

By the Committee on Banking and Insurance; and Senator Richter

597-03200-15

2015914c1

1 A bill to be entitled
2 An act relating to intrastate crowdfunding; amending
3 s. 517.021, F.S.; conforming a cross-reference;
4 defining the term "intermediary" for purposes of the
5 Florida Securities and Investor Protection Act;
6 amending s. 517.061, F.S.; exempting offers or sales
7 of securities by certain issuers from registration
8 requirements; creating s. 517.0611, F.S.; providing a
9 short title; exempting the intrastate offering and
10 sale of certain securities from certain regulatory
11 requirements; providing applicability; providing
12 registration and reporting requirements for issuers
13 and intermediaries offering such securities; requiring
14 the issuer to provide to the office a copy of a
15 specified escrow agreement; limiting the aggregate
16 amount of sales of such securities within a specified
17 period; limiting the aggregate amount of sales to
18 specified investors; requiring an issuer to produce
19 and distribute an annual report to investors;
20 requiring a notice-filing to be suspended under
21 certain circumstances; specifying that fees collected
22 become revenue of the state; requiring a qualified
23 third party to hold certain funds in escrow; amending
24 s. 517.12, F.S.; providing registration requirements
25 for an intermediary; conforming a cross-reference;
26 amending s. 517.121, F.S.; requiring an intermediary
27 to comply with specified recordkeeping requirements;
28 amending s. 517.161, F.S.; including an intermediary
29 in the disciplinary provisions; amending s. 626.9911,

597-03200-15

2015914c1

30 F.S.; conforming a cross-reference; providing an
31 effective date.
32

33 Be It Enacted by the Legislature of the State of Florida:
34

35 Section 1. Subsection (9) of section 517.021, Florida
36 Statutes, is amended, subsections (13) through (23) are
37 redesignated as subsections (14) through (24), respectively, and
38 a new subsection (13) is added to that section, to read:

39 517.021 Definitions.—When used in this chapter, unless the
40 context otherwise indicates, the following terms have the
41 following respective meanings:

42 (9) "Federal covered adviser" means a person who is
43 registered or required to be registered under s. 203 of the
44 Investment Advisers Act of 1940. The term "federal covered
45 adviser" does not include any person who is excluded from the
46 definition of investment adviser under subparagraphs (14) (b) 1.-
47 8. ~~(13) (b) 1.-8.~~

48 (13) "Intermediary" means a natural person residing in the
49 state or a corporation, trust, partnership, association, or
50 other legal entity registered with the Secretary of State to do
51 business in the state which represents an issuer in a
52 transaction involving the offer or sale of securities under s.
53 517.061.

54 Section 2. Section 517.061, Florida Statutes, is amended to
55 read:

56 517.061 Exempt transactions.—Except as otherwise provided
57 in s. 517.0611 for a transaction listed in subsection (21), the
58 exemption for each transaction listed below is self-executing

597-03200-15

2015914c1

59 and does not require any filing with the office before ~~prior to~~
60 claiming the ~~such~~ exemption. Any person who claims entitlement
61 to any of the exemptions bears the burden of proving such
62 entitlement in any proceeding brought under this chapter. The
63 registration provisions of s. 517.07 do not apply to any of the
64 following transactions; however, such transactions are subject
65 to the provisions of ss. 517.301, 517.311, and 517.312:

66 (1) At any judicial, executor's, administrator's,
67 guardian's, or conservator's sale, or at any sale by a receiver
68 or trustee in insolvency or bankruptcy, or any transaction
69 incident to a judicially approved reorganization in which a
70 security is issued in exchange for one or more outstanding
71 securities, claims, or property interests.

72 (2) By or for the account of a pledgeholder or mortgagee
73 selling or offering for sale or delivery in the ordinary course
74 of business and not for the purposes of avoiding the provisions
75 of this chapter, to liquidate a bona fide debt, a security
76 pledged in good faith as security for such debt.

77 (3) The isolated sale or offer for sale of securities when
78 made by or on behalf of a vendor not the issuer or underwriter
79 of the securities, who, being the bona fide owner of such
80 securities, disposes of her or his own property for her or his
81 own account, and such sale is not made directly or indirectly
82 for the benefit of the issuer or an underwriter of such
83 securities or for the direct or indirect promotion of any scheme
84 or enterprise with the intent of violating or evading any
85 provision of this chapter. For purposes of this subsection,
86 isolated offers or sales include, but are not limited to, an
87 isolated offer or sale made by or on behalf of a vendor of

597-03200-15

2015914c1

88 securities not the issuer or underwriter of the securities if:

89 (a) The offer or sale of securities is in a transaction
90 satisfying all of the requirements of subparagraphs (11)(a)1.,
91 2., 3., and 4. and paragraph (11)(b); or

92 (b) The offer or sale of securities is in a transaction
93 exempt under s. 4(1) of the Securities Act of 1933, as amended.

94

95 For purposes of this subsection, any person, including, without
96 limitation, a promoter or affiliate of an issuer, shall not be
97 deemed an underwriter, an issuer, or a person acting for the
98 direct or indirect benefit of the issuer or an underwriter with
99 respect to any securities of the issuer which she or he has
100 owned beneficially for at least 1 year.

101 (4) The distribution by a corporation, trust, or
102 partnership, actively engaged in the business authorized by its
103 charter or other organizational articles or agreement, of
104 securities to its stockholders or other equity security holders,
105 partners, or beneficiaries as a stock dividend or other
106 distribution out of earnings or surplus.

107 (5) The issuance of securities to such equity security
108 holders or other creditors of a corporation, trust, or
109 partnership in the process of a reorganization of such
110 corporation or entity, made in good faith and not for the
111 purpose of avoiding the provisions of this chapter, either in
112 exchange for the securities of such equity security holders or
113 claims of such creditors or partly for cash and partly in
114 exchange for the securities or claims of such equity security
115 holders or creditors.

116 (6) Any transaction involving the distribution of the

597-03200-15

2015914c1

117 securities of an issuer exclusively among its own security
118 holders, including any person who at the time of the transaction
119 is a holder of any convertible security, any nontransferable
120 warrant, or any transferable warrant which is exercisable within
121 not more than 90 days of issuance, when no commission or other
122 remuneration is paid or given directly or indirectly in
123 connection with the sale or distribution of such additional
124 securities.

125 (7) The offer or sale of securities to a bank, trust
126 company, savings institution, insurance company, dealer,
127 investment company as defined by the Investment Company Act of
128 1940, pension or profit-sharing trust, or qualified
129 institutional buyer as defined by rule of the commission in
130 accordance with Securities and Exchange Commission Rule 144A (17
131 C.F.R. s. 230.144(A)(a)), whether any of such entities is acting
132 in its individual or fiduciary capacity; provided that such
133 offer or sale of securities is not for the direct or indirect
134 promotion of any scheme or enterprise with the intent of
135 violating or evading any provision of this chapter.

136 (8) The sale of securities from one corporation to another
137 corporation provided that:

138 (a) The sale price of the securities is \$50,000 or more;
139 and

140 (b) The buyer and seller corporations each have assets of
141 \$500,000 or more.

142 (9) The offer or sale of securities from one corporation to
143 another corporation, or to security holders thereof, pursuant to
144 a vote or consent of such security holders as may be provided by
145 the articles of incorporation and the applicable corporate

597-03200-15

2015914c1

146 statutes in connection with mergers, share exchanges,
147 consolidations, or sale of corporate assets.

148 (10) The issuance of notes or bonds in connection with the
149 acquisition of real property or renewals thereof, if such notes
150 or bonds are issued to the sellers of, and are secured by all or
151 part of, the real property so acquired.

152 (11) (a) The offer or sale, by or on behalf of an issuer, of
153 its own securities, which offer or sale is part of an offering
154 made in accordance with all of the following conditions:

155 1. There are no more than 35 purchasers, or the issuer
156 reasonably believes that there are no more than 35 purchasers,
157 of the securities of the issuer in this state during an offering
158 made in reliance upon this subsection or, if such offering
159 continues for a period in excess of 12 months, in any
160 consecutive 12-month period.

161 2. Neither the issuer nor any person acting on behalf of
162 the issuer offers or sells securities pursuant to this
163 subsection by means of any form of general solicitation or
164 general advertising in this state.

165 3. Before ~~Prior to~~ the sale, each purchaser or the
166 purchaser's representative, if any, is provided with, or given
167 reasonable access to, full and fair disclosure of all material
168 information.

169 4. No person defined as a "dealer" in this chapter is paid
170 a commission or compensation for the sale of the issuer's
171 securities unless such person is registered as a dealer under
172 this chapter.

173 5. When sales are made to five or more persons in this
174 state, any sale in this state made pursuant to this subsection

597-03200-15

2015914c1

175 is voidable by the purchaser in such sale either within 3 days
176 after the first tender of consideration is made by such
177 purchaser to the issuer, an agent of the issuer, or an escrow
178 agent or within 3 days after the availability of that privilege
179 is communicated to such purchaser, whichever occurs later.

