

December 5, 2016

Ohio Small Business Council Backs Crowdfunding Bill

Last Tuesday in the House Financial Institutions, Housing and Urban Development Committee, the Ohio Chamber's Small Business Council (OSBC) [testified in support](#) of House Bill 593, legislation that would permit intrastate equity crowdfunding in Ohio. The bill permits Ohioans to invest online in start-ups or other small businesses which operate within the state.

Crowdfunding gives Ohio businesses an additional option from which to access a new stream of capital financing. Oftentimes, start-ups and small businesses are not able to qualify for traditional bank loans or government grants. And, although many existing small businesses may not have utilized crowdfunding during their infancy, it is important that business owners not downplay the potential that a new form of capital can hold. Currently, 32 states already permit intrastate crowdfunding, with a handful of others also considering similar legislation.

Equity crowdfunding is already regulated at both the state and federal level. However, HB 593 would trigger an exemption from federal SEC registration requirements. Under the bill, the securities likewise would not have to be registered with the state, however, the Division of Securities within the Ohio Department of Commerce would retain regulatory authority. Startups and existing small businesses that wish to offer and issue crowdfunding equities must first pay a \$300 filing fee to become an "OhioInvests" issuer. Subsequently, the sale of the securities would be coordinated through online OhioInvests portals.

An OhioInvests offering must meet all of the following conditions:

- The offer must expire within 12 months;
- It must not raise more than \$5 million within 12 months, for any of the OhioInvests offerings;
- At least 80 percent of the offering's net proceeds must be used in connection with its Ohio business operations; and
- All investment dollars collected must be held in escrow until the aggregate capital from all investors is equal to or greater than the stated minimum offering amount.

Although HB 593 is not likely to pass by the time lawmakers wrap up their business for the year, it is legislation that is expected to be given more serious consideration next year.

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