

SENATE SUBSTITUTE FOR  
HOUSE BILL NO. 4996

A bill to amend 2008 PA 551, entitled  
"Uniform securities act (2002),"  
by amending sections 102a, 202, 504, and 510 (MCL 451.2102a,  
451.2202, 451.2504, and 451.2510) and by adding section 202a.

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

1       Sec. 102a. As used in this act, unless the context otherwise  
2 requires:

3       (a) "Institutional investor" means any of the following,  
4 whether acting for itself or for others in a fiduciary capacity:

5       (i) A depository institution or international banking  
6 institution.

7       (ii) An insurance company.

1 (iii) A separate account of an insurance company.

2 (iv) An investment company as defined in the investment company  
3 act of 1940.

4 (v) A broker-dealer registered under the securities exchange  
5 act of 1934.

6 (vi) An employee pension, profit-sharing, or benefit plan if  
7 the plan has total assets in excess of ~~\$10,000,000.00~~ **\$2,500,000.00**  
8 or its investment decisions are made by a named fiduciary, as  
9 defined in the employee retirement income security act of 1974,  
10 that is a broker-dealer registered under the securities exchange  
11 act of 1934, an investment adviser registered or exempt from  
12 registration under the investment advisers act of 1940, an  
13 investment adviser registered under this act, a depository  
14 institution, or an insurance company.

15 (vii) A plan established and maintained by a state, a political  
16 subdivision of a state, or an agency or instrumentality of a state  
17 or a political subdivision of a state for the benefit of its  
18 employees, if the plan has total assets in excess of ~~\$10,000,000.00~~  
19 **\$2,500,000.00** or its investment decisions are made by a duly  
20 designated public official or by a named fiduciary, as defined in  
21 the employee retirement income security act of 1974, that is a  
22 broker-dealer registered under the securities exchange act of 1934,  
23 an investment adviser registered or exempt from registration under  
24 the investment advisers act of 1940, an investment adviser  
25 registered under this act, a depository institution, or an  
26 insurance company.

27 (viii) A trust, if it has total assets in excess of

1 ~~\$10,000,000.00~~, **\$2,500,000.00**, its trustee is a depository  
2 institution, and its participants are exclusively plans of the  
3 types identified in subparagraph (vi) or (vii), regardless of size of  
4 their assets, except a trust that includes as participants self-  
5 directed individual retirement accounts or similar self-directed  
6 plans.

7 (ix) An organization described in section 501(c)(3) of the  
8 internal revenue code **OF 1986**, 26 USC 501, a corporation,  
9 Massachusetts or similar business trust, limited liability company,  
10 or partnership, not formed for the specific purpose of acquiring  
11 the securities offered, with total assets in excess of  
12 ~~\$10,000,000.00~~ **\$2,500,000.00**.

13 (x) A small business investment company licensed by the small  
14 business administration under section 301(c) of the small business  
15 investment act of 1958, 15 USC 681, with total assets in excess of  
16 ~~\$10,000,000.00~~ **\$2,500,000.00**.

17 (xi) A ~~private~~ business development company as defined in  
18 section 202(a)(22) of the investment advisers act of 1940, 15 USC  
19 80b-2, with total assets in excess of ~~\$10,000,000.00~~ **\$2,500,000.00**.

20 (xii) A federal covered investment adviser acting for its own  
21 account.

22 (xiii) A "qualified institutional buyer" as defined in rule  
23 144A(a)(1), other than rule 144A(a)(1)(i)(H), adopted under the  
24 securities act of 1933, 17 CFR 230.144A.

25 (xiv) A "major U.S. institutional investor" as defined in rule  
26 15a-6(b)(4)(i) adopted under the securities exchange act of 1934, 17  
27 CFR 240.15a-6(b)(4)(i).

1           (xv) Any other person, other than an individual, of  
2     institutional character with total assets in excess of  
3     ~~\$10,000,000.00~~ **\$2,500,000.00** not organized for the specific purpose  
4     of evading this act.

5           (xvi) Any other person specified by rule or order under this  
6     act.

7           (b) "Insurance company" means a company organized as an  
8     insurance company whose primary business is writing insurance or  
9     reinsuring risks underwritten by insurance companies and which is  
10    subject to supervision by the insurance commissioner or a similar  
11    official or agency of a state.

12          (c) "Insured" means insured as to payment of all principal and  
13    all interest.

14          (d) "International banking institution" means an international  
15    financial institution of which the United States is a member and  
16    whose securities are exempt from registration under the securities  
17    act of 1933.

18          (e) "Investment adviser" means a person that, for  
19    compensation, engages in the business of advising others, either  
20    directly or through publications or writings, as to the value of  
21    securities or the advisability of investing in, purchasing, or  
22    selling securities or that, for compensation and as a part of a  
23    regular business, issues or promulgates analyses or reports  
24    concerning securities. The term includes a financial planner or  
25    other person that, as an integral component of other financially  
26    related services, provides investment advice to others for  
27    compensation as part of a business or that holds itself out as

1 providing investment advice to others for compensation. The term  
2 does not include any of the following:

3 (i) An investment adviser representative.

4 (ii) A lawyer, accountant, engineer, or teacher whose  
5 performance of investment advice is solely incidental to the  
6 practice of the person's profession.

