



LEGALIZE CROWDFUNDING ACT

SECTION 1. DEFINITIONS.

(a) “Blind pool offering” means an offering in which either:

(1) The offering materials do not describe specific operational plans; or

(2) Eighty percent or more of the net offering proceeds are not specifically

allocated for the purchase, construction or development of identified property or products, for the payment of indebtedness or overhead expenses, or for other activities set forth in the issuer’s business plan.

(b) “Commission” means the [relevant state] commission.

(c) “Commodity” means any agricultural, grain or livestock product or by-product, any metal or mineral including a precious metal, any gem or gemstone whether characterized as precious, semiprecious or otherwise, any fuel whether liquid, gaseous or otherwise, any foreign currency and all other goods, articles, products or items of any kind. Commodity does not include a numismatic coin with a fair market value at least fifteen percent higher than the value of the metal it contains, real property or any timber, agricultural or livestock product grown or raised on real property and offered or sold by the owner or lessee of such real property, or any



work of art offered or sold by art dealers, at public auction or offered or sold through a private sale by the owner.

(d) “Commodity exchange act” means the act of Congress known as the U.S. Commodity Exchange Act (7 United States Code, chapter 1).

(e) “Commodity Futures Trading Commission” means the independent regulatory agency established by Congress to administer the commodity exchange act.

(f) “Commodity investment contract” means any account, agreement or contract for the purchase or sale, primarily for speculation or investment purposes and not for use or consumption by the offeree or purchaser, of one or more commodities, whether for immediate or subsequent delivery or whether delivery is intended by the parties, and whether characterized as a cash contract, deferred shipment or deferred delivery contract, forward contract, futures contract, installment or margin contract, leverage contract or otherwise.

Any commodity investment contract offered or sold, in the absence of evidence to the contrary, is presumed to be offered or sold for speculation or investment purposes. A commodity investment contract does not include any contract or agreement that requires, and under which the purchaser receives, within twenty-eight calendar days after the payment in good funds of any portion of the purchase price, physical delivery of the total amount of each commodity to be purchased under the contract or agreement.

(g) “Commodity option” means any account, agreement or contract giving a party to the account, agreement or contract the right but not the obligation to purchase or sell one or more commodities or one or more commodity investment contracts, whether characterized as an option, privilege, indemnity, bid, offer, put, call, advance guaranty, decline guaranty or otherwise.

(h) “CRD system” means the central registration depository system of the national association of securities dealers, incorporated.

(i) “Crowdfunding” means the practice of funding a project or venture by raising many small amounts of money from a large number of people.

(j) “Dealer”:

(1) Means a person who directly or indirectly engages full-time or part-time in this state as agent, broker or principal in the business of offering, buying, selling or otherwise dealing or trading in securities issued by another person, and who is not a salesman for a registered dealer or is not a bank or savings institution the business of which is supervised and regulated by an agency of this state or the United States.

(2) Means an issuer, other than an investment company, who, directly or through an officer, director, employee or agent who is not registered as a dealer under this chapter, engages in selling securities issued by such issuer.

(3) Does not include a person who sells or offers to sell securities exclusively to dealers registered under this chapter, and who has no place of business within this state.

(4) Does not include a person who buys or sells securities for his own account, either individually or in a fiduciary capacity, but not as part of a regular business.

(k) “Director” means the director of the securities division of the commission.

(l) “Division” means the securities division of the commission.

(m) “Federal covered security” means any security described as a covered security in section 18 of the U.S. Securities Act of 1933.

(n) “Issuer” means any person who issues or proposes to issue any security, except:

(1) With respect to certificates of deposit, voting-trust certificates, collateral-trust certificates, certificates of interest or shares in an unincorporated investment trust, whether or not of the fixed, restricted management or unit type, issuer means the person or persons performing the acts and assuming the duties of depositor or manager pursuant to the provisions of the trust or other agreement or instrument under which such securities are issued.

(2) With respect to equipment-trust certificates or like securities, issuer means the person by whom the equipment or property is or is to be used.

(3) With respect to fractional interests in any oil, gas or other mineral lease, permit, claim or right, issuer means the owner thereof or of any interest therein, whether whole or fractional, fractional interests in which are created for the purpose of a public offering.

