



OHIO LEGISLATIVE SERVICE COMMISSION

Sub. Bill Comparative Synopsis

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H.B. 10

132nd General Assembly

(H. Financial Institutions, Housing, and Urban Development)

This table summarizes how the latest substitute version of the bill differs from the immediately preceding version. It addresses only the topics on which the two versions differ substantively. It does not list topics on which the two bills are substantively the same.

Topic	Previous Version (As Introduced)	Sub. Version (L-132-0053-2)
Definition of "OhioInvests issuer"	<p>Defines "OhioInvests issuer" as an entity organized in Ohio, other than a general partnership, that satisfies the requirements of federal exemption for intrastate offerings and meets <i>all</i> of the following conditions:</p> <p>(1) The principal office is in Ohio;</p> <p>(2) As of the last day of the most recent semiannual fiscal period, at least 80%, or other threshold permitted under federal regulations, of the entity's assets were located in Ohio;</p> <p>(3) The entity derived at least 80%, or other threshold permitted under federal regulations of its gross revenues from the operation of a business in Ohio during the previous fiscal year (does not apply to when gross revenue during</p>	<p>Similar, except only needs to satisfy <i>one</i> of the listed conditions.</p> <p>Same.</p> <p>Same, but at least 80% as described in the federal regulations (<i>R.C. 1707.05(A)(2)</i>).</p> <p>Same.</p>

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	<p>the most recent period of 12 months did not exceed \$5,000);</p> <p>(4) The entity does not attempt to limit its liability, or the liability of any other person, for fraud or intentional misrepresentation in connection with the offering of its securities in an OhioInvests offering;</p> <p>(5) The entity is not engaged in the business of investing, reinvesting, owning, holding, or trading in securities, except that it may hold securities of one class in an entity that is not itself engaged in the business of investing, reinvesting, owning, holding, or trading in securities and it is not subject to the reporting requirement under federal regulations (R.C. 1707.05(A)).</p>	<p>Same.</p> <p>Same. (R.C. 1707.05(A).)</p>
<p>Qualifying for an exemption from Ohio Securities Law</p>	<p>Exempts offers, sales, and issuance of securities from Ohio Securities Law if certain conditions are met (R.C. 1707.051).</p> <p>No single purchaser purchases more than \$10,000 in securities in connection with a single OhioInvests offering unless the purchaser is an accredited investor.</p> <p>No provision.</p>	<p>Same, except as noted below (R.C. 1707.051).</p> <p>Similar, except no single purchaser purchases more than \$10,000 <i>in the aggregate in a 12-month period</i> of securities in connection with OhioInvests offerings.</p> <p>Permits an accredited investor to purchase from all OhioInvests offerings in a 12-month period (1) up to \$10,000 or (2) a greater amount that does not exceed 10% of the accredited investor's annual income or net worth, whichever is less (R.C. 1707.051(F)).</p>

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	<p>No provision.</p> <p>No provision.</p> <p>No less than ten days before the beginning of an offering of securities in reliance on the exemption provided under the bill, the issuer provides all of the following to the Division of Securities: a notice of claim of exemption from registration, a copy of the bill's disclosure document; and a \$300 filing fee (R.C. 1707.051(K)).</p> <p>No provision.</p> <p>Requires that the offering advertisement contains disclaiming language that clearly states the Department of Commerce is the securities regulator of Ohio (R.C. 1707.051(K)(1)(e)).</p> <p>A link to the issuers website and the OhioInvests portal through which the offering is being made (R.C. 1707.051(K)(2)(g)).</p> <p>No provision.</p>	<p>Permits an investor cancel the investment commitment for any reason for a period of time specified in the issuer's offering materials, which has to be at least five business days after the date of commitment.</p> <p>During the 48 hours prior to the deadline identified in the issuer's offering materials, an investment commitment may not be canceled (R.C. 1707.051(H)).</p> <p>Same, except reduces the filing fee to \$50.</p> <p>Any other information that the Division requires from the issuer or portal for the protection of investors and to enable the Division to determine that the sale of securities is entitled to an exemption (R.C. 1707.051(K)).</p> <p>No provision.</p> <p>Similar, except omits link to the website (R.C. 1707.051(L)(2)(g)).</p> <p>Meets other requirements the Division may, by rule, prescribe, for protection of investors and in the public interest (R.C. 1707.051(M)).</p>

