NEW SECTION. Sec. 1. This act may be known and cited as the Washington jobs act of 2014.

NEW SECTION. Sec. 2. The legislature finds that start-up companies play a critical role in creating new jobs and revenues. Crowdfunding, or raising money through small contributions from a large number of investors, allows smaller enterprises to access the capital they need to get new businesses off the ground. The legislature further finds that the costs of state securities registration often outweigh the benefits to Washington start-ups seeking to make small securities offerings and that the use of crowdfunding for business financing in Washington is significantly restricted by state securities laws. Helping new businesses access equity crowdfunding within certain boundaries will democratize venture capital and facilitate investment by Washington residents in Washington start-ups while protecting consumers and investors. For these reasons, the legislature intends to provide Washington businesses and investors the opportunity to benefit from equity crowdfunding.

NEW SECTION. Sec. 3. A new section is added to chapter 21.20 RCW to read as follows:

(1) Any offer or sale of a security is exempt from RCW 21.20.040 through 21.20.300 and 21.20.327, except as expressly provided, if:

(a) The offering is first declared exempt by the director after:

(i) The issuer files the offering with the director; or

(ii) A portal working in collaboration with the director files the offering with the director on behalf of the issuer under section 4 of this act;
(b) The offering is conducted in accordance with the requirements of section 3(a)(11) of the securities act of 1933 and securities and exchange commission rule 147, 17 C.F.R. Sec. 230.147;

(c) The issuer is an entity organized and doing business in the state of Washington;

(d) Each investor provides evidence or certification of residency in the state of Washington at the time of purchase;

(e) The issuer files with the director an escrow agreement either directly or through a portal providing that all offering proceeds will be released to the issuer only when the aggregate capital raised from all investors equals or exceeds the minimum target offering, as determined by the director;

(f) The aggregate purchase price of all securities sold by an issuer pursuant to the exemption provided by this section does not exceed one million dollars during any twelve-month period;

(g) The aggregate amount sold to any investor by one or more issuers during the twelve-month period preceding the date of the sale does not exceed:

(i) The greater of two thousand dollars or five percent of the annual income or net worth of the investor, as applicable, if either the annual income or the net worth of the investor is less than one hundred thousand dollars; or

(ii) Ten percent of the annual income or net worth of the investor, as applicable, up to one hundred thousand dollars, if either the annual income or net worth of the investor is one hundred thousand dollars or more;

(h) The investor acknowledges by manual or electronic signature the following statement conspicuously presented at the time of sale on a page separate from other information relating to the offering: "I acknowledge that I am investing in a high-risk, speculative business venture, that I may lose all of my investment, and that I can afford the loss of my investment";

(i) The issuer reasonably believes that all purchasers are purchasing for investment and not for sale in connection with a distribution of the security; and

(j) The issuer and investor provide any other information reasonably requested by the director.
(2) Attempted compliance with the exemption provided by this section does not act as an exclusive election. The issuer may claim any other applicable exemption.

(3) For as long as securities issued under the exemption provided by this section are outstanding, the issuer shall provide a quarterly report to the issuer's shareholders and the director by making such report publicly accessible, free of charge, at the issuer's internet web site address within forty-five days of the end of each fiscal quarter. The report must contain the following information:

(a) Executive officer and director compensation, including specifically the cash compensation earned by the executive officers and directors since the previous report and on an annual basis, and any bonuses or other compensation, including stock options or other rights to receive equity securities of the issuer or any affiliate of the issuer, received by them; and

(b) A brief analysis by management of the issuer of the business operations and financial condition of the issuer.

(4) Securities issued under the exemption provided by this section may not be transferred by the purchaser during a one-year period beginning on the date of purchase, unless the securities are transferred:

(a) To the issuer of the securities;

(b) To an accredited investor;

(c) As part of a registered offering; or

(d) To a member of the family of the purchaser or the equivalent, or in connection with the death or divorce or other similar circumstances, in the discretion of the director.