(o) “Numismatic coin”:

(1) Means a coin that has all of the following characteristics:

(A) The coin is of interest primarily to coin collectors rather than to speculators or investors in precious metals;

(B) The fair market value of the coin is determined primarily by its design, subject matter, limited mintage, rarity and relative condition of preservation from wear rather than by its intrinsic precious metal or bullion content;

(C) The fair market value of the coin is directly related to an individual inspection and grading of its relative condition according to an established system of numismatic standards promulgated independently of the offerer of the coin; and

(D) With the exception of proof, mint and commemorative coins, the coin is minted or manufactured under authority of the issuing government for the purpose of being used as legal tender.

(2) Does not include a coin that has at least one of the following characteristics:

(A) The coin is minted, manufactured or advertised for sale primarily to persons who seek to invest or speculate in precious metals rather than to coin collectors or for use in commerce as legal tender;

(B) The coin is advertised or sold with the expectation that it will be purchased or traded for its intrinsic precious metal or bullion content;

(C) The price of the coin is directly related to the spot market price of its intrinsic precious metal or bullion content;

(D) The coin is generally not used as legal tender;

(E) The quantity of mintage or manufacture of the coin is based on market demand; or

(F) The coin is not sought for its design, subject matter, limited mintage, rarity or relative condition of preservation from wear, but instead is sought for the value of its intrinsic precious metal or bullion content.

(p) “Offer to sell” or “offer for sale” means an attempt or offer to dispose of, or solicitation of an order or offer to buy, a security or interest in a security for value or any sale or offer for sale of a warrant or right to subscribe to another security of the same issuer or of another issuer. Any sale or offer for sale of a security that gives the holder thereof a present or future right or privilege to convert such security into another security of the same issuer or of another issuer shall be deemed an offer to sell the security to be acquired pursuant to such right or privilege, but the existence thereof shall not be construed as affecting the registration or exemption under this chapter of the security to which it attaches.

(q) “Person” means an individual, corporation, partnership, association, joint stock company or trust, limited liability company, government or governmental subdivision or agency or any other unincorporated organization.

(r) “Precious metal” means the following in either coin, bullion or other form:

- (1) Silver;
- (2) Gold;
- (3) Platinum;
- (4) Palladium; or
- (5) Copper.

(s) “Real property investment contract” means a contract for the sale or purchase of a promissory note secured directly or collaterally by a mortgage, deed of trust or other lien on real property, including a contract as defined in [STATE LAW], or any agreement, arrangement or understanding in connection with such note, lien or contract in which a person agrees, implies to do or does any of the following, whether or not the investor is aware that any of the following actions are contemplated or taken:

- (1) Guarantee the note, lien or contract against loss at any time;
- (2) Promise to provide a market for the sale of the note, lien or contract, in connection with a sale or purchase;
- (3) Offer to accept or accept funds for investment in notes or contracts secured directly or indirectly by a lien on real property, where the real property is unspecified at the time of investment;
- (4) Pay any interest or premium for a period before actual purchase and delivery of the note or contract;

(5) Pay any money to an investor if the note or contract is in arrears;

(6) Guarantee that principal or interest will be paid in conformity with the terms of the note or contract;

(7) Accept, from time to time, partial payment toward the purchase of the note or contract; or

(8) Promise to repurchase the note or contract, in connection with sale or purchase.

(t) “Registered dealer” means a dealer registered under this chapter.

(u) “Registered salesman” means a salesman registered under this chapter.

(v) “Sale” or “sell” means a sale or any other disposition of a security or interest in a security for value and includes a contract to make such sale or disposition. A security given or delivered with, or as a bonus on account of, a purchase of securities or other thing shall be conclusively presumed to constitute a part of the subject of the purchase and to have been sold for value.

(w) “Salesman” means an individual, other than a dealer, employed, appointed or authorized by a dealer to sell securities in this state. The partners or executive officers of a registered dealer shall not be deemed salesmen within the meaning of this definition.

(x) “SEC” means the United States Securities and Exchange Commission.

(y) “U.S. Securities Act of 1933” means the act of Congress known as the U.S. Securities Act of 1933.

