

HOUSE BILL No. 5273

January 30, 2014, Introduced by Reps. Jenkins, Kurtz, Shirkey, Foster, Rendon, Lauwers, Graves, Jacobsen, Schor, Pettalia, Callton, Poleski, Zorn, Yonker, Muxlow, Schmidt, Kelly, Somerville, Kowall and Howrylak and referred to the Committee on Commerce.

A bill to amend 2008 PA 551, entitled "Uniform securities act (2002)," by amending the title and section 501 (MCL 451.2501) and by adding article 4A.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

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TITLE

An act to enact the uniform securities act (2002) relating to the issuance, offer, sale, or purchase of securities; to prohibit fraudulent practices in relation to securities; to establish civil and criminal sanctions for violations of the act and civil sanctions for violation of the rules promulgated pursuant to the act; to require the registration of broker-dealers, agents, investment advisers, and securities; **TO REGULATE LOCAL STOCK**

1 EXCHANGES; to make uniform the law with reference to securities;
2 and to repeal acts and parts of acts.

3 ARTICLE 4A

4 LOCAL STOCK EXCHANGES

5 SEC. 451. AS USED IN THIS ARTICLE:

6 (A) "INTRASTATE OFFERING EXEMPTION" MEANS THE EXEMPTION
7 DESCRIBED IN SECTION 202A OR ANY OTHER EXEMPTION FROM FEDERAL
8 SECURITIES REGULATION UNDER SECTION 3(A)(11) OF THE SECURITIES ACT
9 OF 1933, 15 USC 77C(A)(11), AND SEC RULE 147, 17 CFR 230.147.

10 (B) "LIST" MEANS TO INCLUDE SECURITIES ISSUED BY A PERSON IN
11 OR ON A MARKET OR EXCHANGE FOR SALE.

12 (C) "LOCAL STOCK EXCHANGE" MEANS A PERSON THAT IS ENGAGED IN
13 PROVIDING A MARKET OR EXCHANGE AT WHICH TRANSACTIONS IN SECURITIES
14 THAT ARE SOLD OR OFFERED FOR SALE IN THIS STATE UNDER AN INTRASTATE
15 OFFERING EXEMPTION TAKE PLACE. AS USED IN THIS SUBDIVISION, "MARKET
16 OR EXCHANGE" INCLUDES AN ONLINE MARKET OR EXCHANGE OR ANY OTHER
17 MARKET OR EXCHANGE OPERATED THROUGH A WEB PORTAL.

18 (D) "ONLINE" MEANS FUNCTIONING ON OR OVER THE INTERNET.

19 (E) "PERSONAL IDENTIFYING INFORMATION" MEANS ANY INFORMATION
20 USED TO LOCATE OR ACCURATELY CATEGORIZE AN INDIVIDUAL, HOUSEHOLD,
21 OR BUSINESS.

22 (F) "RESIDENT OF THIS STATE" MEANS 1 OF THE FOLLOWING, AS
23 APPLICABLE:

24 (i) IF A PERSON IS AN INDIVIDUAL, HIS OR HER PRINCIPAL
25 RESIDENCE IS LOCATED IN THIS STATE.

26 (ii) IF A PERSON IS A BUSINESS THAT IS A GENERAL PARTNERSHIP OR
27 OTHER FORM OF ORGANIZATION THAT IS NOT INCORPORATED OR ORGANIZED

1 UNDER THE LAWS OF THIS STATE, THAT PERSON'S PRINCIPAL OFFICE IS
2 LOCATED IN THIS STATE.

3 (iii) IF THE PERSON IS A BUSINESS THAT IS A CORPORATION, LIMITED
4 LIABILITY COMPANY, LIMITED PARTNERSHIP, TRUST, OR OTHER FORM OF
5 LEGAL ENTITY THAT IS INCORPORATED OR ORGANIZED UNDER STATE LAW,
6 THAT PERSON IS INCORPORATED OR ORGANIZED UNDER THE LAWS OF THIS
7 STATE.

8 (G) "WEB PORTAL" MEANS AN ONLINE ENTITY THROUGH WHICH
9 INDIVIDUALS ARE ABLE TO CONDUCT TRANSACTIONS IN SECURITIES.

10 SEC. 453. A PERSON SHALL NOT TRANSACT BUSINESS IN THIS STATE
11 AS A LOCAL STOCK EXCHANGE UNLESS THE PERSON IS REGISTERED UNDER
12 THIS ARTICLE AS A LOCAL STOCK EXCHANGE.

13 SEC. 455. (1) A PERSON SHALL REGISTER AS A LOCAL STOCK
14 EXCHANGE BY FILING A WRITTEN APPLICATION, FILING A CONSENT TO
15 SERVICE OF PROCESS THAT COMPLIES WITH SECTION 611, AND PAYING THE
16 FEE SPECIFIED IN SECTION 457. SUBJECT TO SECTION 461, IF A PERSON
17 COMPLIES WITH THIS ARTICLE, THE ADMINISTRATOR SHALL REGISTER THAT
18 PERSON AS A LOCAL STOCK EXCHANGE.

