



CONNECT DISCOVER GROW  
AUGUST 19-22, 2014

**Crowdfunding: Simplifying the Investment Process**  
**Communications, Financial Services & Interstate Commerce Committee**  
**Tuesday, Aug. 19, 2014**  
**3:00 p.m. – 4:00 p.m.**

**2014 Legislation on Crowdfunding Securities Exemptions**  
*Enactments noted in italics*

**Alabama**

S.B. 44

*Signed by governor 4/9/14, Act 376*

<http://alisondb.legislature.state.al.us/acas/ACASLoginIE.asp?SESSION=1062>

Provides an exception to regulations of the Securities Commission for offerings of securities conducted solely in the state to residents of the state in which the issuer is a nonprofit or business cooperative with its principal place of business in the state and registered with the secretary of state and meets federal exemption requirements for intrastate offerings; limits the sum of cash and other considerations; requires all funds to be deposited in a bank authorized to do business in the state.

**Alaska**

H.B. 303

<http://www.legis.state.ak.us/PDF/28/Bills/HB0303A.PDF>

Establishes an exemption for the sale and offering of certain securities.

**California**

A.B. 2096

*Passed Assembly 5/19/14*

[http://www.leginfo.ca.gov/pub/13-14/bill/asm/ab\\_2051-2100/ab\\_2096\\_bill\\_20140804\\_amended\\_sen\\_v94.pdf](http://www.leginfo.ca.gov/pub/13-14/bill/asm/ab_2051-2100/ab_2096_bill_20140804_amended_sen_v94.pdf)

Existing law, the Corporate Securities Law of 1968, requires certain securities offered or sold in this state to be qualified through application filed with the commissioner of Business Oversight, or to be exempt from the qualification requirements. Existing law exempts from qualification, offers and sales of securities in specified transactions. Existing law imposes liability for specified damages on a person who offers or sells a security if the sale is not qualified, violates a condition of qualification under the act, or violates an order suspending trading issued by the commissioner. This bill exempts from qualification any offer or sale of a security, if, among other requirements, the offering meets the requirements for a federal exemption for limited offerings and sales of securities not exceeding \$1,000,000, and the aggregate amount of securities sold to any investor by the issuer does not exceed certain amounts within a 12-month time period. This bill requires a court to award attorney's fees and costs to a prevailing purchaser in an action

brought against a person who makes a sale in violation of the qualification provisions prescribed in the bill, and authorizes the court to award treble or punitive damages.

### **Connecticut**

H.B. 5577

*Passed House 5/6/14*

<http://www.cga.ct.gov/2014/TOB/H/2014HB-05577-R02-HB.htm>

Requires the Banking commissioner to study crowdfunding legislation in other states and provide recommendations for the implementation of such legislation in Connecticut.

### **Florida**

H.B. 1299

*Died in committee 5/2/14*

<http://www.flsenate.gov/Session/Bill/2014/1299/BillText/Filed/PDF>

Exempts certain funding portals from registration requirements relating to offer or sale of certain securities; exempts certain offers and sales of securities and certain individuals from specified registration requirements; prohibits use of specified exemptions from registration requirements in conjunction with another exemption from registration requirements; provides exceptions.

S.B. 1596

*Died in committee 5/2/14*

<http://www.flsenate.gov/Session/Bill/2014/1596/BillText/Filed/PDF>

Exempts certain funding portals from registration requirements relating to the offer or sale of certain securities; creates the "Crowdfinance Act"; exempts certain offers and sales of securities and certain individuals from specified registration requirements; prohibits the use of specified exemptions from registration requirements in conjunction with another exemption from registration requirements.

### **Indiana**

H.B. 1390

<http://iga.in.gov/legislative/2014/bills/house/1390/>

Exempts crowdfunding that meets requirements of law from other state securities laws.

S.B. 375

*Signed by governor 3/25/14, Public Law 106*

<http://iga.in.gov/legislative/2014/bills/senate/375/>

Specifies that the following are not securities subject to IC 23: (1) A venture capital investment tax credit. (2) A certificate from the Indiana economic development corporation indicating that a taxpayer has fulfilled the requirements of the corporation and is entitled to a venture capital investment tax credit. Defines "accredited investor" for the purposes of the Uniform Securities Act. Adds exemptions to the Uniform Securities Act for certain transactions.

