

**MICHIGAN CORPORATION & SECURITIES BUREAU**

**RELEASE NO. 93-3-S**

TO: ALL INTERESTED PARTIES

SUBJECT: SECTION 402(b)(8)

General Background

The question has arisen as to whether Section 402(b)(8) is applicable to savings and loan associations and credit unions. Section 402(b)(8) provides a transactional exemption for:

Any offer or sale to a bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, or the Government National Mortgage Association, pension or profit sharing trust, the assets of which are managed by an institutional manager, the treasurer of the state, other financial institution, broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity, or a lender approved by the Federal Housing Administration....  
[Emphasis added]

It is the opinion of the Bureau that the term "other financial institution" includes both savings and loan associations and credit unions. The justification for the inclusion of both of these entities within the exemption is that these organizations are sophisticated investors and, therefore, do not need the protection of a registration statement. Further, they are believed to have sufficient economic leverage, through their ability to refine a deal, to ensure that their questions are fully answered. See Joseph C. Long, Blue Sky Law, Sec. 504[1]. [Also, see Release No. 85-2 where the State Treasurer was included in Section 402(b)(8) for similar reasons.]

Action or Interpretation:

The Bureau will interpret the term "other financial institution" within Section 402(b)(8) as including both federal and state savings and loan associations and credit unions.

Authority:

Act 265 of 1964, Section 402(b)(8)

Signed by Carl L. Tyson, Director  
Corporation & Securities Bureau  
Dated: July 21, 1993