



# Legislative Council Staff

## Research Note

Version: Final

Date: 6/9/2016

### Bill Number

House Bill 16-1049

### Sponsors

*Representative Lee  
Senators Scheffel and Hill*

### Short Title

*Crowdfunding Escrow In  
Depository Institutions*

### Research Analyst

Katie Ruedebusch (x3001)

### Status

This research note reflects the final version of the bill, which was signed by the Governor, became effective on March 9, 2016.

### Summary

This bill modifies the definition of the type of institution that must be used to set up an escrow account for holding the proceeds of a sale of intrastate securities to be a "depository institution" rather than a specific type of financial institution. It also allows the escrow account to be terminated and its proceeds to be disbursed when the minimum offering amount has been raised rather than the maximum amount.

### Background

Equity crowdfunding permits individuals to invest in startups or small businesses and receive equity (or securities) in the company in return. The federal Jumpstart Our Business Startups (JOBS) Act and 45 states currently allow certain types of equity crowdfunding.

In 2015, the General Assembly enacted House Bill 15-1246, which created the Colorado Crowdfunding Act. This act allows Colorado residents to invest in Colorado companies through online intermediaries. To be eligible to crowdfund under this act, a security issuer must be a business entity organized under Colorado law that meets certain requirements. Among other disclosure and reporting requirements, the act specifies that non-accredited investors are limited to \$5,000 in investments in a 12-month period and the sum of investments received by an issuer in a 12-month period may not exceed \$1 million unless the issuer submits audited financial statements to the Securities Commissioner in the Department of Regulatory Agencies, in which

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case the investment limit is \$2 million.

## House Action

**House Finance Committee (January 20, 2016).** At the hearing, representatives from the Colorado Divisions of Securities, the Colorado Technology Association, and a person representing himself, testified in support of the bill. The committee referred the bill to the House Committee of the Whole with no amendments.

**House second reading (January 25, 2016).** The House passed the bill on second reading with no amendments.

**House third reading (January 26, 2016).** The House passed the bill on third reading with no amendments.

## Senate Action

**Senate Finance Committee (February 18, 2016).** The committee referred the bill to the Senate Committee of the Whole with the recommendation that it be placed on the consent calendar.

**Senate second reading (February 23, 2016).** The Senate passed the bill on second reading with no amendments.

**Senate third reading (February 24, 2016).** The Senate passed the bill on third reading with no amendments.