19 (2) AN APPLICATION FOR REGISTRATION AS A LOCAL STOCK EXCHANGE
20 MUST CONTAIN ALL OF THE FOLLOWING:

21 (A) THE NAMES, MAILING ADDRESSES, AND TELEPHONE NUMBERS OF ALL
22 INDIVIDUALS SERVING AS PRINCIPALS OF THE LOCAL STOCK EXCHANGE OR
23 POSSESSING AT LEAST A 10% OWNERSHIP INTEREST IN THE LOCAL STOCK
24 EXCHANGE. AS USED IN THIS SUBDIVISION, "PRINCIPAL" MEANS AN
25 INDIVIDUAL WHO IS INSTRUMENTAL IN THE ORGANIZATION, OPERATION, OR
26 OWNERSHIP OF A BUSINESS VENTURE.

27 (B) THE UNIFORM RESOURCE LOCATOR (URL), IF APPLICABLE, USED

1 PRIMARILY TO HOST AND FACILITATE THE EXCHANGE ONLINE.

2 (C) ANY OTHER INFORMATION REQUESTED BY THE ADMINISTRATOR AS
3 NECESSARY TO MAKE A DETERMINATION REGARDING REGISTRATION OF THE
4 LOCAL STOCK EXCHANGE UNDER SECTION 461.

5 (3) IF THE INFORMATION CONTAINED IN AN APPLICATION THAT IS
6 FILED UNDER SUBSECTION (1) IS OR BECOMES INACCURATE OR INCOMPLETE
7 IN ANY MATERIAL RESPECT, THE REGISTRANT SHALL PROMPTLY FILE A
8 CORRECTING AMENDMENT.

9 (4) A REGISTRATION IS EFFECTIVE UNTIL 12 MIDNIGHT ON DECEMBER
10 31 OF THE YEAR FOR WHICH THE APPLICATION FOR REGISTRATION IS FILED.

11 SEC. 457. (1) A PERSON SHALL PAY A FEE OF \$100.00 WHEN
12 INITIALLY FILING AN APPLICATION FOR REGISTRATION AS A LOCAL STOCK
13 EXCHANGE AND A FEE OF \$100.00 WHEN FILING A RENEWAL OF REGISTRATION
14 AS A LOCAL STOCK EXCHANGE.

15 (2) IF AN INITIAL OR RENEWAL REGISTRATION APPLICATION IS
16 DENIED OR WITHDRAWN, THE ADMINISTRATOR SHALL RETAIN ALL OF THE
17 FILING FEE FOR THAT APPLICATION.

18 SEC. 459. (1) A LOCAL STOCK EXCHANGE THAT IS REGISTERED OR IS
19 REQUIRED TO REGISTER UNDER THIS ARTICLE MUST MAKE A WRITTEN OR
20 ELECTRONIC RECORD OF EACH TRANSACTION CONDUCTED BETWEEN
21 PARTICIPANTS THROUGH THE EXCHANGE, AND MAINTAIN THAT RECORD FOR AT
22 LEAST 7 YEARS AFTER THE DATE OF THE TRANSACTION.

23 (2) IN ADDITION TO THE RECORDS DESCRIBED IN SUBSECTION (1), A
24 LOCAL STOCK EXCHANGE THAT IS REGISTERED OR IS REQUIRED TO REGISTER
25 UNDER THIS ARTICLE SHALL MAKE AND MAINTAIN THE ACCOUNTS,
26 CORRESPONDENCE, MEMORANDA, PAPERS, BOOKS, AND OTHER RECORDS
27 REQUIRED BY RULE OR ORDER OF THE ADMINISTRATOR AND SHALL MAINTAIN

1 THOSE RECORDS IN A FORM OF DATA STORAGE ESTABLISHED BY THE
2 ADMINISTRATOR BY RULE OR ORDER.

3 (3) THE RECORDS OF A LOCAL STOCK EXCHANGE THAT IS REGISTERED
4 OR IS REQUIRED TO REGISTER UNDER THIS ARTICLE ARE SUBJECT TO
5 REASONABLE PERIODIC, SPECIAL, OR OTHER AUDITS OR INSPECTIONS BY A
6 REPRESENTATIVE OF THE ADMINISTRATOR, IN OR OUTSIDE OF THIS STATE,
7 AS THE ADMINISTRATOR CONSIDERS NECESSARY OR APPROPRIATE IN THE
8 PUBLIC INTEREST AND FOR THE PROTECTION OF INVESTORS. AN AUDIT OR
9 INSPECTION MAY BE MADE AT ANY TIME AND WITHOUT PRIOR NOTICE. THE
10 ADMINISTRATOR MAY COPY AND REMOVE FOR AUDIT OR INSPECTION COPIES OF
11 ALL RECORDS THE ADMINISTRATOR REASONABLY CONSIDERS NECESSARY OR
12 APPROPRIATE TO CONDUCT THE AUDIT OR INSPECTION. THE ADMINISTRATOR
13 MAY ASSESS A REASONABLE CHARGE FOR CONDUCTING AN AUDIT OR
14 INSPECTION UNDER THIS SUBSECTION.

