



SENATE BILL No. 1108

September 10, 1996, Introduced by Senator ROGERS and
referred to the Committee on Financial Services.

A bill to amend sections 305, 306, and 307 of Act No. 265 of
the Public Acts of 1964, entitled as amended
"Uniform securities act,"
section 305 as amended by Act No. 150 of the Public Acts of 1990,
being sections 451.705, 451.706, and 451.707 of the Michigan
Compiled Laws; and to add section 304a.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Sections 305, 306, and 307 of Act No. 265 of the
2 Public Acts of 1964, section 305 as amended by Act No. 150 of the
3 Public Acts of 1990, being sections 451.705, 451.706, and 451.707
4 of the Michigan Compiled Laws, are amended and section 304a is
5 added to read as follows:

6 SEC. 304A. (1) A SECURITY THAT IS EXEMPT FROM REGISTRATION
7 UNDER THE FEDERAL EXEMPTION SET FORTH IN 17 C.F.R. 230.504 MAY BE
8 REGISTERED UNDER THIS SECTION. AN ISSUER ELIGIBLE TO REGISTER A

1 SECURITY UNDER THIS SECTION SHALL USE A REGISTRATION FORM
2 APPROVED BY THE ADMINISTRATOR AS THE DISCLOSURE DOCUMENT FOR THE
3 OFFERING. A REGISTRATION UNDER THIS SECTION SHALL BE KNOWN AS A
4 SMALL CORPORATE OFFERING REGISTRATION.

5 (2) AN APPLICATION FOR A SMALL CORPORATE OFFERING REGISTRA-
6 TION SHALL COMPLY WITH THIS SECTION. HOWEVER, THE ADMINISTRATOR
7 MAY WAIVE PROVISIONS OF THIS SECTION.

8 (3) A SMALL CORPORATE OFFERING REGISTRATION UNDER THIS SEC-
9 TION IS NOT AVAILABLE TO EITHER OF THE FOLLOWING:

10 (A) INVESTMENT COMPANIES SUBJECT TO THE INVESTMENT COMPANY
11 ACT OF 1940, TITLE I OF CHAPTER 686, 54 STAT. 789,
12 15 U.S.C. 80a-1 TO 80a-64.

13 (B) ISSUERS SUBJECT TO THE REPORTING REQUIREMENTS OF SECTION
14 13 OR SECTION 15(d) OF TITLE I OF THE SECURITIES EXCHANGE ACT OF
15 1934, 15 U.S.C. 78m AND 78o.

16 (4) ALL OF THE FOLLOWING PROVISIONS APPLY TO THE AVAILABIL-
17 ITY OF A SMALL CORPORATE OFFERING REGISTRATION:

18 (A) A SMALL CORPORATE OFFERING REGISTRATION SHALL NOT BE
19 UTILIZED BY THE FOLLOWING ISSUERS AND PROGRAMS UNLESS THE ADMIN-
20 ISTRATOR GRANTS WRITTEN PERMISSION BASED UPON A SHOWING THAT ADE-
21 QUATE DISCLOSURE CAN BE MADE TO INVESTORS USING THE SMALL CORPO-
22 RATE OFFERING REGISTRATION FORMAT:

23 (i) HOLDING COMPANIES, COMPANIES THAT HAVE A PRINCIPAL PUR-
24 POSE OF OWNING STOCK IN, OR SUPERVISING THE MANAGEMENT OF, OTHER
25 COMPANIES.

26 (ii) PORTFOLIO COMPANIES, SUCH AS REAL ESTATE INVESTMENT
27 TRUSTS.

(iii) ISSUERS WITH COMPLEX CAPITAL STRUCTURES.

(iv) COMMODITY POOLS.

(v) EQUIPMENT LEASING PROGRAMS.

(vi) REAL ESTATE PROGRAMS.

