

**UPDATED SUMMARY
HOUSE BILL 15-1246**

First Regular Session - Seventieth Colorado General Assembly

This summary applies to the reengrossed version of this bill as introduced in the second house. It does not reflect any amendments that may be subsequently adopted. This summary reflects only the main points of the legislation.

Current securities law restricts businesses' ability to raise capital through crowdfunding, which is the raising of money on-line through small contributions from a large number of investors. The bill enacts the "Colorado Crowdfunding Act" to facilitate crowdfunding by authorizing on-line intermediaries to match a Colorado investor with a Colorado business that wishes to sell securities (an "issuer") pursuant to a simplified regulatory regime, including the following:

- ! During any 12-month period:
 - ! The aggregate amount sold to any single investor cannot exceed \$5,000 unless the investor is an "accredited investor" as defined by the federal securities and exchange commission; and
 - ! The sum of all consideration paid for an issuer's securities cannot exceed \$1 million unless the issuer submits audited financial statements to the securities commissioner, in which case the cap is \$2 million;
- ! Issuers must:
 - ! Inform investors, in plain, nontechnical language, that the securities have not been registered pursuant to federal or state securities law and that the securities are subject to limitations on resale, and the investor must acknowledge the risks associated with the purchase; and
 - ! Provide a free quarterly report to investors that includes an analysis of the business operations and financial condition of the issuer and compensation to officers and directors, which report can simply be posted on the on-line intermediary's web site;
- ! On-line intermediaries cannot offer investment advice or handle investor funds or securities, and must:
 - ! Maintain records of securities transactions, which are subject to inspection by the division of securities; and
 - ! Be compensated only by a fixed amount for each offering, a variable amount based on the length of time that the securities are offered by the on-line intermediary, or a combination of the fixed and variable amounts.

Crowdfunding cannot begin until the securities commissioner adopts rules to implement the Act.

Italicized words indicate new material added to the original summary; dashes through words indicate deletions from the original summary.
Prepared by the Office of Legislative Legal Services.