15 SEC. 461. (1) WHEN THE ADMINISTRATOR RECEIVES AN APPLICATION
16 FOR REGISTRATION AS A LOCAL STOCK EXCHANGE, THE ADMINISTRATOR SHALL
17 PUBLISH NOTICE OF THE FILING AND PROVIDE INTERESTED PERSONS AN
18 OPPORTUNITY TO SUBMIT WRITTEN DATA, VIEWS, AND ARGUMENTS CONCERNING
19 THE APPLICATION. WITHIN 60 DAYS AFTER THE DATE OF PUBLICATION OF
20 THE NOTICE, OR WITHIN ANY LONGER PERIOD TO WHICH THE ADMINISTRATOR
21 AND APPLICANT AGREE, THE ADMINISTRATOR SHALL DO 1 OF THE FOLLOWING:

22 (A) IF THE ADMINISTRATOR FINDS THAT THE REQUIREMENTS OF THIS
23 ARTICLE AND RULES PROMULGATED UNDER THIS ARTICLE ARE SATISFIED,
24 ISSUE AN ORDER GRANTING REGISTRATION.

25 (B) IF SUBDIVISION (A) IS NOT MET, ISSUE AN ORDER DENYING
26 REGISTRATION, OR GRANTING A CONDITIONAL OR LIMITED REGISTRATION.

27 (2) IN CONSIDERING AN APPLICATION FOR REGISTRATION FOR

1 PURPOSES OF SUBSECTION (1), THE ADMINISTRATOR SHALL CONSIDER ALL OF
2 THE FOLLOWING:

3 (A) WHETHER THE EXCHANGE IS SO ORGANIZED AND HAS THE CAPACITY
4 TO BE ABLE TO CARRY OUT THE PURPOSES OF THIS ARTICLE AND TO COMPLY
5 WITH AND TO ENFORCE COMPLIANCE BY OTHER PERSONS WITH THE PROVISIONS
6 OF THIS ARTICLE, THE RULES AND ORDERS OF THE ADMINISTRATOR UNDER
7 THIS ARTICLE, AND THE RULES OF THE EXCHANGE.

8 (B) WHETHER THE RULES OF THE EXCHANGE PROVIDE FOR THE
9 EQUITABLE ALLOCATION OF REASONABLE DUES, FEES, AND OTHER CHARGES
10 AMONG ITS PARTICIPANTS, ISSUERS, AND OTHER PERSONS USING ITS
11 FACILITIES.

12 (C) WHETHER THE RULES OF THE EXCHANGE ARE DESIGNED TO PREVENT
13 FRAUDULENT AND MANIPULATIVE ACTS AND PRACTICES; TO PROMOTE JUST AND
14 EQUITABLE PRINCIPLES OF TRADE; TO FOSTER COOPERATION AND
15 COORDINATION WITH PERSONS ENGAGED IN REGULATING, CLEARING,
16 SETTLING, PROCESSING INFORMATION WITH RESPECT TO, AND FACILITATING
17 TRANSACTIONS IN SECURITIES; TO REMOVE IMPEDIMENTS TO AND PERFECT
18 THE MECHANISM OF A FREE AND OPEN MARKET AND AN INTRASTATE MARKET
19 SYSTEM; AND, IN GENERAL, TO PROTECT INVESTORS AND THE PUBLIC
20 INTEREST AND ARE NOT DESIGNED TO PERMIT UNFAIR DISCRIMINATION
21 BETWEEN CUSTOMERS, ISSUERS, BROKERS, OR DEALERS OR TO REGULATE BY
22 VIRTUE OF ANY AUTHORITY CONFERRED BY THIS ARTICLE ANY MATTERS THAT
23 ARE NOT RELATED TO THE PURPOSES OF THIS ARTICLE OR THE
24 ADMINISTRATION OF THE EXCHANGE.

25 (D) WHETHER THE RULES OF THE EXCHANGE PROVIDE FOR APPROPRIATE
26 DISCIPLINE OF PARTICIPANTS AND PERSONS ASSOCIATED WITH ITS
27 PARTICIPANTS FOR A VIOLATION OF THE PROVISIONS OF THIS ARTICLE, THE

1 RULES AND ORDERS OF THE ADMINISTRATOR UNDER THIS ARTICLE, AND THE
2 RULES OF THE EXCHANGE, BY EXPULSION, SUSPENSION, LIMITATION OF
3 ACTIVITIES, FUNCTIONS, AND OPERATIONS, FINE, CENSURE, BEING
4 SUSPENDED OR BARRED FROM BEING ASSOCIATED WITH A PARTICIPANT, OR
5 ANY OTHER APPROPRIATE SANCTION.