180 (b) The following purchasers are excluded from the
181 calculation of the number of purchasers under subparagraph
182 (a)1.:

183 1. Any relative or spouse, or relative of such spouse, of a
184 purchaser who has the same principal residence as such
185 purchaser.

186 2. Any trust or estate in which a purchaser, any of the
187 persons related to such purchaser specified in subparagraph 1.,
188 and any corporation specified in subparagraph 3. collectively
189 have more than 50 percent of the beneficial interest (excluding
190 contingent interest).

191 3. Any corporation or other organization of which a
192 purchaser, any of the persons related to such purchaser
193 specified in subparagraph 1., and any trust or estate specified
194 in subparagraph 2. collectively are beneficial owners of more
195 than 50 percent of the equity securities or equity interest.

196 4. Any purchaser who makes a bona fide investment of
197 \$100,000 or more, provided such purchaser or the purchaser's
198 representative receives, or has access to, the information
199 required to be disclosed by subparagraph (a)3.

200 5. Any accredited investor, as defined by rule of the
201 commission in accordance with Securities and Exchange Commission
202 Regulation 230.501 (17 C.F.R. s. 230.501).

203 (c)1. For purposes of determining which offers and sales of

597-03200-15

2015914c1

204 securities constitute part of the same offering under this
205 subsection and are therefore deemed to be integrated with one
206 another:

207 a. Offers or sales of securities occurring more than 6
208 months before ~~prior to~~ an offer or sale of securities made
209 pursuant to this subsection shall not be considered part of the
210 same offering, provided there are no offers or sales by or for
211 the issuer of the same or a similar class of securities during
212 such 6-month period.

213 b. Offers or sales of securities occurring at any time
214 after 6 months from an offer or sale made pursuant to this
215 subsection shall not be considered part of the same offering,
216 provided there are no offers or sales by or for the issuer of
217 the same or a similar class of securities during such 6-month
218 period.

219 2. Offers or sales which do not satisfy the conditions of
220 any of the provisions of subparagraph 1. may or may not be part
221 of the same offering, depending on the particular facts and
222 circumstances in each case. The commission may adopt a rule or
223 rules indicating what factors should be considered in
224 determining whether offers and sales not qualifying for the
225 provisions of subparagraph 1. are part of the same offering for
226 purposes of this subsection.

227 (d) Offers or sales of securities made pursuant to, and in
228 compliance with, any other subsection of this section or any
229 subsection of s. 517.051 shall not be considered part of an
230 offering pursuant to this subsection, regardless of when such
231 offers and sales are made.

232 (12) The sale of securities by a bank or trust company

597-03200-15

2015914c1

233 organized or incorporated under the laws of the United States or
234 this state at a profit to such bank or trust company of not more
235 than 2 percent of the total sale price of such securities;
236 provided that there is no solicitation of this business by such
237 bank or trust company where such bank or trust company acts as
238 agent in the purchase or sale of such securities.

239 (13) An unsolicited purchase or sale of securities on order
240 of, and as the agent for, another by a dealer registered
241 pursuant to the provisions of s. 517.12; provided that this
242 exemption applies solely and exclusively to such registered
243 dealers and does not authorize or permit the purchase or sale of
244 securities on order of, and as agent for, another by any person
245 other than a dealer so registered; and provided, further, that
246 such purchase or sale is not directly or indirectly for the
247 benefit of the issuer or an underwriter of such securities or
248 for the direct or indirect promotion of any scheme or enterprise
249 with the intent of violation or evading any provision of this
250 chapter.

251 (14) The offer or sale of shares of a corporation which
252 represent ownership, or entitle the holders of the shares to
253 possession and occupancy, of specific apartment units in
254 property owned by such corporation and organized and operated on
255 a cooperative basis, solely for residential purposes.

256 (15) The offer or sale of securities under a bona fide
257 employer-sponsored stock option, stock purchase, pension,
258 profit-sharing, savings, or other benefit plan when offered only
259 to employees of the sponsoring organization or to employees of
260 its controlled subsidiaries.

261 (16) The sale by or through a registered dealer of any

597-03200-15

2015914c1

262 securities option if at the time of the sale of the option:

263 (a) The performance of the terms of the option is
264 guaranteed by any dealer registered under the federal Securities
265 Exchange Act of 1934, as amended, which guaranty and dealer are
266 in compliance with such requirements or rules as may be approved
267 or adopted by the commission; or

268 (b) Such options transactions are cleared by the Options
269 Clearing Corporation or any other clearinghouse recognized by
270 the office; and

271 (c) The option is not sold by or for the benefit of the
272 issuer of the underlying security; and

273 (d) The underlying security may be purchased or sold on a
274 recognized securities exchange or is quoted on the National
275 Association of Securities Dealers Automated Quotation System;
276 and

277 (e) Such sale is not directly or indirectly for the purpose
278 of providing or furthering any scheme to violate or evade any
279 provisions of this chapter.

280 (17) (a) The offer or sale of securities, as agent or
281 principal, by a dealer registered pursuant to s. 517.12, when
282 such securities are offered or sold at a price reasonably
283 related to the current market price of such securities, provided
284 such securities are:

285 1. Securities of an issuer for which reports are required
286 to be filed by s. 13 or s. 15(d) of the Securities Exchange Act
287 of 1934, as amended;

288 2. Securities of a company registered under the Investment
289 Company Act of 1940, as amended;

290 3. Securities of an insurance company, as that term is

597-03200-15

2015914c1

291 defined in s. 2(a)(17) of the Investment Company Act of 1940, as
292 amended;

293 4. Securities, other than any security that is a federal
294 covered security pursuant to s. 18(b)(1) of the Securities Act
295 of 1933 and is not subject to any registration or filing
296 requirements under this act, which appear in any list of
297 securities dealt in on any stock exchange registered pursuant to
298 the Securities Exchange Act of 1934, as amended, and which
299 securities have been listed or approved for listing upon notice
300 of issuance by such exchange, and also all securities senior to
301 any securities so listed or approved for listing upon notice of
302 issuance, or represented by subscription rights which have been
303 so listed or approved for listing upon notice of issuance, or
304 evidences of indebtedness guaranteed by companies any stock of
305 which is so listed or approved for listing upon notice of
306 issuance, such securities to be exempt only so long as such
307 listings or approvals remain in effect. The exemption provided
308 for herein does not apply when the securities are suspended from
309 listing approval for listing or trading.

310 (b) The exemption provided in this subsection does not
311 apply if the sale is made for the direct or indirect benefit of
312 an issuer or controlling persons of such issuer or if such
313 securities constitute the whole or part of an unsold allotment
314 to, or subscription or participation by, a dealer as an
315 underwriter of such securities.

316 (c) This exemption shall not be available for any
317 securities which have been denied registration pursuant to s.
318 517.111. Additionally, the office may deny this exemption with
319 reference to any particular security, other than a federal

597-03200-15

2015914c1

320 covered security, by order published in such manner as the
321 office finds proper.

322 (18) The offer or sale of any security effected by or
323 through a person in compliance with s. 517.12(17).

324 (19) Other transactions defined by rules as transactions
325 exempted from the registration provisions of s. 517.07, which
326 rules the commission may adopt from time to time, but only after
327 a finding by the office that the application of the provisions
328 of s. 517.07 to a particular transaction is not necessary in the
329 public interest and for the protection of investors because of
330 the small dollar amount of securities involved or the limited
331 character of the offering. In conjunction with its adoption of
332 such rules, the commission may also provide in such rules that
333 persons selling or offering for sale the exempted securities are
334 exempt from the registration requirements of s. 517.12. No rule
335 so adopted may have the effect of narrowing or limiting any
336 exemption provided for by statute in the other subsections of
337 this section.

