

FINDING OF EMERGENCY AND STATEMENT OF REASONS FOR EMERGENCY
ADOPTION OF RULES

Amendment to Chapter 3 of the Rules Under the Colorado Securities Act
Colorado Division of Securities
July 29, 2015

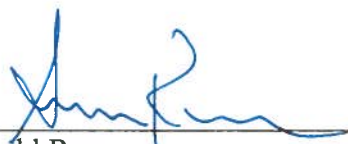
Pursuant to the authority found in House Bill 15-1246, which will be codified in parts 2, 3, and 4 of the Colorado Securities Act (the “Act”), sections 11-51-101, *et seq.*, C.R.S., the Securities Commissioner adopts Rules 51-3.20 to 51-3.30 on July 29, 2015.

The general purpose of Rules 51-3.20 to 51-3.30 is to immediately implement the Colorado Crowdfunding Act (the “Crowdfunding Act”). The Crowdfunding Act is effective on August 5, 2015. For the exemption from the registration provisions of the Act under the Crowdfunding Act to be available, the Crowdfunding Act requires the Securities Commissioner to promulgate rules to implement the exemption. In enacting the Crowdfunding Act, the legislature made findings which connote the fundamental importance of the use of crowdfunding in Colorado. As the legislature declared, “Start-up companies play a critical role in expanding economic opportunities, creating new jobs, and generating revenues ... Lack of access to capital is an obstacle to starting and expanding small business, inhibits job growth, and has negatively affected the state’s economy.” The legislature further declared that crowdfunding in Colorado will “promote the formation and growth of local companies and the accompanying job creation.” Given the “critical” role that start-up companies play in expanding economic opportunities, and the prospect of creating new jobs, there is a clear urgency in making crowdfunding in Colorado a viable option. Further, with the costs and complexities of complying with the elaborate, and frequently perplexing, state and federal securities laws outweighing any perceived benefit, cash-strapped business owners often turn to unconventional avenues to raise capital. By doing so, these small business owners, often unknowingly, run afoul of the Act and relevant federal securities laws, thus leaving their new business exposed to potentially crippling litigation. Finally, investors in these nontraditional offerings frequently do not receive adequate disclosures or the other necessary protections provided by the securities laws. Immediately adopting these rules to implement the Crowdfunding Act will provide a manner for small business owners to raise the capital they, and the state’s economy, so desperately need, while simultaneously employing safeguards to protect investors.

Based on the foregoing, the Securities Commissioner finds that the emergency adoption of Rules 51-3.20 to 51-3.30 is imperatively necessary to comply with state law or for the preservation of public health, safety, or welfare. Further, pursuant to section 24-4-103(2), C.R.S., the Division of Securities established a representative group of participants with an interest in crowdfunding in Colorado. This representative group represented different points of view and included individuals, businesses, trade associations, and the regulated industry. On July 20th and 21st of 2015, this representative group was invited to meet in person with the Division of Securities to informally submit their views and otherwise participated in making comments on the proposed emergency rules. The comments and views of the representative group were taken into consideration in the emergency rules. Given the urgency and importance of crowdfunding in Colorado, as found by the legislature, the Securities Commissioner further finds that compliance with the requirements of section 24-4-103, C.R.S. would be contrary to the public interest.

This finding of emergency and statement of the reasons for emergency adoption of the rules is incorporated by reference in the rules adopted by the Securities Commissioner on July 29, 2015. The rules will become effective August 5, 2015.

DATED this 29th day of July.



Gerald Rome
Securities Commissioner