

STATE SECURITIES EXEMPTIONS & LEGENDS

Whether you raise capital by selling equity or debt, the offering will be viewed as selling “securities”. Each securities offering must either be registered with federal (SEC) and state securities authorities and fall within an exemption from registration under federal and state law. This document is provided to help you comply with the most commonly used securities exemption, Regulation D. The three most common federal exemptions are known as Rules 504, 505 and 506.

Your offering will also need a state securities law exemption. Most states follow the federal exemption but require specific language to be used in the Private Placement Memorandum. Many states require the legend appear on the cover of the PPM. We have identified state specific language (where applicable) and provided additional information on each state's securities laws in this document. Make sure you consult with a state securities expert to ensure your offering complies with state law.

WE STRONGLY URGE YOU TO RETAIN A LOCAL SECURITIES LAWYER TO ENSURE THAT YOUR OFFERING COMPLIES WITH YOUR STATE'S BLUE SKY LAWS. THE BLUE SKY SECURITIES LAWS DIFFER AMONG THE STATES. DO NOT ASSUME THE LEGENDS BELOW WILL ENSURE COMPLIANCE WITH STATE SECURITIES LAWS.

ALABAMA:

Exemption: No more than 25 persons

Legend: Place on securities - stock certificate or promissory note:

"THE SECURITIES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED WITH NOR APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION NOR BY THE SECURITIES REGULATORY AUTHORITY OF ANY STATE AND SUCH REGISTRATION IS NOT CONTEMPLATED. THE SHARES REPRESENTED BY THIS CERTIFICATE MAY NOT BE TRANSFERRED IN WHOLE OR IN PART IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT OR AN OPINION OF COUNSEL SATISFACTORY TO THE CORPORATION THAT AN EXEMPTION FROM REGISTRATION IS AVAILABLE."

ALASKA:

Rule 504 & 505 Registration: Rule 504 & 505 offerings must be registered and have the following legend in a prominent place:

"IN MAKING AN INVESTMENT DECISION INVESTORS MUST 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 REGULATORY AUTHORITY. FURTHER-MORE, 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 PERMITTED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME."

Rule 506: Notice filing, no legend requirement.

ARIZONA:

Rules 504 & 505: Notice filing plus a legend:

"The outside front cover page of every disclosure document used in connection with the offer or sale of securities under A.R.S. §44-1846 shall contain a prominent legend in plain and concise language stating that the securities are exempt from registration under A.R.S. §44-1846, but that such exemption is not a finding by the Commission that the disclosure document is true or accurate or that the Commission has passed upon the merits or approved the securities."

Rule 506: Notice filing with a copy of the Form D.

Accredited Investor Legend:

A legend regarding resale restrictions shall be conspicuously set forth on the front of any certificate that represents a security issued or resold in accordance with this rule. Any certificate legend shall no longer be required on the termination of any resale restrictions in accordance with this Section or 12 months after the initial purchase from the issuer, whichever occurs first.

ARKANSAS:

Rules 504 & 505: No more than 35 within a 12 month period plus a legend:

"A representation that certificates to be issued will bear an appropriate restrictive legend, a copy of which shall be submitted with the proof of exemption."

Rule 506: Notice filing with a copy of Form D.

CALIFORNIA:

Rules 504, 505 & 506: Requires filing a copy of Form D and payment of a fee. The state Commissioner may impose the following transfer restriction:

"IT IS UNLAWFUL TO CONSUMMATE A SALE OR TRANSFER OF THIS SECURITY, OR ANY INTEREST THEREIN, OR TO RECEIVE ANY CONSIDERATION THEREFOR, WITHOUT THE PRIOR WRITTEN CONSENT OF THE COMMISSIONER OF CORPORATIONS OF THE STATE OF CALIFORNIA, EXCEPT AS PERMITTED IN THE COMMISSIONER'S RULES."

COLORADO:

Colorado exempts any transaction exempted under the federal 1933 Securities Act or an offer to no more than 20 people and sold to no more than 10 people. No legend requirement for 504, 505 and 506 exempt transactions.

CONNECTICUT:

504: "Boldly" on cover the following legend:

"THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE BANKING COMMISSIONER OF THE STATE OF CONNECTICUT NOR HAS THE COMMISSIONER PASSED UPON THE ACCURACY OR ADEQUACY OF THE OFFERING. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL."

505 & 506: No legend.

DELAWARE:

Exemption for no more than 25 "nonexcluded" purchasers in a 12 month period. No legend requirement.

DISTRICT OF COLUMBIA:

25 purchasers limit within 12 months. Notice filing with fee. No legend requirement.

FLORIDA:

35 purchasers within 12 months exemption with the following legend on the cover:

FOR FLORIDA RESIDENTS: THE UNITS REFERRED TO HEREIN WILL BE SOLD TO, AND ACQUIRED BY, THE HOLDER IN A TRANSACTION EXEMPT UNDER SECTION 517.061 OF THE FLORIDA SECURITIES ACT. IN ADDITION, ALL FLORIDA RESIDENTS SHALL HAVE THE PRIVILEGE OF VOIDING A PURCHASE WITHIN THREE (3) DAYS AFTER THE FIRST TENDER OF CONSIDERATION IS MADE BY SUCH PURCHASER TO THE ISSUER. AN AGENT OF THE ISSUER, OR AN ESCROW AGENT OR WITHIN THREE DAYS AFTER THE AVAILABILITY OF THAT PRIVILEGE IS COMMUNICATED TO SUCH PURCHASER, WHICHEVER OCCURS LATER.