6 (E) WHETHER THE RULES OF THE EXCHANGE PROVIDE A FAIR PROCEDURE
7 FOR THE DISCIPLINING OF PARTICIPANTS AND PERSONS ASSOCIATED WITH
8 PARTICIPANTS, THE DENIAL OF MEMBERSHIP TO ANY PERSON SEEKING
9 PARTICIPATION IN THE EXCHANGE, THE BARRING OF ANY PERSON FROM
10 BECOMING ASSOCIATED WITH A PARTICIPANT IN THE EXCHANGE, AND THE
11 PROHIBITION OR LIMITATION BY THE EXCHANGE OF ANY PERSON WITH
12 RESPECT TO ACCESS TO SERVICES OFFERED BY THE EXCHANGE OR A
13 PARTICIPANT IN THE EXCHANGE.

14 (F) WHETHER THE RULES OF THE EXCHANGE IMPOSE ANY BURDEN ON
15 COMPETITION THAT IS NOT NECESSARY OR APPROPRIATE IN FURTHERANCE OF
16 THE PURPOSES OF THIS ARTICLE.

17 (3) IF THE ADMINISTRATOR FINDS THAT THE ORDER IS IN THE PUBLIC
18 INTEREST AND SUBSECTION (4) AUTHORIZES THE ACTION, THE
19 ADMINISTRATOR MAY ISSUE AN ORDER TO REVOKE, SUSPEND, CONDITION, OR
20 LIMIT THE REGISTRATION OF A REGISTRANT OR CENSURE, IMPOSE A BAR, OR
21 IMPOSE A CIVIL FINE IN AN AMOUNT THAT DOES NOT EXCEED \$500.00 FOR A
22 SINGLE VIOLATION OF THIS ACT OR RULES PROMULGATED UNDER THIS ACT,
23 OR \$1,000.00 FOR MULTIPLE VIOLATIONS, ON A REGISTRANT OR OTHER
24 PERSON.

25 (4) THE ADMINISTRATOR MAY IMPOSE A SANCTION DESCRIBED IN
26 SUBSECTION (3) IF ANY OF THE FOLLOWING APPLY TO THE LOCAL STOCK
27 EXCHANGE OR OTHER PERSON THAT IS THE SUBJECT OF THE ADMINISTRATOR'S

1 ORDER:

2 (A) THE PERSON FILED AN APPLICATION FOR REGISTRATION IN THIS
3 STATE UNDER THIS ACT WITHIN THE PREVIOUS 5 YEARS, THAT, AS OF THE
4 EFFECTIVE DATE OF REGISTRATION OR AS OF ANY DATE AFTER FILING IN
5 THE CASE OF AN ORDER DENYING EFFECTIVENESS, WAS INCOMPLETE IN ANY
6 MATERIAL RESPECT OR CONTAINED A STATEMENT THAT, IN LIGHT OF THE
7 CIRCUMSTANCES UNDER WHICH IT WAS MADE, WAS FALSE OR MISLEADING WITH
8 RESPECT TO A MATERIAL FACT.

9 (B) THE PERSON WILLFULLY VIOLATED OR WILLFULLY FAILED TO
10 COMPLY WITH THIS ACT, OR A RULE OR ORDER ISSUED BY THE
11 ADMINISTRATOR UNDER THIS ACT, WITHIN THE PREVIOUS 10 YEARS.

12 (C) THE PERSON WAS CONVICTED OF ANY FELONY OR WITHIN THE
13 PREVIOUS 10 YEARS WAS CONVICTED OF A MISDEMEANOR INVOLVING A
14 SECURITY, A COMMODITY FUTURES OR OPTION CONTRACT, OR AN ASPECT OF A
15 BUSINESS INVOLVING SECURITIES, COMMODITIES, INVESTMENTS,
16 FRANCHISES, INSURANCE, BANKING, OR FINANCE.

17 (D) THE PERSON IS ENJOINED OR RESTRAINED BY A COURT OF
18 COMPETENT JURISDICTION IN AN ACTION INSTITUTED BY THE ADMINISTRATOR
19 UNDER THIS ACT, A STATE, THE SECURITIES AND EXCHANGE COMMISSION, OR
20 THE UNITED STATES FROM ENGAGING IN OR CONTINUING AN ACT, PRACTICE,
21 OR COURSE OF BUSINESS INVOLVING AN ASPECT OF A BUSINESS INVOLVING
22 SECURITIES, COMMODITIES, INVESTMENTS, FRANCHISES, INSURANCE,
23 BANKING, OR FINANCE.