338 (20) Any nonissuer transaction by a registered associated
339 person of a registered dealer, and any resale transaction by a
340 sponsor of a unit investment trust registered under the
341 Investment Company Act of 1940, in a security of a class that
342 has been outstanding in the hands of the public for at least 90
343 days; provided, at the time of the transaction:

344 (a) The issuer of the security is actually engaged in
345 business and is not in the organization stage or in bankruptcy
346 or receivership and is not a blank check, blind pool, or shell
347 company whose primary plan of business is to engage in a merger
348 or combination of the business with, or an acquisition of, any

597-03200-15

2015914c1

349 unidentified person;

350 (b) The security is sold at a price reasonably related to
351 the current market price of the security;

352 (c) The security does not constitute the whole or part of
353 an unsold allotment to, or a subscription or participation by,
354 the broker-dealer as an underwriter of the security;

355 (d) A nationally recognized securities manual designated by
356 rule of the commission or order of the office or a document
357 filed with the Securities and Exchange Commission that is
358 publicly available through the commission's electronic data
359 gathering and retrieval system contains:

360 1. A description of the business and operations of the
361 issuer;

362 2. The names of the issuer's officers and directors, if
363 any, or, in the case of an issuer not domiciled in the United
364 States, the corporate equivalents of such persons in the
365 issuer's country of domicile;

366 3. An audited balance sheet of the issuer as of a date
367 within 18 months before such transaction or, in the case of a
368 reorganization or merger in which parties to the reorganization
369 or merger had such audited balance sheet, a pro forma balance
370 sheet; and

371 4. An audited income statement for each of the issuer's
372 immediately preceding 2 fiscal years, or for the period of
373 existence of the issuer, if in existence for less than 2 years
374 or, in the case of a reorganization or merger in which the
375 parties to the reorganization or merger had such audited income
376 statement, a pro forma income statement; and

377 (e) The issuer of the security has a class of equity

597-03200-15

2015914c1

378 securities listed on a national securities exchange registered
379 under the Securities Exchange Act of 1934 or designated for
380 trading on the National Association of Securities Dealers
381 Automated Quotation System, unless:

382 1. The issuer of the security is a unit investment trust
383 registered under the Investment Company Act of 1940;

384 2. The issuer of the security has been engaged in
385 continuous business, including predecessors, for at least 3
386 years; or

387 3. The issuer of the security has total assets of at least
388 \$2 million based on an audited balance sheet as of a date within
389 18 months before such transaction or, in the case of a
390 reorganization or merger in which parties to the reorganization
391 or merger had such audited balance sheet, a pro forma balance
392 sheet.

393 (21) The offer or sale of a security by an issuer conducted
394 in accordance with s. 517.0611.

395 Section 3. Section 517.0611, Florida Statutes, is created
396 to read:

397 517.0611 Intrastate crowdfunding.-

398 (1) This section may be cited as the "Florida Intrastate
399 Crowdfunding Exemption."

400 (2) Notwithstanding any other provision of this chapter, an
401 offer or sale of a security by an issuer is an exempt
402 transaction under s. 517.061 if the offer or sale is conducted
403 in accordance with this section. The exemption provided in this
404 section may not be used in conjunction with any other exemption
405 under s. 517.051 or s.517.061.

406 (3) The offer or sale of securities under this section must

597-03200-15

2015914c1

407 be conducted in accordance with the requirements of the federal
408 exemption for intrastate offerings in s. 3(a)(11) of the
409 Securities Act of 1933, 15 U.S.C. s. 77c(a)(11), and United
410 States Securities and Exchange Commission Rule 147, 17 C.F.R. s.
411 230.147, adopted pursuant to the Securities Act of 1933.

412 (4) An issuer must:

413 (a) Be a for-profit business entity formed under the laws
414 of this state, be registered with the Secretary of State,
415 maintain its principal place of business in this state, and
416 derive its revenues primarily from operations in this state.

417 (b) Conduct transactions for the offering through a dealer
418 registered with the office or an intermediary registered under
419 s. 517.12(20).

420 (c) Not be, either before or as a result of the offering,
421 an investment company as defined in s. 3 of the Investment
422 Company Act of 1940, 15 U.S.C. s. 80a-3, or subject to the
423 reporting requirements of s. 13 or s. 15(d) of the Securities
424 Exchange Act of 1934, 15 U.S.C. s. 78m or s. 78o(d).

425 (d) Not be a company with an undefined business operation,
426 a company that lacks a business plan, a company that lacks a
427 stated investment goal for the funds being raised, or a company
428 that plans to engage in a merger or acquisition with an
429 unspecified business entity.

430 (e) Not be subject to a disqualification established by the
431 commission or office or a disqualification described in s.
432 517.1611 or United States Securities and Exchange Commission
433 Rule 506(d), 17 C.F.R. 230.506(d), adopted pursuant to the
434 Securities Act of 1933. Each director, officer, person occupying
435 a similar status or performing a similar function, or person

597-03200-15

2015914c1

436 holding more than 20 percent of the shares of the issuer, is
437 subject to this requirement.

438 (f) Execute an escrow agreement with a federally insured
439 financial institution authorized to do business in this state
440 for the deposit of investor funds, and ensure that all offering
441 proceeds are provided to the issuer only when the aggregate
442 capital raised from all investors is equal to or greater than
443 the target offering amount.

444 (g) Allow investors to cancel a commitment to invest within
445 3 business days before the offering deadline, as stated in the
446 disclosure statement, and issue refunds to all investors if the
447 target offering amount is not reached by the offering deadline.

448 (5) The issuer must file a notice of the offering with the
449 office, in writing or in electronic form, in a format prescribed
450 by commission rule, together with a nonrefundable filing fee of
451 \$200. The commission may adopt rules establishing procedures for
452 the deposit of fees and the filing of documents by electronic
453 means if the procedures provide the office with the information
454 and data required by this section. A notice is effective upon
455 receipt of the completed form, filing fee, and an irrevocable
456 written consent to service of civil process, as provided for in
457 s. 517.101, by the office. The notice may be terminated by
458 filing with the office a notice of termination. The notice and
459 offering expire 12 months after filing the notice with the
460 office and are not eligible for renewal. The notice must:

461 (a) Be filed with the office at least 10 days before the
462 issuer commences an offering of securities or the offering is
463 displayed on a website of an intermediary in reliance upon the
464 exemption provided by this section.

597-03200-15

2015914c1

465 (b) Indicate that the issuer is conducting an offering in
466 reliance upon the exemption provided by this section.

467 (c) Contain the name and contact information of the issuer.

468 (d) Identify any predecessors, owners, officers, directors,
469 and control persons or any person occupying a similar status or
470 performing a similar function of the issuer, including that
471 person's title, his or her status as a partner, trustee, sole
472 proprietor or similar role, and his or her ownership percentage.

473 (e) Identify the federally insured financial institution,
474 authorized to do business in this state, in which investor funds
475 will be deposited, in accordance with the escrow agreement.

476 (f) Require an attestation under oath that the issuer, its
477 predecessors, affiliated issuers, directors, officers, and
478 control persons, or any other person occupying a similar status
479 or performing a similar function, are not currently and have not
480 been within the past 10 years the subject of regulatory or
481 criminal actions involving fraud or deceit.

482 (g) Include documentation verifying that the issuer is
483 organized under the laws of this state and authorized to do
484 business in this state.

485 (h) Include the intermediary's website address where the
486 issuer's securities will be offered.

487 (i) Include the target offering amount.

488 (6) The issuer must amend the notice form within 30 days
489 after any information contained in the notice becomes inaccurate
490 for any reason. The commission may require, by rule, an issuer
491 who has filed a notice under this section to file amendments
492 with the office.

493 (7) The issuer must provide to investors and the dealer or

597-03200-15

2015914c1

494 intermediary, along with a copy to the office at the time the
495 notice is filed, and make available to potential investors
496 through the dealer or intermediary, a disclosure statement
497 containing material information about the issuer and the
498 offering, including:

499 (a) The name, legal status, physical address, and website
500 address of the issuer.

501 (b) The names of the directors, officers, and any person
502 occupying a similar status or performing a similar function, and
503 the name of each person holding more than 20 percent of the
504 shares of the issuer.

505 (c) A description of the business of the issuer and the
506 anticipated business plan of the issuer.

507 (d) A description of the stated purpose and intended use of
508 the proceeds of the offering.

509 (e) The target offering amount, the deadline to reach the
510 target offering amount, and regular updates regarding the
511 progress of the issuer in meeting the target offering amount.

512 (f) The price to the public of the securities or the method
513 for determining the price, provided that before the sale each
514 investor receives in writing the final price and all required
515 disclosures, with an opportunity to rescind the commitment to
516 purchase the securities.

517 (g) A description of the ownership and capital structure of
518 the issuer, including:

519 1. Terms of the securities being offered and each class of
520 security of the issuer, including how those terms may be
521 modified, and a summary of the differences between such
522 securities, including how the rights of the securities being

597-03200-15

2015914c1

523 offered may be materially limited, diluted, or qualified by
524 rights of any other class of security of the issuer;

525 2. A description of how the exercise of the rights held by
526 the principal shareholders of the issuer could negatively impact
527 the purchasers of the securities being offered;

528 3. The name and ownership level of each existing
529 shareholder who owns more than 20 percent of any class of the
530 securities of the issuer;

531 4. How the securities being offered are being valued, and
532 examples of methods of how such securities may be valued by the
533 issuer in the future, including during subsequent corporate
534 actions; and

535 5. The risks to purchasers of the securities relating to
536 minority ownership in the issuer, the risks associated with
537 corporate action, including additional issuances of shares, a
538 sale of the issuer or of assets of the issuer, or transactions
539 with related parties.

540 (h) A description of the financial condition of the issuer.

