



Commissioner Russell C. Weigel, III

Stimulating the Formation of a Capital Funding Ecosystem

Cumulative Feedback on Bill Summary

The following ideas are cumulative and will be updated regularly. Please submit additional comments and ideas in our [contact form](#) and our office will be in communication with you.

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Topics

1. Reform of Crowdfunding Exemption	1
2. Adoption of an Accredited Investor Exemption	3
3. Amendments to the Limited Offering Exemption	3
4. Registration of Securities Transactions.....	3
5. Registration of Finders.....	4
6. Notice Filings.....	4
7. Enforcement Provisions.....	5
8. Miscellaneous	5

1. REFORM OF CROWDFUNDING EXEMPTION

- Increase the amount a company can raise under the exemption within a 12-month period from \$1 million to \$5 million
 - Not every business or start-up with require .5 to 1 Million as a first round, but it would enable those who have a large expense operation to. This is important to include in the bill.
- Flat \$10,000 maximum investment for non-accredited investor
 - Allow 10K total investment max limitation to apply to investments in one company per year.
 - 10K aggregate investment per year seem arbitrary
 - Allows for more investment capital in multiple companies
 - This limitation kills of real-estate investments.

- Allow Accredited Investors to have no cap on their investments
- Allow for new level of “Certified Investor”, based on net worth (smaller than accredited investor), to have no cap on their investments.
- Concern that these investments won’t be policed because the investors are not registered / accredited.
 - This can deter/incentivize investors from becoming accredited/registered.
 - Can allow for risky investments with no State Authority recourse/protection since it would be difficult to enforce.
 - Asking about outside investments is not trackable nor enforceable.
- Comment that every state where Crowdfunding is working allows for some cap per investment per deal per year. Other Intrastate rules allow for 10K per person per deal per year
- Concern that angel investing offerings would fall in CF offering category and therefore be limited by 10K Cap amount.
- Concern that Accredited investors will not use CF exemption because they do not want to partner their money alongside small unaccredited investments, CF is not popular among accredited investors for this reason.
- Eliminates the Requirement that the offering be administered by a dealer or an intermediary
 - Comment that if you are going to allow deals to be hosted anywhere or on more platforms, you will need to increase the amount of monitoring and supervision.
 - Intermediaries ensure compliance and enforcement of rules and regulations
 - Especially regarding the maximum investments that not yet accredited investors can make
 - Depending on the exemption or rule used in the offering.
- Three – Day void ability provision
 - This provision could be a headache and an administrative burden for small businesses. Suggestion to have a check cashing company be the administrator of these investment recalls.
 - How can funds be rescinded if they are in an escrow account that only releases funds upon reaching the target goal?
- “Testing the Waters”/ Demo Day Solicitation
 - Ensure organizations that host Demo Day events where companies solicit private investments are not liable if there is any falsification or misrepresentation from issuers.
 - Allow networking organizations the capability to post information about companies seeking capital on their websites with appropriate disclaimers.
- Financial Statement Disclosures
 - Comment that at the federal level there was some consideration for a low-doc option for raises below \$250K – especially for “debt based” options like micro-loans
 - Having a standardized template form or “checklist” available for non-sophisticated/non-accredited investors – creates a safe harbor for due diligence and assurance

2. ADOPTION OF AN ACCREDITED INVESTOR EXEMPTION

- Concern from parties we have spoken with about responsibilities and necessary documentation to qualify for “reasonable belief” provision.
- Many agree that accreditation by income and network is a terrible proxy for financial fitness.
- Comment that the ability for an investor to “self-attest” their accreditation status has worked in other states and now under the Reg-CF rules recently implemented.
- Concern that the removal of proof of accreditation is a bad idea because the evidence is important to avoid possible fraud, especially with the environment of friends, family and “angel” investors
- Comment that this is an understandable proposal however being out of sync with Reg S could lead to unintended adverse consequences like blown exemptions
- Request that Florida Statutes should align with Red D for Fed CF regulations, concern that offering exemptions could be blown if investor is discovered to be from out of state.
- Request that there be a shield of protection for being an accredited investor if you want them to go in on pre-revenue business investments.
- This critical element will open the gates for the start-up community and solo entrepreneurs.
- Concern that general solicitation will not be helpful since is it through introductions and relationships that deals are made – not general billboards. Accredited investor funds/groups are very sensitive to general solicitation

