

**Sec. 36b-31-18a. Small corporate offering registration (SCOR)**

(a) For purposes of this section, “Small Corporate Offering Registration Form,” “SCOR” and “Form U-7” means the Small Corporate Offering Registration Form adopted by the North American Securities Administrators Association, Inc. on April 29, 1989 to facilitate the registration of offerings made pursuant to Securities and Exchange Commission Rule 504, 17 C.F.R. 230.504, promote uniformity in registration and maintain investor protection standards.

(b) For purposes of this section, “issuer” shall not include the following: (1) Any individual or form of business organization which is not a corporation; (2) any corporation not organized under the laws of any state, territory, or possession of the United States, the District of Columbia or Puerto Rico; (3) any person engaged in mining, petroleum exploration or production or other extractive industry business; (4) any person subject to the reporting requirements of Section 13 or Section 15 of the Securities Exchange Act of 1934, as amended; or (5) any investment company described in the Investment Company Act of 1940, as amended.

(c) A security may be registered by qualification using SCOR if all of the conditions in this section are met.

(d) The person filing the registration statement on SCOR shall be the issuer or one acting on behalf of the issuer, and shall not be (1) a selling security holder; (2) a purchasing underwriter in a firm commitment underwriting; or (3) any person otherwise seeking to register the securities for resale in a secondary distribution.

(e) The securities to be registered by means of SCOR shall only consist of debt securities or equity securities. In the case of common stock, the offering price shall equal or exceed \$5 per share, and if the securities to be registered consist of options, warrants or rights for common stock, such \$5 limitation on the price per share shall apply to the exercise price. Where the securities to be registered are convertible into common stock, the conversion price shall be at least \$5 per share.

(f) The issuer shall undertake, in conjunction with the SCOR registration, to refrain from splitting its common stock or declaring a stock dividend for two years following effectiveness of the SCOR registration under section 36b-18 (c) of the general statutes; provided that nothing in this subsection shall preclude the issuer from taking such action in connection with a subsequent registered public offering where the prior written consent of the commissioner is obtained.

(g) The offering to be registered by means of SCOR shall not be that of a “blank check company” as defined in section 36b-3 (17) of the general statutes or of any other issuer which cannot describe the specific business in which it will engage or the property to be acquired.

(h) The aggregate offering price, within or outside Connecticut, of the securities to be registered by means of SCOR shall not exceed \$1 million less the aggregate offering price for all securities sold within the 12 months prior to the commencement of, and during, the offering of the securities (1) under Securities and Exchange Commission Rule 504, 17 C.F.R. § 230.504; (2) in reliance on any exemption under Section 3 (b) of the Securities Act of 1933; or (3) in violation of Section 5 of the Securities Act of 1933.

(i) The registrant shall file with the commissioner as part of its SCOR application a copy

of Form D as filed with the United States Securities and Exchange Commission claiming exemption of the offering from registration under the Securities Act of 1933 pursuant to Rule 504 of Regulation D, 17 C.F.R. § 230.504. Such filing shall be made with the commissioner at the same time it is made with the United States Securities and Exchange Commission. The issuer shall also file an executed Form U-1, Form U-2, Form U-2A and the exhibits required by Form U-7, and shall include the fee required by section 36b-19 (b) of the general statutes.

(j) Registration by means of SCOR shall not be available for the securities of any issuer if the issuer or any of its officers, directors, 10 percent stockholders, promoters or any selling agents of the securities to be offered, or any officer, director or partner of the selling agent:

(1) Has filed a registration statement that is the subject of a currently effective registration stop order entered pursuant to the securities laws of any state within five years prior to the filing of the SCOR application for registration;

(2) Has been convicted within five years prior to the filing of the SCOR registration application of any felony or misdemeanor in connection with the offer, purchase or sale of any security, or any felony involving fraud or deceit, including, without limitation, forgery, embezzlement, obtaining money under false pretenses, larceny, and conspiracy to defraud;

(3) (A) Is currently subject to any state administrative enforcement order or judgment entered by the securities administrator of a state within five years prior to the filing of the SCOR application for registration or (B) is subject to any state administrative enforcement order or judgment in which fraud or deceit was found, including, but not limited to, making untrue statements of material fact and omitting to state material facts, and the order or judgment was entered or obtained by the state within five years prior to the filing of the SCOR application for registration;

(4) Is subject to any state administrative enforcement order or judgment prohibiting, denying or revoking the use of any exemption from registration in connection with the offer, purchase or sale of securities for which registration is sought by means of SCOR; or

(5) Is currently subject to any order, judgment or decree which (A) was entered within five years prior to the filing of the SCOR application for registration by any court of competent jurisdiction and (B) temporarily, preliminarily, or permanently restricts, restrains, or enjoins such party from engaging in or continuing any conduct or practice in connection with the purchase or sale of any security or involving the making of any false filing with any state.

(k) The prohibitions in subdivisions (1), (2), (3) and (5) of subsection (j) of this section shall not apply if the person subject to the disqualification is duly licensed or registered conduct securities-related business in the state where the administrative order or judgment was entered against such person or if the broker-dealer employing such party is licensed or registered in this state and the Form B-D filed with this state discloses such order, conviction, judgment or decree relating to such person. No person disqualified under subsection (j) of this section may act in a capacity other than that for which the person is licensed or registered.

(l) The commissioner may in his discretion waive any disqualification caused by subsection (j) of this section if the state securities administrator or agency of the state which created the basis for the disqualification determines, upon a showing of good cause, that it

is not necessary under the circumstances that registration be denied.