(B) A SMALL CORPORATE OFFERING REGISTRATION UNDER THIS SECTION IS AVAILABLE ONLY TO THE ISSUER OF THE SECURITIES AND NOT TO ANY AFFILIATE OF THAT ISSUER OR TO ANY OTHER PERSON FOR RESALE OF THE ISSUER'S SECURITIES. IN ADDITION, EACH OF THE FOLLOWING REQUIREMENTS SHALL BE MET:

(i) THE ISSUER IS A DOMESTIC CORPORATION OR A FOREIGN CORPORATION ORGANIZED UNDER THE LAWS OF ANY STATE, TERRITORY, OR POSSESSION OF THE UNITED STATES.

(ii) THE OFFERING IS NOT A BLIND POOL OR OTHER OFFERING FOR WHICH THE SPECIFIC BUSINESS TO BE ENGAGED IN OR PROPERTY TO BE ACQUIRED BY THE ISSUER CANNOT BE SPECIFIED.

(iii) THE OFFERING PRICE FOR COMMON STOCK; THE EXERCISE PRICE IF THE SECURITIES OFFERED ARE OPTIONS, WARRANTS, OR RIGHTS FOR COMMON STOCK; AND THE CONVERSION PRICE IF THE SECURITIES ARE CONVERTIBLE INTO COMMON STOCK IS AT LEAST \$5.00 PER SHARE.

(iv) THE AGGREGATE OFFERING PRICE OF THE SECURITIES OFFERED, WITHIN OR OUTSIDE THIS STATE, IS NOT MORE THAN \$1,000,000.00, UNDER THE FEDERAL EXEMPTION SET FORTH IN 17 C.F.R. 230.504, OR \$5,000,000.00 IF A FEDERAL EXEMPTION IS GRANTED TO THIS STATE PURSUANT TO SECTION 3(b) OF THE SECURITIES ACT OF 1933, TITLE I OF CHAPTER 38, 48 STAT. 75, 15 U.S.C. 77c.

1 (C) A SMALL CORPORATE OFFERING REGISTRATION UNDER THIS
2 SECTION IS ONLY AVAILABLE FOR DEBT OFFERINGS IF THE ISSUER CAN
3 DEMONSTRATE A REASONABLE ABILITY TO SERVICE ITS DEBT.

4 (5) A SMALL CORPORATE OFFERING REGISTRATION UNDER THIS SEC-
5 TION IS NOT AVAILABLE IF ANY OF THE FOLLOWING PROVISIONS APPLY TO
6 THE ISSUER, TO ANY OF THE ISSUER'S OFFICERS, DIRECTORS, 10%
7 STOCKHOLDERS, PROMOTERS, OR SELLING AGENT OF THE SECURITIES TO BE
8 OFFERED, OR TO ANY OFFICER, DIRECTOR, OR PARTNER OF THE SELLING
9 AGENT OF THE SECURITIES TO BE OFFERED:

10 (A) THE PERSON HAS FILED A REGISTRATION STATEMENT THAT IS
11 THE SUBJECT OF A CURRENTLY EFFECTIVE REGISTRATION STOP ORDER
12 ENTERED PURSUANT TO ANY FEDERAL OR STATE SECURITIES LAW WITHIN 5
13 YEARS BEFORE THE SMALL CORPORATE OFFERING REGISTRATION APPLICA-
14 TION IS FILED.

15 (B) THE PERSON HAS BEEN CONVICTED OF ANY FELONY OR MISDE-
16 MEANOR IN CONNECTION WITH THE OFFER, PURCHASE, OR SALE OF ANY
17 SECURITY OR ANY FELONY INVOLVING FRAUD OR DECEIT, INCLUDING ANY
18 OF THE FOLLOWING, WITHIN 5 YEARS BEFORE THE SMALL CORPORATE
19 OFFERING REGISTRATION APPLICATION IS FILED:

20 (i) FORGERY.

21 (ii) EMBEZZLEMENT.

22 (iii) OBTAINING MONEY UNDER FALSE PRETENSES.

23 (iv) LARCENY.

24 (v) CONSPIRACY TO DEFRAUD.