24 (E) THE PERSON IS THE SUBJECT OF AN ORDER, ISSUED AFTER NOTICE
25 AND OPPORTUNITY FOR HEARING BY ANY OF THE FOLLOWING:

26 (i) THE SECURITIES OR OTHER FINANCIAL SERVICES REGULATOR OF A
27 STATE, OR THE SECURITIES AND EXCHANGE COMMISSION OR OTHER FEDERAL

1 AGENCY DENYING, REVOKING, BARRING, OR SUSPENDING REGISTRATION AS A
2 BROKER-DEALER, AGENT, INVESTMENT ADVISER, FEDERAL COVERED
3 INVESTMENT ADVISER, OR INVESTMENT ADVISER REPRESENTATIVE.

4 (ii) THE SECURITIES REGULATOR OF A STATE OR THE SECURITIES AND
5 EXCHANGE COMMISSION AGAINST A BROKER-DEALER, AGENT, INVESTMENT
6 ADVISER, INVESTMENT ADVISER REPRESENTATIVE, OR FEDERAL COVERED
7 INVESTMENT ADVISER.

8 (iii) THE SECURITIES AND EXCHANGE COMMISSION OR A SELF-
9 REGULATORY ORGANIZATION SUSPENDING OR EXPELLING THE REGISTRANT FROM
10 MEMBERSHIP IN A SELF-REGULATORY ORGANIZATION.

11 (iv) A COURT ADJUDICATING A UNITED STATES POSTAL SERVICE FRAUD.

12 (v) THE INSURANCE REGULATOR OF A STATE DENYING, SUSPENDING, OR
13 REVOKING THE LICENSE OR REGISTRATION OF AN INSURANCE AGENT.

14 (vi) A DEPOSITORY INSTITUTION OR FINANCIAL SERVICES REGULATOR
15 SUSPENDING OR BARRING THE PERSON FROM THE DEPOSITORY INSTITUTION OR
16 OTHER FINANCIAL SERVICES BUSINESS.

17 (F) THE PERSON IS THE SUBJECT OF AN ADJUDICATION OR
18 DETERMINATION, AFTER NOTICE AND OPPORTUNITY FOR HEARING, BY THE
19 SECURITIES AND EXCHANGE COMMISSION, THE COMMODITY FUTURES TRADING
20 COMMISSION, THE FEDERAL TRADE COMMISSION, A FEDERAL DEPOSITORY
21 INSTITUTION REGULATOR, OR A DEPOSITORY INSTITUTION, INSURANCE, OR
22 OTHER FINANCIAL SERVICES REGULATOR OF A STATE THAT THE PERSON
23 WILLFULLY VIOLATED THE SECURITIES ACT OF 1933, THE SECURITIES
24 EXCHANGE ACT OF 1934, THE INVESTMENT ADVISERS ACT OF 1940, THE
25 INVESTMENT COMPANY ACT OF 1940, OR THE COMMODITY EXCHANGE ACT, THE
26 SECURITIES OR COMMODITIES LAW OF A STATE, OR A FEDERAL OR STATE LAW
27 UNDER WHICH A BUSINESS INVOLVING INVESTMENTS, FRANCHISES,

1 INSURANCE, BANKING, OR FINANCE IS REGULATED.

2 (G) THE PERSON IS INSOLVENT, EITHER BECAUSE THE PERSON'S
3 LIABILITIES EXCEED THE PERSON'S ASSETS OR BECAUSE THE PERSON CANNOT
4 MEET THE PERSON'S OBLIGATIONS AS THEY MATURE. THE ADMINISTRATOR
5 SHALL NOT ENTER AN ORDER AGAINST AN APPLICANT OR REGISTRANT UNDER
6 THIS SUBDIVISION WITHOUT A FINDING OF INSOLVENCY AS TO THE
7 APPLICANT OR REGISTRANT.

8 (H) THE PERSON REFUSES TO ALLOW OR OTHERWISE IMPEDES THE
9 ADMINISTRATOR FROM CONDUCTING AN AUDIT OR INSPECTION UNDER SECTION
10 459(3) OR REFUSES ACCESS TO A REGISTRANT'S OFFICE TO CONDUCT AN
11 AUDIT OR INSPECTION UNDER SECTION 459(3).

12 (I) THE PERSON HAS FAILED TO REASONABLY SUPERVISE AN EMPLOYEE
13 OR OTHER INDIVIDUAL IF HE OR SHE WAS SUBJECT TO THE PERSON'S
14 SUPERVISION AND COMMITTED A VIOLATION OF THIS ACT, OR A RULE OR
15 ORDER OF THE ADMINISTRATOR UNDER THIS ACT, WITHIN THE PREVIOUS 5
16 YEARS.