(5) The director shall adopt disqualification provisions under which this exemption shall not be available to any person or its predecessors, affiliates, officers, directors, underwriters, or other related persons. The provisions shall be substantially similar to the disqualification provisions adopted by the securities and exchange commission pursuant to the requirements of section 401(b)(2) of the Jobs act of 2012 or, if none, as adopted in Rule 506 of Regulation D. Notwithstanding the foregoing, this exemption shall become available on the effective date of this section.
NEW SECTION. Sec. 4. A new section is added to chapter 21.20 RCW to read as follows:

(1) Only a local associate development organization, as defined in RCW 43.330.010, a port district, or an organization that qualifies as a portal pursuant to regulations promulgated by the director, may work in collaboration with the director to act as a portal under this chapter.

(2) A portal shall require, at a minimum, the following information from an applicant for exemption prior to offering services to the applicant or forwarding the applicant's materials to the director:

(a) A description of the issuer, including type of entity, location, and business plan, if any;

(b) The applicant's intended use of proceeds from an offering under this act;

(c) Identities of officers, directors, managing members, and ten percent beneficial owners, as applicable;

(d) A description of any outstanding securities; and

(e) A description of any litigation or legal proceedings involving the applicant, its officers, directors, managing members, or ten percent beneficial owners, as applicable.

(3) Upon receipt of the information described in subsection (2) of this section, the portal may offer services to the applicant that the portal deems appropriate or necessary to meet the criteria for exemption under sections 3 and 5 of this act. Such services may include assistance with development of a business plan, referral to legal services, and other technical assistance in preparation for a public securities offering.

(4) The portal shall forward the materials necessary for the applicant to qualify for exemption to the director for filing when the portal is satisfied that the applicant has assembled the necessary information and materials to meet the criteria for exemption under sections 3 and 5 of this act.

(5) The portal shall work in collaboration with the director for the purposes of executing the offering upon filing with the director.

NEW SECTION. Sec. 5. A new section is added to chapter 21.20 RCW to read as follows:
The director must adopt rules to implement sections 2 and 3 of this act subject to RCW 21.20.450 including, but not limited to:

(1) Adopting rules for filing with the director under sections 3 and 4 of this act by October 1, 2014;
(2) Establishing filing and transaction fees sufficient to cover the costs of administering this section and sections 2 through 4 of this act by January 1, 2015; and
(3) Adopting any other rules to implement sections 3 and 4 of this act by April 1, 2015.

The director shall take steps and adopt rules to implement this section by the dates specified in this section.

Sec. 6. RCW 42.56.270 and 2013 c 305 s 14 are each amended to read as follows:

The following financial, commercial, and proprietary information is exempt from disclosure under this chapter:

(1) Valuable formulae, designs, drawings, computer source code or object code, and research data obtained by any agency within five years of the request for disclosure when disclosure would produce private gain and public loss;
(2) Financial information supplied by or on behalf of a person, firm, or corporation for the purpose of qualifying to submit a bid or proposal for (a) a ferry system construction or repair contract as required by RCW 47.60.680 through 47.60.750 or (b) highway construction or improvement as required by RCW 47.28.070;
(3) Financial and commercial information and records supplied by private persons pertaining to export services provided under chapters 43.163 and 53.31 RCW, and by persons pertaining to export projects under RCW 43.23.035;
(4) Financial and commercial information and records supplied by businesses or individuals during application for loans or program services provided by chapters 43.325, 43.163, 43.160, 43.330, and 43.168 RCW, or during application for economic development loans or program services provided by any local agency;
(5) Financial information, business plans, examination reports, and any information produced or obtained in evaluating or examining a business and industrial development corporation organized or seeking certification under chapter 31.24 RCW;
(6) Financial and commercial information supplied to the state
investment board by any person when the information relates to the
investment of public trust or retirement funds and when disclosure
would result in loss to such funds or in private loss to the providers
of this information;

(7) Financial and valuable trade information under RCW 51.36.120;

(8) Financial, commercial, operations, and technical and research
information and data submitted to or obtained by the clean Washington
center in applications for, or delivery of, program services under
chapter 70.95H RCW;

(9) Financial and commercial information requested by the public
stadium authority from any person or organization that leases or uses
the stadium and exhibition center as defined in RCW 36.102.010;

(10)(a) Financial information, including but not limited to account
numbers and values, and other identification numbers supplied by or on
behalf of a person, firm, corporation, limited liability company,
partnership, or other entity related to an application for a horse
racing license submitted pursuant to RCW 67.16.260(1)(b), liquor
license, gambling license, or lottery retail license;