25 (C) THE PERSON IS CURRENTLY SUBJECT TO EITHER OF THE
26 FOLLOWING:

1 (i) A STATE ADMINISTRATIVE ENFORCEMENT ORDER OR JUDGMENT
2 ENTERED AGAINST THAT PERSON BY A STATE SECURITIES ADMINISTRATOR
3 OR THE SECURITIES AND EXCHANGE COMMISSION WITHIN 5 YEARS BEFORE
4 THE SMALL CORPORATE OFFERING REGISTRATION APPLICATION IS FILED.

5 (ii) A FEDERAL OR STATE ADMINISTRATIVE ENFORCEMENT ORDER OR
6 JUDGMENT IN WHICH FRAUD OR DECEIT, INCLUDING MAKING UNTRUE STATE-
7 MENTS OF MATERIAL FACTS OR FAILING TO STATE MATERIAL FACTS, WAS
8 FOUND AND THE ORDER OR JUDGMENT WAS ENTERED WITHIN 5 YEARS BEFORE
9 THE SMALL CORPORATE OFFERING REGISTRATION APPLICATION IS FILED.

10 (D) THE PERSON IS SUBJECT TO A FEDERAL OR STATE ADMINISTRA-
11 TIVE ENFORCEMENT ORDER OR JUDGMENT THAT PROHIBITS, DENIES, OR
12 REVOKES THE USE OF ANY EXEMPTION FOR REGISTRATION IN CONNECTION
13 WITH THE OFFER, PURCHASE, OR SALE OF SECURITIES.

14 (E) THE PERSON IS CURRENTLY SUBJECT TO A COURT ORDER, JUDG-
15 MENT, OR DECREE ENTERED WITHIN 5 YEARS BEFORE THE SMALL CORPORATE
16 OFFERING REGISTRATION APPLICATION IS FILED THAT DOES EITHER OF
17 THE FOLLOWING:

18 (i) TEMPORARILY, PRELIMINARILY, OR PERMANENTLY RESTRAINS OR
19 ENJOINS THAT PERSON FROM ENGAGING IN OR CONTINUING ANY CONDUCT OR
20 PRACTICE IN CONNECTION WITH THE PURCHASE OR SALE OF ANY
21 SECURITY.

22 (ii) INVOLVES THE MAKING OF A FALSE FILING WITH ANY STATE OR
23 WITH THE SECURITIES AND EXCHANGE COMMISSION.

24 (6) AN APPLICANT WHO FILES A SMALL CORPORATE OFFERING REGIS-
25 TRATION APPLICATION IN THIS STATE SHALL NOT SPLIT COMMON STOCK OR
26 DECLARE A STOCK DIVIDEND FOR ANY SECURITY ISSUED UNDER THIS

1 SECTION FOR 2 YEARS AFTER THE REGISTRATION IS EFFECTIVE WITHOUT
2 THE PRIOR WRITTEN APPROVAL OF THE ADMINISTRATOR.

3 (7) IN ADDITION TO A PROPERLY COMPLETED APPLICATION FORM, AN
4 APPLICANT FOR A SMALL CORPORATE OFFERING REGISTRATION UNDER THIS
5 SECTION SHALL FILE ALL OF THE FOLLOWING EXHIBITS WITH THE
6 ADMINISTRATOR:

7 (A) THE FORM OF THE SELLING AGENCY AGREEMENT.

8 (B) THE ISSUER'S ARTICLES OF INCORPORATION OR OTHER CHARTER
9 DOCUMENTS AND ALL AMENDMENTS.

10 (C) THE ISSUER'S BYLAWS, AS AMENDED.

11 (D) COPIES OF ANY RESOLUTIONS BY DIRECTORS SETTING FORTH
12 TERMS AND PROVISIONS OF CAPITAL STOCK TO BE ISSUED.

13 (E) ANY INDENTURE, FORM OF NOTE, OR OTHER CONTRACTUAL PROVI-
14 SION CONTAINING TERMS OF NOTES OR OTHER DEBT OR OF OPTIONS, WAR-
15 RANTS, OR RIGHTS TO BE OFFERED.

16 (F) A SPECIMEN OF THE SECURITY TO BE OFFERED, INCLUDING ANY
17 LEGEND RESTRICTING RESALE.

