

REGULATION OF SECURITIES COMMITTEE REPORT
REPORT PREPARED FOR THE DECEMBER 4, 2020 COUNCIL MEETING

1. Next Scheduled Meeting of the Committee.

Next scheduled meeting of the Committee: To be scheduled in Spring, 2021.

2. Council Approval.

No approval is being requested at this time.

3. Membership.

Members are added periodically, including women and minorities.

4. Accomplishments Toward Committee Objectives.

The Committee last met on October 13, 2020. Topics discussed included the SEC's newly expanded "accredited investor" definition; the SEC's concept release on private offering exemption harmonization; the SEC Regulation Best Interest and NASAA's benchmark report; the SEC Commission-adopted "Fiduciary" Interpretation; the SEC Form CRS (Customer Relationship Summary); remarks by Andrew Brisbo, Executive Director, State of Michigan LARA Marijuana Regulatory Agency, relative to a racial equity advisory workgroup established by the agency to develop policy to improve equity, diversity and inclusion in the commercial marijuana industry, including the formation of investment capital; and the SEC proposed conditional exemption for finders assisting small businesses with capital raising. See attached meeting minutes.

5. Meetings and Programs.

See No. 4, above.

6. Publications.

The theme of *The Michigan Business Law Journal*, Spring 2020 edition, was the Regulation of Securities Committee.

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

The Committee monitors developments relative to Michigan securities law issues and continues to discuss monitoring in a more formalized manner.

8. Miscellaneous.

No miscellaneous matters to report.

Respectfully submitted,
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BLS Regulation of Securities Committee Meeting Minutes
October 13, 2020

Start Time: 4:03 PM

Registrants: The following registered for the meeting: Pete Long, David Millar, Robert Hudson, Edwin Lukas, Jeff Van Winkle, Max Barnes, Steve Brey, Clay Ottoni, Matthew Allen, Cody Mott, Carrie Leahy, Taylor Gast, Julie Gullledge, Stuart Sinai, John Sellers, Howard Klausmeier, Lawrence Elkus, Shane Hansen and Patrick Haddad.

Guests: Andrew Brisbo (Executive Director, LARA Marijuana Regulatory Agency) and Amanda Pierzynski (Kerr Russell law clerk).

Call to Order and Introductions (Patrick Haddad)

Newly expanded “accredited investor” definition (Shane Hansen)

- SEC adopted amendments to the “accredited investor” definition.
- SEC (3-2 vote).
- The amendments to the accredited investor definition add new categories of qualifying natural persons and entities and make certain other modifications to the existing definition.

SEC’s concept release on private offering exemption harmonization (Shane Hansen)

- Rulemaking still pending.
- Seeking comment on possible ways to simplify, harmonize, and improve the exempt offering framework to promote capital formation and expand investment opportunities while maintaining appropriate investor protections.

SEC Regulation Best Interest (Reg BI) and NASAA’s benchmark report (Shane Hansen)

- Standard of care for broker-dealers.
- SEC says this is an objective standard.
- Industry-wide standard of care.

SEC Commission-adopted “Fiduciary” Interpretation (Shane Hansen)

- Applicable to investment advisors.

SEC Form CRS (Customer Relationship Summary) (Shane Hansen)

- Form CRS Relationship Summary will require registered investment advisers and broker-dealers to provide retail investors with information regarding the nature of their relationship with their financial professional.
- Easy to understand (customer/client-friendly).
- Filed with the SEC.

Remarks by Andrew Brisbo, Executive Director, State of Michigan LARA Marijuana Regulatory Agency

- The agency has established a racial equity advisory workgroup to develop policy to improve equity, diversity and inclusion in the commercial marijuana industry, including the formation of investment capital.
- The agency seeks volunteers from the BLS Regulation of Securities Committee to participate in the advisory workgroup. Volunteers are sought to educate the workgroup and business operators on raising capital.

SEC proposed conditional exemption for finders assisting small businesses with capital raising (Shane Hansen)

- Released October 7th (not yet published in the Federal Register).
 - 30-day public comment period after publication.
- SEC voted to propose an exemption from broker registration requirements for finders who assist issuers with raising capital in private markets from accredited investors.
- Proposal creates two classifications of finders:
 - Tier I Finders and Tier II Finders:
 - Both permitted to accept transaction-based compensation under the terms of the proposed exemption.
 - Tier I Finders:
 - Limited to providing contact information of potential investors.
 - Cannot have any contact with a potential investor about the issuer.
 - Tier II Finders:
 - Could solicit investors on behalf of an issuer, but solicitation-related activities limited.

Concluding Remarks (Patrick Haddad)

Patrick Haddad will follow up with BLS Regulation of Securities Committee members regarding scheduling of the Spring 2021 meeting.

Meeting concluded at 5:47 p.m.