541 1. For offerings that, in combination with all other
542 offerings of the issuer within the preceding 12-month period,
543 have target offering amounts of \$100,000 or less, the
544 description must include the most recent income tax return filed
545 by the issuer, if any, and a financial statement that must be
546 certified by the principal executive officer of the issuer as
547 true and complete in all material respects.

548 2. For offerings that, in combination with all other
549 offerings of the issuer within the preceding 12-month period,
550 have target offering amounts of more than \$100,000, but not more
551 than \$500,000, the description must include financial statements

597-03200-15

2015914c1

552 prepared in accordance with generally accepted accounting
553 principles and reviewed by a certified public accountant, as
554 defined in s. 473.302, who is independent of the issuer, using
555 professional standards and procedures for such review or
556 standards and procedures established by the office, by rule, for
557 such purpose.

558 3. For offerings that, in combination with all other
559 offerings of the issuer within the preceding 12-month period,
560 have target offering amounts of more than \$500,000, the
561 description must include audited financial statements prepared
562 in accordance with generally accepted accounting principles by a
563 certified public accountant, as defined in s. 473.302, who is
564 independent of the issuer, and other requirements as the
565 commission may establish by rule.

566 (i) The following statement in boldface, conspicuous type
567 on the front page of the disclosure statement:

568
569 These securities are offered under and will be sold in reliance
570 upon an exemption from the registration requirements of federal
571 and Florida securities laws. Consequently, neither the Federal
572 Government nor the State of Florida has reviewed the accuracy or
573 completeness of any offering materials. In making an investment
574 decision, investors must rely on their own examination of the
575 issuer and the terms of the offering, including the merits and
576 risks involved. These securities are subject to restrictions on
577 transferability and resale and may not be transferred or resold
578 except as specifically authorized by applicable federal and
579 state securities laws. Investing in these securities involves a
580 speculative risk, and investors should be able to bear the loss

597-03200-15

2015914c1

581 of their entire investment.

582 (8) The issuer shall provide to the office a copy of the
583 escrow agreement with a financial institution authorized to
584 conduct business in this state. All investor funds must be
585 deposited in the escrow account. The escrow agreement must
586 require that all offering proceeds be released to the issuer
587 only when the aggregate capital raised from all investors is
588 equal to or greater than the minimum target offering amount
589 specified in the disclosure statement as necessary to implement
590 the business plan, and that all investors will receive a full
591 return of their investment commitment if that target offering
592 amount is not raised by the date stated in the disclosure
593 statement.

594 (9) The sum of all cash and other consideration received
595 for sales of a security under this section may not exceed \$1
596 million, less the aggregate amount received for all sales of
597 securities by the issuer within the 12 months preceding the
598 first offer or sale made in reliance upon this exemption. Offers
599 or sales to a person owning 20 percent or more of the
600 outstanding shares of any class or classes of securities or to
601 an officer, director, partner, or trustee, or a person occupying
602 a similar status, do not count toward this limitation.

603 (10) Unless the investor is an accredited investor as
604 defined by Rule 501 of Regulation D, adopted pursuant to the
605 Securities Act of 1933, the aggregate amount sold by an issuer
606 to an investor in transactions exempt from registration
607 requirements under this subsection in a 12-month period may not
608 exceed:

609 (a) The greater of \$2,000 or 5 percent of the annual income

597-03200-15

2015914c1

610 or net worth of such investor, if the annual income or the net
611 worth of the investor is less than \$100,000.

612 (b) Ten percent of the annual income or net worth of such
613 investor, not to exceed a maximum aggregate amount sold of
614 \$100,000, if either the annual income or net worth of the
615 investor is equal to or exceeds \$100,000.

616 (11) The issuer shall file with the office and provide to
617 investors free of charge an annual report of the results of
618 operations and financial statements of the issuer within 45 days
619 of its fiscal year end, until no securities under this offering
620 are outstanding. The annual reports must meet the following
621 requirements:

622 (a) Include an analysis by management of the issuer of the
623 business operations and the financial condition of the issuer,
624 and disclose the compensation received by each director,
625 executive officer, and person having an ownership interest of 20
626 percent or more of the issuer, including cash compensation
627 earned since the previous report and on an annual basis, and any
628 bonuses, stock options, other rights to receive securities of
629 the issuer, or any affiliate of the issuer, or other
630 compensation received.

631 (b) Disclose any material change to information contained
632 in the disclosure statements which was not disclosed in a
633 previous report.

634 (12) (a) A notice-filing under this section shall be
635 summarily suspended by the office if the payment for the filing
636 is dishonored by the financial institution upon which the funds
637 are drawn. For purposes of s. 120.60(6), failure to pay the
638 required notice filing fee constitutes an immediate and serious

597-03200-15

2015914c1

639 danger to the public health, safety, and welfare. The office
640 shall enter a final order revoking a notice-filing in which the
641 payment for the filing is dishonored by the financial
642 institution upon which the funds are drawn.

643 (b) A notice-filing under this section shall be summarily
644 suspended by the office if the issuer made a material false
645 statement in the issuer's notice-filing. The summary suspension
646 shall remain in effect until a final order is entered by the
647 office. For purposes of s. 120.60(6), a material false statement
648 made in the issuer's notice-filing constitutes an immediate and
649 serious danger to the public health, safety, and welfare. If an
650 issuer made a material false statement in the issuer's notice-
651 filing, the office shall enter a final order revoking the
652 notice-filing, issue a fine as prescribed by s. 517.221(3), and
653 issue permanent bars under s. 517.221(4) to the issuer and all
654 owners, officers, directors, and control persons, or any person
655 occupying a similar status or performing a similar function of
656 the issuer, including titles; status as a partner, trustee, sole
657 proprietor, or similar roles; and ownership percentage.

658 (13) All fees collected under this section become the
659 revenue of the state, except for those assessments provided for
660 under s. 517.131(1) until such time as the Securities Guaranty
661 Fund satisfies the statutory limits, and are not returnable in
662 the event that a notice filing is withdrawn.

663 (14) An intermediary must:

664 (a) Take measures, as established by commission rule, to
665 reduce the risk of fraud with respect to transactions, including
666 verifying that the issuer is in compliance with the requirements
667 of this section and, if necessary, denying an issuer access to

597-03200-15

2015914c1

668 its platform if the intermediary believes it is unable to
669 adequately assess the risk of fraud of the issuer or its
670 potential offering.

671 (b) Provide basic information on its website regarding the
672 high risk of investment in and limitation on the resale of
673 exempt securities and the potential for loss of an entire
674 investment. The basic information must include:

675 1. A description of the escrow agreement that the issuer
676 has executed and the conditions for release of such funds to the
677 issuer in accordance with the agreement and subsection (4).

678 2. A description of whether financial information provided
679 by the issuer has been audited by an independent certified
680 public accountant, as defined in s. 473.302.

681 (c) Obtain a zip code or residence address from each
682 potential investor who seeks to view information regarding
683 specific investment opportunities, in order to confirm that the
684 potential investor is a resident of this state.

685 (d) Obtain and verify, pursuant to commission rule, a valid
686 Florida driver license number or official identification card
687 number from each investor before purchase of a security or other
688 information, as defined by commission rule, to confirm that the
689 investor is a resident of the state.

690 (e) Obtain an affidavit from each investor stating that the
691 investment being made by the investor is consistent with the
692 income requirements of subsection (10).

693 (f) Direct the release of investor funds in escrow in
694 accordance with subsection (4).

695 (g) Direct investors to transmit funds directly to the
696 financial institution designated in the escrow agreement to hold

597-03200-15

2015914c1

697 the funds for the benefit of the investor.

698 (h) Provide a monthly update for each offering, after the
699 first full month after the date of the offering. The update must
700 be accessible on the intermediary's website and must display the
701 date and amount of each sale of securities, and each
702 cancellation of commitment to invest in the previous calendar
703 month.

704 (i) Require each investor to certify in writing, including
705 as part of such certification his or her signature and his or
706 her initials next to each paragraph of the certification, as
707 follows:

708
709 I understand and acknowledge that:

710
711 I am investing in a high-risk, speculative business venture. I
712 may lose all of my investment, and I can afford the loss of my
713 investment.

714
715 This offering has not been reviewed or approved by any state or
716 federal securities commission or other regulatory authority and
717 no regulatory authority has confirmed the accuracy or determined
718 the adequacy of any disclosure made to me relating to this
719 offering.

720
721 The securities I am acquiring in this offering are illiquid and
722 are subject to possible dilution. There is no ready market for
723 the sale of the securities. It may be difficult or impossible
724 for me to sell or otherwise dispose of the securities, and I may
725 be required to hold the securities indefinitely.

597-03200-15

2015914c1

726

727 I may be subject to tax on my share of the taxable income and
728 losses of the issuer, whether or not I have sold or otherwise
729 disposed of my investment or received any dividends or other
730 distributions from the issuer.