18 (G) CONSENT TO SERVICE OF PROCESS ACCOMPANIED BY AN APPRO-
19 PRIATE CORPORATE RESOLUTION.

20 (H) COPIES OF ALL MATERIAL DIRECTED OR FURNISHED TO INVEST-
21 ORS IN THE OFFERING.

22 (I) THE FORM OF ESCROW AGREEMENT FOR ESCROW OF PROCEEDS.

23 (J) CONSENT TO INCLUSION IN THE DISCLOSURE DOCUMENT OF AN
24 ACCOUNTANT'S REPORT.

25 (K) CONSENT TO INCLUSION IN THE DISCLOSURE DOCUMENT OF A TAX
26 ADVISOR'S OPINION OR A DESCRIPTION OF TAX CONSEQUENCES.

1 (L) CONSENT TO INCLUSION IN THE DISCLOSURE DOCUMENT OF AN
2 EVALUATION BY A LICENSED ATTORNEY OF ANY PENDING OR ANTICIPATED
3 LITIGATION OR ADMINISTRATIVE ACTION.

4 (M) THE FORM OF ANY SUBSCRIPTION AGREEMENT FOR THE PURCHASE
5 OF SECURITIES IN THE OFFERING.

6 (N) AN OPINION OF A LICENSED ATTORNEY THAT THE SECURITIES TO
7 BE SOLD IN THE OFFERING ARE DULY AUTHORIZED AND BINDING ON THE
8 ISSUER IN ACCORDANCE WITH THE TERMS OF THE SECURITIES.

9 (O) A LIST OF THE RESIDENCE STREET ADDRESSES OF OFFICERS,
10 DIRECTORS, AND PRINCIPAL STOCKHOLDERS.

11 (8) INFORMATION PROVIDED TO THE ADMINISTRATOR UNDER
12 SUBSECTION (7) IS EXEMPT FROM DISCLOSURE UNDER THE FREEDOM OF
13 INFORMATION ACT, ACT NO. 442 OF THE PUBLIC ACTS OF 1976, BEING
14 SECTIONS 15.231 TO 15.246 OF THE MICHIGAN COMPILED LAWS.

15 (9) AN APPLICANT FOR A SMALL CORPORATE OFFERING REGISTRATION
16 UNDER THIS SECTION SHALL PAY A \$1,000.00 FILING FEE TO THE ADMIN-
17 ISTRATOR WITH THE APPLICATION FORM. IF THE APPLICANT WITHDRAWS
18 THE APPLICATION BEFORE THE SMALL CORPORATE OFFERING REGISTRATION
19 IS EFFECTIVE OR BEFORE A PREEFFECTIVE STOP ORDER IS ISSUED, THE
20 ADMINISTRATOR SHALL RETAIN THE ENTIRE FILING FEE IF REVIEW OF THE
21 APPLICATION HAS COMMENCED, OR SHALL RETAIN A \$100.00 FEE AND
22 REFUND THE BALANCE OF THE FILING FEE TO THE APPLICANT IF REVIEW
23 OF THE APPLICATION HAS NOT COMMENCED.

24 Sec. 305. (a) A registration statement may be filed by the
25 issuer, any other person on whose behalf the offering is to be
26 made, or a registered broker-dealer.

1 (b) Every person filing a registration statement shall pay a
2 filing fee of 1/10 of 1% of the maximum aggregate offering price
3 at which the registered securities are to be offered in this
4 state, but the fee shall in no case be less than \$100.00 or more
5 than \$1,250.00. When an application for registration is with-
6 drawn before the effective date or a preeffective stop order is
7 issued, the administrator shall retain a fee of \$100.00 if the
8 initial review has not been commenced, and the full filing fee
9 after review has been commenced.

10 (c) Every registration statement shall specify:

11 (1) The amount of securities to be offered in this state.

12 (2) The states in which a registration statement or similar
13 document in connection with the offering has been or is to be
14 filed.

