

**SUBSTITUTE FOR  
HOUSE BILL NO. 4996**

A bill to amend 2008 PA 551, entitled  
"Uniform securities act (2002),"  
by amending sections 202 and 504 (MCL 451.2202 and 451.2504) and by  
adding section 202a.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1           Sec. 202. (1) The following transactions are exempt from the  
2 requirements of sections 301 to 306 and 504:

3           (a) An isolated nonissuer transaction, whether effected by or  
4 through a broker-dealer or not.

5           (b) A nonissuer transaction by or through a broker-dealer  
6 registered or exempt from registration under this act, and a resale  
7 transaction by a sponsor of a unit investment trust registered  
8 under the investment company act of 1940, in a security of a class  
9 that has been outstanding in the hands of the public for at least

1 90 days, if all of the following are met at the date of the  
2 transaction:

3 (i) The issuer of the security is engaged in business, the  
4 issuer is not in the organizational stage or in bankruptcy or  
5 receivership, and the issuer is not a blank check, blind pool, or  
6 shell company that has no specific business plan or purpose or has  
7 indicated that its primary business plan is to engage in a merger  
8 or combination of the business with, or an acquisition of, an  
9 unidentified person.

10 (ii) The security is sold at a price reasonably related to its  
11 current market price.

12 (iii) The security does not constitute the whole or part of an  
13 unsold allotment to, or a subscription or participation by, the  
14 broker-dealer as an underwriter of the security or a  
15 redistribution.

16 (iv) A nationally recognized securities manual or its  
17 electronic equivalent designated by rule or order under this act or  
18 a record filed with the securities and exchange commission that is  
19 publicly available contains all of the following:

20 (A) A description of the business and operations of the  
21 issuer.

22 (B) The names of the issuer's executive officers and the names  
23 of the issuer's directors, if any.

24 (C) An audited balance sheet of the issuer as of a date within  
25 18 months before the date of the transaction or, in the case of a  
26 reorganization or merger, and when the parties to the  
27 reorganization or merger each had an audited balance sheet, a pro

1 forma balance sheet for the combined entity.

2 (D) An audited income statement for each of the issuer's 2  
3 immediately previous fiscal years or for the period of existence of  
4 the issuer, whichever is shorter, or, in the case of a  
5 reorganization or merger when each party to the reorganization or  
6 merger had audited income statements, a pro forma income statement.

7 (v) Any of the following requirements are met:

8 (A) The issuer of the security has a class of equity  
9 securities listed on a national securities exchange registered  
10 under section 6 of the securities exchange act of 1934, 15 USC 78f,  
11 or designated for trading on the national association of securities  
12 dealers automated quotation system.

13 (B) The issuer of the security is a unit investment trust  
14 registered under the investment company act of 1940.

15 (C) The issuer of the security, including its predecessors,  
16 has been engaged in continuous business for at least 3 years.

17 (D) The issuer of the security has total assets of at least  
18 \$2,000,000.00 based on an audited balance sheet as of a date within  
19 18 months before the date of the transaction or, in the case of a  
20 reorganization or merger when the parties to the reorganization or  
21 merger each had an audited balance sheet as of a date within 18  
22 months before the date of the transaction, a pro forma balance  
23 sheet for the combined entity.

24 (c) A nonissuer transaction by or through a broker-dealer  
25 registered or exempt from registration under this act in a security  
26 of a foreign issuer that is a margin security defined in  
27 regulations or rules adopted by the board of governors of the

1 federal reserve system.

2 (d) A nonissuer transaction by or through a broker-dealer  
3 registered or exempt from registration under this act in an  
4 outstanding security if the guarantor of the security files reports  
5 with the securities and exchange commission under the reporting  
6 requirements of section 13 or 15(d) of the securities exchange act  
7 of 1934, 15 USC 78m or 78o.

8 (e) A nonissuer transaction by or through a broker-dealer  
9 registered or exempt from registration under this act in a security  
10 that meets 1 or more of the following:

11 (i) Is rated at the time of the transaction by a nationally  
12 recognized statistical rating organization in 1 of its 4 highest  
13 rating categories.

14 (ii) Has a fixed maturity or a fixed interest or dividend, if  
15 both of the following are met:

16 (A) A default has not occurred during the current fiscal year  
17 or within the 3 previous fiscal years or during the existence of  
18 the issuer and any predecessor if less than 3 fiscal years, in the  
19 payment of principal, interest, or dividends on the security.

20 (B) The issuer is engaged in business, is not in the  
21 organizational stage or in bankruptcy or receivership, and is not  
22 and has not been within the previous 12 months a blank check, blind  
23 pool, or shell company that has no specific business plan or  
24 purpose or has indicated that its primary business plan is to  
25 engage in a merger or combination of the business with, or an  
26 acquisition of, an unidentified person.

27 (f) A nonissuer transaction by or through a broker-dealer

1 registered or exempt from registration under this act effecting an  
2 unsolicited order or offer to purchase.

3 (g) A nonissuer transaction executed by a bona fide pledgee  
4 without any purpose of evading this act.

5 (h) A nonissuer transaction by a federal covered investment  
6 adviser with investments under management in excess of  
7 \$100,000,000.00 acting in the exercise of discretionary authority  
8 in a signed record for the account of others.

9 (i) A transaction in a security, whether or not the security  
10 or transaction is otherwise exempt, in exchange for 1 or more bona  
11 fide outstanding securities, claims, or property interests, or  
12 partly in exchange and partly for cash, if the terms and conditions  
13 of the issuance and exchange or the delivery and exchange and the  
14 fairness of the terms and conditions have been approved by the  
15 administrator at a hearing.

16 (j) A transaction between the issuer or other person on whose  
17 behalf the offering is made and an underwriter, or among  
18 underwriters.

19 (k) A transaction in a note, bond, debenture, or other  
20 evidence of indebtedness secured by a mortgage or other security  
21 agreement if all of the following are met:

22 (i) The note, bond, debenture, or other evidence of  
23 indebtedness is offered and sold with the mortgage or other  
24 security agreement as a unit.

25 (ii) A general solicitation or general advertisement of the  
26 transaction is not made.

27 (iii) A commission or other remuneration is not paid or given,

1 directly or indirectly, to a person not registered under this act  
2 as a broker-dealer or as an agent.

3 (l) A transaction by an executor, administrator of an estate,  
4 sheriff, marshal, receiver, trustee in bankruptcy, guardian, or  
5 conservator.

6 (m) A sale or offer to sell to any of the following:

7 (i) An institutional investor.

8 (ii) A federal covered investment adviser.

9 (iii) Any other person exempted by rule or order under this act.

10 (n) A sale or an offer to sell securities by or on behalf of  
11 an issuer, if the transaction is part of a single issue in which  
12 all of the following are met:

13 (i) There are not more than 25 purchasers in this state during  
14 any 12 consecutive months, other than those designated in  
15 subdivision (m).