(z) “U.S. Securities Exchange Act of 1934” means the act of Congress known as the U.S. Securities Exchange Act of 1934.

(aa) “Security”:

(1) Means any note, stock, treasury stock, bond, commodity investment contract, commodity option, debenture, evidence of indebtedness, certificate of interest or participation in any profit-sharing agreement, collateral-trust certificate, preorganization certificate or subscription, transferable share, investment contract, viatical or life settlement investment contract, voting-trust certificate, certificate of deposit for a security, fractional undivided interest in oil, gas or other mineral rights, real property investment contract or, in general, any interest or instrument commonly known as a security, or any certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing.

(2) Notwithstanding subdivision (1) of this paragraph, with respect to a virtual coin shall not be construed more broadly than the term security is construed in the U.S. Securities Act of 1933, the U.S. Securities Exchange Act of 1934 or any federal regulations relating to either act.

(bb) “SRO” means any national securities or commodities exchange, registered association or registered clearing agency.

(cc) “Underwriter” means a person who has acquired from an issuer with a view to, or sells for an issuer in connection with, the distribution of any securities or participates or has a direct or indirect participation in such undertaking, or participates or has a participation in the direct or indirect underwriting of such undertaking. Underwriter does not include a person whose interest is limited to a commission from an underwriter or dealer not in excess of the usual and customary distributor's or seller's commission.

(dd) “Viatical or life settlement investment contract” means an agreement for consideration for the purchase, assignment, transfer, sale, devise or bequest of any portion of the

death benefit under or ownership of either an insurance policy or certificate of insurance. A viatical or life settlement investment contract does not include:

(1) Any agreement for the original issuance of an insurance policy or certificate of insurance;

(2) An assignment, transfer, sale, devise or bequest of a death benefit under or ownership of either an insurance policy or certificate of insurance by the original owner or a person who has an insurable interest in the insured to any of the following:

(A) The insured;

(B) A person who has an insurable interest in the insured;

(C) A dealer; or

(D) A person who is engaged in the business of purchasing the death benefit under or ownership of either insurance policies or certificates of insurance.

(3) An assignment of an insurance policy or certificate of insurance to any bank, savings bank, savings and loan association, credit union or other licensed lending institution as collateral for a loan; or

(4) The exercise of accelerated benefits pursuant to the life insurance policy.

(ee) “Virtual coin” means a digital representation of value that can be digitally traded and that functions as a medium of exchange, unit of account and store of value.

(ff) “Virtual coin offering”:

(1) Means an offer for sale of a virtual coin that either:

(A) Meets the definition of a security prescribed in this section; or

(B) The issuer elects to treat as a security by complying with [STATE

LAW].

(2) Does not include an offer for sale of a virtual coin that both:

(A) Has not been marketed by the issuer as an investment; and

(B) Grants to the purchaser, within ninety days after the purchaser's receipt of the virtual coin, the right to use, contribute to the development of or license the use of a platform using blockchain technology as defined in [STATE LAW], including a license to use a product or service on the platform or a discount against fees for use of the platform.

SECTION 2. EXEMPT TRANSACTIONS.

(a) Except as provided in subsections (b) and (c) of this section, [relevant state securities laws] do not apply to any of the following classes of transactions:

(1) Transactions by an issuer not involving any public offering;

(2) The sale of securities by an executor, administrator, guardian or conservator or by a bank the business of which is supervised and regulated by an agency of this state or of the United States, as trustee under a will or trust agreement, or by a receiver or trustee in insolvency or bankruptcy approved by a court of competent jurisdiction of this state or the United States;

(3) The sale in good faith and not for the purpose of avoiding the provisions of this chapter by a pledgee of securities pledged for a bona fide debt;

(4) The sale in good faith and not for the purpose of avoiding the provisions of this chapter of securities, including securities that when originally issued were exempt pursuant to subsection (a), paragraph (22) of this section, by the bona fide owner of such securities, other than an issuer or underwriter, in an isolated transaction, in which the securities are sold either directly or through a dealer as agent for the owner but where the sales are not made in the course of repeated or successive transactions of similar character by the owner and are not made directly or indirectly for the benefit of the issuer or an underwriter of the securities. For the purposes of

this paragraph, the sale is not considered to be made in the course of repeated or successive transactions of similar character by the owner if both of the following apply:

(A) The sale is of a security that when originally issued was exempt pursuant to subsection (a), paragraph (22) of this section; and

(B) At least six months have passed after the date of the last sale of the security by the issuer to a resident of this state.

