BEFORE THE
MARYLAND SECURITIES COMMISSIONER

IN THE MATTER OF:

MID-ATLANTIC REGIONAL REVIEW PROGRAM

and

SMALL CORPORATE OFFERING REGISTRATION (SCOR) REGULATIONS

ORDER

WHEREAS, the North American Securities Administrators Association (“NASAA”) developed the Small Corporate Offering Registration (“SCOR”) program in order to assist small issuers to raise investment capital; and

WHEREAS, on April 29, 1989, NASAA adopted the Form U-7 (Small Corporate Offering Registration Form) (“Form U-7”) as the general registration form for state registration of securities that are exempt from federal registration with the U.S. Securities and Exchange Commission (“SEC”) under SEC Regulation D, Rule 504; and

WHEREAS, the Maryland Division of Securities (the “Division”) adopted on May 9, 1994, Regulation .12 of Chapter .03 of the Maryland Blue Sky regulations, COMAR 02.02.03.12 (“Regulation .12”), permitting small corporate issuers to use SCOR and the Form U-7 to register securities offerings in Maryland by qualification under section 11-504 of the Maryland Securities Act, Corporations and Associations Article, Title 11, Annotated Code of Maryland (1993 Repl.
Vol. and 1998 Supp.) (“Act”); and

WHEREAS, issuers that file an application for registration under the SCOR program in Maryland also are likely to apply for registration in jurisdictions neighboring Maryland under the SCOR programs adopted in those jurisdictions; and

WHEREAS, regulations governing applications for registration of securities of small business issuers pursuant to SEC Regulation D, Rule 504, have been adopted formally or informally in jurisdictions neighboring Maryland, including Pennsylvania, Virginia, New Jersey, Delaware, and West Virginia; and

WHEREAS, on April 28, 1996, NASAA amended the Form U-7 to permit securities to be priced at US $1.00 per share, to permit participation by certain centrally-managed limited liability companies, and to expand the use of the Form U-7 to offerings qualified under SEC Regulation A or exempt under section 3(a)(11) of the federal Securities Act of 1933; and

WHEREAS, the Maryland Securities Commissioner (the “Commissioner”) has determined that it would streamline the process for the issuer if Maryland participated in a multi-state program under which an applicant for registration would receive a single comment letter coordinating the comments from the states in which the applicant filed a Form U-7 application; and

WHEREAS, the securities administrators of Maryland, Pennsylvania, West Virginia, Virginia, Delaware, and New Jersey (the “Participating Jurisdictions”) agreed upon a coordinated registration review procedure to be called the Mid-Atlantic Regional Review Program (“Regional Review”), and agreed upon a “Small Business Securities Offering Mid-Atlantic Regional Review Protocol”, “Addendum to Mid-Atlantic Regional Review Protocol”, and “Small Business Securities Offering Application For Mid-Atlantic Regional Review Form (MARRF)”, and agreed in principle to the procedures and standards by which issuers’ applications would be processed and
reviewed; and

WHEREAS, the Commissioner has determined that it is appropriate for the Division to participate in the Regional Review on an interim trial basis for the purpose of evaluating the Regional Review prior to the adoption of formal regulations; and

WHEREAS, in connection with its participation in the Regional Review, and in order to conform Regulation .12 with the requirements of other jurisdictions, the Commissioner determined that it is appropriate to adopt the April 28, 1996 amendments made by NASAA to the Form U-7 instructions and disclosure document; and

WHEREAS, the Commissioner has determined that both the modifications to Regulation .12 set forth in this Order and participation by Maryland in the Regional Review are consistent with the public interest and within the purposes fairly intended by the policy and provisions of the Act.

NOW, THEREFORE, IT IS HEREBY ORDERED, pursuant to the authority granted by sections 11-203 and 11-504 of the Act, that for purposes of application to register securities under SCOR or in coordination with SEC Regulation A in Maryland, where such securities are also to be registered in at least one other Participating Jurisdiction:

1. Maryland shall:

   (a) Participate in the Regional Review for small company issuers;

   (b) Be available to act as a “lead state” for the purpose of issuing and transmitting deficiency comments to issuers;

   (c) Act for the initial phase of the Regional Review as the “program administrator state”; and

   (d) Adhere to the procedures and forms agreed upon by the Participating
Jurisdictions.

2. The Form U-7, as amended and re-adopted by NASAA on April 28, 1996, shall be accepted as the Form U-7 referenced in Regulation .12.

3. The NASAA Statement of Policy Regarding Small Company Registrations and the NASAA Small Company Offering Registration (SCOR) Issuer’s Manual shall be accepted in lieu of the instructions to Form U-7 referenced in Regulation .12.

4. A centrally-managed limited liability company organized under the laws of one of the states or possessions of the United States, or one of the provinces of Canada, shall be accepted as a qualifying entity under Regulation .12.

5. Regulation .12 may be used by companies that otherwise meet the requirements of Regulation .12 and whose securities:
   (a) Have an offering price equal to or exceeding US $1.00 per share;
   (b) If options, warrants, or rights for common stock, have an exercise price equal to or exceeding US $1.00 per share; or
   (c) If convertible into common stock, have a conversion price equal to or exceeding US $1.00 per share.

6. The disqualification provisions contained in the NASAA Statement of Policy Regarding Small Company Registrations, parts IV A, B, and C, but not part D, shall be applied in lieu of the disqualification provisions of Regulation .12.

7. In order to utilize Regulation .12 under this Order, the issuer shall submit an undertaking, signed by an executive officer, to the effect that the issuer will not split its common stock, or declare a stock dividend, for at least two years after the effective date of the registration in Maryland, if the split or dividend would have
the effect of lowering the price below US $1.00 per share.

The Commissioner reserves the authority under section 11-203(a) of the Act to amend or rescind this Order.

DATE OF THIS ORDER: SO ORDERED:
May 18, 1999 /S/

Melanie Senter Lubin
Securities Commissioner