

**STATE OF FLORIDA
OFFICE OF FINANCIAL REGULATION**

**Preparing a Disclosure Statement for a Florida Limited Offering
Pursuant to Section 517.0611, Florida Statutes**

GENERAL INFORMATION

Pursuant to s. 517.0611(8), Florida Statutes ("F.S."), an issuer of securities under Florida's Limited Offering Exemption must make available to prospective investors a disclosure statement containing material information about the issuer and the offering. The disclosure statement must also be filed with the Office of Financial Regulation ("Office") at the time of filing its Notice of Florida Limited Offering (Form FLO).

The disclosure statement must be electronically filed with the Office as a PDF document through the Office's Regulatory Enforcement and Licensing (REAL) System at <https://real.flofr.gov>.

This guide is intended to provide definitions for terms used in s. 517.0611(8), F.S., for issuers preparing disclosure statements. The Office does not review any disclosure statement filed with it for accuracy and cannot provide legal advice on the adequacy of representations contained in a disclosure statement. A disclosure statement need not follow any general format or layout (with the exception of the required statement under s. 517.0611(8)(I), F.S.), as long as it contains all of the information required in the section.

INFORMATION REQUIRED IN A DISCLOSURE STATEMENT

s. 517.0611(8)(a), F.S. - The name, legal status, physical address, e-mail address, and website address of the issuer.

Name: The full name of the issuer.

Legal status: The issuer's form of organization, jurisdiction in which it is organized, and date of organization.

Physical address: Address where the issuer conducts business (no P.O. boxes).

E-mail address: The issuer's e-mail address.

Website address: The Uniform Resource Locator (URL) of the issuer's website, if any.

s. 517.0611(8)(b), F.S. - The names of the directors, officers, managers, managing members, general partners, and any person occupying a similar status or performing a similar function, and the name and ownership percentage of each person holding more than 20 percent of the issuer's equity interests.

Officer – A president, vice president, secretary, treasurer or chief financial officer, comptroller or principal accounting officer, and any person routinely performing corresponding functions with respect to the issuer.

s. 517.0611(8)(c), F.S. - A description of the current business and anticipated business plan of the issuer.

Such information may include, but is not limited to, the goods or services the issuer provides; location of its facilities; sales information; major customers; material terms of key sales contracts and other contractual obligations; competition; trends in the industry; marketing strategies; and the future events that management believes must occur in order for the issuer to meet its business objectives.

Other information requiring disclosure may include a description of the progress of development of a prototype or new product; steps taken to protect intellectual property; description of advertising and other promotional activities; license agreements; the impact if supply for key materials is interrupted or if materials dramatically increase in price; the terms of facility leases including expiration dates and renewal options; and the terms of transactions involving the purchase, lease, or sale of property or equipment to or from an officer, director, stockholder or other key person of the issuer.

s. 517.0611(8)(d), F.S. - A description of the stated purpose and intended use of the proceeds of the offering.

The issuer should disclose the principal reason for the offering, the purposes for which the proceeds of the offering are intended to be used, and the approximate amount intended to be used for each such purpose. Examples of expenditures include payroll; rent; utilities; equipment leases or purchases; legal fees; inventory acquisition; payment of notes; advertising; insurance; supplies; and payments to be made immediately to officers, directors, a registered intermediary in Florida, or registered securities dealer in Florida.

s. 517.0611(8)(e), F.S. - The target offering amount and the deadline to reach the target offering amount.

Target offering amount – The minimum amount of aggregate capital raised from investors in the offering in order for the funds to be released to the issuer. The amount stated determines the issuer's financial reporting requirements under s. 517.0611(8)(k), F.S., as described below.

The amount cannot exceed \$5 million subject to the provisions of s. 517.0611(9), F.S.

The deadline to reach the target offering amount – The date when the offering closes and no more investor funds are accepted for the offering.

Pursuant to s. 517.0611(5), F.S., the offering deadline cannot exceed 12 months after the

date of filing Form FLO.

If the target offering amount is not met by the deadline, all investors must receive a full return of their investment commitment, as provided in s. 517.0611(8), F.S.

s. 517.0611(8)(f), F.S. - The price to the public of the securities.

