

CERTIFICATION OF ENROLLMENT

**HOUSE BILL 1593**

Chapter 113, Laws of 2017

65th Legislature  
2017 Regular Session

SMALL SECURITIES OFFERINGS--SECURITIES ACT--REGISTRATION EXEMPTIONS

EFFECTIVE DATE: 7/23/2017

Passed by the House February 20, 2017  
Yeas 95 Nays 2

FRANK CHOPP

**Speaker of the House of Representatives**

Passed by the Senate April 4, 2017  
Yeas 49 Nays 0

CYRUS HABIB

**President of the Senate**

Approved April 25, 2017 10:43 AM

JAY INSLEE

**Governor of the State of Washington**

CERTIFICATE

I, Bernard Dean, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **HOUSE BILL 1593** as passed by House of Representatives and the Senate on the dates hereon set forth.

BERNARD DEAN

**Chief Clerk**

FILED

April 25, 2017

**Secretary of State  
State of Washington**

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HOUSE BILL 1593

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Passed Legislature - 2017 Regular Session

State of Washington

65th Legislature

2017 Regular Session

By Representatives Vick and Kirby

Read first time 01/24/17. Referred to Committee on Business & Financial Services.

1 AN ACT Relating to simplifying small securities offerings;  
2 amending RCW 21.20.880; and repealing RCW 21.20.883 and 21.20.886.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 **Sec. 1.** RCW 21.20.880 and 2014 c 144 s 3 are each amended to  
5 read as follows:

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

8 (a) The issuer first files the offering with the director and the  
9 director declares the offering (~~((is first declared))~~) exempt (~~((by the~~  
10 ~~director after:~~

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

12 ~~((ii) A portal working in collaboration with the director files~~  
13 ~~the offering with the director on behalf of the issuer under RCW~~  
14 ~~21.20.883));~~

15 (b) The offering is conducted in accordance with (~~((the~~  
16 ~~requirements of section 3(a)(11) of the securities act of 1933 and~~  
17 ~~securities and exchange commission rule 147, 17 C.F.R. Sec. 230.147))~~  
18 an applicable exemption from registration under the securities act of  
19 1933;

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

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

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

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

11 ~~((g))~~ (f) The aggregate amount sold to any investor, other than  
12 an "accredited investor" as that term is defined under the securities  
13 act of 1933, by one or more issuers during the twelve-month period  
14 preceding the date of the sale does not exceed:

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

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

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

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

32 ~~((j))~~ (i) The issuer and investor provide any other information  
33 reasonably requested by the director.

34 (2) Attempted compliance with the exemption provided by this  
35 section does not act as an exclusive election. The issuer may claim  
36 any other applicable exemption.

37 (3) For as long as securities issued under the exemption provided  
38 by this section are outstanding, the issuer shall provide ~~((a~~  
39 ~~quarterly))~~ an annual report to the issuer's shareholders and the  
40 director ~~((by making such report publicly accessible, free of charge,~~

1 ~~at the issuer's internet web site address within forty five days of~~  
2 ~~the end of each fiscal quarter))~~ no later than one hundred twenty  
3 days after the end of the fiscal year covered by the report. An  
4 issuer may provide the report to its shareholders by posting a copy  
5 of the report on the issuer's web site. The report must contain the  
6 following information:

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

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

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

19 (a) To the issuer of the securities;

20 (b) To an accredited investor;

21 (c) As part of a registered offering; or

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

25 (5) The director shall adopt disqualification provisions under  
26 which this exemption shall not be available to any person or its  
27 predecessors, affiliates, officers, directors, underwriters, or other  
28 related persons. The provisions shall be substantially similar to the  
29 disqualification provisions adopted by the securities and exchange  
30 commission pursuant to the requirements of section 401(b)(2) of the  
31 Jobs act of 2012 or, if none, as adopted in Rule 506 of Regulation D.  
32 Notwithstanding the foregoing, this exemption shall become available  
33 on June 12, 2014.

34 (6) Any type of equity or convertible debt security may be  
35 offered under the exemption provided under this section.

36 (7) Subject to RCW 21.20.450, the director may adopt, amend, or  
37 repeal rules to implement this section, including the establishment  
38 of filing and transaction fees sufficient to cover the costs of  
39 administering this section.

1        NEW SECTION.    **Sec. 2.**    The following acts or parts of acts are  
2 each repealed:

3        (1) RCW 21.20.883 (Portals—Qualifications and use—Requirements)  
4 and 2016 c 61 s 16 & 2014 c 144 s 4; and

5        (2) RCW 21.20.886 (Rule making for small securities offerings)  
6 and 2014 c 144 s 5.

Passed by the House February 20, 2017.

Passed by the Senate April 4, 2017.

Approved by the Governor April 25, 2017.

Filed in Office of Secretary of State April 25, 2017.

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