

FAQ: Federal Crowdfunding vs. Florida Invest Local Act

This section provides a comprehensive comparison of the Federal JOBS Act (Regulation Crowdfunding, or Reg CF) and the Florida Invest Local Act. Both frameworks are designed to enable businesses to raise capital from the general public through crowdfunding. While both acts aim to foster small business growth, they exhibit significant differences in scope, investment limits, operational requirements, and advertising capabilities.

Crowdfunding Regulations: Federal (Reg CF) vs. Florida Invest Local Act

Crowdfunding empowers businesses to raise capital from a broad base of individual investors, often facilitated online. The **Jumpstart Our Business Startups (JOBS) Act**, enacted in 2012, established the foundation for federal crowdfunding rules, culminating in **Regulation Crowdfunding (Reg CF)** in 2015. Reg CF permits any U.S. company to solicit investments from both accredited and non-accredited investors across the nation.

In contrast, the **Florida Invest Local Act (Section 517.0612 of the Florida Statutes)** specifically supports intrastate crowdfunding. This mandates that both the issuing company and the investors must reside in Florida, and the offering can only be advertised and sold within state lines. This act is designed to circulate investment capital within Florida, thereby boosting local economic development, and features significantly more favorable advertising rules than its federal counterpart.

Regulatory oversight also differs considerably. Federal Reg CF operates under the jurisdiction of the SEC, adhering to standardized national rules, and requires companies to utilize registered funding portals or broker-dealers as intermediaries. Florida's framework emphasizes state-level oversight through the Office of Financial Regulation (OFR), offering a more streamlined process tailored to local business needs. This state-focused approach allows for quicker implementation of regulatory updates and more responsive support for Florida-based entrepreneurs, whereas federal regulations must navigate complex multi-jurisdictional considerations that can slow adaptation to market changes.

Key Advertising Advantage: Florida's Liberal Marketing Rules

This is where the Florida Invest Local Act provides a substantial competitive advantage for issuers. The advertising regulations between federal and Florida crowdfunding diverge dramatically, making capital raising considerably more accessible for Florida companies.

Florida Invest Local Act - Section 517.0612(7): "The issuer may engage in general advertising and general solicitation of the offering." This provision empowers Florida companies to:

- Execute comprehensive social media campaigns, email marketing, and digital advertising.
- Host public events and investor presentations.
- Undertake broad marketing initiatives to engage Florida residents.
- Actively solicit investments through diverse marketing channels.

Federal Reg CF - Restrictive "Tombstone" Rules: Under Reg CF, companies are severely restricted, permitted to publish only basic "tombstone" information (company name, offering amount, platform link). They are strictly prohibited from engaging in general solicitation or active marketing to promote their offerings.

Bottom Line: Florida's liberal advertising rules equip issuers with significantly more tools to market their offerings and attract investors, rendering capital raising far more effective than under restrictive federal mandates.

Investment Limits: Federal vs. Florida

Investment limits are crucial for investor protection and vary significantly between federal and state regulations:

- **Federal Reg CF:** Features complex income-based limits, allowing investments up to \$124,000 annually across all offerings.
- **Florida Invest Local Act:** Imposes a simpler \$10,000 per offering limit for non-accredited investors (Section 517.0612(6)), with no aggregate annual limit across multiple Florida offerings.

Offering Size Limits

Federal Reg CF: Companies can raise up to \$5,000,000 within a 12-month period.

Florida Invest Local Act: Companies can raise up to \$500,000 within a 12-month period **without requiring audited financials.** However, with audited financials, Florida companies can raise significantly higher amounts, positioning the Florida framework competitively with federal limits for those willing to provide audited statements.

The combination of potentially higher limits with audited financials, coupled with substantially more flexible advertising rules, often makes Florida the more appealing option for companies seeking local capital and community engagement.