731

732 By entering into this transaction with the issuer, I am
733 affirmatively representing myself as being a Florida resident at
734 the time this contract is formed, and if this representation is
735 subsequently shown to be false, the contract is void.

736

737 If I resell any of the securities I am acquiring in this
738 offering to a person that is not a Florida resident within 9
739 months after the closing of the offering, my contract with the
740 issuer for the purchase of these securities is void.

741

742 (j) Require each investor to answer questions demonstrating
743 an understanding of the level of risk generally applicable to
744 investments in startups, emerging businesses, and small issuers,
745 and an understanding of the risk of illiquidity.

746 (k) Take reasonable steps to protect personal information
747 collected from investors, as required by s. 501.171.

748 (l) Prohibit its directors and officers from having any
749 financial interest in the issuer using its services.

750 (m) Implement written policies and procedures that are
751 reasonably designed to achieve compliance with federal and state
752 securities laws; comply with anti-money laundering requirements
753 of 31 C.F.R. ch. X applicable to registered brokers; and comply
754 with the privacy requirements of 17 C.F.R. part 248 as they

597-03200-15

2015914c1

755 apply to brokers.

756 (15) An intermediary not registered as a dealer under s.
757 517.12(6) may not:

758 (a) Offer investment advice or recommendations. A refusal
759 by an intermediary to post an offering that it deems not
760 credible or that represents a potential for fraud may not be
761 construed as an offer of investment advice or recommendation.

762 (b) Solicit purchases, sales, or offers to buy securities
763 offered or displayed on its website.

764 (c) Compensate employees, agents, or other persons for the
765 solicitation or based on the sale of securities offered or
766 displayed on its website.

767 (d) Hold, manage, possess, or otherwise handle investor
768 funds or securities.

769 (e) Compensate promoters, finders, or lead generators for
770 providing the intermediary with the personal identifying
771 information of any potential investor.

772 (f) Engage in any other activities set forth by commission
773 rule.

774 (16) All funds received from investors must be directed to
775 the financial institution designated in the escrow agreement to
776 hold the funds and must be used in accordance with
777 representations made to investors by the intermediary. If an
778 investor cancels a commitment to invest, the intermediary must
779 direct the financial institution designated to hold the funds to
780 promptly refund the funds of the investor.

781 Section 4. Section 517.12, Florida Statutes, is amended to
782 read:

783 517.12 Registration of dealers, associated persons,

597-03200-15

2015914c1

784 intermediaries, and investment advisers.-

785 (1) No dealer, associated person, or issuer of securities
786 shall sell or offer for sale any securities in or from offices
787 in this state, or sell securities to persons in this state from
788 offices outside this state, by mail or otherwise, unless the
789 person has been registered with the office pursuant to the
790 provisions of this section. The office shall not register any
791 person as an associated person of a dealer unless the dealer
792 with which the applicant seeks registration is lawfully
793 registered with the office pursuant to this chapter.

794 (2) The registration requirements of this section do not
795 apply to the issuers of securities exempted by s. 517.051(1)-(8)
796 and (10).

797 (3) Except as otherwise provided in s. 517.061(11)(a)4.,
798 (13), (16), (17), or (19), the registration requirements of this
799 section do not apply in a transaction exempted by s. 517.061(1)-
800 (12), (14), and (15).

801 (4) No investment adviser or associated person of an
802 investment adviser or federal covered adviser shall engage in
803 business from offices in this state, or render investment advice
804 to persons of this state, by mail or otherwise, unless the
805 federal covered adviser has made a notice-filing with the office
806 pursuant to s. 517.1201 or the investment adviser is registered
807 pursuant to the provisions of this chapter and associated
808 persons of the federal covered adviser or investment adviser
809 have been registered with the office pursuant to this section.
810 The office shall not register any person or an associated person
811 of a federal covered adviser or an investment adviser unless the
812 federal covered adviser or investment adviser with which the

597-03200-15

2015914c1

813 applicant seeks registration is in compliance with the notice-
814 filing requirements of s. 517.1201 or is lawfully registered
815 with the office pursuant to this chapter. A dealer or associated
816 person who is registered pursuant to this section may render
817 investment advice upon notification to and approval from the
818 office.

819 (5) No dealer or investment adviser shall conduct business
820 from a branch office within this state unless the branch office
821 is notice-filed with the office pursuant to s. 517.1202.

822 (6) A dealer, associated person, or investment adviser, in
823 order to obtain registration, must file with the office a
824 written application, on a form which the commission may by rule
825 prescribe. The commission may establish, by rule, procedures for
826 depositing fees and filing documents by electronic means
827 provided such procedures provide the office with the information
828 and data required by this section. Each dealer or investment
829 adviser must also file an irrevocable written consent to service
830 of civil process similar to that provided for in s. 517.101. The
831 application shall contain such information as the commission or
832 office may require concerning such matters as:

833 (a) The name of the applicant and the address of its
834 principal office and each office in this state.

835 (b) The applicant's form and place of organization; and, if
836 the applicant is a corporation, a copy of its articles of
837 incorporation and amendments to the articles of incorporation
838 or, if a partnership, a copy of the partnership agreement.

839 (c) The applicant's proposed method of doing business and
840 financial condition and history, including a certified financial
841 statement showing all assets and all liabilities, including

597-03200-15

2015914c1

842 contingent liabilities of the applicant as of a date not more
843 than 90 days prior to the filing of the application.

844 (d) The names and addresses of all associated persons of
845 the applicant to be employed in this state and the offices to
846 which they will be assigned.

847 (7) The application must also contain such information as
848 the commission or office may require about the applicant; any
849 member, principal, or director of the applicant or any person
850 having a similar status or performing similar functions; any
851 person directly or indirectly controlling the applicant; or any
852 employee of a dealer or of an investment adviser rendering
853 investment advisory services. Each applicant and any direct
854 owners, principals, or indirect owners that are required to be
855 reported on Form BD or Form ADV pursuant to subsection (15)
856 shall submit fingerprints for live-scan processing in accordance
857 with rules adopted by the commission. The fingerprints may be
858 submitted through a third-party vendor authorized by the
859 Department of Law Enforcement to provide live-scan
860 fingerprinting. The costs of fingerprint processing shall be
861 borne by the person subject to the background check. The
862 Department of Law Enforcement shall conduct a state criminal
863 history background check, and a federal criminal history
864 background check must be conducted through the Federal Bureau of
865 Investigation. The office shall review the results of the state
866 and federal criminal history background checks and determine
867 whether the applicant meets licensure requirements. The
868 commission may waive, by rule, the requirement that applicants,
869 including any direct owners, principals, or indirect owners that
870 are required to be reported on Form BD or Form ADV pursuant to

597-03200-15

2015914c1

871 subsection (15), submit fingerprints or the requirement that
872 such fingerprints be processed by the Department of Law
873 Enforcement or the Federal Bureau of Investigation. The
874 commission or office may require information about any such
875 applicant or person concerning such matters as:

876 (a) His or her full name, and any other names by which he
877 or she may have been known, and his or her age, social security
878 number, photograph, qualifications, and educational and business
879 history.

880 (b) Any injunction or administrative order by a state or
881 federal agency, national securities exchange, or national
882 securities association involving a security or any aspect of the
883 securities business and any injunction or administrative order
884 by a state or federal agency regulating banking, insurance,
885 finance, or small loan companies, real estate, mortgage brokers,
886 or other related or similar industries, which injunctions or
887 administrative orders relate to such person.

888 (c) His or her conviction of, or plea of nolo contendere
889 to, a criminal offense or his or her commission of any acts
890 which would be grounds for refusal of an application under s.
891 517.161.

892 (d) The names and addresses of other persons of whom the
893 office may inquire as to his or her character, reputation, and
894 financial responsibility.

895 (8) The commission or office may require the applicant or
896 one or more principals or general partners, or natural persons
897 exercising similar functions, or any associated person applicant
898 to successfully pass oral or written examinations. Because any
899 principal, manager, supervisor, or person exercising similar

597-03200-15

2015914c1

900 functions shall be responsible for the acts of the associated
901 persons affiliated with a dealer, the examination standards may
902 be higher for a dealer, office manager, principal, or person
903 exercising similar functions than for a nonsupervisory
904 associated person. The commission may waive the examination
905 process when it determines that such examinations are not in the
906 public interest. The office shall waive the examination
907 requirements for any person who has passed any tests as
908 prescribed in s. 15(b)(7) of the Securities Exchange Act of 1934
909 that relates to the position to be filled by the applicant.

910 (9)(a) All dealers, except securities dealers who are
911 designated by the Federal Reserve Bank of New York as primary
912 government securities dealers or securities dealers registered
913 as issuers of securities, shall comply with the net capital and
914 ratio requirements imposed pursuant to the Securities Exchange
915 Act of 1934. The commission may by rule require a dealer to file
916 with the office any financial or operational information that is
917 required to be filed by the Securities Exchange Act of 1934 or
918 any rules adopted under such act.