17 (J) THE PERSON HAS NOT PAID A PROPER FILING FEE WITHIN 30 DAYS
18 AFTER HAVING BEEN NOTIFIED BY THE ADMINISTRATOR OF A DEFICIENCY.
19 THE ADMINISTRATOR SHALL VACATE AN ORDER UNDER THIS SUBDIVISION IF
20 THE DEFICIENCY IS CORRECTED.

21 (K) AFTER NOTICE AND OPPORTUNITY FOR A HEARING, 1 OR MORE OF
22 THE FOLLOWING HAVE OCCURRED WITHIN THE PREVIOUS 10 YEARS:

23 (i) A COURT OF COMPETENT JURISDICTION HAS FOUND THE PERSON TO
24 HAVE WILLFULLY VIOLATED THE LAWS OF A FOREIGN JURISDICTION UNDER
25 WHICH THE BUSINESS OF SECURITIES, COMMODITIES, INVESTMENT,
26 FRANCHISES, INSURANCE, BANKING, OR FINANCE IS REGULATED.

27 (ii) THE PERSON WAS FOUND TO HAVE BEEN THE SUBJECT OF AN ORDER

1 OF A SECURITIES REGULATOR OF A FOREIGN JURISDICTION DENYING,
2 REVOKING, OR SUSPENDING THE RIGHT TO ENGAGE IN THE BUSINESS OF
3 SECURITIES AS A BROKER-DEALER, AGENT, INVESTMENT ADVISER,
4 INVESTMENT ADVISER REPRESENTATIVE, OR SIMILAR PERSON.

5 (iii) THE PERSON WAS FOUND TO HAVE BEEN SUSPENDED OR EXPELLED
6 FROM MEMBERSHIP BY OR PARTICIPATION IN A SECURITIES EXCHANGE OR
7 SECURITIES ASSOCIATION OPERATING UNDER THE SECURITIES LAWS OF A
8 FOREIGN JURISDICTION.

9 (l) THE PERSON IS THE SUBJECT OF A CEASE AND DESIST ORDER
10 ISSUED BY THE SECURITIES AND EXCHANGE COMMISSION OR ISSUED UNDER
11 THE SECURITIES, COMMODITIES, INVESTMENT, FRANCHISE, BANKING,
12 FINANCE, OR INSURANCE LAWS OF A STATE.

13 (m) THE PERSON HAS ENGAGED IN DISHONEST OR UNETHICAL PRACTICES
14 IN THE SECURITIES, COMMODITIES, INVESTMENT, FRANCHISE, BANKING,
15 FINANCE, OR INSURANCE BUSINESS WITHIN THE PREVIOUS 10 YEARS.

16 (n) THE PERSON IS NOT QUALIFIED ON THE BASIS OF FACTORS SUCH
17 AS TRAINING, EXPERIENCE, AND KNOWLEDGE OF THE SECURITIES BUSINESS,
18 AS INDICATED BY EVIDENCE PRESENTED AT A HEARING CONDUCTED FOR THE
19 PURPOSE OF REVIEWING THE APPLICANT'S QUALIFICATIONS FOR
20 REGISTRATION.

21 (5) THE ADMINISTRATOR MAY SUSPEND OR DENY AN APPLICATION
22 SUMMARILY, MAY RESTRICT, CONDITION, LIMIT, OR SUSPEND A
23 REGISTRATION, OR CENSURE, BAR, OR MAY IMPOSE A CIVIL FINE ON A
24 REGISTRANT, PENDING FINAL DETERMINATION OF AN ADMINISTRATIVE
25 PROCEEDING. WHEN AN ORDER UNDER THIS SUBSECTION IS ISSUED, THE
26 ADMINISTRATOR SHALL PROMPTLY NOTIFY EACH PERSON THAT IS SUBJECT TO
27 THE ORDER THAT THE ORDER HAS BEEN ISSUED, THE REASONS FOR THE

1 ACTION, AND THAT, WITHIN 15 DAYS AFTER THE RECEIPT OF A REQUEST IN
2 A RECORD FROM THE PERSON, THE MATTER WILL BE SCHEDULED FOR A
3 HEARING. IF A HEARING IS NOT REQUESTED BY A PERSON THAT IS SUBJECT
4 TO THE ORDER OR IS NOT ORDERED BY THE ADMINISTRATOR WITHIN 30 DAYS
5 AFTER THE DATE OF SERVICE OF THE ORDER, THE ORDER IS FINAL. IF A
6 HEARING IS REQUESTED OR ORDERED, THE ADMINISTRATOR, AFTER NOTICE OF
7 AND OPPORTUNITY FOR HEARING TO EACH PERSON SUBJECT TO THE ORDER,
8 MAY MODIFY OR VACATE THE ORDER OR EXTEND THE ORDER UNTIL FINAL
9 DETERMINATION.

10 (6) EXCEPT UNDER SUBSECTION (5), THE ADMINISTRATOR SHALL NOT
11 ISSUE AN ORDER UNDER THIS SECTION UNLESS THE ADMINISTRATOR HAS MET
12 ALL OF THE FOLLOWING:

13 (A) GIVEN APPROPRIATE NOTICE TO THE APPLICANT OR REGISTRANT.

