

**STATEMENT OF POLICY REGARDING PROMOTERS' EQUITY
INVESTMENT**

Amended April 27, 1997, March 31, 2008 and September 11, 2016

I. INTRODUCTION

This statement of policy applies to all applications to register by coordination or by qualification.

This statement of policy does not apply to Tier 2 offerings of Section 17 CFR 230.251 through 230.263 of Regulation A under the Securities Act of 1933.

II. DEFINITIONS

This statement of policy uses the following terms defined in the NASAA *Statement of Policy Regarding Corporate Securities Definitions*:

Administrator
Promoter
Promoters' Equity Investment
Promotional Or Development Stage Company

III. PROMOTERS' EQUITY INVESTMENT

- A. The Administrator may require a Promotional Or Development Stage Company to demonstrate a Promoters' Equity Investment equal to or greater than:
1. Seven percent (7%) of the aggregate offering amount, for offerings of up to \$1 million;
 2. \$70,000 plus two and one-half percent (2.5%) of the next \$4 million of the aggregate offering amount, for offerings of up to \$5 million; or
 3. \$170,000 for offerings greater than \$5 million.
- B. The Administrator may accept any of the following as Promoters' Equity Investment:
1. Accumulated earned surplus not paid out in dividends;
 2. Goodwill, trademarks, intellectual property, copyrights and patents developed by a Promoter and contributed to the issuer;
 3. Documentation that specifies services rendered by a Promoter without compensation; or
 4. Documentation of any other non-cash contributions.
- C. The Administrator may deny the registration of a public offering with inadequate Promoters' Equity Investment.