919 (b) The commission may by rule require the maintenance of a
920 minimum net capital for securities dealers who are designated by
921 the Federal Reserve Bank of New York as primary government
922 securities dealers and securities dealers registered as issuers
923 of securities and investment advisers, or prescribe a ratio
924 between net capital and aggregate indebtedness, to assure
925 adequate protection for the investing public. The provisions of
926 this section shall not apply to any investment adviser that
927 maintains its principal place of business in a state other than
928 this state, provided such investment adviser is registered in

597-03200-15

2015914c1

929 the state where it maintains its principal place of business and
930 is in compliance with such state's net capital requirements.

931 (10) An applicant for registration shall pay an assessment
932 fee of \$200, in the case of a dealer or investment adviser, or
933 \$50, in the case of an associated person. An associated person
934 may be assessed an additional fee to cover the cost for the
935 fingerprints to be processed by the office. Such fee shall be
936 determined by rule of the commission. Such fees become the
937 revenue of the state, except for those assessments provided for
938 under s. 517.131(1) until such time as the Securities Guaranty
939 Fund satisfies the statutory limits, and are not returnable in
940 the event that registration is withdrawn or not granted.

941 (11) If the office finds that the applicant is of good
942 repute and character and has complied with the provisions of
943 this chapter and the rules made pursuant hereto, it shall
944 register the applicant. The registration of each dealer,
945 investment adviser, and associated person expires on December 31
946 of the year the registration became effective unless the
947 registrant has renewed his or her registration on or before that
948 date. Registration may be renewed by furnishing such information
949 as the commission may require, together with payment of the fee
950 required in subsection (10) for dealers, investment advisers, or
951 associated persons and the payment of any amount lawfully due
952 and owing to the office pursuant to any order of the office or
953 pursuant to any agreement with the office. Any dealer,
954 investment adviser, or associated person who has not renewed a
955 registration by the time the current registration expires may
956 request reinstatement of such registration by filing with the
957 office, on or before January 31 of the year following the year

597-03200-15

2015914c1

958 of expiration, such information as may be required by the
959 commission, together with payment of the fee required in
960 subsection (10) for dealers, investment advisers, or associated
961 persons and a late fee equal to the amount of such fee. Any
962 reinstatement of registration granted by the office during the
963 month of January shall be deemed effective retroactive to
964 January 1 of that year.

965 (12) (a) The office may issue a license to a dealer,
966 investment adviser, or associated person to evidence
967 registration under this chapter. The office may require the
968 return to the office of any license it may issue prior to
969 issuing a new license.

970 (b) Every dealer, investment adviser, or federal covered
971 adviser shall promptly file with the office, as prescribed by
972 rules adopted by the commission, notice as to the termination of
973 employment of any associated person registered for such dealer
974 or investment adviser in this state and shall also furnish the
975 reason or reasons for such termination.

976 (c) Each dealer or investment adviser shall designate in
977 writing to, and register with, the office a manager for each
978 office the dealer or investment adviser has in this state.

979 (13) Changes in registration occasioned by changes in
980 personnel of a partnership or in the principals, copartners,
981 officers, or directors of any dealer or investment adviser or by
982 changes of any material fact or method of doing business shall
983 be reported by written amendment in such form and at such time
984 as the commission may specify. In any case in which a person or
985 a group of persons, directly or indirectly or acting by or
986 through one or more persons, proposes to purchase or acquire a

597-03200-15

2015914c1

987 controlling interest in a registered dealer or investment
988 adviser, such person or group shall submit an initial
989 application for registration as a dealer or investment adviser
990 prior to such purchase or acquisition. The commission shall
991 adopt rules providing for waiver of the application required by
992 this subsection where control of a registered dealer or
993 investment adviser is to be acquired by another dealer or
994 investment adviser registered under this chapter or where the
995 application is otherwise unnecessary in the public interest.

996 (14) Every dealer or investment adviser registered or
997 required to be registered or branch office notice-filed or
998 required to be notice-filed with the office shall keep records
999 of all currency transactions in excess of \$10,000 and shall file
1000 reports, as prescribed under the financial recordkeeping
1001 regulations in 31 C.F.R. part 103, with the office when
1002 transactions occur in or from this state. All reports required
1003 by this subsection to be filed with the office shall be
1004 confidential and exempt from s. 119.07(1) except that any law
1005 enforcement agency or the Department of Revenue shall have
1006 access to, and shall be authorized to inspect and copy, such
1007 reports.

1008 (15) (a) In order to facilitate uniformity and streamline
1009 procedures for persons who are subject to registration or
1010 notification in multiple jurisdictions, the commission may adopt
1011 by rule uniform forms that have been approved by the Securities
1012 and Exchange Commission, and any subsequent amendments to such
1013 forms, if the forms are substantially consistent with the
1014 provisions of this chapter. Uniform forms that the commission
1015 may adopt to administer this section include, but are not

597-03200-15

2015914c1

1016 limited to:

1017 1. Form BR, Uniform Branch Office Registration Form,
1018 adopted October 2005.

1019 2. Form U4, Uniform Application for Securities Industry
1020 Registration or Transfer, adopted October 2005.

1021 3. Form U5, Uniform Termination Notice for Securities
1022 Industry Registration, adopted October 2005.

1023 4. Form ADV, Uniform Application for Investment Adviser
1024 Registration, adopted October 2003.

1025 5. Form ADV-W, Notice of Withdrawal from Registration as an
1026 Investment Adviser, adopted October 2003.

1027 6. Form BD, Uniform Application for Broker-Dealer
1028 Registration, adopted July 1999.

1029 7. Form BDW, Uniform Request for Broker-Dealer Withdrawal,
1030 adopted August 1999.

1031 (b) In lieu of filing with the office the applications
1032 specified in subsection (6), the fees required by subsection
1033 (10), the renewals required by subsection (11), and the
1034 termination notices required by subsection (12), the commission
1035 may by rule establish procedures for the deposit of such fees
1036 and documents with the Central Registration Depository or the
1037 Investment Adviser Registration Depository of the Financial
1038 Industry Regulatory Authority, as developed under contract with
1039 the North American Securities Administrators Association, Inc.

1040 (16) Except for securities dealers who are designated by
1041 the Federal Reserve Bank of New York as primary government
1042 securities dealers or securities dealers registered as issuers
1043 of securities, every applicant for initial or renewal
1044 registration as a securities dealer and every person registered

597-03200-15

2015914c1

1045 as a securities dealer shall be registered as a broker or dealer
1046 with the Securities and Exchange Commission and shall be subject
1047 to insurance coverage by the Securities Investor Protection
1048 Corporation.

1049 (17) (a) A dealer that is located in Canada, does not have
1050 an office or other physical presence in this state, and has made
1051 a notice-filing in accordance with this subsection is exempt
1052 from the registration requirements of this section and may
1053 effect transactions in securities with or for, or induce or
1054 attempt to induce the purchase or sale of any security by:

1055 1. A person from Canada who is present in this state and
1056 with whom the Canadian dealer had a bona fide dealer-client
1057 relationship before the person entered the United States; or

1058 2. A person from Canada who is present in this state and
1059 whose transactions are in a self-directed, tax-advantaged
1060 retirement plan in Canada of which the person is the holder or
1061 contributor.

1062 (b) A notice-filing under this subsection must consist of
1063 documents the commission by rule requires to be filed, together
1064 with a consent to service of process and a nonrefundable filing
1065 fee of \$200. The commission may establish by rule procedures for
1066 the deposit of fees and the filing of documents to be made by
1067 electronic means, if such procedures provide the office with the
1068 information and data required by this section.

1069 (c) A Canadian dealer may make a notice-filing under this
1070 subsection if the dealer provides to the office:

1071 1. A notice-filing in the form the commission requires by
1072 rule.

1073 2. A consent to service of process.

597-03200-15

2015914c1

1074 3. Evidence that the Canadian dealer is registered as a
1075 dealer in the jurisdiction in which the dealer's main office is
1076 located.

1077 4. Evidence that the Canadian dealer is a member of a self-
1078 regulatory organization or stock exchange in Canada.

1079 (d) The office may issue a permit to evidence the
1080 effectiveness of a notice-filing for a Canadian dealer.

1081 (e) A notice-filing is effective upon receipt by the
1082 office. A notice-filing expires on December 31 of the year in
1083 which the filing becomes effective unless the Canadian dealer
1084 has renewed the filing on or before that date. A Canadian dealer
1085 may annually renew a notice-filing by furnishing to the office
1086 such information as the office requires together with a renewal
1087 fee of \$200 and the payment of any amount due and owing the
1088 office pursuant to any agreement with the office. Any Canadian
1089 dealer who has not renewed a notice-filing by the time a current
1090 notice-filing expires may request reinstatement of such notice-
1091 filing by filing with the office, on or before January 31 of the
1092 year following the year the notice-filing expires, such
1093 information as the commission requires by rule, together with
1094 the payment of \$200 and a late fee of \$200. A reinstatement of a
1095 notice-filing granted by the office during the month of January
1096 is effective retroactively to January 1 of that year.