7 (iii) A broker-dealer or its agents whose performance of  
8 investment advice is solely incidental to the conduct of business  
9 as a broker-dealer and that does not receive special compensation  
10 for the investment advice.

11 (iv) A publisher of a bona fide newspaper, news magazine, or  
12 business or financial publication of general and regular  
13 circulation.

14 (v) A federal covered investment adviser.

15 (vi) A depository institution.

16 (vii) Any other person that is excluded by the investment  
17 advisers act of 1940 from the definition of investment adviser.

18 (viii) Any other person excluded by rule or order under this  
19 act.

20 (ix) A finder registered as a broker-dealer under this act.

21 (f) "Investment adviser representative" means an individual  
22 employed by or associated with an investment adviser or federal  
23 covered investment adviser and who makes any recommendations or  
24 otherwise gives investment advice regarding securities, manages  
25 accounts or portfolios of clients, determines which recommendation  
26 or advice regarding securities should be given, provides investment  
27 advice or holds himself or herself out as providing investment

1 advice, receives compensation to solicit, offer, or negotiate for  
2 the sale of or for selling investment advice, or supervises  
3 employees who perform any of the foregoing. The term does not  
4 include an individual who meets any of the following:

5 (i) Performs only clerical or ministerial acts.

6 (ii) Is an agent whose performance of investment advice is  
7 solely incidental to the individual acting as an agent and does not  
8 receive special compensation for investment advisory services.

9 (iii) Is employed by or associated with a federal covered  
10 investment adviser, unless the individual meets any of the  
11 following:

12 (A) Has a "place of business" in this state as that term is  
13 defined by ~~IN~~ rule **203A-3** adopted under section 203A of the  
14 investment advisers act of 1940, ~~15 USC 80b-3a, 17 CFR 275.203A-3,~~  
15 and is an "investment adviser representative" as that term is  
16 defined by ~~IN~~ rule **203A-3** adopted under section 203A of the  
17 investment advisers act of 1940, ~~15 USC 80b-3a, 17 CFR 275.203A-3.~~

18 (B) Has a "place of business" in this state as that term is  
19 defined by ~~IN~~ rule **203A-3** adopted under section 203A of the  
20 investment advisers act of 1940, ~~15 USC 80b-3a, 17 CFR 275.203A-3,~~  
21 and is not a "supervised person" as that term is defined in section  
22 202(a)(25) of the investment advisers act of 1940, 15 USC 80b-2.

23 (iv) Is excluded by rule or order under this act.

24 (g) "Issuer" means a person that issues or proposes to issue a  
25 security, subject to the following:

26 (i) The issuer of a voting trust certificate, collateral trust  
27 certificate, certificate of deposit for a security, or share in an

1 investment company without a board of directors or individuals  
2 performing similar functions, is the person performing the acts and  
3 assuming the duties of depositor or manager pursuant to the trust  
4 or other agreement or instrument under which the security is  
5 issued.

6 (ii) The issuer of an equipment trust certificate or similar  
7 security serving the same purpose is the person by which the  
8 property is or will be used, or to which the property or equipment  
9 is or will be leased or conditionally sold, or that is otherwise  
10 contractually responsible for assuring payment of the certificate.

11 (iii) The issuer of a fractional undivided interest in an oil,  
12 gas, or other mineral lease or in payments out of production under  
13 a lease, right, or royalty is the owner of an interest in the lease  
14 or in payments out of production under a lease, right, or royalty,  
15 whether whole or fractional, that creates fractional interests for  
16 the purpose of sale.

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

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

21 (b) A nonissuer transaction by or through a broker-dealer  
22 registered or exempt from registration under this act, and a resale  
23 transaction by a sponsor of a unit investment trust registered  
24 under the investment company act of 1940, in a security of a class  
25 that has been outstanding in the hands of the public for at least  
26 90 days, if all of the following are met at the date of the  
27 transaction:

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

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

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

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

18           (A) A description of the business and operations of the  
19 issuer.

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

22           (C) An audited balance sheet of the issuer as of a date within  
23 18 months before the date of the transaction or, in the case of a  
24 reorganization or merger, and when the parties to the  
25 reorganization or merger each had an audited balance sheet, a pro  
26 forma balance sheet for the combined entity.

27           (D) An audited income statement for each of the issuer's 2



1 immediately previous fiscal years or for the period of existence of  
2 the issuer, whichever is shorter, or, in the case of a  
3 reorganization or merger when each party to the reorganization or  
4 merger had audited income statements, a pro forma income statement.

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

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

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

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

15 (D) The issuer of the security has total assets of at least  
16 \$2,000,000.00 based on an audited balance sheet as of a date within  
17 18 months before the date of the transaction or, in the case of a  
18 reorganization or merger when the parties to the reorganization or  
19 merger each had an audited balance sheet as of a date within 18  
20 months before the date of the transaction, a pro forma balance  
21 sheet for the combined entity.

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

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

1 registered or exempt from registration under this act in an  
2 outstanding security if the guarantor of the security files reports  
3 with the securities and exchange commission under the reporting  
4 requirements of section 13 or 15(d) of the securities exchange act  
5 of 1934, 15 USC 78m or 78o.

