

MODEL ACCREDITED INVESTOR EXEMPTION

Adopted 4/27/97

Any offer or sale of a security by an issuer in a transaction that meets the requirements of this rule is exempted from [Sections requiring registration and filing of advertising materials].

- (A) Sales of securities shall be made only to persons who are or the issuer reasonably believes are accredited investors. "Accredited investor" is defined in 17 CFR 230.501(a) [amendment or successor rule][some states may elect to include the entire text of SEC Rule 501(a) in lieu of an incorporation by reference].
- (B) The exemption is not available to an issuer that is in the development stage that either has no specific business plan or purpose or has indicated that its business plan is to engage in a merger or acquisition with an unidentified company or companies, or other entity or person.
- (C) The issuer reasonably believes that all purchasers are purchasing for investment and not with the view to or for sale in connection with a distribution of the security. Any resale of a security sold in reliance on this exemption within 12 months of sale shall be presumed to be with a view to distribution and not for investment, except a resale pursuant to a registration statement effective under sections [insert registration sections] or to an accredited investor pursuant to an exemption available under [state securities act].
- (D) (1) The exemption is not available to an issuer if the issuer, any of the issuer's predecessors, any affiliated issuer, any of the issuer's directors, officers, general partners, beneficial owners of 10% or more of any class of its equity securities, any of the issuer's promoters presently connected with the issuer in any capacity, any underwriter of the securities to be offered, or any partner, director or officer of such underwriter:
 - (a) within the last five years, has filed a registration statement which is the subject of a currently effective registration stop order entered by any state securities administrator or the United States Securities and Exchange Commission;
 - (b) within the last five years, has been convicted of any criminal offense in connection with the offer, purchase or sale of any security, or involving fraud or deceit;
 - (c) is currently subject to any state or federal administrative enforcement order or judgment, entered within the last five years, finding fraud or deceit in connection with the purchase or sale of any security; or
 - (d) is currently subject to any order, judgment or decree of any court of competent jurisdiction, entered within the last five years, temporarily, preliminary or permanently restraining or enjoining such party from

engaging in or continuing to engage in any conduct or practice involving fraud or deceit in connection with the purchase or sale of any security.

- (2) Subparagraph (D)(1) shall not apply if:
 - (a) the party subject to the disqualification is licensed or registered to conduct securities related business in the state in which the order, judgment or decree creating the disqualification was entered against such party;
 - (b) before the first offer under this exemption, the state securities administrator, or the court or regulatory authority that entered the order, judgment, or decree, waives the disqualification; or
 - (c) the issuer establishes that it did not know and in the exercise of reasonable care, based on a factual inquiry, could not have known that a disqualification existed under this paragraph.
- (E)
 - (1) A general announcement of the proposed offering may be made by any means.
 - (2) The general announcement shall include only the following information, unless additional information is specifically permitted by the [Administrator]:
 - (a) The name, address and telephone number of the issuer of the securities;
 - (b) The name, a brief description and price (if known) of any security to be issued;
 - (c) A brief description of the business of the issuer in 25 words or less;
 - (d) The type, number and aggregate amount of securities being offered;
 - (e) The name, address and telephone number of the person to contact for additional information; and
 - (f) A statement that:
 - (i) sales will only be made to accredited investors;
 - (ii) no money or other consideration is being solicited or will be accepted by way of this general announcement; and
 - (iii) the securities have not been registered with or approved by any state securities agency or the U.S. Securities and Exchange Commission and are being offered and sold pursuant to an exemption from registration.
- (F) The issuer, in connection with an offer, may provide information in addition to the general announcement under paragraph (E), if such information:

- (1) is delivered through an electronic database that is restricted to persons who have been pre-qualified as accredited investors; or
 - (2) is delivered after the issuer reasonably believes that the prospective purchaser is an accredited investor.
- (G) No telephone solicitation shall be permitted unless prior to placing the call, the issuer reasonably believes that the prospective purchaser to be solicited is an accredited investor.
- (H) Dissemination of the general announcement of the proposed offering to persons who are not accredited investors shall not disqualify the issuer from claiming the exemption under this rule.
- (I) The issuer shall file with the [Commission/Division] a notice of transaction, a consent to service of process, a copy of the general announcement, and a [\$fee/fee language] within 15 days after the first sale in this state.]