

REGULATION OF SECURITIES COMMITTEE

REPORT PREPARED FOR THE DECEMBER 4, 2010 COUNCIL MEETING

1. 2010-2011 Budget Request and Anticipated Use of Funds.

\$1,500 for committee meetings, including refreshments.

2. Use of Budgeted Funds During 2009-2010.

Committee meeting refreshments.

3. Next Scheduled Meeting of the Committee.

Our last meeting was August 19. The next meeting has not yet been scheduled.

4. Council Approval.

No approvals are being requested.

5. Membership.

We have been providing our Committee members with proposed rules and transition orders relating to the new Michigan Uniform Securities Act, adopted October 1 2009 (the "New Act"). We have recently added several new members.

6. Accomplishments Toward Committee Objectives.

Our Committee has reviewed and provided comments to the Michigan Office of Financial and Insurance Regulation ("OFIR") relating to proposed rules and transition orders for the New Act. Members of our Committee have most recently provided assistance to OFIR regarding investment adviser issues. Specific matters addressed have included performance fees, custody of client funds and securities, and advisers to private funds. Within the past couple weeks, our Committee's Chairman provided OFIR with a draft of a transition order for the New Act.

7. Meetings and Programs.

Members of our Committee who volunteered to review proposed rules for the New Act met on June 28, 2010 to discuss their comments on Articles 1, 2, and 3 of the proposed rules; and subsequently provided comments on those proposed rules to OFIR. Subsequently, revised drafts were received from OFIR and are being reviewed.

Our Committee also had a meeting on August 19, 2010 to:

- Discuss topics for articles to be written for the *Michigan Business Law Journal*, and identify persons who would like to write the articles;
- Obtain an update from OFIR on the proposed rules and transition orders for the new Michigan Uniform Securities Act;
- Discuss performance fee and custody rules applicable to investment advisers in Michigan;
- Hear a presentation on the new Dodd-Frank Wall Street Reform and Consumer Protection Act; and
- Discuss an August 12, 2010 Delaware Chancery Court decision upholding a Board's implementation of a poison pill.

Minutes of the June 28, 2010 and August 19, 2010 meetings were prepared and are available for review.

8. Publications.

Diane Bissell, Shane Hansen and Brad Wyatt of our Committee are each working on securities law related articles for submission to the *Michigan Business Law Journal* for publication in the first half of 2011.

9. Methods of Monitoring Legislative/Judicial/Administrative Developments and Recommended Action.

The New Act (designated Act No. 551 of the Public Acts of 2008) became effective October 1, 2009. OFIR has issued five transition orders to address issues that are expected to arise under the new Act between when it became effective and when rules are promulgated to implement the new Act. OFIR has also issued drafts of some of the rules for the new Act. Diane Bissell of OFIR has been doing an excellent job keeping us up to date on drafts of the transition orders and rules as they become available, and on the transition orders as they are issued. A sixth transition order relating to investment advisers is expected to be issued in the next few months.

10. Miscellaneous.

Nothing to report.

If I can be of help to you, please let me know. My contact information is Jerry Schwartz, Dickinson Wright PLLC, 500 Woodward Avenue, Suite 4000, Detroit, Michigan 48226. Phone: 313-223-3628. Email: jschwartz@dickinsonwright.com.

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