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

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

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

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

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

25 (f) A nonissuer transaction by or through a broker-dealer  
26 registered or exempt from registration under this act effecting an  
27 unsolicited order or offer to purchase.

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

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

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

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

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

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

23 (ii) A general solicitation or general advertisement of the  
24 transaction is not made.

25 (iii) A commission or other remuneration is not paid or given,  
26 directly or indirectly, to a person not registered under this act  
27 as a broker-dealer or as an agent.

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

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

5           (i) An institutional investor.

6           (ii) A federal covered investment adviser.

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

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

11          (i) There are not more than ~~25~~50 purchasers in this state  
12      during any 12 consecutive months, other than those designated in  
13      subdivision (m).

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

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

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

24          (o) A transaction under an offer to existing security holders  
25      of the issuer, including persons that at the date of the  
26      transaction are holders of convertible securities, options, or  
27      warrants, if a commission or other remuneration, other than a

1 standby commission, is not paid or given, directly or indirectly,  
2 for soliciting a security holder in this state.

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

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

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

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

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

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

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

27 (r) A transaction involving the distribution of the securities

1 of an issuer to the security holders of another person in  
2 connection with a merger, consolidation, exchange of securities,  
3 sale of assets, or other reorganization to which the issuer, or its  
4 parent or subsidiary, and the other person, or its parent or  
5 subsidiary, are parties.

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

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

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

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

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

25 (iii) Former employees, directors, general partners, trustees,  
26 officers, consultants, and advisors if those individuals were  
27 employed by or providing services to the issuer when the securities

1 were offered.

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

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

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

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

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

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

25 (i) The issuer is a reporting issuer in a foreign jurisdiction  
26 designated in subsection (2)(a), or by rule or order of the  
27 administrator, and has been subject to continuous reporting

1 requirements in the foreign jurisdiction for not less than 180 days  
2 before the transaction.

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

9 (X) ANY OFFER OR SALE OF A SECURITY BY AN ISSUER UNDER SECTION  
10 202A.

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

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

22 (ii) AT LEAST 10 DAYS BEFORE COMMENCING AN OFFERING OF  
23 SECURITIES IN RELIANCE ON THIS EXEMPTION OR THE USE OF ANY PUBLICLY  
24 AVAILABLE WEBSITE IN CONNECTION WITH AN OFFERING OF SECURITIES IN  
25 RELIANCE ON THIS EXEMPTION, THE ISSUER FILES A NOTICE WITH THE  
26 ADMINISTRATOR, IN WRITING OR IN ELECTRONIC FORM AS SPECIFIED BY THE  
27 ADMINISTRATOR, THAT CONTAINS ALL OF THE FOLLOWING:



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

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

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

22 (iv) THE ISSUER DOES NOT ACCEPT MORE THAN \$10,000.00 FROM ANY  
23 SINGLE PURCHASER UNLESS THE PURCHASER IS AN ACCREDITED INVESTOR AS  
24 DEFINED BY RULE 501 OF SEC REGULATION D, 17 CFR 230.501. THE ISSUER  
25 MAY RELY ON CONFIRMATION THAT THE PURCHASER IS AN ACCREDITED  
26 INVESTOR FROM A LICENSED BROKER-DEALER OR ANOTHER THIRD PARTY IN  
27 MAKING A DETERMINATION THAT THE PURCHASER IS AN ACCREDITED

1 INVESTOR. EVERY FIFTH YEAR, THE ADMINISTRATOR SHALL CUMULATIVELY  
2 ADJUST THE \$10,000.00 LIMITATION AMOUNT DESCRIBED IN THIS  
3 SUBPARAGRAPH TO REFLECT THE CHANGE IN THE CONSUMER PRICE INDEX FOR  
4 ALL URBAN CONSUMERS PUBLISHED BY THE FEDERAL BUREAU OF LABOR  
5 STATISTICS, ROUNDING THE DOLLAR LIMITATION TO THE NEAREST \$100.00.

6 (2) For purposes of subsection (1)(w), both of the following  
7 apply:

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

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

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

26 SEC. 202A. (1) EXCEPT AS OTHERWISE PROVIDED IN THIS ACT, AN  
27 OFFER OR SALE OF A SECURITY BY AN ISSUER IS EXEMPT FROM THE

1 REQUIREMENTS OF SECTIONS 301 TO 306 AND 504 IF THE OFFER OR SALE  
2 MEETS ALL OF THE FOLLOWING REQUIREMENTS:

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

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

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

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

16 (B) A CURRENT MICHIGAN VOTER REGISTRATION.

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

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

24 (ii) THE PROVISIONS OF SEC RULE 147, 17 CFR 230.147, APPLY IN  
25 DETERMINING THE RESIDENCY OF AN OFFEREE OR PURCHASER THAT IS A  
26 CORPORATION, PARTNERSHIP, TRUST, OR OTHER FORM OF BUSINESS  
27 ORGANIZATION.

