

HOUSE BILL 1722

By Fitzhugh

AN ACT to amend Tennessee Code Annotated, Title 4,
Chapter 3, Part 13 and Title 48, relative to
securities.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. This act shall be known and may be cited as the "Tennessee Investment Exemption Act".

SECTION 2. Tennessee Code Annotated, Section 48-1-103(a), is amended by adding the following language as a new subdivision:

(13)

(A) Any security issued by a person that meets the following requirements:

(i) The sale of the security shall meet the requirements of the federal exemption for intrastate offerings in section 3(a)(11), Securities Act of 1933 (15 U.S.C. § 77c(a)(11)), and 17 C.F.R. § 230.147;

(ii) The sum of all cash and other consideration to be received for all sales of the security in reliance upon subdivision (a)(13)(A) shall not exceed one million dollars (\$1,000,000), less the aggregate amount received for all sales of securities by the issuer within the twelve (12) months before the first offer or a sale made in reliance upon this subdivision (a)(13)(A);

(iii) The issuer shall not accept more than ten thousand dollars (\$10,000) from an investor unless the investor is an accredited investor pursuant to 17 C.F.R. § 230.501;

(iv) All funds received from the sale of a security in reliance upon this subdivision (a)(13)(A) shall be deposited in a bank or depository institution authorized to do business in this state, and all funds received from buyers of a security in reliance upon this subdivision (a)(13)(A) shall be used consistent with representations made by the issuer to buyers;

(v) A commission or other remuneration shall not be paid or given, directly or indirectly, for any person's participation in the offer or sale of securities for the issuer unless the person is registered as an agent or broker-dealer pursuant to § 48-1-109;

(vi) Before offering to sell the security to the general public or the twenty-fifth sale of the security, whichever occurs first, the issuer shall provide a notice to the commissioner in writing or in electronic form; the notice shall specify that the issuer will offer or has sold the security in reliance upon this subdivision (a)(13)(A) and shall include the names and addresses of the following:

(a) The issuer;

(b) All persons who will sell or offer to sell the security on behalf of the issuer; and

(c) The bank or depository institution in which proceeds from the sale of the security will be deposited;

(vii) The issuer shall not be, either before or as a result of the offering, an investment company as defined in section 3 of the Investment Company Act of 1940 (15 U.S.C. § 80a-3) or subject to the reporting requirements of section 13 of the Securities Exchange Act of 1934 (15 U.S.C. § 78m) or section 15(d), Securities Exchange Act of 1934, (15 U.S.C. § 78o(d)); and

(viii) The issuer shall inform all buyers prior to the sale of a security that falls within this subdivision (a)(13)(A) that the security has not been registered under this part and the security is subject to the limitation on resales contained in 17 C.F.R. § 230.147(e);

(B)

(i) Subdivision (a)(13)(A) shall not be used with any other exemption under this section unless the offer or sale is any of the following:

(a) An officer, director, partner, or trustee of the entity offering the sale of the security, or an individual occupying similar status or performing similar functions for the entity offering the sale of the security; or

(b) A person owning ten percent (10%) or more of the outstanding shares of any class or classes of securities issued by the entity offering the sale of the security;

(ii) Offers or sales to persons listed in subdivisions (a)(13)(B)(i)(a) and (b) shall not count toward the monetary limit of sales set out in subdivision (a)(13)(A)(ii);

(C) Subdivision (a)(13)(A) shall not be available if the person offering the security is subject to a disqualifying event specified in § 48-1-112(a)(2)(A)-(H).

SECTION 3. For purposes of promulgating rules, this act shall take effect upon becoming a law. For all other purposes, this act shall take effect January 1, 2015, the public welfare requiring it.