16 (ii) There is no general solicitation or general advertising  
17 used in connection with the offer to sell or sale of the  
18 securities.

19 (iii) A commission or other remuneration is not paid or given,  
20 directly or indirectly, to a person other than a broker-dealer  
21 registered under this act or an agent registered under this act for  
22 soliciting a prospective purchaser in this state.

23 (iv) The issuer reasonably believes that all the purchasers in  
24 this state other than those designated in subdivision (m) are  
25 purchasing for investment.

26 (o) A transaction under an offer to existing security holders  
27 of the issuer, including persons that at the date of the

1 transaction are holders of convertible securities, options, or  
2 warrants, if a commission or other remuneration, other than a  
3 standby commission, is not paid or given, directly or indirectly,  
4 for soliciting a security holder in this state.

5 (p) An offer to sell, but not a sale, of a security not exempt  
6 from registration under the securities act of 1933 if both of the  
7 following are met:

8 (i) A registration or offering statement or similar record as  
9 required under the securities act of 1933 has been filed, but is  
10 not effective, or the offer is made in compliance with rule 165  
11 adopted under the securities act of 1933, 17 CFR 230.165.

12 (ii) A stop order of which the offeror is aware has not been  
13 issued against the offeror by the administrator or the securities  
14 and exchange commission, and an audit, inspection, or proceeding  
15 that is public and may culminate in a stop order is not known by  
16 the offeror to be pending.

17 (q) An offer to sell, but not a sale, of a security exempt  
18 from registration under the securities act of 1933 if all of the  
19 following are met:

20 (i) A registration statement has been filed under this act, but  
21 is not effective.

22 (ii) A solicitation of interest is provided in a record to  
23 offerees in compliance with a rule adopted by the administrator  
24 under this act.

25 (iii) A stop order of which the offeror is aware has not been  
26 issued by the administrator under this act, and an audit,  
27 inspection, or proceeding that may culminate in a stop order is not

1 known by the offeror to be pending.

2 (r) A transaction involving the distribution of the securities  
3 of an issuer to the security holders of another person in  
4 connection with a merger, consolidation, exchange of securities,  
5 sale of assets, or other reorganization to which the issuer, or its  
6 parent or subsidiary, and the other person, or its parent or  
7 subsidiary, are parties.

8 (s) A rescission offer, sale, or purchase under section 510.

9 (t) An offer or sale of a security to a person not resident in  
10 this state and not present in this state if the offer or sale does  
11 not constitute a violation of the laws of the state or foreign  
12 jurisdiction in which the offeree or purchaser is present and is  
13 not part of an unlawful plan or scheme to evade this act.

14 (u) An offer or sale of a security pursuant to an employee's  
15 stock purchase, savings, option, profit-sharing, pension, or  
16 similar employees' benefit plan, including any securities, plan  
17 interests, and guarantees issued under a compensatory benefit plan  
18 or compensation contract, contained in a record, established by the  
19 issuer, its parents, its majority-owned subsidiaries, or the  
20 majority-owned subsidiaries of the issuer's parent for the  
21 participation of their employees including any of the following:

22 (i) Offers or sales of those securities to directors; general  
23 partners; trustees, if the issuer is a business trust; officers; or  
24 consultants and advisors.

25 (ii) Family members who acquire those securities from those  
26 persons through gifts or domestic relations orders.

27 (iii) Former employees, directors, general partners, trustees,

1 officers, consultants, and advisors if those individuals were  
2 employed by or providing services to the issuer when the securities  
3 were offered.

4 (iv) Insurance agents who are exclusive insurance agents of the  
5 issuer, its subsidiaries or parents, or who derive more than 50% of  
6 their annual income from those organizations.

7 (v) A transaction involving any of the following:

8 (i) A stock dividend or equivalent equity distribution, whether  
9 the corporation or other business organization distributing the  
10 dividend or equivalent equity distribution is the issuer or not, if  
11 nothing of value is given by stockholders or other equity holders  
12 for the dividend or equivalent equity distribution other than the  
13 surrender of a right to a cash or property dividend if each  
14 stockholder or other equity holder may elect to take the dividend  
15 or equivalent equity distribution in cash, property, or stock.

16 (ii) An act incident to a judicially approved reorganization in  
17 which a security is issued in exchange for 1 or more outstanding  
18 securities, claims, or property interests, or partly in exchange  
19 and partly for cash.

20 (iii) The solicitation of tenders of securities by an offeror in  
21 a tender offer in compliance with rule 162 adopted under the  
22 securities act of 1933, 17 CFR 230.162.

23 (w) Subject to subsection (2), a nonissuer transaction in an  
24 outstanding security by or through a broker-dealer registered or  
25 exempt from registration under this act, if both of the following  
26 are met:

27 (i) The issuer is a reporting issuer in a foreign jurisdiction

1 designated in subsection (2)(a), or by rule or order of the  
2 administrator, and has been subject to continuous reporting  
3 requirements in the foreign jurisdiction for not less than 180 days  
4 before the transaction.

5 (ii) The security is listed on the foreign jurisdiction's  
6 securities exchange that has been designated in subsection (2)(a),  
7 or by rule or order under this act, or is a security of the same  
8 issuer that is of senior or substantially equal rank to the listed  
9 security or is a warrant or right to purchase or subscribe to any  
10 of the foregoing.

11 (X) ANY OFFER OR SALE OF A SECURITY BY AN ISSUER UNDER SECTION  
12 202A.

13 (Y) ANY OFFER OR SALE OF A SECURITY THAT MEETS THE  
14 REQUIREMENTS FOR THE FEDERAL EXEMPTION FOR A REGULATION A OFFERING  
15 UNDER SECTION 3(B) OF THE SECURITIES ACT OF 1933, 15 USC 77C(B),  
16 AND SEC RULE 251, 17 CFR 230.251, IF THE OFFER OR SALE MEETS ALL OF  
17 THE FOLLOWING REQUIREMENTS:

18 (i) THE ISSUER HAS FILED SEC FORM 1A WITH THE SECURITIES AND  
19 EXCHANGE COMMISSION WITH RESPECT TO THE REGULATION A OFFERING, IN A  
20 MANNER ACCEPTABLE TO THE SECURITIES AND EXCHANGE COMMISSION, AND IN  
21 THAT FILING THE ISSUER HAS SATISFIED ALL OF THE REQUIREMENTS OF 17  
22 CFR 230.251 TO 230.263 INCLUSIVELY, INCLUDING THE FILING OF THE  
23 REGULATION A OFFERING CIRCULAR REQUIRED UNDER 17 CFR 230.253.