House Bill No. 4996 as amended December 11, 2013

1           (iii) IF A PURCHASER OF A SECURITY THAT IS EXEMPT UNDER THIS  
2 SECTION RESELLS THAT SECURITY <<

3                     >> WITHIN 9 MONTHS AFTER THE CLOSING OF THE PARTICULAR  
4 OFFERING IN WHICH THE PURCHASER OBTAINED THAT SECURITY <<TO A PERSON  
5 THAT IS NOT A RESIDENT OF THIS STATE>>, THE  
6 ORIGINAL INVESTMENT AGREEMENT BETWEEN THE ISSUER AND THE PURCHASER  
7 IS VOID. IF AN AGREEMENT TO PURCHASE, OR THE PURCHASE OF, A  
8 SECURITY IS VOID UNDER THIS SUBPARAGRAPH, THE ISSUER MAY RECOVER  
9 DAMAGES FROM THE MISREPRESENTING OFFEREE OR PURCHASER. THESE  
10 DAMAGES INCLUDE, BUT ARE NOT LIMITED TO, THE ISSUER'S EXPENSES IN  
11 RESOLVING THE MISREPRESENTATION. HOWEVER, DAMAGES DESCRIBED IN THIS  
12 SUBPARAGRAPH SHALL NOT EXCEED THE AMOUNT OF THE PERSON'S INVESTMENT  
13 IN THE SECURITY.

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

17           (i) ONE MILLION DOLLARS, LESS THE AGGREGATE AMOUNT RECEIVED FOR  
18 ALL SALES OF SECURITIES BY THE ISSUER WITHIN THE 12 MONTHS BEFORE  
19 THE FIRST OFFER OR SALE MADE IN RELIANCE ON THIS EXEMPTION, IF THE  
20 ISSUER HAS NOT MADE AVAILABLE TO EACH PROSPECTIVE PURCHASER AND THE  
21 ADMINISTRATOR AUDITED FINANCIAL STATEMENTS OR REVIEWED FINANCIAL  
22 STATEMENTS FOR THE ISSUER'S MOST RECENTLY COMPLETED FISCAL YEAR,  
23 PREPARED BY A CERTIFIED PUBLIC ACCOUNTANT, AS DEFINED IN SECTION  
24 720 OF THE OCCUPATIONAL CODE, 1980 PA 299, MCL 339.720, IN  
25 ACCORDANCE WITH THE STATEMENTS ON AUDITING STANDARDS OF THE  
26 AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OR THE  
27 STATEMENTS ON STANDARDS FOR ACCOUNTING AND REVIEW SERVICES OF THE  
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS, AS APPLICABLE.

21

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

(D) THE ISSUER HAS NOT ACCEPTED MORE THAN \$10,000.00 FROM ANY SINGLE PURCHASER UNLESS THE PURCHASER IS AN ACCREDITED INVESTOR AS DEFINED BY RULE 501 OF SEC REGULATION D, 17 CFR 230.501. <<THE ISSUER MAY RELY ON CONFIRMATION THAT THE PURCHASER IS AN ACCREDITED INVESTOR FROM A LICENSED BROKER-DEALER OR ANOTHER THIRD PARTY IN MAKING A DETERMINATION THAT THE PURCHASER IS AN ACCREDITED INVESTOR.

>>

(E) AT LEAST 10 DAYS BEFORE AN OFFER OF SECURITIES IS MADE IN RELIANCE ON THIS EXEMPTION OR THE USE OF ANY PUBLICLY AVAILABLE WEBSITE IN CONNECTION WITH AN OFFERING OF SECURITIES IN RELIANCE ON

1 THIS EXEMPTION, THE ISSUER FILES A NOTICE WITH THE ADMINISTRATOR,  
2 IN WRITING OR IN ELECTRONIC FORM AS SPECIFIED BY THE ADMINISTRATOR,  
3 THAT CONTAINS ALL OF THE FOLLOWING:

4 (i) A NOTICE OF CLAIM OF EXEMPTION FROM REGISTRATION,  
5 SPECIFYING THAT THE ISSUER INTENDS TO CONDUCT AN OFFERING IN  
6 RELIANCE ON THIS EXEMPTION, ACCOMPANIED BY THE FILING FEE SPECIFIED  
7 IN THIS SECTION.

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

11 (A) A DESCRIPTION OF THE ISSUER, INCLUDING ITS TYPE OF ENTITY,  
12 THE ADDRESS AND TELEPHONE NUMBER OF ITS PRINCIPAL OFFICE, ITS  
13 FORMATION HISTORY, ITS BUSINESS PLAN, AND THE INTENDED USE OF THE  
14 OFFERING PROCEEDS, INCLUDING ANY AMOUNTS TO BE PAID, AS  
15 COMPENSATION OR OTHERWISE, TO ANY OWNER, EXECUTIVE OFFICER,  
16 DIRECTOR, MANAGING MEMBER, OR OTHER PERSON OCCUPYING A SIMILAR  
17 STATUS OR PERFORMING SIMILAR FUNCTIONS ON BEHALF OF THE ISSUER.

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

20 (C) THE IDENTITY OF THE EXECUTIVE OFFICERS, DIRECTORS, AND  
21 MANAGING MEMBERS OF THE ISSUER, AND ANY OTHER INDIVIDUALS WHO  
22 OCCUPY SIMILAR STATUS OR PERFORM SIMILAR FUNCTIONS IN THE NAME OF  
23 AND ON BEHALF OF THE ISSUER, INCLUDING THEIR TITLES AND THEIR PRIOR  
24 EXPERIENCE.