How to Assess Investment Opportunities

Thorough due diligence is paramount for both federal and state crowdfunding investments. While regulatory frameworks offer safeguards, investors must conduct their own independent review of offering documents. Experienced investors typically scrutinize the following factors:

- Management team backgrounds and expertise.
- Differentiation and defensibility of the business model.
- Comprehensive market analysis and competitive landscape.
- Historical financial performance and future projections.
- Unit economics and scalability potential.
- Capitalization table and ownership structure.
- Detailed use of proceeds from the offering.
- Overall potential for growth and profitability.

Risks of Investing in Crowdfunding

Investing in private companies through either federal or state crowdfunding portals is inherently risky and highly speculative. It is critical that investors only commit funds they can afford to lose entirely. Numerous factors influence an investment's success, and there is no guarantee of returns.

Possible outcomes range from total capital loss to significant gains. These investments often lack liquidity, meaning selling shares quickly may prove challenging. Prospective investors should understand that comparing crowdfunding to traditional public market investments necessitates recognizing these elevated risks.

Synergies: Capital Forge League.com & Florida Invest Local Act

The strategic combination of Capital Forge League's rigorous vetting process and the Florida Invest Local Act's enhanced marketing capabilities creates an unparalleled ecosystem for capital formation within the state, particularly benefiting high-profile individuals.

Quality Deal Flow for Investors

The Capital Forge League functions as a critical filter, conducting extensive due diligence to present investors with a curated selection of high-potential, Florida-based investment opportunities. This meticulous vetting process mitigates risk and ensures quality, providing a trusted pathway for capital allocation.



Enhanced Marketing for Companies

Leveraging Florida's liberal advertising rules, companies can broadly market their carefully vetted offerings to a wider audience. This expanded reach, surpassing federal limitations, accelerates capital formation and connects businesses with a highly engaged pool of local investors.

Founder-led Marketing Advantage

Capital Forge League companies are uniquely positioned, frequently led by NIL athletes, professional and retired athletes, coaches, and current and former military personnel. Florida's liberal advertising rules empower these high-profile founders to leverage their established personal brands and extensive networks to promote their vetted investment opportunities. This powerful, direct engagement with their fan base and communities represents a distinct advantage that federal crowdfunding restrictions on general solicitation would never permit.

This dynamic partnership offers both companies and investors a secure and efficient pathway to navigate the crowdfunding landscape, fostering growth and economic development in Florida by empowering influential individuals to drive local investment.

Investment Process and Communication Guidelines

Understanding the nuances of investment returns, portfolio management, and communication protocols is crucial for navigating both federal and Florida-specific crowdfunding environments. The following sections detail key aspects of the investment journey.

Understanding Investment Returns

Regardless of whether you invest through federal or Florida-specific crowdfunding, comprehending investment returns is fundamental. Return on Investment (ROI) stands as a key performance measure, evaluating the efficiency of an investment by quantifying the return relative to its cost. This metric is vital for effective portfolio management.

Managing Your Investment Portfolio

Investors engaging in either federal or Florida crowdfunding should adhere to a consistent investment strategy. Key considerations for constructing and managing a diversified portfolio include: asset type, industry sector, business models, investment size, investment type (debt/equity), and the strategic number of investments to effectively manage risk and maximize potential returns.

The Investing Process: Federal vs. Florida

The core investment process involves rigorous due diligence (reviewing company information and offering documents), completing essential legal paperwork (affidavits, identity verification), and securely transferring funds to an escrow account. **Federal Reg CF** mandates the use of SEC-registered intermediaries (funding portals/broker-dealers) and comprehensive Form C disclosures. In contrast, the **Florida Invest Local Act** involves simpler state filing requirements with the Florida Office of Financial Regulation (OFR).

Florida's Marketing Advantage in Action

The practical impact of Florida's liberal advertising rules cannot be overstated. While federal Reg CF companies are restricted to passive "tombstone" notices, Florida companies gain the freedom to:

- Launch comprehensive digital marketing campaigns.
- Host investor meetups and pitch events.
- Utilize influencer marketing and social media promotion.
- Execute targeted email campaigns to potential investors.
- Advertise across radio, TV, and print media (within Florida).

This marketing freedom directly translates into enhanced fundraising success rates and more rapid capital deployment for Florida-based companies.