24 (ii) AT LEAST 10 DAYS BEFORE COMMENCING AN OFFERING OF  
25 SECURITIES IN RELIANCE ON THIS EXEMPTION OR THE USE OF ANY PUBLICLY  
26 AVAILABLE WEBSITE IN CONNECTION WITH AN OFFERING OF SECURITIES IN  
27 RELIANCE ON THIS EXEMPTION, THE ISSUER FILES A NOTICE WITH THE

1 ADMINISTRATOR, IN WRITING OR IN ELECTRONIC FORM AS SPECIFIED BY THE  
2 ADMINISTRATOR, THAT CONTAINS ALL OF THE FOLLOWING:

3 (A) A NOTICE OF CLAIM OF EXEMPTION FROM REGISTRATION,  
4 SPECIFYING THAT THE ISSUER INTENDS TO CONDUCT AN OFFERING IN  
5 RELIANCE ON A REGULATION A EXEMPTION, ACCOMPANIED BY A  
6 NONREFUNDABLE FILING FEE OF \$100.00 FOR FILING THE EXEMPTION  
7 NOTICE. THE FEES PAID TO THE ADMINISTRATOR UNDER THIS SUB-  
8 SUBPARAGRAPH SHALL BE USED TO PAY THE COSTS INCURRED IN  
9 ADMINISTERING AND ENFORCING THIS ACT.

10 (B) A COPY OF THE COMPLETED SEC FORM 1A AND ALL OF THE  
11 ACCOMPANYING DOCUMENTS FILED WITH THE SECURITIES AND EXCHANGE  
12 COMMISSION, INCLUDING THE FINAL REGULATION A OFFERING CIRCULAR TO  
13 BE PROVIDED TO PROSPECTIVE PURCHASERS IN CONNECTION WITH THE  
14 OFFERING. BEFORE FILING SEC FORM 1A WITH THE ADMINISTRATOR, THE  
15 ISSUER MAY ADVERTISE ITS INTENT TO MAKE A REGULATION A OFFERING  
16 WITHIN THE STATE AND TO SOLICIT INTEREST FROM PROSPECTIVE  
17 PURCHASERS UNDER 17 CFR 230.254.

18 (iii) THE SUM OF ALL CASH AND OTHER CONSIDERATION TO BE RECEIVED  
19 FOR ALL SALES OF THE SECURITY IN RELIANCE ON THIS EXEMPTION DOES  
20 NOT EXCEED THE AMOUNT SET FORTH IN SUBSECTION (B) OF 17 CFR  
21 230.251, LESS THE AGGREGATE AMOUNT RECEIVED FOR ALL SALES OF  
22 SECURITIES BY THE ISSUER WITHIN THE 12 MONTHS BEFORE THE FIRST  
23 OFFER OR SALE MADE IN RELIANCE ON THIS EXEMPTION.

24 (iv) THE ISSUER DOES NOT ACCEPT MORE THAN \$10,000.00 FROM ANY  
25 SINGLE PURCHASER UNLESS THE PURCHASER IS AN ACCREDITED INVESTOR AS  
26 DEFINED BY RULE 501 OF SEC REGULATION D, 17 CFR 230.501. THE ISSUER  
27 MAY RELY ON CONFIRMATION THAT THE PURCHASER IS AN ACCREDITED

1 INVESTOR FROM A LICENSED BROKER-DEALER OR ANOTHER THIRD PARTY IN  
2 MAKING A DETERMINATION THAT THE PURCHASER IS AN ACCREDITED  
3 INVESTOR. EVERY FIFTH YEAR, THE ADMINISTRATOR SHALL CUMULATIVELY  
4 ADJUST THE \$10,000.00 LIMITATION AMOUNT DESCRIBED IN THIS  
5 SUBPARAGRAPH TO REFLECT THE CHANGE IN THE CONSUMER PRICE INDEX FOR  
6 ALL URBAN CONSUMERS PUBLISHED BY THE FEDERAL BUREAU OF LABOR  
7 STATISTICS, ROUNDING THE DOLLAR LIMITATION TO THE NEAREST \$100.00.

8 (2) For purposes of subsection (1)(w), both of the following  
9 apply:

10 (a) Canada, together with its provinces and territories, is a  
11 designated foreign jurisdiction and the Toronto stock exchange,  
12 inc., is a designated securities exchange.

13 (b) After an administrative hearing in compliance with  
14 applicable state law, the administrator, by rule or order under  
15 this act, may revoke the designation of a securities exchange under  
16 subsection (1)(w) or this subsection if the administrator finds  
17 that revocation is necessary or appropriate in the public interest  
18 and for the protection of investors.

19 (3) AN ISSUER THAT SELLS SECURITIES IN THIS STATE IN RELIANCE  
20 ON THIS EXEMPTION DESCRIBED IN SUBSECTION (1)(Y) MAY ADVERTISE THE  
21 OFFERING IN ANY MANNER, INCLUDING ADVERTISING ON WEBSITE PLATFORMS  
22 THAT MAY BE OWNED AND CONTROLLED BY NONISSUER THIRD PARTIES, IF NO  
23 COMMISSIONS ARE PAID TO EITHER EMPLOYEES OF THE ISSUER FOR THE SALE  
24 OF THE SECURITIES OR TO THIRD PARTIES THAT FACILITATE THE SALE OF  
25 THE SECURITIES, UNLESS THOSE THIRD PARTIES ARE LICENSED BROKER-  
26 DEALERS AUTHORIZED TO CONDUCT TRANSACTIONS DESCRIBED IN SUBSECTION  
27 (1)(Y).

1           SEC. 202A. (1) EXCEPT AS OTHERWISE PROVIDED IN THIS ACT, AN  
2 OFFER OR SALE OF A SECURITY BY AN ISSUER IS EXEMPT FROM THE  
3 REQUIREMENTS OF SECTIONS 301 TO 306 AND 504 IF THE OFFER OR SALE  
4 MEETS ALL OF THE FOLLOWING REQUIREMENTS:

5           (A) THE ISSUER OF THE SECURITY IS AN ENTITY THAT IS  
6 INCORPORATED OR ORGANIZED UNDER THE LAWS OF THIS STATE AND IS  
7 AUTHORIZED TO DO BUSINESS IN THIS STATE.

8           (B) THE TRANSACTION MEETS THE REQUIREMENTS FOR THE FEDERAL  
9 EXEMPTION FOR INTRASTATE OFFERINGS UNDER SECTION 3(A)(11) OF THE  
10 SECURITIES ACT OF 1933, 15 USC 77C(A)(11), AND SEC RULE 147, 17 CFR  
11 230.147, INCLUDING, BUT NOT LIMITED TO, THE REQUIREMENTS FOR  
12 DETERMINING WHETHER AN OFFEREE OR PURCHASER IS A RESIDENT OF THIS  
13 STATE. ALL OF THE FOLLOWING APPLY CONCERNING THESE REQUIREMENTS:

14           (i) EACH OF THE FOLLOWING IS PRIMA FACIE EVIDENCE THAT AN  
15 INDIVIDUAL IS A RESIDENT OF THIS STATE:

16           (A) A VALID OPERATOR'S LICENSE, CHAUFFEUR'S LICENSE, OR  
17 OFFICIAL PERSONAL IDENTIFICATION CARD ISSUED BY THIS STATE.