15 (3) Any withdrawal or any adverse order, judgment, or decree
16 entered in connection with the offering by the regulatory author-
17 ities in each state or by any court or the securities and
18 exchange commission.

19 (d) Any document filed under this act or a predecessor act
20 within 5 years preceding the filing of a registration statement
21 may be incorporated by reference in the registration statement to
22 the extent that the document is currently accurate.

23 (e) The administrator may by rule or otherwise permit the
24 omission of any item of information or document from any regis-
25 tration statement.

1 (f) The administrator may by rule or order require as a
2 condition of registration by qualification or coordination BOTH
3 OF THE FOLLOWING:

4 (1) That any security issued or to be issued to a promoter
5 for a consideration substantially different from the public
6 offering price, or to any person for a consideration other than
7 cash, be deposited in escrow. ~~and~~

8 (2) That the proceeds from the sale of the registered secur-
9 ity in this state be impounded until the issuer receives a speci-
10 fied amount from the sale of the security either in this state or
11 elsewhere. The administrator may by rule or order determine the
12 conditions of any escrow or impounding required ~~hereunder~~ UNDER
13 THIS SUBSECTION, and, after prior notice and opportunity for
14 hearing, may order the cancellation in whole or in part of any
15 ~~such~~ security deposited in escrow ~~where~~ IF necessary for the
16 protection of security holders. The administrator may not reject
17 a depository solely because of location in another state.

18 (g) The administrator may by rule or order impose conditions
19 under which a security registered by qualification may be sold,
20 if it finds that ~~such~~ THE conditions are reasonable and in the
21 public interest.

22 (h) Every registration statement is effective for 1 year
23 from its effective date, except during the time a stop order is
24 in effect under section 306. A registration statement may be
25 extended by the administrator by rule or order. All outstanding
26 securities of the same class as a registered security are
27 considered to be registered for the purpose of any nonissuer

1 transaction so long as the registration statement is effective or
2 the issuer has a class of securities that have been subject to
3 the reporting requirements of section 13 or 15(d) of title I of
4 the securities exchange act of 1934, 15 U.S.C. 78m and 78o, for
5 not less than 9 months before the transaction and all reports
6 required by that act have been filed for that period. A regis-
7 tration statement may not be withdrawn for 1 year from its effec-
8 tive date if any securities of the same class are outstanding. A
9 registration statement may be withdrawn otherwise only in the
10 discretion of the administrator.

11 (i) ~~So long as a~~ FOR THE PERIOD THAT THE registration
12 statement is effective, the administrator may by rule or order
13 require the person who filed the registration statement to file
14 reports, not more often than quarterly, to keep reasonably cur-
15 rent the information contained in the registration statement and
16 to disclose the progress of the offering.

17 (j) A registration statement relating to a security may be
18 amended after its effective date ~~so as~~ to increase the securi-
19 ties specified as proposed to be offered. As to securities not
20 yet sold, ~~such~~ an amendment becomes effective ~~when the admin-~~
21 ~~istrator so orders~~ UPON THE ADMINISTRATOR'S ORDER. In the case
22 of securities ~~which~~ THAT are sold in an amount in excess of the
23 amount or number of securities specified in an effective regis-
24 tration statement, as proposed to be offered, the person or per-
25 sons who filed the registration statement may, in accordance with
26 rules the administrator shall promulgate as necessary or
27 appropriate in the public interest and for the protection of

1 investors, elect to have the registration of those securities
2 ~~deemed~~ CONSIDERED effective as of the time of their sale, upon
3 payment to the administrator ~~—~~ within 6 months after the sale
4 ~~—~~ of a registration fee equal to the difference between the
5 registration fee previously paid and the amount of the fee
6 ~~which~~ THAT would have otherwise been applicable to those addi-
7 tional securities ~~had~~ IF they HAD been included in the regis-
8 tration statement, if any, plus a late registration fee of
9 \$250.00. Upon ~~such an~~ THE election and payment, the registra-
10 tion statement shall be considered to have been in effect with
11 respect to those shares. Every person filing an amendment under
12 this subsection shall pay a filing fee, calculated in the manner
13 specified in subsection (b), with respect to the additional
14 securities.

