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# ADAM JARCHOW

STATE REPRESENTATIVE • 28<sup>TH</sup> ASSEMBLY DISTRICT

**Testimony – Assembly Bill 692**  
**Assembly Committee on Financial Institutions**  
**January 31, 2018**

Crowdfunding is a modern tool which allows communities to come together and pool their resources to reach a common goal. These goals can be anything from creating capital for development of a video game to helping a family get back on their feet after a house fire. The possibilities for crowdfunding are seemingly endless and a form of investing which allows for those without riches to invest small amounts of money into many different opportunities. Through crowdfunding, the digital age is allowing society to steam ahead with new models of for-profit entrepreneurship and non-profit charities. Wisconsin must adapt to these new models.

Currently, there are two exemptions to securities registration requirements in Wisconsin created under Act 52 of 2013 which deal with crowdfunding. One exemption states that, among other requirements, if a business makes an offer which is directed toward not more than 100 Wisconsin residents, that business must have its principal office in the state and a majority of its full-time employees must work in the state. The second exemption prohibits general solicitation or advertising in connection with the offering unless the Division of Securities within the Department of Financial Institutions (DFI) has permitted it.

AB 692 makes changes to these exemptions, in order to update and clean up current law. First, any issuer that claims such an exemption must maintain a primary place of business in the state, but is not required to be organized under Wisconsin laws. Second, any financial institution may hold funds in connection with an offering under the exemptions, not just those institutions chartered under Wisconsin law. Third, Internet site operators may collect a commission without registering as a broker-dealer. Fourth, the requirement to file quarterly reports with DFI is eliminated, but DFI may request such reports. Fifth, the bill fixes issues with corresponding U.S. Securities and Exchange Commission (SEC) Rules numbering. This bill also creates a new exemption for offers of securities, but not sales, so that issuers may make initial solicitations of interest in an offering. Conforming Wisconsin's securities laws to SEC rules and updating our laws in regard to crowdfunding will help to keep our state moving forward alongside new technological economic models.

Thank you to the committee chair and members for hearing testimony on AB 692. I ask for your support in cleaning up current law and bringing our state up to date.



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# DAVID CRAIG

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STATE SENATOR

Assembly Committee on Financial Institutions  
Public Hearing, January 31, 2018  
Assembly Bill 692  
Senator David Craig, 28<sup>th</sup> Senate District

Chairman Katsma and Committee Members,

Thank you for taking testimony on Assembly Bill 692 relating to securities registration exemptions related to crowdfunding. In 2013, I was proud to author the original crowdfunding legislation in the state, Act 52. The bill before the committee today is an update to this important legislation.

I consulted with the Department of Financial Institutions (DFI) and various stakeholders to address some needed updates to the crowdfunding law. One of the preliminary changes dealt with the domiciled location of the business entity. The bill changes the law to allow for an issuer of a security to have a principal place of business in the state, but does not have to be organized under our state's laws. Also, the issuer is not required to file a quarterly report with DFI but must report a copy upon request.

In addition, a portion of this bill updates our statutes to conform to crowdfunding changes at the federal level. The federal government updated their Rule 147A in April of last year and we need to keep our crowdfunding statutes in line to encourage even more economic activity in this new and ever-growing area.

Finally, the bill makes some needed changes regarding advertising for offers but not sales of securities. The goal is to make it easier for people to learn of new possible business ventures. The new exemption allows an issuer to make an initial solicitation of interest in the offering via newspaper, radio, and the internet.

Thank you for allowing me to testify on this important update of our statutes. I am happy to take any questions from committee members.