## Maine

L.D. 1512

*Became law without governor's signature 3/2/14, Public Chapter 452*

<http://www.mainelegislature.org/legis/bills/getPDF.asp?paper=SP0568&item=3&snum=126>

Promotes and encourages the growth of small businesses by facilitating the ability of a business to raise capital by selling small amounts of securities to a wider pool of small investors with fewer restrictions; provides for a short form registration statement for certain securities.

## Maryland

H.B. 1243

*Signed by governor 5/15/14, Chapter 558*

[http://mgaleg.maryland.gov/2014RS/chapters\\_noln/Ch\\_558\\_hb1243T.pdf](http://mgaleg.maryland.gov/2014RS/chapters_noln/Ch_558_hb1243T.pdf)

S.B. 811

*Signed by governor 5/15/14, Chapter 557*

[http://mgaleg.maryland.gov/2014RS/chapters\\_noln/Ch\\_557\\_sb0811T.pdf](http://mgaleg.maryland.gov/2014RS/chapters_noln/Ch_557_sb0811T.pdf)

Exempts a specified security issued by an entity formed, organized, or existing under the laws of the state from specified registration and filing requirements under specified circumstances; and requires a person required to submit a filing in accordance with a specified exemption to pay a specified fee for each filing.

H.B. 1365

<http://mgaleg.maryland.gov/2014RS/bills/hb/hb1365F.pdf>

Exempts a specified security issued to a resident of the state by a specified business entity from specified registration and filing requirements under specified circumstances; exempts a specified Web site that is used to facilitate the sale of a specified security from specified registration and filing requirements under specified circumstances; requires the Division of Securities within the Office of the Attorney General to inspect and review specified Web sites under specified circumstances.

## Michigan

H.B. 5273

*Passed House 5/22/14*

<http://www.legislature.mi.gov/documents/2013-2014/billengrossed/House/pdf/2014-HEBH-5273.pdf>

Relates to the issuance, offer, sale and purchase of securities; prohibits fraudulent practices relating to securities; establishes civil and criminal sanctions; requires the registration of broker-dealers, agents, investment advisers, and securities; regulates Michigan investment markets.

H.B. 5429

<http://www.legislature.mi.gov/documents/2013-2014/billintroduced/House/htm/2014-HIB-5429.htm>

Revises requirements in escrow of purchaser funds in intrastate offering.

## Mississippi

S.B. 2685

*Died in committee 2/11/14*

<http://billstatus.ls.state.ms.us/documents/2014/html/SB/2600-2699/SB2685CS.htm>

Amends §75-71-202 to exempt certain small securities offerings from securities registration requirements; creates new §75-17-202.1 to create the Invest Mississippi exemption to allow equity crowdfunding for certain small security offerings; requires certain disclosures to investors; requires periodic reporting to investors; authorizes the secretary of state to adopt rules to implement the provisions of this act and to protect investors who purchase securities under this act; establishes a filing fee to pay the costs incurred in administering the act.

## Missouri

H.B. 1736

<http://www.house.mo.gov/billtracking/bills141/billpdf/intro/HB1736I.PDF>

This bill provides for an exemption on the offer or sale of a security by an issuer from the requirements of §§409.3-101 - 409.3-106 and §409.5-504 RSMo, and exempts the issuer's agent from the requirements of subsection (a) of §409.4-402 if the offer or sale: (1) Requires the issuer to be a business or organization formed under Missouri law and registered with the secretary of state; (2) Requires the transaction to meet federal intrastate offerings exemption requirements; (3) Allows for up to \$1 million in new capital be raised, less the total amount from securities sold within the previous 12 months in order to claim the exemption for the current offering; (4) Limits investments to \$1,000 per person in equity or debt securities unless the person qualifies as an accredited investor as defined by Rule 501 of federal Regulation; (5) Prohibits commissions or other remuneration from being paid for the offer or sale of securities unless the person is registered as a broker-dealer or agent; (6) Requires all investor funds be deposited into a bank or depository institution authorized to do business in Missouri, and the funds be used as disclosed; (7) Requires issuers to provide notice in writing or electronic form with the Missouri Securities Commission before any advertising or general solicitation of investors occurs, or before the 25<sup>th</sup> sale, whichever occurs first. The notice must contain the names and addresses of the issuer, all persons involved in the offer or sale of the securities, and the bank or other depository institution where funds will be deposited; and (8) Requires issuers to inform all purchasers that the securities have not been registered and, therefore, cannot be resold unless the securities are registered or qualify for an exemption from registration.

