

MICHIGAN GEOSEARCH, INC.

Oil and Gas Exploration & Production Professionals

Oil & Gas Investment Vehicles & Entities

Many investors are uncertain about the differences in investment options such as public or private, may not understand the advantages of one investment structure over another and do not know how the industry is regulated. Hopefully, the following information will answer most of your questions.

Public Offerings

This type of vehicle includes stocks, derivatives and mutual funds—opportunities that are traded publicly. These transactions are strictly regulated (see Regulation and Oversight below), professionally administered by licensed dealers or brokers and are available only through official exchanges such as the New York Stock Exchange (NYSE).

Private Offerings

You may also choose to invest directly with a privately held oil and gas company. This approach is generally executed through a private placement in a *direct participation program*. Advantages to this type of vehicle include: avoidance of “middle man” costs; SEC registration is not required when securities are purchased as investment; and, profits are paid directly to investors for as long as the well is producing in accordance with the percentage invested.

Private Structures

Direct participation programs can be established through a variety of legal structures, including, but not limited to general partnerships, limited partnerships, limited liability companies (LLC), or joint ventures. MGI currently offers only Joint Venture Private Placements, because we believe that this structure works best for all parties involved.

A joint venture offers the best options for success, while providing participants with the greatest protection. Joint ventures are unlike most contractual relationships in that the participants are considered to be “partners.” As partners, they owe to each other a fiduciary duty, which requires certain standards of behavior. Each party is bound to complete disclosure, and must act in a manner that is not financially (or otherwise) detrimental to the other parties. These fiduciary obligations serve as a powerful safeguard by requiring that all information and financial benefits be shared.

Regulation and Oversight

The Securities and Exchange Commission (SEC) is the main enforcer of the United States’ securities laws. The commission provides oversight of the Financial Industry Regulatory Authority (FINRA) and the various Exchanges.