25 (D) THE TERMS AND CONDITIONS OF THE SECURITIES BEING OFFERED  
26 AND OF ANY OUTSTANDING SECURITIES OF THE ISSUER, THE MINIMUM AND  
27 MAXIMUM AMOUNT OF SECURITIES BEING OFFERED, IF ANY, AND EITHER THE

1 PERCENTAGE OWNERSHIP OF THE ISSUER REPRESENTED BY THE OFFERED  
2 SECURITIES OR THE VALUATION OF THE ISSUER IMPLIED BY THE PRICE OF  
3 THE OFFERED SECURITIES.

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

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

15 (G) THE NAME AND ADDRESS OF ANY WEBSITE THAT THE ISSUER  
16 INTENDS TO USE IN CONNECTION WITH THE OFFERING, INCLUDING ITS  
17 UNIFORM RESOURCE LOCATOR OR URL. IF THE ISSUER HAS NOT ENGAGED A  
18 WEBSITE DESCRIBED IN THIS SUB-SUBPARAGRAPH AT THE TIME THE ISSUER  
19 FILES THE DISCLOSURE STATEMENT DESCRIBED IN THIS SUBPARAGRAPH WITH  
20 THE ADMINISTRATOR UNDER THIS SUBDIVISION BUT SUBSEQUENTLY DOES  
21 ENGAGE A WEBSITE FOR USE IN CONNECTION WITH THE OFFERING, THE  
22 ISSUER SHALL PROVIDE THE INFORMATION DESCRIBED IN THIS SUB-  
23 SUBPARAGRAPH TO THE ADMINISTRATOR BY FILING A SUPPLEMENTAL NOTICE.

24 (iii) AN ESCROW AGREEMENT WITH A BANK OR OTHER DEPOSITORY  
25 INSTITUTION LOCATED IN THIS STATE, IN WHICH THE PURCHASER FUNDS  
26 WILL BE DEPOSITED, THAT PROVIDES THAT ALL OFFERING PROCEEDS WILL BE  
27 RELEASED TO THE ISSUER ONLY WHEN THE AGGREGATE CAPITAL RAISED FROM

1 ALL PURCHASERS IS EQUAL TO OR GREATER THAN THE MINIMUM TARGET  
2 OFFERING AMOUNT SPECIFIED IN THE DISCLOSURE STATEMENT AS NECESSARY  
3 TO IMPLEMENT THE BUSINESS PLAN AND THAT ALL PURCHASERS WILL RECEIVE  
4 A RETURN OF THEIR SUBSCRIPTION FUNDS IF THAT TARGET OFFERING AMOUNT  
5 IS NOT RAISED BY THE TIME STATED IN THE DISCLOSURE STATEMENT. THE  
6 BANK OR OTHER DEPOSITORY INSTITUTION MAY CONTRACT WITH THE ISSUER  
7 TO COLLECT REASONABLE FEES FOR ITS ESCROW SERVICES REGARDLESS OF  
8 WHETHER THE TARGET OFFERING AMOUNT IS REACHED.

9 (F) THE ISSUER IS NOT, EITHER BEFORE OR AS A RESULT OF THE  
10 OFFERING, AN INVESTMENT COMPANY, AS DEFINED IN SECTION 3 OF THE  
11 INVESTMENT COMPANY ACT OF 1940, 15 USC 80A-3, OR AN ENTITY THAT  
12 WOULD BE AN INVESTMENT COMPANY BUT FOR THE EXCLUSIONS PROVIDED IN  
13 SUBSECTION (C) OF THAT SECTION, OR SUBJECT TO THE REPORTING  
14 REQUIREMENTS OF SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT  
15 OF 1934, 15 USC 78M AND 78O(D).

16 (G) THE ISSUER INFORMS EACH PROSPECTIVE PURCHASER THAT THE  
17 SECURITIES ARE NOT REGISTERED UNDER FEDERAL OR STATE SECURITIES  
18 LAWS AND THAT THE SECURITIES ARE SUBJECT TO LIMITATIONS ON TRANSFER  
19 OR RESALE AND DISPLAYS THE FOLLOWING LEGEND CONSPICUOUSLY ON THE  
20 COVER PAGE OF THE DISCLOSURE STATEMENT:

21 "IN MAKING AN INVESTMENT DECISION, PURCHASERS MUST RELY ON  
22 THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING,  
23 INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT  
24 BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR  
25 REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE  
26 NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS  
27 DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.



1 THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND  
2 RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED BY  
3 SUBSECTION (E) OF SEC RULE 147, 17 CFR 230.147(E), AS PROMULGATED  
4 UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE APPLICABLE  
5 STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION  
6 THEREFROM. PURCHASERS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO  
7 BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE  
8 PERIOD OF TIME."

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

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

16 THIS OFFERING HAS NOT BEEN REVIEWED OR APPROVED BY ANY STATE  
17 OR FEDERAL SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY AND  
18 THAT NO REGULATORY AUTHORITY HAS CONFIRMED THE ACCURACY OR  
19 DETERMINED THE ADEQUACY OF ANY DISCLOSURE MADE TO ME RELATING TO  
20 THIS OFFERING.

