WEST VIRGINIA CODE: §32-5-505

§32-5-505. West Virginia Crowdfunding Portal Requirements

(a) The offering must be made exclusively through an internet-based crowdfunding portal that is incorporated or organized under the laws of West Virginia and authorized to do business in West Virginia and registered with the commissioner.

(b) The crowdfunding portal must contain a conspicuous disclaimer that reflects that access to securities offerings on the website is limited to West Virginia residents and offers and sales of the securities on the website are limited to persons that are West Virginia residents.

(c) There must be an affirmative representation by a visitor to the crowdfunding portal that the visitor is a resident of West Virginia before the visitor can view securities-related offering materials on the crowdfunding portal website.

(d) The crowdfunding portal must take reasonable steps to verify that all prospective purchasers are West Virginia residents.

(e) At least ten days prior to an offering that qualifies for the exemption described in this article of the code, the crowdfunding portal shall give the commissioner access to its website and the following:

(1) A copy of the disclosure statement required by subsection (f) of this section;

(2) A summary of the offering including:

(A) A description of the entity, its form of business, principal office, history, business plan, and the intended use of the offering proceeds, including compensation paid to any owner, executive officer, director or manager;

(B) The identity of the executive officers, directors and managers, including their titles and their prior experience and identity of all persons owning more than 20 percent of the ownership interests of any class of securities of the company; and

(C) A description of the securities being offered and any outstanding securities of the company, the amount of the offering , and the percentage ownership of the company represented by the offered securities.

(f) A disclosure statement must be made readily available and accessible to each prospective purchaser at the time the offer of securities is made to the prospective purchaser on the crowdfunding portal. The disclosure statement must contain at a minimum all of the following:

(1) A statement that there is no ready market for the sale of the securities acquired from this

WV Legislature

offering, that it may be difficult or impossible for an investor to sell or otherwise dispose of this investment, and that a purchaser may be required to hold and bear financial risks of this investment indefinitely;

(2) A statement that the securities that are the subject of the offer have not been registered under federal or state securities law or regulation, and therefore cannot be resold unless the securities are registered or qualify for an exemption from registration under federal or state law;

(3) A statement that in making an investment decisions, purchasers must rely on their own examination of the issuer and the terms of the offering, including the merits and risks involved;

(4) A statement that no federal or state securities commission or regulatory authority has confirmed the accuracy or determined the adequacy of the disclosure statement or any other information on the crowdfunding portal; and

(5) All information material to the offering, including, where appropriate, a discussion of significant factors that make the offering risky or speculative, including, but not limited to:

(A) A description of the issuer's business;

(B) The history of the issuer's operations and organization;

(C) A list of executive directors, directors or managers of the issuer and any individual or entity holding more than twenty percent of the outstanding equity of the issuer;

(D) A description of how the proceeds from the offering will be used;

(E) Financial information about the issuer;

(F) A detailed description of securities offered; and

(G) A complete list of any legal proceedings or litigation affecting the offering.

(g) Prior to the offering of securities to residents of West Virginia under this article, the crowdfunding portal shall conduct a reasonable investigation of the background of each issuer whose securities are offered on the crowdfunding portal's website, and of each of the issuer's executive officers, directors or managers or any individual or entity holding more than twenty percent of the outstanding equity of the issuer. The crowdfunding portal shall deny an issuer access to its internet website if the crowdfunding portal has a reasonable belief that the issuer or its executive officers, directors or managers or any individual or entity holding more than twenty percent of the outstanding equity of the issuer are precluded from the exemption under this article.

(h) The crowdfunding portal shall not:

WV Legislature

(1) Offer investment advice or recommendations;

(2) Compensate employees, agents or other persons not registered with the commissioner for soliciting offers or sales of securities displayed or referenced on the website;

(3) Hold, manage, possess or otherwise handle investor funds or securities;

(4) Be under common control with an issuer whose securities appear on the crowdfunding portal's internet website;

(5) Sell a financial interest in any issuer offering securities on the crowdfunding portal's internet website; or

(6) Receive more than a five percent financial interest in an issuer as compensation for services provided to or on behalf of an issuer.

WV Legislature