15 (k) Fees, expense reimbursements, and fines received
16 ~~pursuant to~~ UNDER this act shall be deposited in the state
17 treasury to the credit of the administrator, to be used pursuant
18 to legislative appropriation by the corporation and securities
19 bureau in carrying out those duties required by law. After the
20 payment of the amounts appropriated by the legislature for the
21 necessary expenses incurred in the administration of this act,
22 the money remaining shall be credited to the general fund of
23 ~~the~~ THIS state.

24 (l) Fees and fines received ~~pursuant to~~ UNDER this act
25 shall not be expended for partisan political activity.

26 (M) THIS SECTION DOES NOT APPLY TO SECURITIES REGISTERED
27 UNDER SECTION 304A.

1 Sec. 306. (a) The administrator may issue a stop order
 2 denying effectiveness to, or suspending or revoking the effec-
 3 tiveness of, any registration statement if it finds ~~(1)~~ that
 4 the order is in the public interest and ~~(2) that~~ ANY OF THE
 5 FOLLOWING:

6 (1) ~~(A)~~ The registration statement as of its effective
 7 date or as of any earlier date in the case of an order denying
 8 effectiveness, or any amendment under section 305(j) as of its
 9 effective date, or any report under section 305(i) is incomplete
 10 in any material respect or contains any statement ~~which~~ THAT
 11 was, in the light of the circumstances under which it was made,
 12 false or misleading with respect to any material fact. ~~—~~

13 (2) ~~(B)~~ Any provision of this act or any rule, order, or
 14 condition lawfully imposed under this act has been violated ~~—~~
 15 in connection with the offering ~~—~~ by ANY OF THE FOLLOWING:

16 (i) ~~(i) the~~ THE person filing the registration statement.
 17 ~~—~~

18 (ii) ~~(ii) the~~ THE issuer, any partner, officer, or direc-
 19 tor of the issuer, any person occupying a similar status or per-
 20 forming similar functions, or any person directly or indirectly
 21 controlling or controlled by the issuer, but only if the person
 22 filing the registration statement is directly or indirectly con-
 23 trolled by or acting for the issuer. ~~— or —~~

24 (iii) ~~(iii) any~~ ANY underwriter. ~~—~~

25 (3) ~~(C)~~ The security registered or sought to be registered
 26 is the subject of an administrative stop order or similar order
 27 or a permanent or temporary injunction of any court ~~of competent~~

1 ~~jurisdiction~~ entered under any other federal or state act
 2 applicable to the offering. ~~, but (i)~~ HOWEVER, the administra-
 3 tor may not institute a proceeding against an effective registra-
 4 tion statement under THIS clause ~~(e)~~ more than 1 year from the
 5 date of the order or injunction relied on, and ~~(ii) it~~ may not
 6 enter an order under THIS clause ~~(e)~~ on the basis of an order
 7 or injunction entered under any other state act unless that order
 8 or injunction was based on facts ~~which~~ THAT would currently
 9 constitute a ground for a stop order under this section. ~~—~~

10 (4) ~~(D)~~ The issuer's enterprise or method of business
 11 includes or would include activities ~~which~~ THAT are illegal
 12 where performed. ~~—~~

13 (5) ~~(E)~~ The offering has worked or HAS tended to work a
 14 fraud, deception, or imposition or would ~~so~~ operate TO WORK A
 15 FRAUD, DECEPTION, OR IMPOSITION, or ~~such~~ THE offering is on
 16 unfair terms. ~~—~~

17 (6) ~~(F)~~ The offering has been or would be made with unrea-
 18 sonable amounts of underwriters' and sellers' discounts,
 19 commissions, or other compensation, or promoters' profits or par-
 20 ticipation, or unreasonable amounts or kinds of options. ~~— with~~
 21 WITH respect to the sale of periodic payment plan certificates
 22 for the purchase of securities of investment companies registered
 23 under the investment company act of 1940, TITLE I OF CHAPTER 686,
 24 54 STAT. 789, 15 U.S.C. 80a-1 TO 80a-64, commissions up to 9% of
 25 the total payments to be made during the entire term of the plan,
 26 and deductions for ~~such~~ THOSE commissions from any of the first

1 ~~twelve~~ 12 monthly payments, or their equivalent, up to
 2 ~~one-half~~ 1/2 thereof, shall be allowed.

