

FINAL BILL REPORT

HB 1593

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Synopsis as Enacted

Brief Description: Simplifying small securities offerings.

Sponsors: Representatives Vick and Kirby.

House Committee on Business & Financial Services
Senate Committee on Financial Institutions & Insurance

Background:

The Securities Act of Washington (Act), operating as a supplement to federal law, requires registration of securities offerings and certain persons and businesses engaged in securities transactions. The Act also creates penalties for false or misleading filings. Certain securities offerings, transactions, and persons are exempt from registration.

Under the Act, the Department of Financial Institutions (DFI) is responsible for the regulation of the purchase and sale of securities in Washington. Additionally, the DFI manages securities registration, investigation, and enforcement of violations of the Act.

The Act includes a small securities registration exemption if certain qualifications are met, including:

- the offering is first declared exempt by the DFI after the filing;
- the issuer is a Washington entity and each investor is a Washington resident;
- the maximum for securities sold by any issuer does not exceed \$1 million during any 12-month period; and
- the investor acknowledges the investment is high risk.

The issuer must prepare a quarterly report and make it available on the issuer's public website. This report must include a summary of the compensation paid to the issuer's officers and directors and a brief analysis of the business operations and financial condition.

Shareholders are prohibited from transferring their shares for a period of one year, unless the shares are transferred back to the issuer, the shares are transferred to an accredited investor, the transfer is part of a registered offering, or the transfer is to a family member in connection with death, divorce, or other similar circumstances.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

A portal may work with the issuer, in collaboration with the DFI, to assist with the application. A qualified portal may be an Associate Development Organizations (ADO) or a port district. An ADO, defined as "a local economic development nonprofit corporation that is broadly representative of community interests," often called an "economic development council," is designated by a county and contracts with the Department of Commerce. Port districts are municipal entities authorized by the Washington Constitution to foster industrial development and trade promotion.

Summary:

Small securities offerings may include any type of equity or convertible debt security and may be conducted under any applicable exemption from registration under the federal Securities Act.

The portal assistance process is removed.

The issuer's company may be organized in any state, and investors are not required to be residents of Washington.

The issuer is required to send its shareholders an annual report. The issuer may post the report on its website, but is not required to do so.

Accredited investors, as defined by the federal Securities Act, are not included in the annual sales limitation.

Votes on Final Passage:

House	95	2
Senate	49	0

Effective: July 23, 2017