(5) The distribution by a corporation of capital stock or other securities to its stockholders or other security holders as a stock dividend or other distribution out of retained earnings;

(6) Any transaction or series of transactions incident to a statutory or judicially approved reorganization, merger, triangular merger, consolidation, or sale of assets, incident to a vote by securities holders pursuant to the articles of incorporation, the applicable corporate statute or other controlling statute, a partnership agreement or the controlling agreement among securities holders;

(7) The exchange of securities by an issuer with its existing security holders exclusively, where no commission or remuneration is paid or given, directly or indirectly, for soliciting the exchange, if such exchange has been duly authorized and has been approved by the holders of not less than a majority of the outstanding securities of each class affected by the exchange;

(8) An offer or sale of securities to a bank, a savings institution, a trust company, an insurance company, an investment company as defined in the Investment Company Act of 1940, a pension or profit sharing trust or other financial institution or institutional buyer or a dealer whether the purchaser is acting for itself or in a fiduciary capacity;



(9) The issuance and delivery of securities in exchange for other securities of the same issuer pursuant to a right of conversion entitling the holder of the securities surrendered in exchange to make such conversion;

(10) The issuance and delivery of securities of a corporation, limited liability company or limited partnership to the original incorporators, organizers or general partners, not exceeding ten in number, where the securities are not acquired by the incorporators, organizers or general partners for the purpose of sale to others and are not directly or indirectly sold to a third party within twenty-four months unless an incorporator, organizer or general partner experiences a bona fide change of financial circumstances within such time period, providing original incorporators, organizers or general partners are notified of their right pursuant to [relevant state corporations and partnership statutes] to review the financial books and records of the corporation, limited liability company or limited partnership at reasonable times;

(11) A nonissuer transaction in an outstanding security, including the sale by a dealer, including an underwriter no longer acting as an underwriter in respect to the securities involved, of securities sold and distributed to the public, but not including securities constituting an unsold allotment to or subscription by the dealer as a participant in the distribution of the securities by the issuer or by or through an underwriter, if the class of security has been outstanding in the hands of the public for not less than ninety days preceding the date of the transaction and a recognized manual of securities designated by the commission by rule or order at the time of sale contains the names of the issuer's officers and directors, a statement of financial condition of the issuer as of a date within eighteen months of the date of the sale and a statement of income or operations for each of the two fiscal years next before the date of the

statement of financial condition or for the period from the commencement of the issuer's existence to the date of the statement of financial condition if the period is less than two years;

(12) The sale by a dealer, including an underwriter no longer acting as an underwriter in respect to the securities involved, of securities of an issue sold and distributed to the public, but not including securities constituting an unsold allotment to or subscription by the dealer as a participant in the distribution of the securities by the issuer or by or through an underwriter, if securities of such issue have been registered by description under [STATE LAW];

(13) The sale of commodity investment contracts traded on a commodities exchange recognized by the commission at the time of sale;

(14) The sale or issuance of any investment contract or other security in connection with an employee's pension, profit sharing, stock purchase, stock bonus, savings, thrift, stock option or other similar employee benefit plan that meets the requirements for qualification under the United States Internal Revenue Code;

(15) Transactions within the exclusive jurisdiction of the Commodity Futures Trading Commission as granted under the Commodity Exchange Act;

(16) Transactions involving the purchase of one or more precious metals that require, and under which the purchaser receives, within seven calendar days after the payment in good funds of any portion of the purchase price, physical delivery of the quantity of the precious metals purchased by such payment. For the purposes of this paragraph, physical delivery is deemed to have occurred if, within such seven day period, the quantity of precious metals purchased by such payment is delivered, whether in specifically segregated or fungible bulk form, into the possession of a depository other than the seller which is a financial institution, a depository the warehouse receipts of which are recognized for delivery purposes for any

commodity on a contract market designated by the Commodity Futures Trading Commission or a storage facility licensed or regulated by the United States or any agency of the United States and such depository or other person that qualifies as a depository issues and the purchaser receives a certificate, document of title, confirmation or other instrument evidencing that such quantity of precious metals has been delivered to the depository and is being and will continue to be held by the depository on the purchaser's behalf, free and clear of all liens and encumbrances, other than liens of the purchaser, tax liens, liens agreed to by the purchaser, or liens of the depository for fees and expenses, that have previously been disclosed to the purchaser. For the purposes of this paragraph, "financial institution" means a bank, savings institution or trust company organized under, or supervised pursuant to, the laws of the United States or of this state;