18           (B) A CURRENT MICHIGAN VOTER REGISTRATION.

19           (C) A SIGNED AFFIDAVIT AS DESCRIBED IN SECTION 7CC(2) OF THE  
20 GENERAL PROPERTY TAX ACT, 1893 PA 206, MCL 211.7CC, THAT INDICATES  
21 THAT THE PURCHASER OWNS AND OCCUPIES PROPERTY IN THIS STATE AS HIS  
22 OR HER PRINCIPAL RESIDENCE.

23           (D) ANY OTHER RECORD OR DOCUMENTS ISSUED BY THIS STATE THAT  
24 ESTABLISHES THAT THE PURCHASER'S PRINCIPAL RESIDENCE IS IN THIS  
25 STATE.

26           (ii) THE PROVISIONS OF SEC RULE 147, 17 CFR 230.147, APPLY IN  
27 DETERMINING THE RESIDENCY OF AN OFFEREE OR PURCHASER THAT IS A

1 CORPORATION, PARTNERSHIP, TRUST, OR OTHER FORM OF BUSINESS  
2 ORGANIZATION.

3 (iii) A PERSON'S AGREEMENT TO PURCHASE, OR THE PURCHASE OF, AN  
4 EXEMPT SECURITY UNDER THIS SECTION IS CONSIDERED A REPRESENTATION  
5 THAT THE PERSON IS A RESIDENT OF THIS STATE AT THE TIME THAT  
6 AGREEMENT IS MADE, AND IF THIS REPRESENTATION IS SUBSEQUENTLY SHOWN  
7 TO BE FALSE, THE AGREEMENT IS VOID.

8 (iv) IF A PURCHASER OF A SECURITY THAT IS EXEMPT UNDER THIS  
9 SECTION RESELLS THAT SECURITY TO A PERSON THAT IS NOT A RESIDENT OF  
10 THIS STATE WITHIN 9 MONTHS AFTER THE CLOSING OF THE PARTICULAR  
11 OFFERING IN WHICH THE PURCHASER OBTAINED THAT SECURITY, THE  
12 ORIGINAL INVESTMENT AGREEMENT BETWEEN THE ISSUER AND THE PURCHASER  
13 IS VOID.

14 (v) IF AN AGREEMENT TO PURCHASE, OR THE PURCHASE OF, A  
15 SECURITY IS VOID UNDER SUBPARAGRAPH (iii) OR (iv), THE ISSUER MAY  
16 RECOVER DAMAGES FROM THE MISREPRESENTING OFFEREE OR PURCHASER.  
17 THESE DAMAGES INCLUDE, BUT ARE NOT LIMITED TO, THE ISSUER'S  
18 EXPENSES IN RESOLVING THE MISREPRESENTATION. HOWEVER, DAMAGES  
19 DESCRIBED IN THIS SUBPARAGRAPH SHALL NOT EXCEED THE AMOUNT OF THE  
20 PERSON'S INVESTMENT IN THE SECURITY.

21 (C) THE SUM OF ALL CASH AND OTHER CONSIDERATION TO BE RECEIVED  
22 FOR ALL SALES OF THE SECURITY IN RELIANCE ON THIS EXEMPTION DOES  
23 NOT EXCEED THE FOLLOWING AMOUNTS:

24 (i) ONE MILLION DOLLARS, LESS THE AGGREGATE AMOUNT RECEIVED FOR  
25 ALL SALES OF SECURITIES BY THE ISSUER WITHIN THE 12 MONTHS BEFORE  
26 THE FIRST OFFER OR SALE MADE IN RELIANCE ON THIS EXEMPTION, IF THE  
27 ISSUER HAS NOT MADE AVAILABLE TO EACH PROSPECTIVE PURCHASER AND THE

1 ADMINISTRATOR AUDITED FINANCIAL STATEMENTS OR REVIEWED FINANCIAL  
2 STATEMENTS FOR THE ISSUER'S MOST RECENTLY COMPLETED FISCAL YEAR,  
3 PREPARED BY A CERTIFIED PUBLIC ACCOUNTANT, AS DEFINED IN SECTION  
4 720 OF THE OCCUPATIONAL CODE, 1980 PA 299, MCL 339.720, IN  
5 ACCORDANCE WITH THE STATEMENTS ON AUDITING STANDARDS OF THE  
6 AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OR THE  
7 STATEMENTS ON STANDARDS FOR ACCOUNTING AND REVIEW SERVICES OF THE  
8 AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS, AS APPLICABLE.

9 (ii) TWO MILLION DOLLARS, LESS THE AGGREGATE AMOUNT RECEIVED  
10 FOR ALL SALES OF SECURITIES BY THE ISSUER WITHIN THE 12 MONTHS  
11 BEFORE THE FIRST OFFER OR SALE MADE IN RELIANCE ON THIS EXEMPTION,  
12 IF THE ISSUER HAS MADE AVAILABLE TO EACH PROSPECTIVE PURCHASER AND  
13 THE ADMINISTRATOR AUDITED FINANCIAL STATEMENTS OR REVIEWED  
14 FINANCIAL STATEMENTS FOR THE ISSUER'S MOST RECENTLY COMPLETED  
15 FISCAL YEAR, PREPARED BY A CERTIFIED PUBLIC ACCOUNTANT, AS DEFINED  
16 IN SECTION 720 OF THE OCCUPATIONAL CODE, 1980 PA 299, MCL 339.720,  
17 IN ACCORDANCE WITH THE STATEMENTS ON AUDITING STANDARDS OF THE  
18 AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OR THE  
19 STATEMENTS ON STANDARDS FOR ACCOUNTING AND REVIEW SERVICES OF THE  
20 AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS, AS APPLICABLE.

21 (D) THE ISSUER HAS NOT ACCEPTED MORE THAN \$10,000.00 FROM ANY  
22 SINGLE PURCHASER UNLESS THE PURCHASER IS AN ACCREDITED INVESTOR AS  
23 DEFINED BY RULE 501 OF SEC REGULATION D, 17 CFR 230.501. THE ISSUER  
24 MAY RELY ON WRITTEN OR ELECTRONIC CONFIRMATION FROM AN INDEPENDENT  
25 THIRD PARTY THAT THE PURCHASER IS AN ACCREDITED INVESTOR, IF THAT  
26 CONFIRMATION IS PROVIDED BY A QUALIFIED SOURCE SUCH AS A LICENSED  
27 BROKER-DEALER OR INVESTMENT ADVISOR, A LAWYER, AN ACCOUNTANT, A

1 BANK, AN ANGEL INVESTOR GROUP, OR ANY OTHER PERSON THAT IS  
2 QUALIFIED TO ATTEST TO THAT PURCHASER'S ACCREDITED STATUS,  
3 INCLUDING AN ORGANIZATION THAT IS ESTABLISHED SPECIFICALLY TO  
4 PROVIDE CONFIRMATION THAT PURCHASERS ARE ACCREDITED INVESTORS UNDER  
5 RULE 501 OF SEC REGULATION D, 17 CFR 230.501.

