



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

The Essence of Crowdfunding

Options for entrepreneurs to raise capital in Alaska

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A collage of three images: a port with a ship and cranes, a cityscape with snow-capped mountains in the background, and three FedEx planes on a tarmac.

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Resources

Visit the Alaska Division of Banking and Securities website under the heading

- Crowdfunding Resources 10-07-15

commerce.alaska.gov/web/dbs/CrowdfundingResources



What is Crowdfunding?

Gifts/Contributions by many toward success of a business or cause

- Contributors get a thank you gift, such as a sample or other trinket in recognition of their financial assistance
 - Kickstarter
 - Indiegogo
 - Pick. Click. Give. (without the potential tax deduction)

Equity or Debt Crowdfunding

- Investors provide capital or cash expecting a return on that investment
- Federal law currently limits crowdfunding to investors/businesses within the same state (i.e., no cross-border solicitation or out of state investors)
- State law governs crowdfunding
 - 24 states have enacted crowdfunding legislation
 - *Alaska does not currently allow crowdfunding*



Funding Options

Currently, Alaska startups or expanding businesses can raise money in several ways including:

- “Friends and Family” exemptions
- Limited securities registration
- Federal securities registration

Remember,

- The definition of a security includes more than just equity or debt
- It’s always a great idea to consult a knowledgeable securities attorney while formulating your plan



Alaska Securities Act Update (SB 108/HB 194)

Proposed crowdfunding provisions under AS 45.56.220 include:

- Open only to Alaska securities issuers
- Investors must be Alaska residents
- \$1 million total deal/\$5,000 per purchaser limit
- Only licensed salespersons may receive a commission
- Division filing required
 - 10 days before general solicitation or within 15 days of first sale if no general solicitation
 - Must include information about the business, control persons, any salespersons and the bank where the funds will be deposited
- Securities cannot be resold unless exempt or registered (i.e., are illiquid)
- Investor must acknowledge the investment risk
- Bad actor disqualifier applies



Funding Options - Summary

Quick Reference	AK Statute	Investors	Investor/ Ltd Sale Ackgmt	Sales Comm	Legend	Public Solicitation	Business Info	Filing/ Fees
Friends and Family	AS 45.55.900(b)(5)(a)	10 or less	No	No	Yes	No	No	No
Friends and Family	AS 45.55.900(b)(5)(b)	25 or less	Yes	No	Yes	No	Yes	No
Crowdfunding	PROPOSED AS 45.56.550	Limited to total of \$1 million	Yes	Yes, if registered	Yes	Yes	Yes	TBD
Small Offering	AS 45.55.900(b)(18)	Only to accredited investors	Yes	Yes	Yes	Yes	Yes	Yes \$50
Federal Covered Securities (506)(b)	AS 45.55.075	Fed'l rule: up to 35 unaccredited investors	Yes	Yes	Yes	No	Yes	Yes \$600
Federal Covered Securities (506)(c)	AS 45.55.075	Fed'l rule: Only to accredited investors	Yes	Yes	Yes	Yes	Yes	Yes \$600



What's the Risk, Really?

What if I issue stock or debt that doesn't quite match up with the law?

- Potential law suits by investors
- Potential legal action by the State of Alaska or by the Securities and Exchange Commission

The biggest risks?

- Inability to sell or refinance your sweet company because the money/securities trail is not clean
- 'Clouds' on the title of your company - \$\$\$



Protect Your Investment

- **Competent legal assistance**
- **Realistic expectations**
 - Yours
 - Your Investors
- **Risk disclosure**



Contact Us

The division does not provide legal advice, but we have many resources to offer.

commerce.alaska.gov/web/dbs

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