## New Jersey

A.B. 2073

[http://www.njleg.state.nj.us/2014/Bills/A2500/2073\\_U1.HTM](http://www.njleg.state.nj.us/2014/Bills/A2500/2073_U1.HTM)

Exempts certain offers and sales of securities from registration.

S.B. 712

[http://www.njleg.state.nj.us/2014/Bills/S1000/712\\_II.HTM](http://www.njleg.state.nj.us/2014/Bills/S1000/712_II.HTM)

Provides certain issuers of securities with exemption from registration.

## New Mexico

H.M. 85

<http://www.nmlegis.gov/Sessions/14%20Regular/memorials/house/HM085.pdf>

Requests the Economic Development Department to study and identify potential benefits to the state from crowdfunding provisions of the federal Jumpstart Our Business Startups Act.

## North Carolina

H.B. 680

*Passed House 6/20/14*

<http://www.ncga.state.nc.us/Sessions/2013/Bills/House/PDF/H680v4.pdf>

Enacts the Jump-Start Our Business Start-Ups Act and enacts the New Markets Jobs Act of 2014.

H.B. 1224

*To conference committee 7/31/14*

<http://www.ncga.state.nc.us/Sessions/2013/Bills/House/PDF/H1224v4.pdf>

Limits the total local government sales and use tax rate to two and one-half percent; gives counties the flexibility to use up to one-half percent of the local sales and use tax for public transportation, for public education, for general purposes, or for a combination thereof; and makes various changes to tax and economic development laws.

S.B. 734

*To conference committee 7/31/14*

<http://www.ncga.state.nc.us/Sessions/2013/Bills/Senate/PDF/S734v6.pdf>

Creates the Invest NC exemption.

## Pennsylvania

S.B. 1045

*Signed by governor 6/10/14, Act 52*

<http://www.legis.state.pa.us/cfdocs/legis/li/uconsCheck.cfm?yr=2014&sessInd=0&act=52>

Amends the act of December 5, 1972 (P.L.1280, No.284), known as the Pennsylvania Securities Act of 1972, makes extensive substantive and editorial changes; further provides for definitions, exempt securities, exempt transactions, required documents for registration statements, rules for filing federally covered securities, exemptions from registration provisions, powers for the Department of Banking and Securities, administration of the act, increases assessments, methods of payment of funds and requirements for administrative proceedings under the act; makes a repeal; and establishes a restricted account in the General Fund.

## South Carolina

H.B. 4799

[http://www.scstatehouse.gov/sess120\\_2013-2014/bills/4799.htm](http://www.scstatehouse.gov/sess120_2013-2014/bills/4799.htm)

Adds Article 10 to Chapter 6, Title 12 so as to enact the "South Carolina Small Business Tax Incentives Act", allows various income tax deductions and credits for resident taxpayers for investment in qualified businesses in this state and allows a jobs tax credit and an additional tax credit for qualified research expenses for such businesses; amends §35-1-202, relating to transactions which are exempt from the requirements of specific provisions of securities law including registration requirements, so as to exempt any offer or sale of a security by an issuer if

the offer or sale is conducted in accordance with §35-1-205; and adds §35-1-205 so as to authorize certain qualified companies in this state to solicit investments from qualified resident investors in this state in order to enable them to raise money on an intrastate basis.

## Tennessee

H.B. 1684

*Substituted 4/16/14*

<http://www.capitol.tn.gov/Bills/108/Bill/HB1684.pdf>

S.B. 1481

*Signed by governor 5/19/14, Public Chapter 943*

<http://state.tn.us/sos/acts/108/pub/pc0943.pdf>

Creates the "Invest Tennessee Exemption" permitting the intra-state sale of certain securities that do not exceed \$1 million.

H.B. 1722

<http://www.capitol.tn.gov/Bills/108/Bill/HB1722.pdf>

S.B. 2099

<http://www.capitol.tn.gov/Bills/108/Bill/SB2099.pdf>

Enacts the "Tennessee Investment Exemption Act."

H.B. 2363

<http://www.capitol.tn.gov/Bills/108/Bill/HB2363.pdf>

S.B. 2440

<http://www.capitol.tn.gov/Bills/108/Bill/SB2440.pdf>

Creates the "Invest Tennessee Exemption" that exempts a limited intra-state sale of securities totaling less than \$500,000 from existing securities law and allows sellers of such securities to receive a commission.