(m) If the proposed business of the issuer requires a minimum amount of proceeds to commence or proceed with the business in the manner proposed, there shall be established an escrow with a bank, savings and loan association or other similar depository institution acting as independent escrow agent with which shall be immediately deposited all proceeds received from investors until the minimum amount of proceeds has been raised. The date at which the funds shall be returned by the escrow agent if the minimum proceeds are not raised shall not be later than one year from the date of effectiveness of the SCOR registration in this state.

(n) The issuer shall prepare and file the following financial statements in connection with its SCOR application in lieu of the documents required by section 36b-18 (b) (16) of the general statutes:

(1) For the issuer and its consolidated subsidiaries, a balance sheet as of the end of the most recent fiscal year. If the issuer has been in existence for less than one fiscal year, the issuer shall file a balance sheet as of the date within 135 days of the filing of the SCOR registration statement in this state. If the first effective date of state registration, as set forth on the cover page of the SCOR application, is within 45 days following the end of the issuer's fiscal year and financial statements for the most recent fiscal year are not available, the balance sheet may be as of the end of the preceding fiscal year and shall include an additional balance sheet as of an interim date at least as current as the end of the issuer's third fiscal quarter of the most recently completed fiscal year;

(2) For the issuer, its consolidated subsidiaries and predecessors, statements of income and cash flow and statements of changes in stockholders' equity for the last fiscal year preceding the date of the most recent balance sheet filed pursuant to subdivision (1) of this subsection, or such shorter period as the issuer, including any predecessors, has been in existence;

(3) Statements of income and cash flow for any interim period between the latest reviewed or audited balance sheet and the date of the most recent interim balance sheet being filed;

(4) If, since the beginning of its last fiscal year, the issuer has acquired another business, the issuer shall file a pro forma combined balance sheet as of the end of the fiscal year. The issuer shall file a pro forma combined statement of income as if the acquisition had occurred at the beginning of the issuer's last fiscal year if any of the following apply: (A) The investments in, and advances to, the acquired business by the issuer and its subsidiaries, other than the acquired business, exceed 20 percent of the issuer's assets on its consolidated balance sheet at the end of the issuer's last fiscal year; (B) the proportionate share of the total assets, after intercompany elimination, of the acquired business held by the issuer and its subsidiaries, other than the acquired business, exceeds 20 percent of the assets on its consolidated balance sheet; or (C) the equity of the issuer and its subsidiaries, other than the acquired business, in income from continuing operations before income taxes, extraordinary items and cumulative effect of a change in accounting principles, of the acquired business exceeds 20 percent of such income of the issuer and its consolidated subsidiaries for the issuer's last fiscal year;

(5) Financial statements shall be prepared in accordance with generally accepted

accounting principles. If the issuer has not conducted significant operations, statements of receipts and disbursements shall be included in lieu of statements of income;

(6) Interim financial statements may be unaudited. All other financial statements shall be audited by independent certified public accountants; provided, that if each of the following conditions are met, such financial statements, in lieu of being audited, may be reviewed by independent certified public accountants in accordance with the Accounting and Review Service Standards promulgated by the American Institute of Certified Public Accountants: (A) The issuer shall not have previously sold securities by means of an offering involving the general solicitation of prospective investors by means of advertising, mass mailings, public meetings, "cold call" telephone solicitations or any other method directed towards the public; (B) the issuer shall not previously have been required under federal or state securities laws to provide audited financial statements in connection with any sale of its securities; (C) the aggregate amount of all previous sales of securities by the issuer, excluding debt financings with banks and similar commercial lenders, shall not exceed \$1 million; and (D) the amount of the present offering shall not exceed \$500,000; and

(7) Financial statements shall reflect all stock splits, including reverse stock splits, stock dividends and recapitalizations, even if they have occurred since the date of the financial statements.

(o) Once the Form U-7 is completed and filed, and the SCOR registration is declared effective by the commissioner pursuant to section 36b-18 (c) of the general statutes, the issuer shall send or give to each offeree of the security a copy of Form U-7, excluding instructions, which shall serve as the prospectus for purposes of section 36b-18 (d) of the general statutes and shall be provided to each offeree before or concurrently with (1) the first written offer made to him, otherwise than by means of a public advertisement, by or for the account of the issuer; (2) the confirmation of any sale made by or for the account of such person; (3) payment pursuant to any such sale; or (4) delivery of the security pursuant to any such sale, whichever first occurs.

(p) The issuer shall file, in conjunction with its SCOR application, a copy of any prospectus, pamphlet, circular, form letter, advertisement or other sales literature intended as of the effective date of the registration to be used in connection with the offering. Any written announcement of the offering shall contain no more than the following: (1) The name of the issuer; (2) a characterization of the issuer as indicated on the cover page of the SCOR registration statement; (3) the address and telephone number of the issuer; (4) a brief indication, in 10 words or less, of the business or proposed business, of the issuer; (5) the number and type of securities to be offered and the offering price per security; (6) the name, address and telephone number of any selling agent authorized to sell the securities; (7) a statement that the announcement does not constitute an offer to sell or solicitation of an offer to purchase and that any such offer shall be made by official prospectus or disclosure document; (8) how a copy of the prospectus or disclosure document may be obtained; (9) the issuer's corporate logo; and (10) clip and return coupons, if any, use of which would facilitate the provision of a copy of the prospectus or disclosure document to prospective purchasers.

(Effective August 22, 1994; Transferred July 3, 1995)