(17) Transactions involving a commodity investment contract solely between persons engaged in producing, processing, using commercially or handling as merchants each commodity subject to the contract or any by-product.

(18) A nonissuer transaction in an outstanding security, including the sale by a dealer, including an underwriter no longer acting as an underwriter in respect to the securities involved, of securities sold and distributed to the public, but not including securities constituting an unsold allotment to or subscription by the dealer as a participant in the distribution of the securities by the issuer or by or through an underwriter if both of the following apply:

(A) The class of security has been outstanding in the hands of the public for not less than ninety days preceding the date of the transaction; and

(B) The securities are listed on an automated quotation system of a national securities association registered under the U.S. Securities Exchange Act of 1934;



(19) Transactions involving the sale of securities to persons who are not residents of this state and are not present in this state if all of the following conditions are met:

(A) The securities being offered are not blind pool offerings;

(B) At least ten days before the offering date:

(i) The issuer certifies that the securities being offered will be offered and sold in compliance with the U.S. Securities Act of 1933 and the laws and regulations of those states in which the offers and sales will be made;

(ii) The issuer files as a notice filing one copy of any offering materials that may be required by the SEC or the laws and rules of those states in which the offers and sales will be made; and

(iii) The issuer submits a filing fee of two hundred dollars.

(C) Within ten working days of completion of the offering the issuer files a description of the actions taken as to compliance with the U.S. Securities Act of 1933 and the laws and rules of those states in which the offers and sales were made; and

(D) The transaction complies with any rule adopted by the commission further restricting the exemption created by this paragraph to prevent any fraudulent practices.

(20) Transactions involving offers or sales of one or more promissory notes directly secured by a first lien on a single parcel of real estate on which is located a dwelling or other residential or commercial structure and participation interest in those notes that are exempt under section 4(5) of the U.S. Securities Act of 1933;

(21) Offerings of securities of not more than one million dollars or the limit established under 17 Code of Federal Regulations section 230.504 as follows:

(A) An unlimited number of sophisticated purchasers may be involved.

(B) Written offering documents providing full and adequate disclosure of material facts must be provided to each purchaser.

(C) Advertising is not allowed without a waiver from the director.

(D) The sum of the following amounts may not exceed the greater of one million dollars or the limit established under 17 Code of Federal Regulations section 230.504:

(i) The dollar value for the amount of securities being offered.

(ii) The aggregate offering price of all securities of the issuer sold within the twelve months before the date of the offering; and

(iii) The aggregate offering price of all securities of the issuer sold during the course of the offering if the securities were sold in reliance on 15 United States Code section 77c(b) or in violation of 15 United States Code section 77e(a).

(E) Provisions on offerings to sophisticated purchasers are as follows:

(i) An offering to sophisticated purchasers under this section allows sales to either an accredited investor as defined in 17 Code of Federal Regulations section 230.501 or a person, acting alone or with a purchaser representative, who the dealer reasonably believes has the knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of the proposed investment. The dealer must reasonably believe that the person has knowledge and experience before a person becomes a purchaser.

(ii) The issuer shall display the following notice on the cover page of the disclosure document in a conspicuous manner in at least twelve-point boldface type:

In making an investment decision, investors shall rely on their own examination of the issuer and the terms of the offering, including the merits and risks involved. These securities have not been recommended by any federal or state securities commission or division or regulatory authority.



Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense. These securities are subject to restrictions on transferability and resale and may not be transferred or resold, except as allowed by 17 Code of Federal Regulations and applicable state securities laws, pursuant to registration or exemption from registration. Investors must be aware that they are required to bear the financial risks of this investment for an indefinite period of time.