6 (E) AT LEAST 10 DAYS BEFORE AN OFFER OF SECURITIES IS MADE IN  
7 RELIANCE ON THIS EXEMPTION OR THE USE OF ANY PUBLICLY AVAILABLE  
8 WEBSITE IN CONNECTION WITH AN OFFERING OF SECURITIES IN RELIANCE ON  
9 THIS EXEMPTION, THE ISSUER FILES A NOTICE WITH THE ADMINISTRATOR,  
10 IN WRITING OR IN ELECTRONIC FORM AS SPECIFIED BY THE ADMINISTRATOR,  
11 THAT CONTAINS ALL OF THE FOLLOWING:

12 (i) A NOTICE OF CLAIM OF EXEMPTION FROM REGISTRATION,  
13 SPECIFYING THAT THE ISSUER INTENDS TO CONDUCT AN OFFERING IN  
14 RELIANCE ON THIS EXEMPTION, ACCOMPANIED BY THE FILING FEE SPECIFIED  
15 IN THIS SECTION.

16 (ii) A COPY OF THE DISCLOSURE STATEMENT TO BE PROVIDED TO  
17 PROSPECTIVE INVESTORS IN CONNECTION WITH THE OFFERING. THE  
18 DISCLOSURE STATEMENT MUST CONTAIN ALL OF THE FOLLOWING:

19 (A) A DESCRIPTION OF THE ISSUER, INCLUDING ITS TYPE OF ENTITY,  
20 THE ADDRESS AND TELEPHONE NUMBER OF ITS PRINCIPAL OFFICE, ITS  
21 FORMATION HISTORY, ITS BUSINESS PLAN, AND THE INTENDED USE OF THE  
22 OFFERING PROCEEDS, INCLUDING ANY AMOUNTS TO BE PAID, AS  
23 COMPENSATION OR OTHERWISE, TO ANY OWNER, EXECUTIVE OFFICER,  
24 DIRECTOR, MANAGING MEMBER, OR OTHER PERSON OCCUPYING A SIMILAR  
25 STATUS OR PERFORMING SIMILAR FUNCTIONS ON BEHALF OF THE ISSUER.

26 (B) THE IDENTITY OF EACH PERSON THAT OWNS MORE THAN 10% OF THE  
27 OWNERSHIP INTERESTS OF ANY CLASS OF SECURITIES OF THE ISSUER.

1 (C) THE IDENTITY OF THE EXECUTIVE OFFICERS, DIRECTORS, AND  
2 MANAGING MEMBERS OF THE ISSUER, AND ANY OTHER INDIVIDUALS WHO  
3 OCCUPY SIMILAR STATUS OR PERFORM SIMILAR FUNCTIONS IN THE NAME OF  
4 AND ON BEHALF OF THE ISSUER, INCLUDING THEIR TITLES AND THEIR PRIOR  
5 EXPERIENCE.

6 (D) THE TERMS AND CONDITIONS OF THE SECURITIES BEING OFFERED  
7 AND OF ANY OUTSTANDING SECURITIES OF THE ISSUER, THE MINIMUM AND  
8 MAXIMUM AMOUNT OF SECURITIES BEING OFFERED, IF ANY, AND EITHER THE  
9 PERCENTAGE OWNERSHIP OF THE ISSUER REPRESENTED BY THE OFFERED  
10 SECURITIES OR THE VALUATION OF THE ISSUER IMPLIED BY THE PRICE OF  
11 THE OFFERED SECURITIES.

12 (E) THE IDENTITY OF ANY PERSON THAT THE ISSUER HAS OR INTENDS  
13 TO RETAIN TO ASSIST THE ISSUER IN CONDUCTING THE OFFERING AND SALE  
14 OF THE SECURITIES, INCLUDING THE OWNER OF ANY WEBSITES, IF KNOWN,  
15 BUT EXCLUDING ANY PERSON ACTING SOLELY AS AN ACCOUNTANT OR ATTORNEY  
16 AND ANY EMPLOYEES WHOSE PRIMARY JOB RESPONSIBILITIES INVOLVE THE  
17 OPERATING BUSINESS OF THE ISSUER RATHER THAN ASSISTING THE ISSUER  
18 IN RAISING CAPITAL, AND FOR EACH PERSON IDENTIFIED IN RESPONSE TO  
19 THIS SUB-SUBPARAGRAPH, A DESCRIPTION OF THE CONSIDERATION BEING  
20 PAID TO THAT PERSON FOR THAT ASSISTANCE.

21 (F) A DESCRIPTION OF ANY LITIGATION OR LEGAL PROCEEDINGS  
22 INVOLVING THE ISSUER OR ITS MANAGEMENT.

23 (G) THE NAME AND ADDRESS OF ANY WEBSITE THAT THE ISSUER  
24 INTENDS TO USE IN CONNECTION WITH THE OFFERING, INCLUDING ITS  
25 UNIFORM RESOURCE LOCATOR OR URL. IF THE ISSUER HAS NOT ENGAGED A  
26 WEBSITE DESCRIBED IN THIS SUB-SUBPARAGRAPH AT THE TIME THE ISSUER  
27 FILES THE DISCLOSURE STATEMENT DESCRIBED IN THIS SUBPARAGRAPH WITH

1 THE ADMINISTRATOR UNDER THIS SUBDIVISION BUT SUBSEQUENTLY DOES  
2 ENGAGE A WEBSITE FOR USE IN CONNECTION WITH THE OFFERING, THE  
3 ISSUER SHALL PROVIDE THE INFORMATION DESCRIBED IN THIS SUB-  
4 SUBPARAGRAPH TO THE ADMINISTRATOR BY FILING A SUPPLEMENTAL NOTICE.

5 (iii) AN ESCROW AGREEMENT WITH A BANK OR OTHER DEPOSITORY  
6 INSTITUTION LOCATED IN THIS STATE, IN WHICH THE PURCHASER FUNDS  
7 WILL BE DEPOSITED, THAT PROVIDES THAT ALL OFFERING PROCEEDS WILL BE  
8 RELEASED TO THE ISSUER ONLY WHEN THE AGGREGATE CAPITAL RAISED FROM  
9 ALL PURCHASERS IS EQUAL TO OR GREATER THAN THE MINIMUM TARGET  
10 OFFERING AMOUNT SPECIFIED IN THE DISCLOSURE STATEMENT AS NECESSARY  
11 TO IMPLEMENT THE BUSINESS PLAN AND THAT ALL PURCHASERS WILL RECEIVE  
12 A RETURN OF THEIR SUBSCRIPTION FUNDS IF THAT TARGET OFFERING AMOUNT  
13 IS NOT RAISED BY THE TIME STATED IN THE DISCLOSURE STATEMENT. THE  
14 BANK OR OTHER DEPOSITORY INSTITUTION MAY CONTRACT WITH THE ISSUER  
15 TO COLLECT REASONABLE FEES FOR ITS ESCROW SERVICES REGARDLESS OF  
16 WHETHER THE TARGET OFFERING AMOUNT IS REACHED.

