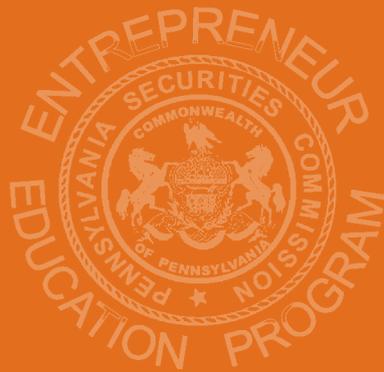


Commonwealth of Pennsylvania

Edward G. Rendell, Governor

Commissioners

Robert M. Lam | Thomas A. Michlovic | Steven D. Irwin

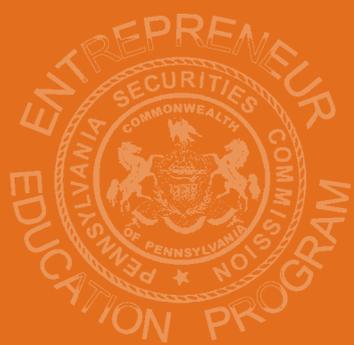


Pennsylvania Securities Commission
Eastgate Office Building, Second Floor
1010 North Seventh Street | Harrisburg, PA 17102-1410
P: 717-787-8062 | Toll-Free Number for PA Residents: 1-800-600-0007

Alternate formats of this document may be available upon request by calling 717-787-1165
TTY users via AT&T Relay Center: 1-800-654-5984

www.psc.state.pa.us

*This brochure is prepared for small business persons
through the Entrepreneur Education Program of the Pennsylvania Securities Commission.*



ENTREPRENEUR EDUCATION



START UP OR EXPAND YOUR BUSINESS

You've probably heard the adage, "it takes money to make money."

Businesses, no matter what size or nature, require capital to grow and succeed, whether that means raising money for a new product or service, expanding a facility, or entering a new market. As an entrepreneur, you have likely relied on your personal assets, and perhaps even taken loans against those assets, to start-up and expand your business.

There are other means of raising the financial resources necessary to grow a business. One of the most frequently used alternatives is selling "securities" — such as stocks, bonds or other forms of investment vehicles—in your company. Before engaging in such financing arrangements, however, you must be aware of state and federal laws governing the offer and sale of securities. These laws are complicated, and could impose significant penalties on those companies and individuals found in violation of their terms.



ENTREPRENEUR EDUCATION PROGRAM

The Entrepreneur Education Program (EEP), administered by the Pennsylvania Securities Commission (Securities Commission), is designed to educate the small business community concerning the laws governing the offer and sale of securities in the Commonwealth.

To that end, the twin goals of the EEP are:

- To educate the small business community (including professional groups with whom the small business person routinely comes into contact) about the various choices available to an entrepreneur seeking to raise funds through a securities offering, and
- To explain the proper manner for conducting a securities offering, placing special emphasis on the obligations to the public investor that a small business person undertakes when making a securities offering.

These goals are accomplished by producing and distributing written material to the small business community, holding regional seminars in conjunction with local chambers of commerce or academic institutions, and making Securities Commission personnel available to answer questions posed by small business persons. **The EEP DOES NOT provide grants, loans or any type of financing for small businesses.**



THE SECURITIES COMMISSION

The Securities Commission administers the Pennsylvania Securities Act of 1972 (Pennsylvania Securities Act). The Securities Commission is administered by three Commissioners who are appointed by the Governor with the advice and consent of the Senate. The three main Divisions of the Securities Commission are:

- **Division of Corporation Finance**, which reviews securities offerings proposed to be made in the Commonwealth;
- **Division of Licensing**, which reviews applications for licensure of persons who want to be employed in the securities brokerage business or provide investment advice to the public; and
- **Division of Enforcement, Litigation & Compliance**, which brings actions against violators of the Pennsylvania Securities Act.

The Securities Commission meets approximately every 10 business days to conduct business: considering applications to register securities, licensing persons to conduct securities business in the Commonwealth, and taking enforcement action against those who have violated the securities laws.