21 THE SECURITIES I AM ACQUIRING IN THIS OFFERING ARE ILLIQUID,  
22 THAT THE SECURITIES ARE SUBJECT TO POSSIBLE DILUTION, THAT THERE IS  
23 NO READY MARKET FOR THE SALE OF THOSE SECURITIES, THAT IT MAY BE  
24 DIFFICULT OR IMPOSSIBLE FOR ME TO SELL OR OTHERWISE DISPOSE OF THIS  
25 INVESTMENT, AND THAT, ACCORDINGLY, I MAY BE REQUIRED TO HOLD THIS  
26 INVESTMENT INDEFINITELY.

27 I MAY BE SUBJECT TO TAX ON MY SHARE OF THE TAXABLE INCOME AND

1 LOSSES OF THE ISSUER, WHETHER OR NOT I HAVE SOLD OR OTHERWISE  
2 DISPOSED OF MY INVESTMENT OR RECEIVED ANY DIVIDENDS OR OTHER  
3 DISTRIBUTIONS FROM THE ISSUER.

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

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

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

15 (i) BEFORE ANY OFFER OF AN INVESTMENT OPPORTUNITY TO RESIDENTS  
16 OF THIS STATE THROUGH THE USE OF A WEBSITE, THE ISSUER PROVIDES TO  
17 THE WEBSITE AND TO THE ADMINISTRATOR EVIDENCE THAT THE ISSUER IS  
18 ORGANIZED UNDER THE LAWS OF THIS STATE AND THAT IT IS AUTHORIZED TO  
19 DO BUSINESS IN THIS STATE.

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

23 (iii) THE WEBSITE OPERATOR FILES A WRITTEN NOTICE WITH THE  
24 ADMINISTRATOR THAT INCLUDES THE WEBSITE OPERATOR'S NAME, BUSINESS  
25 ADDRESS, AND CONTACT INFORMATION AND STATES THAT IT IS AUTHORIZED  
26 TO DO BUSINESS IN THIS STATE AND IS BEING UTILIZED TO OFFER AND  
27 SELL SECURITIES UNDER THIS EXEMPTION. BEGINNING 12 MONTHS AFTER THE

1 DATE OF THE WRITTEN NOTICE, A WEBSITE OPERATOR THAT HAS FILED A  
2 WRITTEN NOTICE UNDER THIS SUBPARAGRAPH SHALL ANNUALLY NOTIFY THE  
3 ADMINISTRATOR IN WRITING OF ANY CHANGES IN THE INFORMATION PROVIDED  
4 TO THE ADMINISTRATOR UNDER THIS SUBPARAGRAPH.

5 (iv) THE ISSUER AND THE WEBSITE KEEP AND MAINTAIN RECORDS OF  
6 THE OFFERS AND SALES OF SECURITIES MADE THROUGH THE WEBSITE AND  
7 PROVIDE READY ACCESS TO THE RECORDS TO THE ADMINISTRATOR ON  
8 REQUEST. THE ADMINISTRATOR MAY ACCESS, INSPECT, AND REVIEW ANY  
9 WEBSITE DESCRIBED IN THIS SUBDIVISION AND ITS RECORDS.

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

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

16 (l) THE ISSUER DOES NOT PAY, DIRECTLY OR INDIRECTLY, ANY  
17 COMMISSION OR REMUNERATION TO AN EXECUTIVE OFFICER, DIRECTOR,  
18 MANAGING MEMBER, OR OTHER INDIVIDUAL WHO HAS A SIMILAR STATUS OR  
19 PERFORMS SIMILAR FUNCTIONS IN THE NAME OF AND ON BEHALF OF THE  
20 ISSUER FOR OFFERING OR SELLING THE SECURITIES UNLESS HE OR SHE IS  
21 REGISTERED AS A BROKER-DEALER, INVESTMENT ADVISER, OR INVESTMENT  
22 ADVISER REPRESENTATIVE UNDER ARTICLE 4. AN EXECUTIVE OFFICER,  
23 DIRECTOR, MANAGING MEMBER, OR OTHER INDIVIDUAL WHO HAS A SIMILAR  
24 STATUS OR PERFORMS SIMILAR FUNCTIONS IN THE NAME OF AND ON BEHALF  
25 OF THE ISSUER IS EXEMPT FROM THE REGISTRATION REQUIREMENTS UNDER  
26 ARTICLE 4 IF HE OR SHE DOES NOT RECEIVE, DIRECTLY OR INDIRECTLY,  
27 ANY COMMISSION OR REMUNERATION FOR OFFERING OR SELLING SECURITIES

1 OF THE ISSUER THAT ARE EXEMPT FROM REGISTRATION UNDER THIS SECTION.

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

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

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

19 (A) THE DOLLAR LIMITATIONS PROVIDED IN SUBSECTION (1) (C) ,  
20 ROUNDING EACH DOLLAR LIMITATION TO THE NEAREST \$50,000.00.

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

24 (3) IF THE OFFER AND SALE OF A SECURITY OF AN ISSUER IS EXEMPT  
25 UNDER THIS SECTION, THE ISSUER SHALL PROVIDE A QUARTERLY REPORT TO  
26 THE ISSUER'S PURCHASERS UNTIL NONE OF THE SECURITIES ISSUED UNDER  
27 THIS SECTION ARE OUTSTANDING. ALL OF THE FOLLOWING APPLY TO THE

1 QUARTERLY REPORT DESCRIBED IN THIS SUBSECTION:

2 (A) THE ISSUER SHALL PROVIDE THE REPORT FREE OF CHARGE TO THE  
3 PURCHASERS.