(F) One copy of the notice on form D filed with the SEC is filed with the commission not later than fifteen calendar days after the first sale of securities in or from this state.

(G) An offering to purchasers under this section allows all of the following:

(i) Sales to be made only by a dealer who is not the issuer and who is registered in this state;

(ii) The dealer to conduct the sales if the dealer reasonably believes that adequate diligence and review have been applied in connection with the offering and the dealer adequately determines the suitability of the offering to a purchaser; and

(iii) Sales if the dealer reasonably believes that the security is suitable for the purchaser after reasonable inquiry concerning the purchaser's investment objectives, financial situation and needs and after consideration of any other information known by the dealer.

(H) The exemption may not be used if an issuer or person affiliated with the issuer or offering is subject to disqualification pursuant to any of the following:

(i) This chapter;



(ii) A rule or order of the commission;

(iii) The U.S. Securities Act of 1933 (15 United States Code section 77c(a)(11)); or

(iv) The U.S. Securities Act of 1933, 17 Code of Federal Regulations section 230.262.

(I) The commission may set aside disqualification if:

(i) On a showing of good cause and without prejudice to any other action by the commission, the commission determines that it is not necessary that an exemption be denied under the circumstances; and

(ii) The issuer establishes that it made a factual inquiry into whether any disqualification existed under subdivision (h) of this paragraph but did not know and could not have known with the exercise of reasonable care that a disqualification existed. The nature and scope of the requisite inquiry will vary based on the circumstances of the subject issuer and the other offering participants.

(22) Transactions involving an intrastate offering, including crowdfunding or virtual coin offerings, if all of the following conditions are met:

(A) The issuer is authorized to do business in this state;

(B) The transaction meets the requirements of the federal exemption for intrastate offerings under 15 United States Code section 77c(a)(11) or 17 Code of Federal Regulations section 230.147 or 230.147A, or any subsequently amended or expanded versions of those sections. For the purposes of this chapter, a corporation, partnership, trust or other form of business organization is not deemed to be organized for the specific purpose of acquiring

securities offered under 17 Code of Federal Regulations section 230.147 or 230.147A if the corporation, partnership, trust or other form of business organization either:

(i) Was created before January 1, [YEAR LEGISLATION IS ENACTED]; or

(ii) Invests ninety-five percent or less of its investable assets in offerings authorized by this chapter.

(C) The issuer obtains from each prospective purchaser evidence that the prospective purchaser is a resident of this state and, if applicable, is an accredited investor. A prospective purchaser's residence shall be determined in accordance with 17 Code of Federal Regulations section 230.147(d) or 230.147A(d). If the purchaser is an entity, an affirmative representation made by the entity that the entity is a resident of this state is sufficient evidence that the entity is a resident of this state if the entity also submits proof that the entity is incorporated or organized in this state, is qualified as a resident pursuant to any of the categories identified in 17 Code of Federal Regulations section 230.147(c)(1) or 230.147A(c)(1) or uses an internet protocol address originating from this state to purchase the offering. If the purchaser is an individual, an affirmative representation made by the individual that the individual is a resident of this state is sufficient evidence that the individual is a resident of this state if the individual also submits proof of any of the following:

(i) The individual has a valid driver license or nonoperating identification license issued pursuant to [STATE LAW];

(ii) The individual is registered to vote in this state;

(iii) General property tax records show the individual owns and occupies property in this state as the individual's principal residence; or



(iv) The individual uses an internet protocol address originating from this state to purchase the offering.

(D) The issuer informs all purchasers that the securities have not been registered and that the securities are subject to the limitation on resales contained in either:

(i) 17 Code of Federal Regulations section 230.147(e), in the manner described in 17 Code of Federal Regulations section 230.147(f); or

(ii) 17 Code of Federal Regulations section 230.147A(e), in the manner described in 17 Code of Federal Regulations section 230.147A(f).