14 (B) PROVIDED AN OPPORTUNITY FOR HEARING TO THE APPLICANT OR
15 REGISTRANT.

16 (C) MADE FINDINGS OF FACT AND CONCLUSIONS OF LAW ON THE RECORD
17 PURSUANT TO THE ADMINISTRATIVE PROCEDURES ACT OF 1969, 1969 PA 306,
18 MCL 24.201 TO 24.328.

19 (7) THE ADMINISTRATOR BY ORDER MAY DISCIPLINE A PERSON THAT
20 CONTROLS, DIRECTLY OR INDIRECTLY, A PERSON THAT IS NOT IN
21 COMPLIANCE WITH THIS SECTION TO THE SAME EXTENT AS THE NONCOMPLYING
22 PERSON, UNLESS THE CONTROLLING PERSON DID NOT KNOW, AND IN THE
23 EXERCISE OF REASONABLE CARE COULD NOT HAVE KNOWN, OF THE EXISTENCE
24 OF CONDUCT THAT IS A BASIS FOR DISCIPLINE UNDER THIS SECTION.

25 (8) THE ADMINISTRATOR SHALL NOT INSTITUTE A PROCEEDING UNDER
26 SUBSECTION (3) SOLELY BASED ON MATERIAL FACTS ACTUALLY KNOWN BY THE
27 ADMINISTRATOR UNLESS AN INVESTIGATION OR THE PROCEEDING IS

1 INSTITUTED WITHIN 1 YEAR AFTER THE ADMINISTRATOR FIRST BECAME AWARE
2 OF THE MATERIAL FACTS.

3 SEC. 463. (1) A LOCAL STOCK EXCHANGE MAY NOT LIST A BUSINESS
4 ON ITS EXCHANGE IF THE BUSINESS HAS ALREADY LISTED ITSELF ON A
5 PORTAL OR EXCHANGE THAT FACILITATES A SECONDARY MARKET FOR
6 INTRASTATE SECURITIES, RATHER THAN ORIGINAL PURCHASERS OF THE
7 BUSINESS'S INTRASTATE SECURITIES LISTING PARTICULAR SECURITIES OF
8 THEIR OWN ACCORD. THE BUSINESS MAY NOT BE OR REQUEST TO BE LISTED
9 ON 2 OR MORE OF THOSE PORTALS OR EXCHANGES AT ANY GIVEN TIME.

10 (2) A LOCAL STOCK EXCHANGE SHALL ONLY LIST A BUSINESS IF THAT
11 BUSINESS IS A RESIDENT OF THIS STATE AND DOING BUSINESS IN THIS
12 STATE AT THE TIME THE BUSINESS CONDUCTS ANY OFFERS, SALES, OR
13 RESELLING OF ITS INTRASTATE SECURITIES. FOR PURPOSES OF THIS
14 SUBSECTION, A BUSINESS IS CONSIDERED TO BE DOING BUSINESS IN THIS
15 STATE IF ALL OF THE FOLLOWING ARE MET:

16 (A) IF THE BUSINESS HAD GROSS REVENUES OF MORE THAN \$5,000.00
17 FROM THE SALE OF PRODUCTS OR SERVICES OR OTHER CONDUCT OF ITS
18 BUSINESS FOR ITS MOST RECENT 12-MONTH FISCAL PERIOD, IT DERIVED AT
19 LEAST 80% OF ITS GROSS REVENUES, AND THOSE OF ITS SUBSIDIARIES ON A
20 CONSOLIDATED BASIS, FROM THE OPERATION OF A BUSINESS OR OF REAL
21 PROPERTY LOCATED IN OR FROM THE RENDERING OF SERVICES IN THIS STATE
22 DURING 1 OF THE FOLLOWING TIME PERIODS:

23 (i) IN ITS MOST RECENT FISCAL YEAR, IF THE FIRST OFFER OF ANY
24 PART OF THE ISSUE IS MADE DURING THE FIRST 6 MONTHS OF THE ISSUER'S
25 CURRENT FISCAL YEAR.

26 (ii) IN THE FIRST 6 MONTHS OF ITS CURRENT FISCAL YEAR, OR
27 DURING THE 12-MONTH FISCAL PERIOD ENDING WITH THAT 6-MONTH PERIOD,

1 IF THE FIRST OFFER OF ANY PART OF THE BUSINESS'S INTRASTATE
2 OFFERING IS MADE DURING THE LAST 6 MONTHS OF THE BUSINESS'S CURRENT
3 FISCAL YEAR.

