



Government of the District of Columbia
Vincent C. Gray, Mayor
Department of Insurance, Securities and Banking



Chester A. McPherson
Acting Commissioner

Bulletin
14-SB-01-10/24

TO: District of Columbia Business Owners and Securities Professionals

FROM: Chester A. McPherson, Acting Commissioner

DATE: October 27, 2014

RE: District of Columbia-Only Securities Offerings Exemption – Filing Procedures
The District-only Securities Offerings Exemption

On October 10, 2014, the Department of Insurance, Securities, and Banking (DISB), adopted final rules pursuant to Section 403 of the Securities Act of 2000 D.C. Official Code § 31-5604.03. The rules, known as the “District of Columbia-Only Securities Offerings Exemption,” are in 26-B DCMR §§ 250 – 256. They provide an exemption from the registration requirements of the Securities Act of 2000, for issuers located in the District of Columbia who offer such securities exclusively in the District of Columbia to District residents.

The purpose of the Rule is: (a) to facilitate capital formation of small and local business in the District of Columbia; and (b) to facilitate investment opportunities for District of Columbia residents.

This bulletin provides an overview of the “District of Columbia-Only Securities Offerings Exemption” and the filing requirements for issuers offering or selling securities in the District of Columbia in reliance on the exemption. The issuer’s ability to advertise this offering on a website is governed by 26-B DCMR §256. For a complete description of the filing requirements, please refer to 26-B DCMR §§ 250-256.,

<http://www.dcregs.dc.gov/Gateway/RuleHome.aspx?RuleID=4440095>.

What Companies are Eligible

The exemption is only available to companies that are formed under the laws of the District of Columbia and have their principal place of business in the District of Columbia.

Offering Limits

- Issuers that have undergone audit of their financial statements of the most recently completed fiscal year, which complies with generally accepted accounting principles may raise up to \$2 million through an offering under this exemption. The audit shall be performed by a licensed certified public accountant.
- Issuers that have financial statements that have been reviewed by a CPA may raise up to \$1 million through an offering under this exemption. Reviewed financial statements provide the user with comfort that, based on the accountant's review, the accountant is not aware of any material modifications that should be made to the financial statements, and the statements are in conformity with generally accepted accounting principles.
- Issuers that have financial statements that have been certified by their principal officers may raise up to \$500,000 through an offering under this exemption.

Investment Limits

- Persons that have annual income in excess of \$200,000 may invest in an offering under this exemption without limitation on the amount of the investment, subject to the graduated offering ceiling.
- Persons with annual incomes of between \$100,000 and \$200,000 may invest up to \$25,000 in an offering under this exemption.
- Persons with annual incomes of less than \$100,000 may invest up to \$10,000 in an offering under this exemption.
- Artificial persons (District of Columbia organized Corporations, LLP's, etc.) with incomes or net worth in excess of \$1 million may invest in an offering under this exemption without limitation on the amount of the investment, subject to the graduated offering ceiling.

What to File

Issuers offering or selling securities under the District of Columbia-Only Securities Offerings Exemption must comply with the provisions of new Sections 250, 251, 252, 253, 254; 255; 256. The required notice filing must be filed with the Department of Insurance, Securities and Banking (DISB) at least twenty (20) days prior to the first offering of said securities.

The notice filing must contain the following information:

- (a) The identity and business address of the issuer;
- (b) The amount and type of securities to be sold;
- (c) A description of the use of proceeds of the securities offering;
- (d) The person or persons by whom offers and sales will be made;
- (e) An affirmation that a commission or remuneration for soliciting any prospective buyer will not be paid except to a broker-dealer or issuer's agent registered in the District; and
- (f) An affirmation that all prospective buyers will receive, before investing, a disclosure document containing the material terms of the proposed offering.

The notice filed with the Commissioner shall be accompanied by the following:

- (a) Offering document, describing the issuer’s business and the material terms of the proposed sale; copies of any sales and advertising literature to be used to sell the securities;
- (b) Articles of incorporation, or other documents that demonstrate the issuer’s status as a District of Columbia entity in good standing;
- (c) Where required, audited financial statements for the most recent fiscal year or calendar year; and

Issuers may use DISB Form DC EO-1 to make the disclosures required by the rules cited above.

The filing must also be accompanied by the requisite fee of \$250. No fee is required for amended filings. Payment is to be made by check or money order, payable to the “DC Treasurer.” The information on filings accompanied by payments may be found [here](#).

<http://disb.dc.gov/page/corporate-finance>

How to File

A filing shall be submitted to the Department of Insurance, Securities and Banking in accordance with the mailing instructions as outlined at the following link: <http://disb.dc.gov/page/corporate-finance>. All filings shall be submitted with the \$250 filing fee.

When to File

The notice filing must be filed no later than 20 calendar days prior to the first offering or sale. The notice is deemed filed when it is received at the Wells Fargo lockbox in accordance to the mailing instructions above.

How to get help regarding filing requirements

Requests for additional information or questions regarding this bulletin may be directed to: J. “Mike” McManus, Assistant Director, Corporation Finance Division, by email at: James.McManus@DC.gov or by voice at: (202) 442-7826.

DISB Processing Of Notice Filings

Upon receipt of a notice filing deemed filed in accordance with the mailing instructions above, the Department of Insurance, Securities and Banking will acknowledge receipt of the filing via a letter to the issuer. The acknowledgment letter will provide the issuer information regarding the name and contact information of staff assigned to review the notice filing and the assigned file number. During the 10 business days after the filing is received, in order to determine if the filing is qualified for the exemption, DISB staff may contact the issuer for clarification of its disclosures. Within 10 business days after the filing is received, DISB will notify the issuer by letter as to whether the exemption has been allowed or disallowed. No offers or sales are permitted prior to DISB’s notification allowing the exemption.