## Utah

H.B. 142

*Enacting clause struck 3/13/14*

<http://le.utah.gov/~2014/bills/static/HB0142.html>

This bill: modifies a transaction exemption from certain registration and sales literature requirements; and makes technical changes.

## Vermont

S.B. 220

*Signed by governor 6/24/14, Act 199*

<http://www.leg.state.vt.us/docs/2014/Acts/ACT199.pdf>

Requires the Department of Financial Regulation to study the opportunities and limitations for crowdfunding to increase access to capital for Vermont's small businesses. On or before January 15, 2015, the Department shall report its findings and recommendations to the House Committee on Commerce and Economic Development and the Senate Committee on Economic Development, Housing and General Affairs.

## Virginia

H.B. 880

<http://leg1.state.va.us/cgi-bin/legp504.exe?141+ful+HB880>

Creates an exemption from the securities, broker-dealer, and agent registration requirements of the Securities Act for an offer or sale of a security by an issuer, or an individual who represents an issuer in an offer or sale, if (i) the issuer of the security is a for-profit business entity formed under the laws of the commonwealth; (ii) the transaction meets the requirements of the federal exemption for intrastate offerings in section 3(a)(11) of the Securities Act of 1933, 15 U.S.C. §77c(a)(11), and 17 C.F.R. §230.147; (iii) the sum of all cash and other consideration to be received for all sales of the security in reliance upon this exemption does not exceed \$1 million, less the aggregate amount received for all sales of securities by the issuer within the 12 months preceding the first offer or sale made in reliance upon this exemption; (iv) the issuer does not accept more than \$10,000 from any single purchaser unless the purchaser is an accredited investor as defined by 17 C.F.R. §230.501; (v) all funds received from investors are required to be deposited into a bank or depository institution authorized to do business in the commonwealth and used in accordance with representations made to investors; (vi) the issuer files a notice with the State Corporation Commission specifying that the issuer is conducting an offering in reliance upon this exemption and containing the names and addresses of the issuer, all persons who will be involved in the offer or sale of securities on behalf of the issuer, and the bank or other depository institution in which investor funds will be deposited; (vii) the issuer shall not be an investment company or subject to certain reporting requirements of the Securities Exchange Act of 1934; and (viii) the issuer informs all purchasers that the securities have not been registered and are subject to limitations on resales.

S.B. 351

<http://leg1.state.va.us/cgi-bin/legp504.exe?141+ful+SB351S1>

Creates an exemption from the securities, broker-dealer, and agent registration requirements of the Securities Act for an offer or sale of a security by an issuer, or an individual who represents an issuer in an offer or sale, if (i) the issuer of the security is a for-profit business entity formed under the laws of the commonwealth; (ii) the transaction meets the requirements of the federal exemption for intrastate offerings in section 3(a)(11) of the Securities Act of 1933, 15 U.S.C. §77c(a)(11), and 17 C.F.R. §230.147; (iii) the sum of all cash and other consideration to be received for all sales of the security in reliance upon this exemption does not exceed \$1 million, less the aggregate amount received for all sales of securities by the issuer within the 12 months preceding the first offer or sale made in reliance upon this exemption; (iv) the issuer does not accept more than \$10,000 from any single purchaser unless the purchaser is an accredited investor as defined by 17 C.F.R. §230.501; (v) all funds received from investors are required to be deposited into a bank or depository institution authorized to do business in the Commonwealth and used in accordance with representations made to investors; (vi) the issuer files a notice with the State Corporation Commission specifying that the issuer is conducting an offering in reliance upon this exemption and containing the names and addresses of the issuer, all persons who will be involved in the offer or sale of securities on behalf of the issuer, and the bank or other depository institution in which investor funds will be deposited; (vii) the issuer shall not be an investment company or subject to certain reporting requirements of the Securities Exchange Act of 1934; and (viii) the issuer informs all purchasers that the securities have not been registered and are subject to limitations on resales.



## Washington

H.B. 2023

*Signed by governor 3/28/14, Chapter 144*

<http://apps.leg.wa.gov/documents/billdocs/2013-14/Pdf/Bills/Session%20Laws/House/2023-S.SL.pdf>

Exempts certain small securities offerings from registration under the State Securities Act if first filed with and declared exempt by the State Department of Financial Institutions; authorizes local associate development organizations and port districts to assist those filing for exemption during the filing and offering; grants rulemaking authority to the Department to govern the exempted offerings.

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