

## State Corporation Commission 2015 Fiscal Impact Statement

**1. Bill Number:** SB1207

<b>House of Origin</b>	<input checked="" type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
<b>Second House</b>	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

**2. Patron:** Wagner

**3. Committee:** Commerce and Labor

**4. Title:** Securities Act; Crowdfunding Virginia Exemption.

**5. Summary:** Securities Act; Crowdfunding Virginia Exemption. 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 § 3(a)(11) of the Securities Act of 1933 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 the 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 (SCC) 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 is not 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. The exemption shall not be available if the issuer or related person has committed specified acts, including having sold or permitted the sale through an Internet website of a security to an investor who is not a resident of the Commonwealth. The SCC shall charge a filing fee of \$250 per filing, which may be increased to an amount not to exceed \$500 per filing as necessary to defray the costs of administering the exemption. The measure will expire on July 1, 2020.

**6. Budget Amendment Necessary:** No

**7. Fiscal Impact Estimates:** Preliminary

**Expenditure Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2015			
2016	\$68, 549	1	206
2017	\$58, 549	1	206
2018	\$62,724	1	206
2019	\$62,724	1	206
2020	\$62,724	1	206
2021	\$62,724	1	206

- 8. Fiscal Implications:** The State Corporation Commission will need to budget one associate auditor position to be hired in FY 2016. Salary plus benefits are estimated to be \$58,549 plus \$10,000 for training and office equipment. Within two years of employment an associate is expected to be reallocated to auditor with salary plus benefits of \$62,724.

**9. Specific Agency or Political Subdivisions Affected:**

Securities and Retail Franchising Division of the State Corporation Commission

- 10. Technical Amendment Necessary:** On line 42, the word “Commissioner” needs to be changed to “Commission.”

- 11. Other Comments:** The bill does not specify the form of notice to the SCC. The bill should provide that the State Corporation Commission specify by rule or order the form for notice that may be filed in writing or electronically. This bill is identical to House Bill 1360.

RWT, January 15, 2015