17 (F) THE ISSUER IS NOT, EITHER BEFORE OR AS A RESULT OF THE  
18 OFFERING, AN INVESTMENT COMPANY, AS DEFINED IN SECTION 3 OF THE  
19 INVESTMENT COMPANY ACT OF 1940, 15 USC 8A-3, OR AN ENTITY THAT  
20 WOULD BE AN INVESTMENT COMPANY BUT FOR THE EXCLUSIONS PROVIDED IN  
21 SUBSECTION (C) OF THAT SECTION, OR SUBJECT TO THE REPORTING  
22 REQUIREMENTS OF SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT  
23 OF 1934, 15 USC 78M AND 78O(D).

24 (G) THE ISSUER INFORMS EACH PROSPECTIVE PURCHASER THAT THE  
25 SECURITIES ARE NOT REGISTERED UNDER FEDERAL OR STATE SECURITIES  
26 LAWS AND THAT THE SECURITIES ARE SUBJECT TO LIMITATIONS ON TRANSFER  
27 OR RESALE AND DISPLAYS THE FOLLOWING LEGEND CONSPICUOUSLY ON THE

1 COVER PAGE OF THE DISCLOSURE STATEMENT:

2 "IN MAKING AN INVESTMENT DECISION, PURCHASERS MUST RELY ON  
3 THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING,  
4 INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT  
5 BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR  
6 REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE  
7 NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS  
8 DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.  
9 THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND  
10 RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED BY  
11 SUBSECTION (E) OF SEC RULE 147, 17 CFR 230.147(E), AS PROMULGATED  
12 UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE APPLICABLE  
13 STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION  
14 THEREFROM. PURCHASERS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO  
15 BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE  
16 PERIOD OF TIME."

17 (H) THE ISSUER REQUIRES EACH PURCHASER TO CERTIFY IN WRITING,  
18 AND TO INCLUDE AS PART OF THAT CERTIFICATION HIS OR HER SIGNATURE,  
19 AND HIS OR HER INITIALS NEXT TO EACH PARAGRAPH OF THE  
20 CERTIFICATION, AS FOLLOWS: "I UNDERSTAND AND ACKNOWLEDGE THAT:

21 I AM INVESTING IN A HIGH-RISK, SPECULATIVE BUSINESS VENTURE. I  
22 MAY LOSE ALL OF MY INVESTMENT, AND I CAN AFFORD THE LOSS OF MY  
23 INVESTMENT.

24 THIS OFFERING HAS NOT BEEN REVIEWED OR APPROVED BY ANY STATE  
25 OR FEDERAL SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY AND  
26 THAT NO REGULATORY AUTHORITY HAS CONFIRMED THE ACCURACY OR  
27 DETERMINED THE ADEQUACY OF ANY DISCLOSURE MADE TO ME RELATING TO

1 THIS OFFERING.

2 THE SECURITIES I AM ACQUIRING IN THIS OFFERING ARE ILLIQUID,  
3 THAT THE SECURITIES ARE SUBJECT TO POSSIBLE DILUTION, THAT THERE IS  
4 NO READY MARKET FOR THE SALE OF THOSE SECURITIES, THAT IT MAY BE  
5 DIFFICULT OR IMPOSSIBLE FOR ME TO SELL OR OTHERWISE DISPOSE OF THIS  
6 INVESTMENT, AND THAT, ACCORDINGLY, I MAY BE REQUIRED TO HOLD THIS  
7 INVESTMENT INDEFINITELY.

8 I MAY BE SUBJECT TO TAX ON MY SHARE OF THE TAXABLE INCOME AND  
9 LOSSES OF THE ISSUER, WHETHER OR NOT I HAVE SOLD OR OTHERWISE  
10 DISPOSED OF MY INVESTMENT OR RECEIVED ANY DIVIDENDS OR OTHER  
11 DISTRIBUTIONS FROM THE ISSUER.

12 BY ENTERING INTO THIS TRANSACTION WITH THE ISSUER, I AM  
13 AFFIRMATIVELY REPRESENTING MYSELF AS BEING A MICHIGAN RESIDENT AT  
14 THE TIME THAT THIS CONTRACT IS FORMED, AND IF THIS REPRESENTATION  
15 IS SUBSEQUENTLY SHOWN TO BE FALSE, THE CONTRACT IS VOID.

16 IF I RESELL ANY OF THE SECURITIES I AM ACQUIRING IN THIS  
17 OFFERING TO A PERSON THAT IS NOT A MICHIGAN RESIDENT, WITHIN 9  
18 MONTHS AFTER THE CLOSING OF THE OFFERING, MY CONTRACT WITH THE  
19 ISSUER FOR THE PURCHASE OF THESE SECURITIES IS VOID."

20 (I) IF THE OFFER AND SALE OF SECURITIES UNDER THIS SECTION IS  
21 MADE THROUGH AN INTERNET WEBSITE, ALL OF THE FOLLOWING REQUIREMENTS  
22 ARE MET:

23 (i) BEFORE ANY OFFER OF AN INVESTMENT OPPORTUNITY TO RESIDENTS  
24 OF THIS STATE THROUGH THE USE OF A WEBSITE, THE ISSUER PROVIDES TO  
25 THE WEBSITE AND TO THE ADMINISTRATOR EVIDENCE THAT THE ISSUER IS  
26 ORGANIZED UNDER THE LAWS OF THIS STATE AND THAT IT IS AUTHORIZED TO  
27 DO BUSINESS IN THIS STATE.

1           (ii) THE ISSUER OBTAINS FROM EACH PURCHASER OF A SECURITY UNDER  
2 THIS SECTION EVIDENCE THAT THE PURCHASER IS A RESIDENT OF THIS  
3 STATE AND, IF APPLICABLE, AN ACCREDITED INVESTOR.

4           (iii) THE WEBSITE OPERATOR FILES A WRITTEN NOTICE WITH THE  
5 ADMINISTRATOR THAT INCLUDES THE WEBSITE OPERATOR'S NAME, BUSINESS  
6 ADDRESS, AND CONTACT INFORMATION AND STATES THAT IT IS AUTHORIZED  
7 TO DO BUSINESS IN THIS STATE AND IS BEING UTILIZED TO OFFER AND  
8 SELL SECURITIES UNDER THIS EXEMPTION. BEGINNING 12 MONTHS AFTER THE  
9 DATE OF THE WRITTEN NOTICE, A WEBSITE OPERATOR THAT HAS FILED A  
10 WRITTEN NOTICE UNDER THIS SUBPARAGRAPH SHALL ANNUALLY NOTIFY THE  
11 ADMINISTRATOR IN WRITING OF ANY CHANGES IN THE INFORMATION PROVIDED  
12 TO THE ADMINISTRATOR UNDER THIS SUBPARAGRAPH.