3 (7) ~~(G) When~~ IF a security is sought to be registered by
 4 notification, it is not eligible for ~~such~~ THAT registration.

5 ~~—~~

6 (8) ~~(H) When~~ IF a security is sought to be registered by
 7 coordination, there has been a failure to comply with the under-
 8 taking required by section 303(b)(4). ~~—, or~~

9 (9) ~~(I)~~ The applicant or registrant has failed to pay the
 10 proper filing fee. ~~—, but~~ HOWEVER, the administrator may enter
 11 only a denial order under this clause and it shall vacate ~~any~~
 12 ~~such~~ THAT order ~~when~~ IF the deficiency ~~has been~~ IS
 13 corrected.

14 (b) The administrator may by order summarily postpone or
 15 suspend the effectiveness of the registration statement pending
 16 final determination of any proceeding under this section. Upon
 17 the entry of the order, the administrator shall promptly notify
 18 each person specified in subsection (c) that ~~it~~ THE ORDER has
 19 been entered, ~~and of~~ the reasons ~~therefor~~ THAT THE ORDER HAS
 20 BEEN ENTERED, and that within 15 days after the receipt of a
 21 written request the matter will be ~~set down~~ SCHEDULED for
 22 hearing. If no hearing is requested and none is ordered by the
 23 administrator, the order ~~will~~ SHALL remain in effect until it
 24 is modified or vacated by the administrator. If a hearing is
 25 requested or ordered, the administrator, after notice ~~of~~ and
 26 opportunity for hearing to each person specified in subsection

1 (c), may modify, ~~or~~ vacate, ~~the order~~ or extend ~~it~~ THE
2 ORDER until final determination.

3 (c) No stop order may be entered under ~~any part of~~ this
4 section except UNDER the first sentence of subsection (b), with-
5 out ALL OF THE FOLLOWING:

6 (1) ~~appropriate~~ APPROPRIATE prior notice to the applicant
7 or registrant, the issuer, and the person on whose behalf the
8 securities are to be or have been offered. ~~—~~

9 (2) ~~opportunity~~ OPPORTUNITY for hearing. ~~—, and~~

10 (3) ~~written~~ WRITTEN findings of fact and conclusions of
11 law.

12 (d) The administrator may vacate or modify a stop order if
13 it finds that the conditions ~~which~~ THAT prompted ~~its~~ entry OF
14 THE STOP ORDER have changed or that it is otherwise in the public
15 interest to ~~do so~~ VACATE OR MODIFY THE STOP ORDER.

16 (E) THIS SECTION DOES NOT APPLY TO SECURITIES REGISTERED
17 UNDER SECTION 304A.

18 Sec. 307. An applicant for registration or exemption may
19 deliver a preliminary prospectus to offerees before the effec-
20 tiveness of a registration or exemption order if either of the
21 following conditions ~~are~~ IS satisfied:

22 (a) If the applicant has filed a registration statement
23 under section 302 or 303 and a stop order is not in effect under
24 this act or the securities act of 1933, TITLE I OF CHAPTER 38, 48
25 STAT. 74, 15 U.S.C. 77a TO 77r AND 77s TO 77aa, or a public pro-
26 ceeding or examination looking toward ~~such an~~ A STOP order is

1 not pending under ~~either~~ THIS act OR THE SECURITIES ACT OF
2 1933.

3 (b) If the applicant has filed a registration statement
4 under section 304 OR 304A or HAS filed a request for an exemption
5 order under section 402 more than 5 business days before delivery
6 of a preliminary prospectus, and the administrator by written
7 notice to the applicant has not objected to the use of the pre-
8 liminary prospectus, or a stop order, proceeding, or examination
9 ~~as described in this section~~ is not in effect or pending.