

A Good Day For Equity Crowdfunding

Yesterday was a good day for equity crowdfunding. Washington Governor Jay Inslee signed into law Washington HB 1593. This bill will make it easier for companies in Washington State to use Washington's equity crowdfunding bill.

If you like, you can watch [the bill signing ceremony](#).

Thank you Governor Inslee, Representatives Brandon Vick (R-Ridgefield) and Steve Kirby (D-Tacoma), Senator Joe Fain, Cyrus Habib, and everyone else who supported this effort.

[HB 1593](#) will do the following:

- Harmonize the Washington law with the new SEC rules, including Rule 147A. Rule 147A is a new stand alone exemption outside of Section 3(a)(11) and rule 147. Companies can use Rule 147A without the advertising restrictions that complicate Section 3(a)(11)/Rule 147 offerings.
- Allow companies to use the Washington crowdfunding exemption without having to be incorporated in Washington State. Delaware corporations will be able to access the law.
- Allow accredited investors to invest an unlimited amount of money, up to the cap of \$1M during any 12-month period.
- Not require public disclosure of executive officer and director compensation quarterly. Instead, companies will be required to make annual disclosure to their shareholders and the DFI.
- Sell equity other than common stock and preferred stock. Convertible debt and convertible equity will be allowed.

The next step is for the DFI to propose rules. They will seek comment, and so if you are interested in the process, it would be great to have you submit comments on the rules. If you would like to do this, feel free to email me or call me and I can help you do that.

Re the regulatory improvements, I would like to see:

- 1) The DFI change the rules on what types of preferred stock preferences have to be included in preferred stock terms
- 2) Allow revenue loans for companies that are generating sufficient revenue to pay back investors.
- 3) Allow the exemption to be used to purchase income producing real estate investments.

All in all, I am really pleased with the amendments. The new Washington State equity crowdfunding

bill will be relatively easy to use. The big hurdles for companies using it will be:

- 1) They will have to complete and file the Crowdfunding Form with the DFI.
- 2) Pay the \$600 filing fee.
- 3) Have GAAP compliant financial statements.
- 4) Hire an escrow agent to hold the funds until the minimum to close has been satisfied.

Companies that get approved by the DFI will be able to raise up to \$1M from both accredited investors and non-accredited investors like who live in Washington State. Advertising will be allowed, even advertising on the Internet that might cross state lines--as long as you still only accept funds from Washington State residents.

For Washington companies that would like to raise money from friends and family, some of whom might not be accredited, the Washington equity crowdfunding approach is a good one to consider.