1097 (f) An associated person who represents a Canadian dealer
1098 who has made a notice-filing under this subsection is exempt
1099 from the registration requirements of this section and may
1100 effect transactions in securities in this state as permitted for
1101 a dealer under paragraph (a) if such person is registered in the
1102 jurisdiction from which he or she is effecting transactions into

597-03200-15

2015914c1

1103 this state.

1104 (g) A Canadian dealer who has made a notice-filing under
1105 this subsection shall:

1106 1. Maintain its provincial or territorial registration and
1107 its membership in a self-regulatory organization or stock
1108 exchange in good standing.

1109 2. Provide the office upon request with its books and
1110 records relating to its business in this state as a dealer.

1111 3. Provide the office upon request notice of each civil,
1112 criminal, or administrative action initiated against the dealer.

1113 4. Disclose to its clients in this state that the dealer
1114 and its associated persons are not subject to the full
1115 regulatory requirements under this chapter.

1116 5. Correct any inaccurate information within 30 days after
1117 the information contained in the notice-filing becomes
1118 inaccurate for any reason.

1119 (h) An associated person representing a Canadian dealer who
1120 has made a notice-filing under this subsection shall:

1121 1. Maintain provincial or territorial registration in good
1122 standing.

1123 2. Provide the office upon request with notice of each
1124 civil, criminal, or administrative action initiated against such
1125 person.

1126 (i) A notice-filing may be terminated by filing notice of
1127 such termination with the office. Unless another date is
1128 specified by the Canadian dealer, such notice is effective upon
1129 receipt of the notice by the office.

1130 (j) All fees collected under this subsection become the
1131 revenue of the state, except those assessments provided for

597-03200-15

2015914c1

1132 under s. 517.131(1), until the Securities Guaranty Fund has
1133 satisfied the statutory limits. Such fees are not returnable if
1134 a notice-filing is withdrawn.

1135 (18) Every dealer or associated person registered or
1136 required to be registered with the office shall satisfy any
1137 continuing education requirements established by rule pursuant
1138 to law.

1139 (19) The registration requirements of this section which
1140 apply to investment advisers and associated persons do not apply
1141 to a commodity trading adviser who:

1142 (a) Is registered as such with the Commodity Futures
1143 Trading Commission pursuant to the Commodity Exchange Act.

1144 (b) Advises or exercises trading discretion, with respect
1145 to foreign currency options listed and traded exclusively on the
1146 Philadelphia Stock Exchange, on behalf of an "appropriate
1147 person" as defined by the Commodity Exchange Act.

1148
1149 The exemption provided in this subsection does not apply to a
1150 commodity trading adviser who engages in other activities that
1151 require registration under this chapter.

1152 (20) An intermediary may not engage in business in this
1153 state unless the intermediary is registered as a dealer or as an
1154 intermediary with the office pursuant to this section to
1155 facilitate the offer or sale of securities in accordance with s.
1156 517.0611. An intermediary, in order to obtain registration, must
1157 file with the office a written application on a form prescribed
1158 by commission rule and pay a registration fee of \$200. The
1159 commission may establish by rule procedures for depositing fees
1160 and filing documents by electronic means if such procedures

597-03200-15

2015914c1

1161 provide the office with the information and data required by
1162 this section. Each intermediary must also file an irrevocable
1163 written consent to service of civil process, as provided for in
1164 s. 517.101.

1165 (a) The application must contain such information as the
1166 commission or office may require concerning:

1167 1. The name of the applicant and address of its principal
1168 office and each office in this state.

1169 2. The applicant's form and place of organization; and if
1170 the applicant is a corporation, a copy of its articles of
1171 incorporation and amendments to the articles of incorporation
1172 or, if a partnership, a copy of the partnership agreement.

1173 3. The website address where securities of the issuer will
1174 be offered.

1175 4. Contact information.

1176 (b) The application must also contain such information as
1177 the commission may require by rule about the applicant; any
1178 member, principal, or director of the applicant or any person
1179 having a similar status or performing similar functions; or any
1180 persons directly or indirectly controlling the applicant. Each
1181 applicant and any direct owners, principals, or indirect owners
1182 that are required to be reported on a form adopted by commission
1183 rule shall submit fingerprints for live-scan processing in
1184 accordance with rules adopted by the commission. The
1185 fingerprints may be submitted through a third-party vendor
1186 authorized by the Department of Law Enforcement to provide live-
1187 scan fingerprinting. The costs of fingerprint processing shall
1188 be borne by the person subject to the background check. The
1189 Department of Law Enforcement shall conduct a state criminal

597-03200-15

2015914c1

1190 history background check, and a federal criminal history
1191 background check must be conducted through the Federal Bureau of
1192 Investigation. The office shall review the results of the state
1193 and federal criminal history background checks and determine
1194 whether the applicant meets licensure requirements. The
1195 commission may waive, by rule, the requirement that applicants,
1196 including any direct owners, principals, or indirect owners,
1197 that are required to be reported on a form adopted by commission
1198 rule submit fingerprints or the requirement that such
1199 fingerprints be processed by the Department of Law Enforcement
1200 or the Federal Bureau of Investigation. The commission, by rule,
1201 or the office may require information about any applicant or
1202 person concerning such matters as:

1203 1. His or her full name and any other names by which he or
1204 she may have been known and his or her age, social security
1205 number, photograph, qualifications, and educational and business
1206 history.

1207 2. Any injunction or administrative order by a state or
1208 federal agency, national securities exchange, or national
1209 securities association involving a security or any aspect of the
1210 securities business and any injunction or administrative order
1211 by a state or federal agency regulating banking, insurance,
1212 finance, or small loan companies, real estate, mortgage brokers,
1213 or other related or similar industries, which relate to such
1214 person.

1215 3. His or her conviction of, or plea of nolo contendere to,
1216 a criminal offense or his or her commission of any acts that
1217 would be grounds for refusal of an application under s. 517.161.

1218 (c) The application must be amended within 30 days if any

597-03200-15

2015914c1

1219 information contained in the form becomes inaccurate for any
1220 reason.

1221 (d) An intermediary or persons affiliated with the
1222 intermediary may not be subject to any disqualification
1223 described in s. 517.1611 or the United States Securities and
1224 Exchange Commission Rule 506(d), 17 C.F.R. 230.506(d), adopted
1225 pursuant to the Securities Act of 1933. Each director, officer,
1226 control person of the issuer, any person occupying a similar
1227 status or performing a similar function, and each person holding
1228 more than 20 percent of the shares of the intermediary is
1229 subject to this requirement.

1230 (e) If the office finds that the applicant is of good
1231 repute and character and has complied with the provisions of
1232 this chapter and the rules made pursuant hereto, it shall
1233 register the applicant. The registration of each intermediary
1234 expires on December 31 of the year the registration became
1235 effective unless the registrant has renewed his or her
1236 registration on or before that date. Registration may be renewed
1237 by furnishing such information as the commission may require by
1238 rule, together with payment of the fee of \$200 and the payment
1239 of any amount due to the office pursuant to any order of the
1240 office or pursuant to any agreement with the office. An
1241 intermediary who has not renewed a registration by filing with
1242 the office on or before January 31 of the year following the
1243 year of expiration must submit the information that may be
1244 required by the commission, together with payment of the \$200
1245 fee and a late fee of \$200. Any reinstatement of registration
1246 granted by the office during the month of January shall be
1247 deemed effective retroactive to January 1 of that year.

597-03200-15

2015914c1

1248 ~~(21)~~~~(20)~~ The registration requirements of this section do
1249 not apply to any general lines insurance agent or life insurance
1250 agent licensed under chapter 626, for the sale of a security as
1251 defined in s. 517.021(22) (g) ~~s. 517.021(21) (g)~~, if the
1252 individual is directly authorized by the issuer to offer or sell
1253 the security on behalf of the issuer and the issuer is a
1254 federally chartered savings bank subject to regulation by the
1255 Federal Deposit Insurance Corporation. Actions under this
1256 subsection shall constitute activity under the insurance agent's
1257 license for purposes of ss. 626.611 and 626.621.

1258 Section 5. Subsections (1) and (2) of section 517.121,
1259 Florida Statutes, are amended to read:

1260 517.121 Books and records requirements; examinations.—

1261 (1) A dealer, investment adviser, branch office, or
1262 associated person, or intermediary shall maintain such books and
1263 records as the commission may prescribe by rule.