An issuer who sells securities on its own behalf must have the following legend on the front page:

"THE SECURITIES BEING OFFERED HAVE NOT BEEN REGISTERED WITH THE FLORIDA Office of Financial Regulation.

Rule 506: Sales must be through a registered dealer.

GEORGIA:

15 purchasers within a 12 month period exemption with the following legend on the certificate:

"THESE SECURITIES HAVE BEEN ISSUED OR SOLD IN RELIANCE ON PARAGRAPH (13) OF CODE SECTION 10-5-9 OF THE 'GEORGIA SECURITIES ACT OF 1973,' AND MAY NOT BE SOLD OR TRANSFERRED EXCEPT IN A TRANSACTION WHICH IS EXEMPT UNDER SUCH ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION UNDER SUCH ACT."

Rule 506: No legend requirement.

HAWAII:

25 purchasers within 12 month period exemption. No legend requirement.

IDAHO:

10 purchasers within 12 month period exemption. No legend requirement.

ILLINOIS:

35 Illinois resident purchasers within 12 month period exemption with a notice requirement to state authorities. No legend requirement.

INDIANA:

25 purchasers within a 12 month period. No legend requirement.

IOWA:

35 purchasers within 12 month period. No legend requirement.

KANSAS:

25 purchasers within a 12 month period. No legend requirement.

KENTUCKY:

Rules 504 & 505: Exempt but must have a legend that “on the certificate or other document that evidences the security stating that the security has not been registered under KRS Chapter 292, and setting forth or referring to the restrictions on transferability and sale of security.”

Rule 506: Exempt with no legend requirement.

LOUISIANA:

Exemptions for Rules 505 and 506 and no more than 35 purchasers within 12 months. No legend requirement.

MAINE:

No more than 25 purchasers within a 12 month period with the following legend:

“the issuer provides a copy of the notification of exemption to each offeree of securities sold in reliance on this exemption, which must contain such legends as the administrator prescribes, notifying the offeree that the securities have not been registered with the administrator, that they may be considered restricted securities and that the issuer is under an obligation to make a reasonable finding that the securities are a suitable investment for the offeree.”

Rule 506 transactions are exempt.

MARYLAND:

35 purchasers within 12 month period exemption but this exemption does not apply to Rule 505 and 506 offerings. A legend on the certificate is required as follows:

“THE SECURITIES REPRESENTED BY THIS CERTIFICATE [OR OTHER DOCUMENT] HAVE BEEN ISSUED PURSUANT TO A CLAIM OF EXEMPTION FROM THE REGISTRATION PROVISIONS OF FEDERAL AND STATE SECURITIES LAWS AND MAY NOT BE SOLD OR TRANSFERRED WITHOUT COMPLIANCE WITH THE REGISTRATION PROVISIONS OF APPLICABLE

Rule 506: Notice filing and sales through a registered broker-dealer. No legend requirement.

MASSACHUSETTS:

Offers to no more than 25 persons within a 12 month period. No legend requirement.

MICHIGAN:

Sales to not more than 35 persons within Michigan within a 12 month period with a legend "*on the certificate or other document evidencing the securities stating that the securities have not been registered under the act and setting forth or referring to the restrictions on transferability and sale of the securities.*"

MINNESOTA:

35 purchasers within a 12 month period with the following legend:

"THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE MINNESOTA DEPARTMENT OF COMMERCE NOR HAS THE DIVISION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE."

MISSISSIPPI:

No more than 10 sales to residents of Mississippi within a 12 month period with the following legend:

"IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE PERSON OR ENTITY CREATING THE SECURITIES 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 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 GENERALLY NOT BE TRANSFERRED OR RESOLD FOR A PERIOD OF ONE (1) YEAR. INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME."

MISSOURI:

No more than 25 purchasers within a 12 month period. No legend requirement.

Rule 506: Notice filing to state authorities.

MONTANA:

No more than 25 purchasers within a 12 month period. No legend requirement.

NEBRASKA:

No more than 15 purchasers within a 12 month period. No legend requirement.

NEVADA:

No more than 25 purchasers. No legend requirement.

NEW HAMPSHIRE:

No more than 10 purchasers within a 12 month period and no more than 25 purchasers during the issuers existence and the following legend within the first five pages of the PPM in boldface 12 point font:

"NEITHER THE FACT THAT A REGISTRATON STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER THIS CHAPTER WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER THE FACT THAT AN EXEMPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF OR RECOMMENDED OR GIVEN APPROVAL TO ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH."

Rule 505: Use the legend described above.

Rule 506: No legend requirement.