(b) Internal control documents, independent auditors' reports and
financial statements, and supporting documents: (i) Of house-banked
social card game licensees required by the gambling commission pursuant
to rules adopted under chapter 9.46 RCW; or (ii) submitted by tribes
with an approved tribal/state compact for class III gaming;

(11) Proprietary data, trade secrets, or other information that
relates to: (a) A vendor's unique methods of conducting business; (b)
data unique to the product or services of the vendor; or (c)
determining prices or rates to be charged for services, submitted by
any vendor to the department of social and health services for purposes
of the development, acquisition, or implementation of state purchased
health care as defined in RCW 41.05.011;

(12)(a) When supplied to and in the records of the department of
commerce:

(i) Financial and proprietary information collected from any person
and provided to the department of commerce pursuant to RCW
43.330.050(8); and

(ii) Financial or proprietary information collected from any person
and provided to the department of commerce or the office of the
governor in connection with the siting, recruitment, expansion, retention, or relocation of that person's business and until a siting decision is made, identifying information of any person supplying information under this subsection and the locations being considered for siting, relocation, or expansion of a business;

(b) When developed by the department of commerce based on information as described in (a)(i) of this subsection, any work product is not exempt from disclosure;

(c) For the purposes of this subsection, "siting decision" means the decision to acquire or not to acquire a site;

(d) If there is no written contact for a period of sixty days to the department of commerce from a person connected with siting, recruitment, expansion, retention, or relocation of that person's business, information described in (a)(ii) of this subsection will be available to the public under this chapter;

(13) Financial and proprietary information submitted to or obtained by the department of ecology or the authority created under chapter 70.95N RCW to implement chapter 70.95N RCW;

(14) Financial, commercial, operations, and technical and research information and data submitted to or obtained by the life sciences discovery fund authority in applications for, or delivery of, grants under chapter 43.350 RCW, to the extent that such information, if revealed, would reasonably be expected to result in private loss to the providers of this information;

(15) Financial and commercial information provided as evidence to the department of licensing as required by RCW 19.112.110 or 19.112.120, except information disclosed in aggregate form that does not permit the identification of information related to individual fuel licensees;

(16) Any production records, mineral assessments, and trade secrets submitted by a permit holder, mine operator, or landowner to the department of natural resources under RCW 78.44.085;

(17)(a) Farm plans developed by conservation districts, unless permission to release the farm plan is granted by the landowner or operator who requested the plan, or the farm plan is used for the application or issuance of a permit;

(b) Farm plans developed under chapter 90.48 RCW and not under the
(18) Financial, commercial, operations, and technical and research information and data submitted to or obtained by a health sciences and services authority in applications for, or delivery of, grants under RCW 35.104.010 through 35.104.060, to the extent that such information, if revealed, would reasonably be expected to result in private loss to providers of this information;

(19) Information gathered under chapter 19.85 RCW or RCW 34.05.328 that can be identified to a particular business;

(20) Financial and commercial information submitted to or obtained by the University of Washington, other than information the university is required to disclose under RCW 28B.20.150, when the information relates to investments in private funds, to the extent that such information, if revealed, would reasonably be expected to result in loss to the University of Washington consolidated endowment fund or to result in private loss to the providers of this information;

(21) Financial, commercial, operations, and technical and research information and data submitted to or obtained by innovate Washington in applications for, or delivery of, grants and loans under chapter 43.333 RCW, to the extent that such information, if revealed, would reasonably be expected to result in private loss to the providers of this information; 

(22) Market share data submitted by a manufacturer under RCW 70.95N.190(4); and

(23) Financial information supplied to the department of financial institutions or to a portal under section 4 of this act, when filed by or on behalf of an issuer of securities for the purpose of obtaining the exemption from state securities registration for small securities offerings provided under section 3 of this act or when filed by or on behalf of an investor for the purpose of purchasing such securities."
1 On page 1, line 2 of the title, after "offerings;" strike the
2 remainder of the title and insert "amending RCW 42.56.270; adding new
3 sections to chapter 21.20 RCW; and creating new sections."

**EFFECT:**  (1) Allows the submittal of manually signed investment
risk-acknowledgment forms;
(2) Clarifies the financial reporting requirements for issuers of
small securities offerings;
(3) Provides that the director must establish disqualification
provisions from participating in crowdfunding;
(4) Replaces references to economic development organizations with
the term portal for clarity purposes.

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