1264 (2) The office shall, at intermittent periods, examine the
1265 affairs and books and records of each registered dealer,
1266 investment adviser, associated person, intermediary, or branch
1267 office notice-filed with the office, or require such records and
1268 reports to be submitted to it as required by rule of the
1269 commission, to determine compliance with this act.

1270 Section 6. Section 517.161, Florida Statutes, is amended to
1271 read:

1272 517.161 Revocation, denial, or suspension of registration
1273 of dealer, investment adviser, intermediary, or associated
1274 person.—

1275 (1) Registration under s. 517.12 may be denied or any
1276 registration granted may be revoked, restricted, or suspended by

597-03200-15

2015914c1

1277 the office if the office determines that such applicant or
1278 registrant; any member, principal, or director of the applicant
1279 or registrant or any person having a similar status or
1280 performing similar functions; or any person directly or
1281 indirectly controlling the applicant or registrant:

1282 (a) Has violated any provision of this chapter or any rule
1283 or order made under this chapter;

1284 (b) Has made a material false statement in the application
1285 for registration;

1286 (c) Has been guilty of a fraudulent act in connection with
1287 rendering investment advice or in connection with any sale of
1288 securities, has been or is engaged or is about to engage in
1289 making fictitious or pretended sales or purchases of any such
1290 securities or in any practice involving the rendering of
1291 investment advice or the sale of securities which is fraudulent
1292 or in violation of the law;

1293 (d) Has made a misrepresentation or false statement to, or
1294 concealed any essential or material fact from, any person in the
1295 rendering of investment advice or the sale of a security to such
1296 person;

1297 (e) Has failed to account to persons interested for all
1298 money and property received;

1299 (f) Has not delivered, after a reasonable time, to persons
1300 entitled thereto securities held or agreed to be delivered by
1301 the dealer, broker, intermediary, or investment adviser, as and
1302 when paid for, and due to be delivered;

1303 (g) Is rendering investment advice or selling or offering
1304 for sale securities through any associated person not registered
1305 in compliance with the provisions of this chapter;

597-03200-15

2015914c1

1306 (h) Has demonstrated unworthiness to transact the business
1307 of dealer, investment adviser, intermediary, or associated
1308 person;

1309 (i) Has exercised management or policy control over or
1310 owned 10 percent or more of the securities of any dealer,
1311 intermediary, or investment adviser that has been declared
1312 bankrupt, or had a trustee appointed under the Securities
1313 Investor Protection Act; or is, in the case of a dealer,
1314 intermediary, or investment adviser, insolvent;

1315 (j) Has been convicted of, or has entered a plea of guilty
1316 or nolo contendere to, regardless of whether adjudication was
1317 withheld, a crime against the laws of this state or any other
1318 state or of the United States or of any other country or
1319 government which relates to registration as a dealer, investment
1320 adviser, issuer of securities, intermediary, or associated
1321 person; which relates to the application for such registration;
1322 or which involves moral turpitude or fraudulent or dishonest
1323 dealing;

1324 (k) Has had a final judgment entered against her or him in
1325 a civil action upon grounds of fraud, embezzlement,
1326 misrepresentation, or deceit;

1327 (l) Is of bad business repute;

1328 (m) Has been the subject of any decision, finding,
1329 injunction, suspension, prohibition, revocation, denial,
1330 judgment, or administrative order by any court of competent
1331 jurisdiction, administrative law judge, or by any state or
1332 federal agency, national securities, commodities, or option
1333 exchange, or national securities, commodities, or option
1334 association, involving a violation of any federal or state

597-03200-15

2015914c1

1335 securities or commodities law or any rule or regulation
1336 promulgated thereunder, or any rule or regulation of any
1337 national securities, commodities, or options exchange or
1338 national securities, commodities, or options association, or has
1339 been the subject of any injunction or adverse administrative
1340 order by a state or federal agency regulating banking,
1341 insurance, finance or small loan companies, real estate,
1342 mortgage brokers or lenders, money transmitters, or other
1343 related or similar industries. For purposes of this subsection,
1344 the office may not deny registration to any applicant who has
1345 been continuously registered with the office for 5 years after
1346 the date of entry of such decision, finding, injunction,
1347 suspension, prohibition, revocation, denial, judgment, or
1348 administrative order provided such decision, finding,
1349 injunction, suspension, prohibition, revocation, denial,
1350 judgment, or administrative order has been timely reported to
1351 the office pursuant to the commission's rules; or

1352 (n) Made payment to the office for a registration with a
1353 check or electronic transmission of funds that is dishonored by
1354 the applicant's or registrant's financial institution.

1355 (2) The payment or anticipated payment of any amount from
1356 the Securities Guaranty Fund in settlement of a claim or in
1357 satisfaction of a judgment against an applicant or registrant
1358 constitutes prima facie grounds for the denial of the
1359 applicant's application for registration or the revocation of
1360 the registrant's registration.

1361 (3) In the event the office determines to deny an
1362 application or revoke a registration, it shall enter a final
1363 order with its findings on the register of dealers and

597-03200-15

2015914c1

1364 associated persons; and denial, suspension, or revocation of the
1365 registration of a dealer, intermediary, or investment adviser
1366 shall also deny, suspend, or revoke the registration of all her
1367 or his associated persons.

1368 (4) It shall be sufficient cause for denial of an
1369 application or revocation of registration, in the case of a
1370 partnership, corporation, or unincorporated association, if any
1371 member of the partnership or any officer, director, or ultimate
1372 equitable owner of the corporation or association has committed
1373 any act or omission which would be cause for denying, revoking,
1374 restricting, or suspending the registration of an individual
1375 dealer, investment adviser, intermediary, or associated person.
1376 As used in this subsection, the term "ultimate equitable owner"
1377 means a natural person who directly or indirectly owns or
1378 controls an ownership interest in the corporation, partnership,
1379 association, or other legal entity however organized, regardless
1380 of whether such natural person owns or controls such ownership
1381 interest through one or more proxies, powers of attorney,
1382 nominees, corporations, associations, partnerships, trusts,
1383 joint stock companies, or other entities or devices, or any
1384 combination thereof.

1385 (5) The office may deny any request to terminate or
1386 withdraw any application or registration if the office believes
1387 that an act which would be a ground for denial, suspension,
1388 restriction, or revocation under this chapter has been
1389 committed.

1390 (6) Registration under s. 517.12 may be denied or any
1391 registration granted may be suspended or restricted if an
1392 applicant or registrant is charged, in a pending enforcement

597-03200-15

2015914c1

1393 action or pending criminal prosecution, with any conduct that
1394 would authorize denial or revocation under subsection (1).
1395 Registration under s. 517.12 may be suspended or restricted if a
1396 registrant is arrested for any conduct that would authorize
1397 revocation under subsection (1).

1398 (a) Any denial of registration ordered under this
1399 subsection shall be without prejudice to the applicant's ability
1400 to reapply for registration.

1401 (b) Any order of suspension or restriction under this
1402 subsection shall:

1403 1. Take effect only after a hearing, unless no hearing is
1404 requested by the registrant or unless the suspension or
1405 restriction is made in accordance with s. 120.60(6).

1406 2. Contain a finding that evidence of a prima facie case
1407 supports the charge made in the enforcement action or criminal
1408 prosecution.

1409 3. Operate for no longer than 10 days beyond receipt of
1410 notice by the office of termination with respect to the
1411 registrant of the enforcement action or criminal prosecution.

1412 (c) For purposes of this subsection:

1413 1. The term "enforcement action" means any judicial
1414 proceeding or any administrative proceeding where such judicial
1415 or administrative proceeding is brought by an agency of the
1416 United States or of any state to enforce or restrain violation
1417 of any state or federal law, or any disciplinary proceeding
1418 maintained by the Financial Industry Regulatory Authority, the
1419 National Futures Association, or any other similar self-
1420 regulatory organization.

1421 2. An enforcement action is pending at any time after

597-03200-15

2015914c1

1422 notice to the applicant or registrant of such action and is
1423 terminated at any time after entry of final judgment or decree
1424 in the case of judicial proceedings, final agency action in the
1425 case of administrative proceedings, and final disposition by a
1426 self-regulatory organization in the case of disciplinary
1427 proceedings.

1428 3. A criminal prosecution is pending at any time after
1429 criminal charges are filed and is terminated at any time after
1430 conviction, acquittal, or dismissal.

1431 Section 7. Paragraph (b) of subsection (4) of section
1432 626.9911, Florida Statutes, is amended to read:

1433 626.9911 Definitions.—As used in this act, the term:

1434 (4) "Life expectancy provider" means a person who
1435 determines, or holds himself or herself out as determining, life
1436 expectancies or mortality ratings used to determine life
1437 expectancies:

1438 (b) In connection with a viatical settlement investment,
1439 pursuant to s. 517.021(24) ~~s. 517.021(23)~~; or

1440 Section 8. This act shall take effect October 1, 2015.