13           (iv) THE ISSUER AND THE WEBSITE KEEP AND MAINTAIN RECORDS OF  
14 THE OFFERS AND SALES OF SECURITIES MADE THROUGH THE WEBSITE AND  
15 PROVIDE READY ACCESS TO THE RECORDS TO THE ADMINISTRATOR ON  
16 REQUEST. THE ADMINISTRATOR MAY ACCESS, INSPECT, AND REVIEW ANY  
17 WEBSITE DESCRIBED IN THIS SUBDIVISION AND ITS RECORDS.

18           (J) ALL PAYMENTS FOR THE PURCHASE OF SECURITIES ARE DIRECTED  
19 TO AND HELD BY THE BANK OR DEPOSITORY INSTITUTION SUBJECT TO THE  
20 PROVISIONS OF SUBDIVISION (E) (iii) .

21           (K) OFFERS OR SALES OF A SECURITY ARE NOT MADE THROUGH AN  
22 INTERNET WEBSITE UNLESS THE WEBSITE HAS FILED THE WRITTEN NOTICE  
23 REQUIRED UNDER SUBDIVISION (I) (iii) WITH THE ADMINISTRATOR.

24           (l) THE ISSUER DOES NOT PAY, DIRECTLY OR INDIRECTLY, ANY  
25 COMMISSION OR REMUNERATION TO AN EXECUTIVE OFFICER, DIRECTOR,  
26 MANAGING MEMBER, OR OTHER INDIVIDUAL WHO HAS A SIMILAR STATUS OR  
27 PERFORMS SIMILAR FUNCTIONS IN THE NAME OF AND ON BEHALF OF THE

1 ISSUER FOR OFFERING OR SELLING THE SECURITIES UNLESS HE OR SHE IS  
2 REGISTERED AS A BROKER-DEALER, INVESTMENT ADVISER, OR INVESTMENT  
3 ADVISER REPRESENTATIVE UNDER CHAPTER 4. AN EXECUTIVE OFFICER,  
4 DIRECTOR, MANAGING MEMBER, OR OTHER INDIVIDUAL WHO HAS A SIMILAR  
5 STATUS OR PERFORMS SIMILAR FUNCTIONS IN THE NAME OF AND ON BEHALF  
6 OF THE ISSUER IS EXEMPT FROM THE REGISTRATION REQUIREMENTS UNDER  
7 CHAPTER 4 IF HE OR SHE DOES NOT RECEIVE, DIRECTLY OR INDIRECTLY,  
8 ANY COMMISSION OR REMUNERATION FOR OFFERING OR SELLING SECURITIES  
9 OF THE ISSUER THAT ARE EXEMPT FROM REGISTRATION UNDER THIS SECTION.

10 (M) THE ISSUER PROVIDES A COPY OF THE DISCLOSURE STATEMENT  
11 PROVIDED TO THE ADMINISTRATOR UNDER SUBDIVISION (E) (ii) TO EACH  
12 PROSPECTIVE PURCHASER AT THE TIME THE OFFER OF SECURITIES IS MADE  
13 TO THE PROSPECTIVE PURCHASER. IN ADDITION TO THE INFORMATION  
14 DESCRIBED IN SUBDIVISION (E) (ii), THE DISCLOSURE STATEMENT PROVIDED  
15 TO THE ADMINISTRATOR AND TO PROSPECTIVE PURCHASERS SHALL INCLUDE  
16 ADDITIONAL INFORMATION MATERIAL TO THE OFFERING, INCLUDING, WHERE  
17 APPROPRIATE, A DISCUSSION OF SIGNIFICANT FACTORS THAT MAKE THE  
18 OFFERING SPECULATIVE OR RISKY. THIS DISCUSSION MUST BE CONCISE AND  
19 ORGANIZED LOGICALLY AND SHOULD NOT PRESENT RISKS THAT COULD APPLY  
20 TO ANY ISSUER OR ANY OFFERING.

21 (N) THE TERM OF THE OFFERING DOES NOT EXCEED 12 MONTHS AFTER  
22 THE DATE OF THE FIRST OFFER.

23 (2) EVERY FIFTH YEAR, THE ADMINISTRATOR SHALL CUMULATIVELY  
24 ADJUST EACH OF THE FOLLOWING DOLLAR AMOUNTS TO REFLECT THE CHANGE  
25 IN THE CONSUMER PRICE INDEX FOR ALL URBAN CONSUMERS PUBLISHED BY  
26 THE FEDERAL BUREAU OF LABOR STATISTICS:

27 (A) THE DOLLAR LIMITATIONS PROVIDED IN SUBSECTION (1) (C),

1 ROUNDING EACH DOLLAR LIMITATION TO THE NEAREST \$50,000.00.

2 (B) THE DOLLAR LIMITATION PROVIDED IN SUBSECTION (1)(D) AND  
3 SECTION 201(1)(Y) (iv), ROUNDING THAT DOLLAR LIMITATION TO THE  
4 NEAREST \$100.00.

5 (3) IF THE OFFER AND SALE OF A SECURITY OF AN ISSUER IS EXEMPT  
6 UNDER THIS SECTION, THE ISSUER SHALL PROVIDE A QUARTERLY REPORT TO  
7 THE ISSUER'S PURCHASERS UNTIL NONE OF THE SECURITIES ISSUED UNDER  
8 THIS SECTION ARE OUTSTANDING. ALL OF THE FOLLOWING APPLY TO THE  
9 QUARTERLY REPORT DESCRIBED IN THIS SUBSECTION:

10 (A) THE ISSUER SHALL PROVIDE THE REPORT FREE OF CHARGE TO THE  
11 PURCHASERS.

12 (B) AN ISSUER MAY SATISFY THE REPORT REQUIREMENT UNDER THIS  
13 SUBSECTION BY MAKING THE INFORMATION AVAILABLE ON AN INTERNET  
14 WEBSITE IF THE INFORMATION IS MADE AVAILABLE WITHIN 45 DAYS AFTER  
15 THE END OF EACH FISCAL QUARTER AND REMAINS AVAILABLE UNTIL THE NEXT  
16 QUARTERLY REPORT IS ISSUED.

17 (C) THE ISSUER SHALL FILE EACH REPORT WITH THE ADMINISTRATOR  
18 AND MUST PROVIDE A WRITTEN COPY OF THE REPORT TO ANY PURCHASER ON  
19 REQUEST.