(E) Before an offer is made in reliance on this exemption, the issuer pays a filing fee to be prescribed by the director and files a notice with the director, in writing or in electronic form, that contains all of the following:

(i) The name of the issuer, including the issuer's type of entity and the address and telephone number of the issuer's principal office;

(ii) The intended use of the offering proceeds, including any amounts to be paid, as compensation or otherwise, to any owner, executive officer, director, managing member or other person occupying a similar status or performing similar functions on behalf of the issuer;

(iii) The identity of all persons who will be involved in the offer or sale of securities on behalf of the issuer;

(iv) The identity of each person that owns more than ten percent of the ownership interests of any class of securities of the issuer;

(v) The identity of the executive officers, directors and managing members of the issuer and any other individuals who occupy similar status or perform similar functions in the name of and on behalf of the issuer;

(vi) Notice that the issuer is claiming this exemption for the transaction; and

(vii) The name and location, whether physical or virtual of the bank, institution or other repository in which investor monies or proceeds, or both, from the offering will be deposited.

(F) If the information contained on the notice required in subdivision (E) of this paragraph becomes inaccurate for any reason, the issuer files an amendment in writing with the director within thirty days;

(G) All dollar-denominated monies received from investors are deposited into a bank or depository institution authorized to do business in this state, and all such monies are used in accordance with representations made to investors;

(H) The sum of all cash and other consideration to be received as a result of an offering under this exemption does not exceed five million dollars in a twelve-month period;

(I) The issuer and any persons affiliated with the issuer or offering are not subject to disqualification pursuant to this chapter, a rule or order of the director, 15 United States Code section 77c(a)(11) or 17 Code of Federal Regulations section 230.262. The director may set aside disqualification if both of the following apply:

(i) On a showing of good cause and without prejudice to any other action by the director, the director determines that it is not necessary that an exemption be denied under the circumstances; and

(ii) The issuer establishes that the issuer made a factual inquiry into whether any disqualification existed and did not know and could not have known in the exercise of reasonable care that a disqualification existed. The nature and scope of the requisite inquiry will vary based on the circumstances of the subject issuer and the other offering participants; and

(J) The issuer does not accept more than ten thousand dollars from any single purchaser unless the purchaser is an accredited investor under 17 Code of Federal Regulations section 230.501.

(b) Subsection (a), paragraph (11) of this section does not apply to either of the following:

(1) Sales by a dealer or salesman who is not registered in this state; or

(2) Solicited sales to or purchases from a resident of this state by a dealer who does not have, before the initial solicitation, a written new account form signed by the resident or a customer agreement signed by the resident and a previous sale or purchase of a security with the resident.

(c) The commission may by order revoke or suspend the exemption under subsection (a), paragraph (11) or (18) of this section with respect to any securities or the use of the exemption under subsection (a), paragraph (11) of this section by any dealer if it finds that the further sale in this state of the securities or by the dealer would work, or tend to work, a fraud or deceit on the purchaser.

(d) A purchaser engaging in an offering that complies with subsection (a), paragraph 22 of this section shall not be considered an underwriter, unless the purchaser purchases more than fifty percent of the securities or virtual coins offered for sale in the offering.

(e) The issuer and all other parties involved in an offering that complies with subsection (a), paragraph (22) of this section may agree that any controversy or claim arising out of or relating to the offering shall be resolved by private arbitration between the parties and the agreement shall be enforceable by the laws of this state.

(f) Notwithstanding any other provision of this chapter, the director may enter into agreements with federal, state or foreign regulators to allow securities issued or sold in this state to be sold in another jurisdiction and securities issued or sold in another jurisdiction to be issued or sold in this state.

(g) Except as provided in subsection (h) of this section, a person who facilitates the exchange of a virtual coin shall not be deemed to be a dealer or a person who otherwise deals in securities under this chapter and is not subject to this chapter or chapter 13 due to the exchanged virtual coin if both of the following are met:

(1) The person has a reasonable and good faith belief that the virtual coin subject to exchange does not meet the definition of a virtual coin offering under Section 1; and

(2) The person takes reasonably prompt action to terminate the person's facilitation of the exchange of the virtual coin after obtaining knowledge that the virtual coin meets the definition of a virtual coin offering under Section 1.

(h) [RELEVANT STATE SECTIONS ADDRESSING SECURITIES FRAUD] apply to a person described in subsection (g) of this section.

(i) The director may adopt rules based on 17 Code of Federal Regulations section 230.504 and revise the rules as necessary to keep them current with the federal law.