THE PENNSYLVANIA SECURITIES ACT

The Pennsylvania Securities Act, which was enacted in 1972, is designed to provide investors with information needed to make informed investment decisions and to protect the public from deceptive practices in connection with the offer and sale of securities.

The Pennsylvania Securities Act requires companies wishing to sell securities in the Commonwealth to “register” the securities with the Securities Commission. Registration is the process by which a company files with the Securities Commission all of the information required to be provided to prospective investors.

Because the registration process may be cumbersome and expensive, the Pennsylvania Securities Act contains a series of exemptions where, because of the nature of the security or the character of the transaction, a full registration process is not necessary for the public interest or to protect investors. Some exemptions are “self-executing,” meaning that no filing is necessary. For example, in certain instances, issuers may sell securities to no more than five Pennsylvania residents within six months of the issuer’s incorporation. Others require a filing with the Commission.

Further details of the registration process, and exemptions to registrations, are provided in separate pamphlets.



U.S. SECURITIES AND EXCHANGE COMMISSION AND OTHER STATE REGULATORS

The U.S. Securities and Exchange Commission (SEC) is the agency that administers the federal securities laws. These federal laws impose many of the same regulatory and disclosure requirements and contain many of the same exemptions as those found in the Pennsylvania Securities Act. The SEC maintains an Office of Small Business Policy within the SEC Division of Corporation Finance at 100 F Street, N.E., Washington, D.C. 20549, (202) 551-3460. The SEC also has a site on the Internet at www.sec.gov.

Additionally, issuers offering securities in more than one state should consult with each state's securities agency on applicable rules for conducting a securities offering in that state. It must be underscored that, in a multistate securities offering, compliance with the Pennsylvania Securities Act and regulations of the Pennsylvania Securities Commission **DOES NOT** constitute automatic compliance with the requirements of any other state. Addresses and telephone numbers of other state securities agencies may be obtained from the North American Securities Administrators Association, 750 First Street, N.E., Suite 1140, Washington, DC 20002, (202) 737-0900, or through its Internet site at www.nasaa.org.



WHY IS THIS PROGRAM IMPORTANT?

The Entrepreneur Education Program (EEP) is important because small business contributes to the economic development and well-being of the Commonwealth. It represents economic diversity, growth potential and job creation.

The Entrepreneur Education Program is intended to reach small business persons and the professionals who advise them and to teach the fundamental principles of the Securities Act. When used correctly, the provisions of the Act can assist companies to raise capital to further their business growth. Of course, undertaking a securities offering is a serious matter and may not be appropriate for every business. For some, however, it may provide a viable financing alternative.

If you are offering stock, you should realize that you are **PERMANENTLY** selling a part ownership in your company to other persons. If you issue a debt security (note, bond, debenture), you are obligating the company to pay a debt that is legally enforceable. In either situation, investors have certain legal rights and you will have to honor obligations to them, including providing annual financial reports and other information about the company.



AVAILABLE INFORMATION

It is the mission of the Entrepreneur Education Program to distribute clear, concise and accurate information on the proper method of raising funds from Pennsylvania investors through the issuance of securities. The Securities Commission seeks to foster the raising of capital in a manner which complies with the securities laws. For this purpose, brochures and other informative materials are continuously being prepared.

Although the Securities Commission endeavors to distribute information produced under the EEP to reference centers and offices frequently visited by small business persons, a call to the Securities Commission at (717) 787-8062 or toll free in Pennsylvania at 1-800-600-0007 will ensure that you receive all current publications. Alternatively, brochures can be obtained through the Securities Commission's website at www.psc.state.pa.us.

Representatives of prospective issuers should not be reluctant to contact staff for further assistance.



REMINDER

This brochure is meant to provide a general overview of the Entrepreneur Education Program. It should NOT be relied upon to ACTUALLY make a securities offering. Before attempting to sell securities, contact your attorney or call the Securities Commission for specific information.

BROCHURE INSERT

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will have a 1/4 inch capacity.

7 inches

5.75 inches

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will hold an 8.5 x 5.5 brochure and
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