Pursuant to s. 517.0611(15), F.S., an issuer must allow investors to cancel a commitment to invest within 3 business days.

s. 517.0611(8)(g) A description of the ownership and capital structure of the issuer, including:

- 1. Terms of the securities being offered and each class of security of the issuer, including how those terms may be modified, and a summary of the differences between such securities, including how the rights of the securities being offered may be materially limited, diluted, or qualified by rights of any other class of security of the issuer.**
- 2. A description of how the exercise of the rights held by the principal equity holders of the issuer could negatively impact the purchasers of the securities being offered.**

If applicable, the issuer should disclose how a primary or secondary offering or distribution of securities will dilute an investor's ownership percentage of the company or reduce the value of securities on a per share basis immediately after an offering.

Dilution reduces shareholders' percentage of ownership and can have a diminishing effect on the book value of the common stock, the earnings per share, and the shareholders' ultimate voting power. This is especially the case when the company issues shares to its principal stockholders at prices substantially below the offering price to new stockholders; when holders of options and warrants exercise their rights to purchase additional shares at lower prices than what they paid originally further diluting the valuation on a per share basis; or when debt or preferred stock is converted into additional shares of common stock at prices below the current offering price.

Dilution represents the difference between the current offering price and the net tangible book value per share immediately after a securities offering. Net tangible book value is the amount that results from subtracting total liabilities and intangible assets from total assets of the company.

S. 517.0611(8)(h) A statement that the security being offered is not registered under federal or state securities laws and that the securities are subject to the limitation on resale contained in the Securities and Exchange Commission Rule 147 or Rule 147A.

S. 517.0611(8)(i) Any issuer plans, formal or informal, to offer additional securities

in the future.

S. 517.0611(8)(j) The risks to purchasers of the securities relating to minority ownership in the issuer.

S. 517.0611(8)(k) A description of the financial condition of the issuer.

1. For offerings that, in combination with all other offerings of the issuer within the preceding 12- month period, have offering amounts of \$500,000 or less, the financial statements of the issuer may be, but are no required to be, included.

2. For offerings that, in combination with all other offerings of the issuer within the preceding 12- month period, have target offering amounts of more than \$500,000, but not more than \$2.5 million, the description must include financial statements prepared in accordance with generally accepted accounting principles and reviewed by a certified public accountant, as defined in s. 473.302, who is independent of the issuer, using professional standards and procedures or standards and procedures established by commission rule, for such purpose.

3. For offerings that, in combination with all other offerings of the issuer within the preceding 12- month period, have offering amounts of more than \$2.5 million, the description must include audited financial statements prepared in accordance with generally accepted accounting principles by a certified public accountant, as defined in s. 473.302, who is independent of the issuer, and other requirements as the commission may establish by rule.

The target offering amount stated in the disclosure statement determines the financial reporting requirements applicable to the issuer.

Rule 69W-600.0018, F.A.C., provides that financial statements must be prepared and/or reviewed in accordance with United States generally accepted auditing standards; and certified public accountants who prepare or review an issuer's financial statements must meet the standards of independence described in Rule 2-01(b) and (c) of Regulation S-X (17 C.F.R. §210.2- 01(b) and (c)).

s. 517.0611(8)(l), F.S. - The following statement in boldface, conspicuous type on the front page of the disclosure statement:

Neither the Securities or Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if this disclosure statement is truthful or complete. Any representation to the contrary is a criminal offense.

These securities are offered under, and will be sold in reliance upon, an exemption from the registration requirements of federal and Florida securities laws. Consequently, neither the Federal Government nor the State of Florida has

reviewed the accuracy or completeness of any offering materials. In making an investment decision, investors must rely on their own examination of the issuer and the terms of the offering, including the merits and risks involved. These securities are subject to restrictions on transferability and resale and may not be transferred or resold except as specifically authorized by applicable federal and state securities laws. Investing in these securities involves a speculative risk, and investors should be able to bear the loss of their entire investment.

Boldface, conspicuous type on the front page – Printed in at least 14 pt. bold font