



Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bill 1108 (Substitute S-1 as reported by the Committee of the Whole)
Sponsor: Senator Mike Rogers
Committee: Financial Services

CONTENT

The bill would amend the Uniform Securities Act to provide for the registration of securities whose aggregate offering price was not more than \$1 million (which currently are exempt from registration under Federal regulations and are subject to State regulation under administrative rules). Securities whose offering price was up to \$5 million could be registered under the bill if a Federal exemption were granted to Michigan under provisions of the Federal Securities Act. A registration under the bill would be known as a "small corporate offering registration" (SCOR).

Unless the "administrator" (the Corporation and Securities Bureau of the Department of Consumer and Industry Services) granted written permission based on a showing that adequate disclosure could be made to investors using the SCOR format, a SCOR could not be used by holding companies or companies whose principal purpose was owning stock in, or supervising the management of, other companies; portfolio companies, such as real estate investment trusts; issuers with complex capital structures; commodity pools; equipment leasing programs; or real estate programs. A SCOR offering could not be a blind pool or other offering for which the specific business to be engaged in or property to be acquired by the issuer could not be specified. The offering price for common stock; the exercise price, if the securities offered were options, warrants, or rights for common stock; and the conversion price, if the securities were convertible into common stock, would have to be at least \$5 per share, unless the administrator authorized a lower price.

In addition to a properly completed application form, an applicant for a SCOR would have to file various documents pertaining to the issuer, its debts, securities to be issued, and the selling agency. An applicant for a SCOR would have to pay the Act's currently required filing fee of 1/10 of 1% of the maximum aggregate offering price at which a registered security is to be offered, subject to the current minimum fee of \$100 and maximum fee of \$1,250. The bill includes provisions pertaining to a SCOR's effectiveness, statement amendment, and stop order and specifies that the section of the Act regarding stop orders denying effectiveness to, or suspending or revoking the effectiveness of, any registration statement would not apply to a SCOR registered under the bill.

MCL 451.305 et al.

Legislative Analyst: P. Affholter

FISCAL IMPACT

The bill would codify the existing rules for registering securities under the small corporate offering registration category while also including the exemption that has been granted to California, which allows applicants to offer up to \$5,000,000 in securities to the public. Although there is no way to predict the number of new applicants that there would be as a result of this exemption, the Department of Consumer and Industry Services estimates that the filing fee would adequately cover these administrative costs; therefore there would be no fiscal impact.

Date Completed: 9-24-96

Fiscal Analyst: M. Tyszkiewicz

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.