowdfunding platform;</u>	81
<u>(F) The total dollar amount refunded to donors for</u>	82
<u>terminated crowdfunding campaigns.</u>	83
Sec. 1716.305. <u>(A) No crowdfunding platform shall engage</u>	84
<u>in any crowdfunding unless it has complied with the requirements</u>	85
<u>of sections 1716.30 to 1716.309 of the Revised Code and any</u>	86
<u>rules adopted in accordance with those sections.</u>	87
<u>(B) (1) Every crowdfunding platform, before facilitating</u>	88
<u>any crowdfunding on and after the effective date of this</u>	89
<u>section, shall register with the attorney general.</u>	90
<u>(2) Applications for registration or renewal of</u>	91
<u>registration shall be in writing, under oath, and in the form</u>	92
<u>prescribed by the attorney general.</u>	93
<u>(3) (a) Each application shall be accompanied by a fee in</u>	94
<u>the amount of five thousand dollars.</u>	95
<u>(b) (i) Any corporation, partnership, association, or other</u>	96
<u>entity that intends to act as a crowdfunding platform may</u>	97
<u>register for and pay a single fee of five thousand dollars on</u>	98
<u>behalf of all its members, officers, employees, and agents.</u>	99
<u>(ii) In that case, except as provided in section 1716.306</u>	100
<u>of the Revised Code, the names and addresses of all the</u>	101
<u>corporate officers of the crowdfunding platform shall be listed</u>	102
<u>in the application or furnished to the attorney general.</u>	103
<u>(4) The application shall contain any other information</u>	104

that the attorney general may require. 105

(C) The registration shall be for a period of one year or 106
part of one year and expires on the thirty-first day of March 107
each year. Upon application and payment of the fee specified in 108
this section, the registration may be renewed for additional 109
one-year periods. 110

(D) All fees prescribed in this section shall be paid into 111
the state treasury to the credit of the charitable law fund 112
established under section 109.32 of the Revised Code. 113

Sec. 1716.306. The attorney general may exchange any 114
information with respect to crowdfunding organizers or 115
crowdfunding platforms with the appropriate authority of any 116
other state or of the United States. The attorney general may 117
accept any information filed by a crowdfunding platform with the 118
appropriate authority of another state or of the United States 119
in lieu of the information that the crowdfunding platform is 120
required to file pursuant to sections 1716.30 to 1716.309 of the 121
Revised Code if the information substantially meets all of the 122
requirements of sections 1716.30 to 1716.309 of the Revised 123
Code. 124

Sec. 1716.307. The attorney general may adopt such 125
reasonable rules pursuant to Chapter 119. of the Revised Code as 126
may be necessary to implement sections 1716.30 to 1716.309 of 127
the Revised Code. 128

Sec. 1716.308. (A) If, by the attorney general's own 129
inquiries or as a result of complaints, the attorney general has 130
reasonable cause to believe that a crowdfunding platform has 131
violated section 1716.301 of the Revised Code or has failed to 132
comply with section 1716.302 or 1716.305 of the Revised Code, 133

the attorney general may investigate. 134

(B) In any investigation conducted pursuant to this 135
section, the attorney general may administer oaths, subpoena 136
witnesses, adduce evidence, and subpoena the production of any 137
book, document, record, or other relevant matter. 138

(C) If the attorney general under division (B) of this 139
section subpoenas the production of any relevant matter that is 140
located outside this state, the attorney general may designate a 141
representative, including an official of the state in which that 142
relevant matter is located, to inspect the relevant matter on 143
the attorney general's behalf. The attorney general may carry 144
out similar requests received from officials of other states. 145

(D) Any person who is subpoenaed to produce relevant 146
matter pursuant to division (B) of this section shall make that 147
relevant matter available at a convenient location within this 148
state or the state of the representative designated under 149
division (C) of this section. 150

(E) Any person who is subpoenaed as a witness or to 151
produce relevant matter pursuant to division (B) of this section 152
may file in the court of common pleas of Franklin county, the 153
county in this state in which the person resides, or the county 154
in this state in which the person's principal place of business 155
is located a petition to extend for good cause shown the date on 156
which the subpoena is to be returned or to modify or quash for 157
good cause shown that subpoena. The person may file the petition 158
at any time prior to the date specified for the return of the 159
subpoena or within twenty days after the service of the 160
subpoena, whichever is earlier. 161

(F) Any person who is subpoenaed as a witness or to 162

produce relevant matter pursuant to division (B) of this section 163
shall comply with the terms of the subpoena unless the court 164
orders otherwise prior to the date specified for the return of 165
the subpoena or, if applicable, that date as extended. If a 166
person fails without lawful excuse to obey a subpoena, the 167
attorney general may apply to the court of common pleas for an 168
order that does one or more of the following: 169

(1) Compels the requested discovery; 170

(2) Adjudges the person in contempt of court; 171

(3) Grants injunctive relief to restrain the person from 172
failing to comply with section 1716.301 of the Revised Code; 173

(4) Grants other relief that may be required until the 174
person obeys the subpoena. 175

Sec. 1716.309. (A) The attorney general shall impose on a 176
crowdfunding platform an administrative penalty of ten thousand 177
dollars for each time the platform violates section 1716.301 of 178
the Revised Code. 179

(B) The attorney general may bring a civil action in a 180
court of common pleas for appropriate relief under this section, 181
including a temporary restraining order and preliminary or 182
permanent injunction, for violations of section 1716.301 of the 183
Revised Code. If a crowdfunding platform has violated that 184
section more than once in a two-year period, the attorney 185
general may seek a civil penalty of ten thousand dollars per 186
violation in addition to the administrative penalties imposed by 187
division (A) of this section. 188

(C) The attorney general may bring a civil action in a 189
court of common pleas for appropriate relief under this section, 190
including a temporary restraining order, preliminary or 191

permanent injunction, and a civil penalty of up to ten thousand 192
dollars for failure to comply with section 1716.305 of the 193
Revised Code. 194

(D) Any penalty collected that was imposed under this 195
section shall be paid into the state treasury to the credit of 196
the charitable law fund established under section 109.32 of the 197
Revised Code. 198