

# ALASKA STATE LEGISLATURE

SESSION

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## SENATOR MIA COSTELLO

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### SPONSOR STATEMENT

#### Senate Bill 126

*“An Act establishing an exemption for the offering and sale of certain securities.”*

Senate Bill 126, the *Innovating Alaska Act*, helps Alaskans start and invest in local businesses by enacting a new finance mechanism in state law.

Crowdfunding (sometimes known as “equity crowdfunding”) is a new concept with a simple premise. Instead of receiving large investments from a few traditional investors, Alaskans starting a business receive *small* investments from a potentially a *large* group of investors. The approach lets broad groups of people invest in small businesses in return for equity ownership. This makes it easier for business start-ups to get capital to grow, and allows average Alaskans to invest in businesses being started in their communities.

The federal Jumpstart Our Business Start-Ups (JOBS) Act of 2012 paved the way for this paradigm shift in business creation. It refines some of the more onerous regulations that have historically made it difficult for average Americans to directly invest in private companies. Since then over 12 states have enacted intra-state crowdfunding laws.

Crowdfunding usually works through young companies selling equity shares, often through an on line portal, to a wide group of investors. Senate Bill 126 would regulate the sale of these types of securities separately from the Alaska Securities Act (AS 45.55.010) and adds several safeguards to protect investors.

Under Senate Bill 126, businesses seeking to raise capital through crowdfunding would apply to the Alaska Division of Banking & Securities and hold investor funds in escrow in an Alaskan bank. Investments made through crowdfunding are limited to \$7,500 for investors and \$1,000,000 for businesses raising capital. Both the investor and business owner must be Alaska residents.

Business start-ups are key to growing our state’s economy. Enacting crowdfunding through Senate Bill 126 is an innovative way to give entrepreneurs easier access to capital, and help Alaskans invest in local businesses.

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