Investor Relations & Ongoing Communication

Maintaining transparent and consistent communication with investors is crucial for both federal and state crowdfunding ventures. Companies are strongly encouraged to provide regular updates (monthly/quarterly) on key metrics, traction, business challenges, and opportunities. Proactive notification of existing investors regarding new financing rounds or acquisition offers fosters trust and transparency, irrespective of the regulatory framework.

Communication Types and Requirements:

Financial Updates (Quarterly): Encompasses revenue, expenses, and cash flow reporting. Federal Reg CF mandates this via Form C-AR, whereas the Florida Invest Local Act recommends it as best practice.

Business Progress (Monthly): Covers milestones, partnerships, and growth metrics. Federal regulations permit voluntary communication, while Florida's marketing freedom significantly enhances these capabilities.

Material Changes (As Needed): Includes major contracts or leadership changes. Federal law requires disclosure, while Florida mandates notification within 3 days.

Fundraising Updates (As Needed): Pertains to new funding rounds or acquisition offers. Federal regulations have limited communication rules, whereas Florida allows full marketing capabilities.

Strategic Communications (Bi-annual): Involves vision updates and market analysis. Federal communication is platform-restricted, while Florida enables direct investor engagement.

Effective investor relations extend beyond mere regulatory compliance, forging lasting relationships that can significantly benefit future fundraising endeavors. Companies excelling in investor communication frequently observe higher investor retention rates and an increased number of referrals to potential new investors. The Florida Invest Local Act's advertising freedoms empower companies to maintain more dynamic and engaging investor communications compared to the restrictive federal framework.

Company Disclosures and Reporting: Federal vs. Florida

Federal Reg CF necessitates that companies file Form C with the SEC, providing detailed business information, financial statements (audited for higher tiers), securities pricing, management details, and related-party transactions. Ongoing annual reports (Form C-AR) are also mandated.

In contrast, the **Florida Invest Local Act** features simpler disclosure requirements, mandating filings with the Florida Office of Financial Regulation (OFR) at least 5 business days prior to the offering's commencement, with less stringent ongoing reporting obligations.

Disclosure Requirements Comparison:

Initial Filing: Federal requires Form C with SEC (21 days, high complexity) vs. Florida requires Notice with FL OFR (5 days, medium complexity).

Financial Statements: Federal requires reviewed/audited financials based on amount with CPA requirement (high complexity) vs. Florida accepts basic financials with optional CPA (low complexity).

Annual Reporting: Federal requires Form C-AR annually (high complexity) vs. Florida features simplified state reporting as needed (low complexity).

Material Changes: Federal requires Form C-U amendments ongoing (medium complexity) vs. Florida requires amended notice to OFR within 3 days (low complexity).

Legal Review: Federal recommends a securities attorney with extensive review (high complexity) vs. Florida allows general counsel with basic review (medium complexity).

The streamlined disclosure requirements under Florida's framework significantly reduce both the time and cost associated with compliance, making it more accessible for smaller companies and startups. While federal regulations provide comprehensive investor protections through detailed disclosures, Florida's approach thoughtfully balances investor protection with practical business needs, recognizing that excessive regulatory burdens can hinder the very innovation and growth that crowdfunding aims to support.

Restrictions on Resale of Securities

Both frameworks impose similar resale restrictions. Generally, securities cannot be resold for one year unless transferred to: the issuer, an accredited investor, as part of a registered offering, or to a family member. Uniquely, the **Florida Invest Local Act** also includes a 3-day rescission right (Section 517.0612(12)), allowing purchasers to void their acquisition within 3 days of payment.

☒ **Key Takeaway:** The **Florida Invest Local Act's liberal advertising rules** stand as its most significant advantage over federal Reg CF. Section 517.0612(7) explicitly permits "general advertising and general solicitation," equipping Florida companies with powerful marketing tools that federal crowdfunding prohibits. When synergized with the Capital Forge League's rigorous vetting process and the involvement of high-profile founders (such as NIL athletes, professional athletes, coaches, and military personnel), this creates an unparalleled capital formation ecosystem that strategically leverages both regulatory advantages and significant personal brand influence.