NEW JERSEY:

35 New Jersey residents within a 12 month period. No legend requirement.

Rule 506: Notice filing with a copy of the PPM to state authorities.

NEW MEXICO:

10 purchasers within a 12 month period. No legend requirement.

Rule 504, 505 & 506: Exempt with the following legend on the cover of the PPM:

“THIS PRIVATE OFFERING MEMORANDUM HAS NOT BEEN REVIEWED BY THE ATTORNEY GENERAL PRIOR TO ITS ISSUANCE AND USE. THE ATTORNEY GENERAL OF THE STATE OF NEW YORK HAS NOT PASSED ON OR ENDORSED THE MERITS OF THIS OFFERING. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.”

NORTH CAROLINA:

Rules 504 & 505 offerings are exempt but must have the following legend on the cover:

“THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.”

Rule 506: No legend requirement.

NORTH CAROLINA:

No more than 35 purchasers within a 12 month period with the following legend on the cover of the PPM:

“THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES COMMISSIONER OF THE STATE OF NORTH DAKOTA NOR HAS THE COMMISSIONER PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.”

OHIO:

Regulation D offering – Rules 504, 505 & 506 – are exempt and there is no legend requirement.

OKLAHOMA:

Regulation D offering – Rules 504, 505 & 506 – are exempt and there is no legend requirement.

OREGON:

10 purchasers within a 12 month period. No legend requirement.

Rule 506: Exempt with no legend requirement.

PENNSYLVANIA:

25 purchasers within a 12 month period with a legend: “*on the security restricting its transferability for 12 months after the date of purchase except in accordance with §204.011.*”

Rule 506: Need the legend described above.

PUERTO RICO:

No more than 10 purchasers within a 12 month period. No legend requirement.

Rule 506: Must file a “sales report”.

RHODE ISLAND:

25 purchasers within a 12 month period. No legend requirement.

Rule 506: No legend requirement.

SOUTH CAROLINA:

Rule 505: Must have the following legend “boldly”:

“THESE SECURITIES ARE OFFERED PURSUANT TO A CLAIM OF EXEMPTION UNDER ONE OR MORE SECURITIES ACTS. IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE PERSON OR ENTITY CREATING THE SECURITIES AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSIONER 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 PERMITTED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.”

Rule 506: No legend requirement.

SOUTH DAKOTA:

No more than 25 purchasers within a 12 month period with the following legend “boldly” on the cover of the PPM:

"NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ADEQUACY OF THE DISCLOSURE DOCUMENT OR PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE."; or (b) "NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF

THESE SECURITIES OR DETERMINED IF THIS DISCLOSURE DOCUMENT OR PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE."

Rule 506: No legend requirement.

TENNESSEE:

1. No more than 10 purchasers within a 12 month period. No legend requirement.
2. Rule 505: The following legend on the cover of the PPM:

IN MAKING AN INVESTMENT DECISION INVESTORS MUST 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 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 PERMITTED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISK OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

3. Rule 506: No legend requirement.

TEXAS:

15 purchasers within a 12 month period with a legend "on the certificate or other document evidencing the securities to the effect that the securities have not been registered under any securities law setting forth or referring to the restrictions on transferability and sale of the securities"

Rule 506: No legend requirement and no sales report requirement.

UTAH:

15 purchasers within a 12 month period. No legend requirement.

Rule 506: No legend requirement.

VERMONT:

1. Rule 505: File a request for an exemption, filing fee and PPM. Vermont recommends that issuers "include a legend in their offering memorandum or subscription agreement that notifies investors of their right to withdraw their acceptance of the offering within three (3) days after tender of consideration or after notification of this right."

2. Small Business Exemption: 50 purchasers within a 12 month period with an aggregate offering of no more than \$500,000 with the following legend:

"INVESTMENT IN THESE SECURITIES INVOLVES SIGNIFICANT RISKS AND IS SUITABLE ONLY FOR PERSONS WHO HAVE

NO NEED FOR IMMEDIATE LIQUIDITY IN THEIR INVESTMENT AND WHO CAN BEAR THE ECONOMIC RISK OF A LOSS OF THEIR ENTIRE INVESTMENT. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME, (ii) IN MAKING AN INVESTMENT DECISION INVESTORS MUST 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 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, (iii) THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE RANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1933 AND THE VERMONT SECURITIES ACT. PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM.”

3. Rule 506: No legend or filing requirement.

VIRGINIA:

35 purchasers within a 12 month period. No legend requirement.

Rule 506: No legend requirement.

WASHINGTON:

Rules 504 & 505: Must have a legend “on the certificate or other document that evidences the securities stating that the securities have not been registered under the Securities Act of 1933 and the Securities Act of Washington chapter 21.20 RCW and setting forth or referring to the restrictions on transferability and sale of the securities.”

Rule 506: No legend requirement.

WEST VIRGINIA:

10 purchasers within a 12 month period. No legend requirement.

Rule 506: No legend requirement.

WISCONSIN:

Rules 505 & 506: No legend requirement.

WYOMING:

No more than 15 purchasers within a 12 month period. No legend requirement.

Rule 506: No legend requirement. Must file information upon request of state authorities.

