

NEBRASKA ADMINISTRATIVE CODE

TITLE 48 - DEPARTMENT OF BANKING AND FINANCE

Chapter 30 - PREFERRED STOCK

001 - GENERAL

001.01 - This Rule has been promulgated pursuant to authority delegated to the Director in Section 8-1120(3) of the Securities Act of Nebraska ("Act").

001.02 - The Department has determined that this Rule relating to the public offering of preferred stock is consistent with investor protection and is in the public interest.

001.03 - The Director may, on a case by case basis, and with prior written notice to the affected persons, require adherence to additional standards or policies, as deemed necessary in the public interest.

001.04 - The definitions in 48 NAC 2 shall apply to the provisions of this Rule, unless otherwise specified.

002 - GROUNDS FOR DENIAL OF SECURITIES REGISTRATION RELATING TO PAYMENT ABILITY. The Director may deny the offer or sale of preferred stock based on the issuer's adjusted net earnings or a cash analysis. The issuer must have enough cash to pay the dividend, if any, on the preferred stock being offered, whether or not declared.

002.01 - The Director may deny the offer and sale of preferred stock if either the issuer's adjusted net earnings for its last fiscal year or the issuer's average adjusted net earnings for its last three fiscal years were insufficient to pay the issuer's:

002.01A - Fixed charges;

002.01B - Preferred stock dividends, whether or not accrued; and

002.01C - The redemption requirements, if any, of the preferred stock being offered to investors.

002.02 - The Director may deny the offer or sale of preferred stock unless the issuer's statement of cash flows shows that net cash provided by operating activities was positive for the issuer's last fiscal year.

002.02A - The Director may require the issuer to submit a financial statement that is presented in conformity with generally accepted accounting principles and demonstrates that the issuer had an average positive net cash provided by operating activities for the last three fiscal years.

002.03 - This Section shall not apply to public offerings of:

002.03A - Convertible preferred stock that ranks ahead of any convertible debt relating to payment of dividends, interest, and liquidation proceeds; or

~~002.03B~~ Preferred stock that is, or may be, legally or beneficially, directly or indirectly, owned by promoters.

~~003~~ ~~—~~ ~~GROUND~~ ~~S FOR DENIAL OF SECURITIES REGISTRATION RELATING TO SHAREHOLDER APPROVAL~~. The Director may deny the offer or sale of equity securities if the issuer's articles of incorporation authorize the board of directors to issue preferred stock without a vote by the common shareholders.

~~003.01~~ This Section shall not apply to public offerings if:

~~003.01A~~ The offering document states that the issuer will not offer preferred stock to promoters except on the same terms as it is offered to all other existing or new shareholders; or

~~003.01B~~ A majority of the issuer's independent directors that do not have an interest in the transaction:

~~003.01B1~~ Approve any offering of preferred stock; and

~~003.01B2~~ Have access, at the issuer's expense, to issuer's legal counsel or independent counsel.

~~004~~ ~~—~~ ~~DISCLOSURE REQUIREMENTS~~. The issuer's offering document relating to an offering of preferred stock must disclose:

~~004.01~~ Whether dividends on the preferred stock are cumulative;

~~004.02~~ The risks of failure to declare or pay dividends on the preferred stock; and

~~004.03~~ The equity characteristics of any convertible preferred stock being offered to investors.

~~005~~ ~~—~~ ~~WAIVER OF RULE~~. While applications not conforming to the standards contained herein shall be looked upon with disfavor, where good cause is shown, certain provisions of this Rule may be waived by the Director.