4 (B) AT THE END OF ITS MOST RECENT SEMIANNUAL FISCAL PERIOD
5 BEFORE THE FIRST OFFER OF ANY PART OF THE ISSUE, THE BUSINESS HAD
6 AT LEAST 80% OF ITS ASSETS AND THOSE OF ITS SUBSIDIARIES ON A
7 CONSOLIDATED BASIS LOCATED IN THIS STATE.

8 (C) THE BUSINESS INTENDS TO USE AND USES AT LEAST 80% OF THE
9 NET PROCEEDS TO THE BUSINESS FROM THE SALE OR RESALE OF INTRASTATE
10 SECURITIES IN CONNECTION WITH THE OPERATION OF A BUSINESS OR OF
11 REAL PROPERTY IN, THE PURCHASE OF REAL PROPERTY LOCATED IN, OR THE
12 RENDERING OF SERVICES IN THIS STATE.

13 (D) THE PRINCIPAL OFFICE OF THE BUSINESS IS LOCATED WITHIN
14 THIS STATE.

15 SEC. 465. A LOCAL STOCK EXCHANGE SHALL NOT DO ANY OF THE
16 FOLLOWING:

17 (A) SELL OR OTHERWISE DISTRIBUTE TO ANY THIRD PARTY PERSONAL
18 IDENTIFYING INFORMATION OF AN INDIVIDUAL WITHOUT HIS OR HER WRITTEN
19 CONSENT.

20 (B) IN CONFIRMING WHETHER AN INDIVIDUAL IS A RESIDENT OF THIS
21 STATE OR MEETS ANY OTHER REQUIREMENT OF RELEVANT STATE OR FEDERAL
22 LAW, REQUIRE AN INDIVIDUAL TO PROVIDE ANY PERSONAL INFORMATION
23 EXCEPT FOR 1 OR MORE OF THE FOLLOWING:

24 (i) THE ADDRESS OF HIS OR HER PRIMARY RESIDENCE.

25 (ii) THE NUMBER OF A VALID OPERATOR'S LICENSE, CHAUFFEUR'S
26 LICENSE, OR OFFICIAL PERSONAL IDENTIFICATION CARD ISSUED BY THIS
27 STATE.

1 (iii) A CURRENT MICHIGAN VOTER REGISTRATION.

2 (C) CHARGE A FEE FOR A SECURITIES TRANSACTION CONDUCTED
3 THROUGH THE EXCHANGE THAT EXCEEDS 5% OF THE VALUE OF THE
4 TRANSACTION, AS DETERMINED BY THE VALUE PASSED FROM 1 EXCHANGE
5 PARTICIPANT TO ANOTHER IN EXCHANGE FOR THAT SECURITY.

6 SEC. 467. (1) AN INDIVIDUAL'S PARTICIPATION IN A LOCAL STOCK
7 EXCHANGE IN THIS STATE IS CONSIDERED A REPRESENTATION THAT HE OR
8 SHE IS A RESIDENT OF THIS STATE. IF IT IS SUBSEQUENTLY SHOWN THAT
9 AN INDIVIDUAL WAS NOT A RESIDENT OF THIS STATE AT THE TIME OF HIS
10 OR HER PARTICIPATION IN A LOCAL STOCK EXCHANGE, ANY TRANSACTION
11 CONDUCTED BY THAT INDIVIDUAL WHILE HE OR SHE WAS NOT A RESIDENT IS
12 VOID.

13 (2) A PERSON THAT IS NOT A RESIDENT OF THIS STATE SHALL NOT
14 SECONDARILY PURCHASE AN INTRASTATE SECURITY WITHIN 9 MONTHS OF THE
15 COMPLETION OF THE OFFERING THROUGH WHICH THE SECURITY WAS SOLD
16 ORIGINALLY. FOR PURPOSES OF THIS SECTION, EACH OF THE FOLLOWING IS
17 PRIMA FACIE EVIDENCE THAT AN INDIVIDUAL IS A RESIDENT OF THIS
18 STATE:

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

21 (B) A CURRENT MICHIGAN VOTER REGISTRATION.

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

26 SEC. 469. THE DEPARTMENT MAY PROMULGATE ANY RULES THAT THE
27 ADMINISTRATOR CONSIDERS NECESSARY TO ADMINISTER THIS ARTICLE IF

1 **THOSE RULES ARE CONSISTENT WITH THE PROVISIONS OF THIS ACT.**

2 Sec. 501. It is unlawful for a person, in connection with the
3 offer, sale, or purchase of a security **OR THE ORGANIZATION OR**
4 **OPERATION OF A LOCAL STOCK EXCHANGE UNDER ARTICLE 4A**, to directly
5 or indirectly do any of the following:

6 (a) Employ a device, scheme, or artifice to defraud.

7 (b) Make an untrue statement of a material fact or omit to
8 state a material fact necessary in order to make the statements
9 made, in the light of the circumstances under which they were made,
10 not misleading.

11 (c) Engage in an act, practice, or course of business that
12 operates or would operate as a fraud or deceit on another person.