Model Rule to Provide a Transactional Exemption from Registration for Transactions in Securities of Issuers That Comply with Ongoing Reporting Requirements Under Tier 2 of Regulation A

Adopted May 19, 2019*

Option 1:

Note: The language included below may be adopted in those states that have adopted a version of the manual exemption from securities registration that does not recognize EDGAR as a source of the information that must be publicly available to investors under the exemption. This language may be adopted in statute or rule to specifically provide for a transactional exemption from registration for securities of issuers subject to and current in their ongoing reporting requirements under Tier 2 of Regulation A provided that the issuers otherwise comply with the terms of the manual exemption adopted elsewhere in statute or rule. The language is intended to be included in an existing list of securities transactions exempt from registration.

Secondary sales of securities of an issuer that previously sold securities in an offering qualified under Tier 2 of Regulation A provided that the issuer is subject to and current in its ongoing reporting requirements under 17 CFR §230.257(b) at the time of the sale and complies with the terms of the exemption from registration in [code citation to manual exemption].

Option 2:

Note: The language included below may be adopted in those states that do not have a version of the manual exemption similar to that contained in Section 202(2) of the Uniform Securities Act of 2002 but that wish to provide exemptive relief specifically for transactions in securities of issuers that have previously sold securities in an offering qualified under Tier 2 of Regulation A and that are subject to and current in their ongoing reporting requirements thereunder. The language is intended to be included in an existing list of securities transactions exempt from registration.

(2) Any non-issuer transaction by a registered agent of a registered broker-dealer in a security of a class that has been outstanding in the hands of the public for at least 90 days by an issuer that previously sold securities in an offering qualified under Tier 2 of Regulation A provided that at the time of the transaction:

(A) The issuer is subject to and current in its ongoing reporting requirements under 17 CFR §230.257(b);

(B) The issuer of the security is actually engaged in business and not in the organizational stage or in bankruptcy or receivership and is not a blank check, blind pool or shell company whose primary plan of business is to engage in a merger or combination of the business with, or an acquisition of, an unidentified person or persons;

(C) The security is sold at a price reasonably related to the current market price of the security;

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(D) The security does not constitute the whole or part of an unsold allotment to, or a subscription or participation by, the broker-dealer as an underwriter of the security; and

(E) The issuer of the security has a class of equity securities listed on a national securities exchange registered under the Securities Exchange Act of 1934, or designated for trading on the National Association of Securities Dealers Automated Quotation System (NASDAQ), unless:

(i) The issuer of the security has been engaged in continuous business (including predecessors) for at least three years, or

(ii) The issuer of the security has total assets of at least $2,000,000 based on an audited balance sheet as of a date within 18 months or, in the case of a reorganization or merger where parties to the reorganization or merger had such audited balance sheet, a pro forma balance sheet.