4 (B) AN ISSUER MAY SATISFY THE REPORT REQUIREMENT UNDER THIS  
5 SUBSECTION BY MAKING THE INFORMATION AVAILABLE ON AN INTERNET  
6 WEBSITE IF THE INFORMATION IS MADE AVAILABLE WITHIN 45 DAYS AFTER  
7 THE END OF EACH FISCAL QUARTER AND REMAINS AVAILABLE UNTIL THE NEXT  
8 QUARTERLY REPORT IS ISSUED.

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

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

13 (i) THE COMPENSATION RECEIVED BY EACH DIRECTOR AND EXECUTIVE  
14 OFFICER OF THE ISSUER, INCLUDING CASH COMPENSATION EARNED SINCE THE  
15 PREVIOUS REPORT AND ON AN ANNUAL BASIS AND ANY BONUSES, STOCK  
16 OPTIONS, OTHER RIGHTS TO RECEIVE SECURITIES OF THE ISSUER OR ANY  
17 AFFILIATE OF THE ISSUER, OR OTHER COMPENSATION RECEIVED.

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

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

24 (5) THE EXEMPTION DESCRIBED IN THIS SECTION DOES NOT APPLY IF  
25 AN ISSUER OR PERSON THAT IS AFFILIATED WITH THE ISSUER OR OFFERING  
26 IS SUBJECT TO ANY DISQUALIFICATION ESTABLISHED BY THE ADMINISTRATOR  
27 BY RULE OR CONTAINED IN RULE 262 AS PROMULGATED UNDER THE

1 SECURITIES ACT OF 1933, 17 CFR 230.262. HOWEVER, THIS SUBSECTION  
2 DOES NOT APPLY IF BOTH OF THE FOLLOWING ARE MET:

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

7 (B) THE ISSUER ESTABLISHES THAT IT MADE FACTUAL INQUIRY INTO  
8 WHETHER ANY DISQUALIFICATION EXISTED UNDER THIS SUBSECTION BUT DID  
9 NOT KNOW, AND IN THE EXERCISE OF REASONABLE CARE COULD NOT HAVE  
10 KNOWN, THAT A DISQUALIFICATION EXISTED UNDER THIS SUBSECTION. THE  
11 NATURE AND SCOPE OF THE REQUISITE INQUIRY WILL VARY BASED ON THE  
12 CIRCUMSTANCES OF THE ISSUER AND THE OTHER OFFERING PARTICIPANTS.

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

16 (7) THE ADMINISTRATOR SHALL CHARGE A NONREFUNDABLE FILING FEE  
17 OF \$100.00 FOR FILING AN EXEMPTION NOTICE REQUIRED UNDER SUBSECTION  
18 (1). THE FEES PAID TO THE ADMINISTRATOR UNDER THIS SUBSECTION SHALL  
19 BE USED TO PAY THE COSTS INCURRED IN ADMINISTERING AND ENFORCING  
20 THIS ACT.

21 (8) A WEBSITE THROUGH WHICH AN OFFER OR SALE OF SECURITIES  
22 UNDER THIS SECTION IS MADE IS NOT SUBJECT TO THE BROKER-DEALER,  
23 INVESTMENT ADVISER, OR INVESTMENT ADVISER REPRESENTATIVE  
24 REGISTRATION REQUIREMENTS UNDER ARTICLE 4 IF THE WEBSITE MEETS ALL  
25 OF THE FOLLOWING CONDITIONS:

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

27 (B) IT DOES NOT SOLICIT PURCHASES, SALES, OR OFFERS TO BUY THE

1 SECURITIES OFFERED OR DISPLAYED ON THE WEBSITE.

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

5 (D) IT DOES NOT HOLD, MANAGE, POSSESS, OR OTHERWISE HANDLE  
6 PURCHASER FUNDS OR SECURITIES.

7 (E) IT DOES NOT ENGAGE IN ANY OTHER ACTIVITIES THAT THE  
8 ADMINISTRATOR BY RULE DETERMINES ARE INAPPROPRIATE FOR AN EXEMPTION  
9 FROM THE REGISTRATION REQUIREMENTS UNDER ARTICLE 4.

10 (9) EXCEPT FOR SECTION 504, ARTICLE 5 APPLIES TO A VIOLATION  
11 OF THIS SECTION, INCLUDING A VIOLATION CONCERNING WEBSITE  
12 OPERATION.

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

18 (11) THE EXEMPTION DESCRIBED IN THIS SECTION MAY BE REFERRED  
19 TO AS THE "MICHIGAN INVESTS LOCALLY EXEMPTION".

20 Sec. 504. (1) Subject to subsection (2), a rule or order under  
21 this act may require the filing of a prospectus, pamphlet,  
22 circular, form letter, advertisement, sales literature, or other  
23 advertising record relating to a security or investment advice  
24 addressed or intended for distribution to prospective investors,  
25 including clients or prospective clients of a person registered or  
26 required to be registered as an investment adviser under this act.