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Disclosures	<p>Requires the disclosure document provided to the prospective purchaser through the OhioInvests portal to include any material risk unique to the issuer and its business plan (R.C. 1707.052(A)(7)).</p> <p>Requires the disclosures to contain certain information regarding the securities being offered, including the terms and conditions of the securities, a description of investor exit strategy, and a description of any outstanding securities of the issuer (R.C. 1707.052(B)(1)).</p> <p>No provision.</p>	<p>Similar but omits the requirement that it be "unique" (R.C. 1707.052(A)(7)).</p> <p>Similar, but omits the requirement to have the description of investor exit strategy (R.C. 1707.052(B)(1)).</p> <p>Requires all material information necessary in order to make the statements made in light of the circumstances under which they were made not misleading and such other information as the Division of Securities may require (R.C. 1707.052(H)).</p>
Portal operator license	<p>Defines "portal operator" as an entity, including an issuer, that is authorized to do business in Ohio that is registered with the Division of Securities or is a licensed dealer and satisfies any other conditions determined by the Division (R.C. 1707.05(D)).</p> <p>Requires that an entity, other than a licensed securities dealer, that wishes to act as a portal operator to file an application, copy of its articles of incorporation, and \$200 filing fee with the Division of Securities (R.C. 1707.054(A)).</p>	<p>Same, except portal operators are licensed, not registered (R.C. 1707.05(D)).</p> <p>Similar, but instead states that no person other than a licensed dealer can offer or sell securities pursuant to an OhioInvests offering or otherwise act as a portal operator unless the person is licensed as a portal operator by the Division or is transacting business through a portal operator licensed by the Division. Application for a portal operator's license must be made in accordance with the bill and by filing with the Division the information, materials, and forms specified in</p>

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	Requires the Division to issue a certificate of registration if it approves the registration application of an entity as a portal operator (R.C. 1707.054(B)).	rules adopted by the Division, along with the application, copy of the articles of incorporation, and \$100 filing fee (R.C. 1707.054(A) and 1707.17(A)(5) and (B)(8)). Similar, but requires the issuance of a <i>license</i> (R.C. 1707.054(B)).
Portal operator requirements	No provision.	Requires a portal operator to take reasonable efforts to verify that no purchaser exceeds the purchase limitation under the bill (R.C. 1707.056(A)(3)).
Portal operator prohibitions	Prohibits a portal operator that is not a licensed dealer to offer investment advice or recommendations (R.C. 1707.055(A)). No provision. Prohibits a portal operator from disclosing personal information without written or electronic consent of the prospective purchaser or purchaser (R.C. 1707.056(B)(1)). No provision.	Similar, except also prohibits soliciting the purchase or sale of securities (R.C. 1707.055(A)). Prohibits a portal operator from allowing its officers, directors, or partners, or any person occupying similar status or performing similar function to have a financial interest in an OhioInvests issuer using the services of the portal operator, or receive a financial interest in the OhioInvests issuer as compensation for services provided to, or for the benefit of, the OhioInvests issuer, in connection with the offer and sale of its securities (R.C. 1707.055(E)). Similar, except a portal operator can disclose to the Division without prospective purchaser or purchaser consent (R.C. 1707.056(B)(1)). Prohibits a portal operator from recklessly doing any of the following:

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	No provision.	<p>(1) Employing any device, scheme, or artifice to defraud;</p> <p>(2) Engaging in any act, practice, or course of business that operates as a fraud or deceit;</p> <p>(3) Engaging in any act, practice, or course of business that is fraudulent, deceptive, or manipulative.</p> <p>Permits the Division of Securities to adopt rules reasonably designed to prevent such acts, practices, or courses of business as are fraudulent, deceptive, or manipulative (<i>R.C. 1707.44(Q)</i>).</p>
Division of Securities regulation and enforcement	No provision. No provision.	<p>Subjects a portal operator to the same regulation and enforcement by the Division of Securities that exists for licensees that hold individual dealer, salesperson, investment advisor, or an investment advisor representative license (<i>R.C. 1707.19, 1707.23, and 1707.44</i>).</p> <p>Permits the Division of Securities to prescribe reasonable rules regarding the acts and practices of a portal operator for the protection of investors (<i>R.C. 1707.19(D)</i>).</p>
Exemptions from Ohio Securities Law	Prohibits an exemption from registration of the transaction under the bill with respect to an offer, sale, and issuance of securities if the issuer of the securities or any affiliated party has been convicted within ten years before the offering or in the case of issuers, their predecessors, and affiliated issuers, within five years before the offering, of any felony or misdemeanor (<i>R.C. 1707.058(B)(1)</i>).	Similar, but omits the five-year carve out for issuers, their predecessors, and affiliated issuers (<i>R.C. 1707.058(B)(1)</i>).

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	<p>Prohibits an exemption from registration of the transaction under the bill with respect to an offer, sale, and issuance of securities if the issuer of the securities or any affiliated party has been subject to any order of the Securities and Exchange Commission or a state securities commissioner entered within <i>five years</i> before the sale that at the time of the sale orders the person to cease and desist from committing or causing a violation or future violation of a listed offense (R.C. 1707.058(B)(5)).</p> <p>No provision.</p>	<p>Similar, but instead goes back <i>ten years</i> (R.C. 1707.058(B)(5)).</p> <p>Includes in the list of offenses, as described directly above, any state securities law involving fraudulent, manipulative, or deceptive conduct (R.C. 1707.058(B)(5)(c)).</p>
<p><u>Exceptions to exemptions</u></p>	<p>Establishes exceptions to the prohibitions from the bill's registration exemption with respect to any conviction, order, judgment, decree, suspension, expulsion, or bar that occurred or was issued before September 23, 2013 (R.C. 1707.058(C)(1)).</p> <p>Establishes exceptions to the prohibitions from the bill's registration exemption upon showing of good cause and without prejudice to any other action by the Securities and Exchange Commission or a state securities commissioner, if the Securities and Exchange Commission or state securities commissioner determines that it is not necessary under the circumstances that an exemption be denied (R.C. 1707.058(C)(2)).</p>	<p>Similar, but instead sets the cut-off date as the bill's effective date (R.C. 1707.058(C)(1)).</p> <p>Similar, except only the Ohio Division of Securities can make the determination (R.C. 1707.058(C)(2)).</p>
<p>Private cause of action</p>	<p>No provision.</p>	<p>Establishes procedures permitting an investor to commence a civil action on behalf of himself or herself and other current or former investors</p>

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	No provision.	<p>when any provision of the Revised Code provides (1) for a civil claim on behalf of Ohio or any investor, or (2) for a penalty to be assessed and collected by any state agency or employee against any person or entity engaging in crowdfunding. This action is in lieu of governmental enforcement action.</p> <p>Establishes civil penalties (if not already provided in the law), fees, and distribution of fees awarded for a successful action by an investor.</p> <p>Requires an aggrieved investor or the investor's representative to provide notice to the Attorney General of the alleged violation.</p> <p>Requires the investor, before commencing a civil action, to receive a notice from the Attorney General in response to the notice described directly above, indicating that the Attorney General does not intend to investigate the alleged violation, and the aggrieved investor may commence the civil action.</p> <p>Requires within ten days after commencing a civil action, the aggrieved investor provide the Attorney General with a file-stamped copy of the complaint that includes the case number assigned by the court.</p> <p>Permits the Division of Securities to adopt rules to implement the private civil action provisions (<i>R.C. 1707.50</i>).</p>
<u>Legislative findings</u>	No provision.	Contains legislative findings related to the private cause of action provision (<i>Section 3</i>).

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