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# **THE UNIFORM LIMITED OFFERING REGISTRATION**

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**A Unique Financing Vehicle  
for Small Business**

**Arizona Corporation Commission  
Securities Division  
1300 W. Washington, 3rd Floor  
Phoenix, Arizona 85007  
(602) 542-4242**

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## WHAT ARE THE ADVANTAGES & DISADVANTAGES OF “GOING PUBLIC”

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### **Advantages:**

- ◆ Recognition of the company name, product and/or service will increase (new stockholders, securities analysts, the business press, and others want to learn more about you)
  - more interest means more business
  - increased awareness in the investor and banking communities should make future financings easier to obtain
- ◆ Access to capital, both equity and debt financing, will increase
  - An equity offering, from a lender's perspective, strengthens your financial condition (reduces leverage)
  - A successful offering develops your company's track record
  - The public is able to invest
- ◆ Ability to offer stock options and stock bonuses may help you attract and retain highly qualified personnel

### **Disadvantages:**

- ◆ Responsibility to inform shareholders and the general public on an annual basis about the company's operations and performance
- ◆ Ownership will be diluted
  - Decision-making may require shareholder approval
  - The possibility exists for less control by the original company founders

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## HOW DOES A SMALL COMPANY KNOW IF IT SHOULD "GO PUBLIC"

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- ◆ Management Attitudes
  - Are the founders willing to give up total ownership of the company?
- ◆ Additional Costs
  - Is management able to devote its time or to purchase outside experts to structure the offering and maintain the disclosure requirements?
- ◆ Management Team
  - Is the leadership, financial, marketing and operating expertise in place and will it foster investor confidence?
- ◆ Growth Potential: Sales, Income, Assets
  - Realistically, can the company offer a rate of return to investors that is equal to or greater than other investment alternatives?
- ◆ Value of Corporate Stock
  - Is management able to convince potential investors and/or broker/dealers that the percentage of stock for sale is priced correctly in relation to total corporate worth? For example, if 10% of the company is sold for \$1 million, is the total company worth \$10 million?

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## ADVANTAGES OF "GOING PUBLIC" WITH A ULOR FILING

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- ◆ Exemption from federal (SEC) registration.
- ◆ U-7 format is similar to a business plan.
- ◆ U-7 form is used as the registration statement and the investor prospectus.
- ◆ U-7 form follows a question and answer format designed to be drafted by management or its financial team. This should reduce legal fees.

- ◆ Offerings under \$500,000 are allowed to submit reviewed financial statements. This should reduce accountant fees.

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## HOW TO "GO PUBLIC" WITH A ULOR FILING

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### A. Eligibility:

All U.S. corporations may "go public" with a ULOR filing with certain exceptions. Specifically, the form may not be used:

- To register securities for resale on behalf of anyone other than the corporation, itself
- By partnerships
- By companies in the business of petroleum exploration or production, those engaged in mining or those in other extractive industries
- By "blind pool" offerings (as defined in A.R.S. § 44-1801)
- If the company, or any of the company's management or 10% or greater stockholders, have had certain past regulatory problems

Additionally, investment companies (mutual funds, etc.) may not use Form U-7, nor may public companies that report to the SEC under Sections 12 or 15(d) of the Securities Exchange Act of 1934.

### B. Technical Requirements:

- Up to \$1 million may be raised every 12 months
- The offering price must be at least \$1 per share
- The company may not split its stock or declare stock dividends for two years, except with the permission of the Securities Administrator

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**HOW TO "GO PUBLIC" WITH A ULOR FILING**

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**C. Procedural Steps:**

- ◆ Contact the Securities Division at 542-4242 for a U-7 form and instructions
- ◆ Review the U-7 form to determine if a small corporate offering is the best capital formation tool through which to raise funds for your company -- if yes;
  - Organize your team for answering the U-7 form (management, attorneys and/or accountants)
  - Consider who will value your stock and who will sell your stock (management and/or a broker/dealer)
  - Contact the Securities Division, Registration Section with questions or a request for a pre-filing conference
  - File the Form U-7 with the Registration Section
  - File the Form U-7 with the National Association of Securities Dealers (NASD), if your securities are to be sold by a registered broker dealer
  - Review process begins at the Securities Division, Registration Section. Structural issues of the offering are examined
  - Notification by the Securities Division as to registration of corporate offering
  - Notification by the National Association of Securities Dealers (NASD) as to approval of underwriters compensation
  - Form U-7 becomes the corporate prospectus
  - Sale of stock commences. Registration is valid for one year and may be extended upon reasonable request to the Securities Division
  - Submission of annual reports to the Arizona Corporation Commission, Securities Division; and securities-holders

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## **HOW TO SELL YOUR STOCKS OR BONDS THROUGH A ULOR REGISTRATION**

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### **Sales Through Company Officers:**

- Advertisements (Tombstone)
- Mailings
- Investor Meetings
- Press Releases
- Sales Efforts in Jurisdictions where registered or exempt

### **Sales Though A Commissioned Broker/Dealer:**

- Advertisements (Tombstone)
- Calls to Client Base
- Sales Efforts in Jurisdictions where registered or exempt
- Potential to Form Broker/Dealer Syndication to Sell

As of January, 1996, the Form U-7 may be utilized in all state jurisdictions under a specific ULOR statute, or in connection with registration by qualification, except for the following: Florida, Alabama, Hawaii, Nebraska, and the District of Columbia.

The Form U-7 may be utilized in these jurisdictions under a specific ULOR statute or in connection with registration by qualification.

Alaska  
Arizona  
\*Arkansas  
California  
Colorado  
Connecticut  
\*District of Columbia  
\*Florida  
Georgia  
Idaho  
Indiana  
Iowa  
Kansas  
Kentucky  
Louisiana  
Maine  
\*Maryland  
Massachusetts  
Michigan  
Minnesota  
Mississippi  
Missouri  
Montana  
Nevada  
New Hampshire  
New Jersey  
New York  
North Carolina  
North Dakota  
Ohio  
Oklahoma  
Oregon  
Pennsylvania  
Rhode Island  
South Carolina  
South Dakota  
Tennessee  
Texas  
Utah  
Vermont  
Virginia  
Washington State  
West Virginia  
Wisconsin  
Wyoming

\* These jurisdictions are in the process of adopting legislation or promulgating rules to permit the use of the Form U-7.