3. AMENDMENTS TO THE LIMITED OFFERING EXEMPTION

- Comment that demo day solicitation is too impulse driven. This would create auction-like evenings which run contrary to incentivizing due-diligence. It’s good to stimulate investment, but not wise to over-stimulate an emotional investment ambiance.
- Demo Day solicitations should be broadly defined to include investor pitches at incubators, before angel investor group and conferences.
- Demo days or pitch-fest gatherings are the best opportunities to expose the market to new ideas and services.
- The Demo – day environment needs to be defined, could this include informal luncheon or webinars? As long as its hosted by a network or organization? Needs to be clear definition for what is included in this safe harbor

4. REGISTRATION OF SECURITIES TRANSACTIONS

- Testing the waters is a great idea because it allows investors and issuers to vet interest and save on the cost of on boarding – this will facilitate deal flow and allows for introductions to be made easily.
- It also lessens risk of issuers who on board – this would loosen the restrictions that current reps are having- this prevents issuers forcing products on investors.

5. REGISTRATION OF FINDERS

- Suggestion to incorporate a fund for investor damage for finders
 - Have a resource for Consumer Trust
 - Finders may be accounting for a protection fund. Suggestion to have finder pay fee for protection fund
- Suggestion to Tie and ethics course requirement to license registration process/application
Comment that it is critical to Finders to able to act as intermediaries and not violate laws, if they are simply connection investors with companies and not providing advisory and consultation. These finders should be paid a fee for making the effort to facilitate matching buyer with sellers and should not have to be SEC licensed broker dealers.
- An Important service that can keep some of the investment in the state, as right now there is no augmentation to the sources of funds.
- Can finders be association with a firm or Broker-dealer to act as an internal marketer? If so, this would be a huge benefit to the industry – if so, what does commission look like?
- This would be a great service to the industry, prevents many people from operating in a legal grey area – lessens liability and brings clarity.
- Is there a specification on compensation? Could it include equity or assets?
- There needs to be education on what you can say and do to be compliant and education for consumers.
- Could a broker dealer have supervision over a licensed finder?
- Could the market become saturated with Finders and create a systemic risk? Investors must be sophisticated in to invest in private placements.
- Comment to let them operate without the need to be registered, allowing for a free market
- There needs to be clear guidelines for Finders. If they are operating in a grey area, it is perceived as a risk to investors
- Provide clear way to find out online who is registered as a finder
- Have finders issue a disclaimer that state the role and responsibilities while providing clear guidelines on what they can and can't do. – Similar to a transaction broker
 - EX: can't give financial advice, cannot hold or manage escrow or monies, can provide guidance on %'s and structure of the investment
 - Finder must present this disclosure to the founder and to the capital source prior to engagement, have finder retain paperwork for X years
 - The disclaimer will also state that the finder does not have a fiduciary responsibility to either party and that each party is responsible for their own due diligence and risk assessments.

6. NOTICE FILINGS

- Allow Federal filing documentation to be acceptable/transferable to State notification and prescribed documentation requirements.

7. ENFORCEMENT PROVISIONS

8. MISCELLANEOUS

- Comment that making it easier for companies to raise smaller investments from investors and easing the restrictions on accreditation is good.
- Concern as to whether the state will take a stance on an startup companies' equity/ownership offset. Will regulations require startups to retains a certain percentage of equity?
- Request for state to provide compensatory incentives and/or startup grants.
 - a. EB5 program had been brought up as an example of incentives/compensation
- Request for Chambers, incubators and accelerators to be education on awareness guidelines and regulations that they can champion to their networks – need for education in financing options
- Concern that Legal structure needs to be built in a way that is fair to both sides, investors and entrepreneurs. Ensure that you are including the perspective of investors.
- Outside investors want terms that give investors a fair risk adjusted return, the founders want all debt so there is no dilution and the investor want upside. LLC Agreement Can be structured with multiple classes to allow everyone to win if built properly.
- Request for exit strategy in all kinds of investment / securities offerings for investors, secondary market.
- Some concern placing non-accredited investors with accredited investors in private placements.
- As the goal is to promote business, many draconian Final Orders should be thrown out, especially if they are a few years old the rep paid fines to the state. The Final Orders result in the SEC/FINRA denying memberships, based on the Final Orders which sometimes are just wrong and most of the time non-commensurate with alleged infractions. Anyone with drug related offences should not be trusted
- Let all former RIA and RA be automatically opted in to Crowdfunding exemption
- Recommended to have a localized groups / association for non – sophisticated / non accredited investors. Have pre-made templates for creating investors groups all over state could foster integration. Perhaps as apart of Chambers of Commerce
- Education to the marketplace on the elements of a successful enterprise are important – create the vision in the marketplace.

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