27 (2) This section does not apply to sales and advertising

1 literature specified in subsection (1) relating to a federal  
2 covered security, a federal covered investment adviser, or a  
3 security or transaction exempted by section 201, 202, or 203 except  
4 as required under section 201(g) **OR 202(1)(X)**.

5       Sec. 510. **(1)** A purchaser, seller, or recipient of investment  
6 advice may not maintain an action under section 509 if all of the  
7 following are met:

8       (a) The purchaser, seller, or recipient of investment advice  
9 receives in a record, before the action is commenced, an offer that  
10 does all of the following:

11       (i) States the respect in which liability under section 509 may  
12 have arisen and fairly advises the purchaser, seller, or recipient  
13 of investment advice of that person's rights in connection with the  
14 offer, including financial or other information necessary to  
15 correct all material misstatements or omissions in the information  
16 that was required by this act to be furnished to that person at the  
17 time of the purchase, sale, or investment advice.

18       (ii) If the basis for relief under this section may have been a  
19 violation of section 509(2), offers to repurchase the security for  
20 cash, payable on delivery of the security, equal to the  
21 consideration paid, and interest at 6% per year from the date of  
22 purchase, less the amount of any income received on the security,  
23 or, if the purchaser no longer owns the security, offers to pay the  
24 purchaser upon acceptance of the offer damages in an amount that  
25 would be recoverable upon a tender, less the value of the security  
26 when the purchaser disposed of it, and interest at 6% from the date  
27 of purchase in cash equal to the damages computed in the manner



1 provided in this subsection.

2 (iii) If the basis for relief under this section may have been a  
3 violation of section 509(3), offers to tender the security, on  
4 payment by the seller of an amount equal to the purchase price  
5 paid, less income received on the security by the purchaser and  
6 interest at 6% from the date of the sale, or if the purchaser no  
7 longer owns the security, offers to pay the seller upon acceptance  
8 of the offer, in cash, damages in the amount of the difference  
9 between the price at which the security was purchased and the value  
10 the security would have had at the time of the purchase in the  
11 absence of the purchaser's conduct that may have caused liability  
12 and interest at 6% from the date of the sale.

13 (iv) If the basis for relief under this section may have been a  
14 violation of section 509(4), and if the customer is a purchaser,  
15 offers to pay as specified in subdivision (a)(ii) or, if the  
16 customer is a seller, offers to tender or to pay as specified in  
17 subdivision (a)(iii).

18 (v) If the basis for relief under this section may have been a  
19 violation of section 509(5), offers to reimburse in cash the  
20 consideration paid for the advice and interest at 6% from the date  
21 of payment.

22 (vi) If the basis for relief under this section may have been a  
23 violation of section 509(6), offers to reimburse in cash the  
24 consideration paid for the advice and the amount of any actual  
25 damages that may have been caused by the conduct, and interest at  
26 6% from the date of the violation causing the loss.

27 (vii) States that the offer must be accepted by the purchaser,

1 seller, or recipient of investment advice within 30 days after the  
2 date of its receipt by the purchaser, seller, or recipient of  
3 investment advice or within a shorter period of not less than 3  
4 days that the administrator, by order, specifies.

5 (b) The offeror has the present ability to pay the amount  
6 offered or to tender the security under subdivision (a).

7 (c) The offer under subdivision (a) is delivered to the  
8 purchaser, seller, or recipient of investment advice or sent in a  
9 manner that ensures receipt by the purchaser, seller, or recipient  
10 of investment advice.

11 (d) The purchaser, seller, or recipient of investment advice  
12 that accepts the offer under subdivision (a) in a record within the  
13 period specified under subdivision (a)(vii) is paid in accordance  
14 with the terms of the offer.

15 (2) IF THE LEGALITY OR EXEMPT STATUS OF A SALE OF A SECURITY  
16 MADE IN ACCORDANCE WITH THIS ACT IS CONTINGENT ON THE INTRASTATE  
17 NATURE OF THAT TRANSACTION, A PERSON'S AGREEMENT TO PURCHASE, OR  
18 THE PURCHASE OF, THAT SECURITY IS CONSIDERED A REPRESENTATION THAT  
19 THE PERSON IS A RESIDENT OF THIS STATE AT THE TIME THAT AGREEMENT  
20 IS MADE, AND IF THIS REPRESENTATION IS SUBSEQUENTLY SHOWN TO BE  
21 FALSE, THE AGREEMENT FOR THE SALE OF THE SECURITY IS VOID.

22 (3) IF AN AGREEMENT TO PURCHASE, OR THE PURCHASE OF, A  
23 SECURITY IS VOID UNDER SUBSECTION (2), THE ISSUER OF THE SECURITY  
24 MAY RECOVER DAMAGES FROM THE MISREPRESENTING OFFEREE OR PURCHASER.  
25 THESE DAMAGES INCLUDE, BUT ARE NOT LIMITED TO, THE ISSUER'S  
26 EXPENSES IN RESOLVING THE MISREPRESENTATION. HOWEVER, DAMAGES  
27 DESCRIBED IN THIS SUBSECTION SHALL NOT EXCEED THE AMOUNT OF THE

1 PERSON'S INVESTMENT IN THE SECURITY.