

A Kickstart to Business: Florida Joins Other States in Passing Intrastate Crowdfunding Exemption

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The local charitable campaign

that raised funds for new team uniforms is moving to the boardroom as Florida joins more than 20 other states that have passed legislation or enacted regulations permitting some form of intrastate crowdfunding. The legislation becomes effective October 1, 2015. Here are some highlights. Crowdfunding is an Internet-based form of collaborative funding, usually raising small amounts of money from a large number of people. Under the new law ([Laws of Florida, Ch. 2015-171](#)), which is tied to the federal exemption for intrastate offerings, an issuer may use intrastate crowdfunding if it:

1. is a for-profit business entity formed in Florida,
2. is registered with the Florida Secretary of State,
3. maintains its principal place of business in Florida, and

4. derives its revenues primarily from operations in Florida.

Additionally, the issuer must conduct the transactions for the offering through a dealer registered with the Office of Financial Regulation of the Financial Services Commission or an intermediary registered under Section 517.12(20) of the Florida Statutes. The intermediary will be required to obtain information from potential investors to confirm that they are Florida residents. Other requirements under the new law pertain to the funds raised. In particular, there must be a stated investment goal for the funds, and they must be escrowed with a federally-insured financial institution authorized to do business in Florida. The escrowing requirement ensures that proceeds are not distributed to the issuer until the aggregate capital raised from all investors is equal to or greater than the target offering amount. If the offering amount is not reached by the target date, the investors receive a full return of their investment commitment. Beyond various notice and form requirements, the law places a cap on the amount of funds that can be raised through the crowdfunding exemption. Specifically, “the sum of all cash and other consideration received for sales of a security under this section may not exceed \$1 million, less the aggregate amount received for all sales of securities by the issuer within the 12 months preceding the first offer or sale made in reliance upon this exemption.” In other words, significant funds may be raised through this exemption, but limits exist on its use at certain dollar amounts. Notwithstanding this limitation, Florida’s crowdfunding statute may provide a new resource to developing business entities and homegrown products that rely on and seek the support of a loyal customer base. Only time will tell whether the success crowdfunding has brought to everything from local charities to the revival of a canceled television series,[1] will be replicated in the business sector. Regardless, Florida’s new law is a positive first step to releasing crowdfunding’s potential at a local level. ___ [1] David Itzkoff, ‘Veronica Mars’ Fans

Are Happy to Finance a Reunion, N.Y Times, Mar. 5, 2014.

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