20 (D) THE REPORT MUST INCLUDE ALL OF THE FOLLOWING:

21 (i) THE COMPENSATION RECEIVED BY EACH DIRECTOR AND EXECUTIVE  
22 OFFICER OF THE ISSUER, INCLUDING CASH COMPENSATION EARNED SINCE THE  
23 PREVIOUS REPORT AND ON AN ANNUAL BASIS AND ANY BONUSES, STOCK  
24 OPTIONS, OTHER RIGHTS TO RECEIVE SECURITIES OF THE ISSUER OR ANY  
25 AFFILIATE OF THE ISSUER, OR OTHER COMPENSATION RECEIVED.

26 (ii) AN ANALYSIS BY MANAGEMENT OF THE ISSUER OF THE BUSINESS  
27 OPERATIONS AND FINANCIAL CONDITION OF THE ISSUER.

1           (4) THE EXEMPTION PROVIDED IN THIS SECTION SHALL NOT BE USED  
2 IN CONJUNCTION WITH ANY OTHER EXEMPTION UNDER THIS CHAPTER, EXCEPT  
3 OFFERS AND SALES TO CONTROLLING PERSONS SHALL NOT COUNT TOWARD THE  
4 LIMITATION IN SUBSECTION (1) (C) .

5           (5) THE EXEMPTION DESCRIBED IN THIS SECTION DOES NOT APPLY IF  
6 AN ISSUER OR PERSON THAT IS AFFILIATED WITH THE ISSUER OR OFFERING  
7 IS SUBJECT TO ANY DISQUALIFICATION ESTABLISHED BY THE ADMINISTRATOR  
8 BY RULE OR CONTAINED IN RULE 262 AS PROMULGATED UNDER THE  
9 SECURITIES ACT OF 1933, 17 CFR 230.262. HOWEVER, THIS SUBSECTION  
10 DOES NOT APPLY IF BOTH OF THE FOLLOWING ARE MET:

11           (A) ON A SHOWING OF GOOD CAUSE AND WITHOUT PREJUDICE TO ANY  
12 OTHER ACTION BY THE ADMINISTRATOR, THE ADMINISTRATOR DETERMINES  
13 THAT IT IS NOT NECESSARY UNDER THE CIRCUMSTANCES THAT AN EXEMPTION  
14 BE DENIED.

15           (B) THE ISSUER ESTABLISHES THAT IT MADE FACTUAL INQUIRY INTO  
16 WHETHER ANY DISQUALIFICATION EXISTED UNDER THIS SUBSECTION BUT DID  
17 NOT KNOW, AND IN THE EXERCISE OF REASONABLE CARE COULD NOT HAVE  
18 KNOWN, THAT A DISQUALIFICATION EXISTED UNDER THIS SUBSECTION. THE  
19 NATURE AND SCOPE OF THE REQUISITE INQUIRY WILL VARY BASED ON THE  
20 CIRCUMSTANCES OF THE ISSUER AND THE OTHER OFFERING PARTICIPANTS.

21           (6) THE ADMINISTRATOR MAY ADOPT RULES TO IMPLEMENT THE  
22 PROVISIONS OF THIS SECTION AND TO PROTECT PURCHASERS THAT PURCHASE  
23 SECURITIES THAT ARE EXEMPT FROM REGISTRATION UNDER THIS SECTION.

24           (7) THE ADMINISTRATOR SHALL CHARGE A NONREFUNDABLE FILING FEE  
25 OF \$100.00 FOR FILING AN EXEMPTION NOTICE REQUIRED UNDER SUBSECTION  
26 (1). THE FEES PAID TO THE ADMINISTRATOR UNDER THIS SUBSECTION SHALL  
27 BE USED TO PAY THE COSTS INCURRED IN ADMINISTERING AND ENFORCING

1 THIS ACT.

2 (8) A WEBSITE THROUGH WHICH AN OFFER OR SALE OF SECURITIES  
3 UNDER THIS SECTION IS MADE IS NOT SUBJECT TO THE BROKER-DEALER,  
4 INVESTMENT ADVISER, OR INVESTMENT ADVISER REPRESENTATIVE  
5 REGISTRATION REQUIREMENTS UNDER CHAPTER 4 IF THE WEBSITE MEETS ALL  
6 OF THE FOLLOWING CONDITIONS:

7 (A) IT DOES NOT OFFER INVESTMENT ADVICE OR RECOMMENDATIONS.

8 (B) IT DOES NOT SOLICIT PURCHASES, SALES, OR OFFERS TO BUY THE  
9 SECURITIES OFFERED OR DISPLAYED ON THE WEBSITE.

10 (C) IT DOES NOT COMPENSATE EMPLOYEES, AGENTS, OR OTHER PERSONS  
11 FOR THE SOLICITATION OR BASED ON THE SALE OF SECURITIES DISPLAYED  
12 OR REFERENCED ON THE WEBSITE.

13 (D) IT IS NOT COMPENSATED BASED ON THE AMOUNT OF SECURITIES  
14 SOLD AND IT DOES NOT HOLD, MANAGE, POSSESS, OR OTHERWISE HANDLE  
15 PURCHASER FUNDS OR SECURITIES.

16 (E) IT DOES NOT ENGAGE IN ANY OTHER ACTIVITIES THAT THE  
17 ADMINISTRATOR BY RULE DETERMINES ARE INAPPROPRIATE FOR AN EXEMPTION  
18 FROM THE REGISTRATION REQUIREMENTS UNDER CHAPTER 4.

19 (9) EXCEPT FOR SECTION 504, ARTICLE 5 APPLIES TO A VIOLATION  
20 OF THIS SECTION, INCLUDING A VIOLATION CONCERNING WEBSITE  
21 OPERATION.

22 (10) AS USED IN THIS SECTION, "CONTROLLING PERSON" MEANS AN  
23 OFFICER, DIRECTOR, PARTNER, OR TRUSTEE, OR ANOTHER INDIVIDUAL WHO  
24 HAS SIMILAR STATUS OR PERFORMS SIMILAR FUNCTIONS, OF OR FOR THE  
25 ISSUER OR TO A PERSON THAT OWNS 10% OR MORE OF THE OUTSTANDING  
26 SHARES OF ANY CLASS OR CLASSES OF SECURITIES OF THE ISSUER.

27 Sec. 504. (1) Subject to subsection (2), a rule or order under

1 this act may require the filing of a prospectus, pamphlet,  
2 circular, form letter, advertisement, sales literature, or other  
3 advertising record relating to a security or investment advice  
4 addressed or intended for distribution to prospective investors,  
5 including clients or prospective clients of a person registered or  
6 required to be registered as an investment adviser under this act.

7 (2) This section does not apply to sales and advertising  
8 literature specified in subsection (1) relating to a federal  
9 covered security, a federal covered investment adviser, or a  
10 security or transaction exempted by section 201, 202, or 203 except  
11 as required under section 201(g) **OR 202(1)(X)**.