WEST VIRGINIA SECURITIES COMMISSION

STATEMENT OF POLICY

Corporate Securities Definitions

November 13, 2008

The Securities Commissioner of the State of West Virginia has determined that this Statement of Policy regarding corporate securities definitions is consistent with public investor protection and is in the public interest. The Commissioner may waive any requirement of this Statement of Policy for good cause, as he may determine. The definitions herein apply to the use of the defined terms in all Statements of Policy issued by the Commissioner unless specifically stated otherwise within a Statement of Policy, or when the context clearly indicates otherwise.

Adjusted Net Earnings. The issuer's net earnings after charges for interest and dividends, adjusted on a pro forma basis to reflect: The elimination of any required charges for debt, debt securities, or preferred stock that are to be redeemed or retired from the proceeds derived from the public offering of preferred stock; the effect of any acquisitions or capital expenditures that were made by the issuer after its last fiscal year, or which are proposed or required to be made during the current fiscal year, which materially affect the issuer's net earnings; the effect of charges or dividends on debt, debt securities or preferred stock issued after the issuer's last fiscal year; the effect of any charges or dividends on debt, debt securities or preferred stock that were issued during the issuer's last fiscal year, but which were outstanding for only a portion of such fiscal year, calculated as if charges or dividends, such debt, debt securities or preferred stock had been outstanding for the entire fiscal year; and the effect of any other material changes to an issuer's future net earnings.

Affiliate. A person who, directly or indirectly, controls, is controlled by, or is under common control with the term "person" as defined herein.

Aggregate Revenues. The total amount of revenues, excluding interest and extraordinary items, a person has received within the last three consecutive fiscal years immediately preceding the public offering, plus revenues received during the period covered by any interim period financial information included in the prospectus.

Associate. When used to indicate a relationship with a person, this term includes: corporations or legal entities, other than the Issuer or majority-owned subsidiaries of the issuer, of which a person is an officer, director, partner, or a direct or indirect, legal or beneficial owner of five percent (5%) or more of any class of equity securities; trusts or other estates in which a person has a substantial beneficial interest or for which a person serves as a trustee or in a similar capacity; and a person's spouse and relatives, by blood or by marriage, if the person is a promoter of the issuer, its subsidiaries, its affiliates, or its parent.

Average Promotional Price. The average per share price paid for promotional shares and other shares issued prior to the public offering which are of the same class of shares being offered in the public offering as determined by reference to the audited financial statements of the issuer included in the prospectus.

Cash Analysis. The issuer's "Net Cash Provided By Operating Activities" as reflected on the Statement of Cash Flows and presented in conformity with generally accepted accounting principles. If debt securities are to be redeemed or retired from the proceeds from the public offering, a pro forma adjustment for the elimination of the related interest charges, net of applicable income taxes, must be made.

Control. The power to direct or influence the direction of the management or policies of a person, directly or indirectly, through the ownership of voting securities, by contract or otherwise.

Equity Securities. Shares of common stock or similar securities, convertible securities, and warrants, options or rights that may be converted into or exercised to purchase, shares of common stock or similar securities.

Escrow Agent. When utilized for the purpose of escrow, a financial institution whose principal place of business and domicile is in the United States or Canada, and is not affiliated with the Issuer, its promoters, or associates. A financial institution may not be disallowed to act as an Escrow Agent merely because the issuer, its promoters, or associates are customers thereof. An Escrow Agent may also include an attorney or certified public accountant that is not affiliated with the issuer, its promoters, or associates, is licensed to do business in the state in which they practice, and can demonstrate that they are adequately insured or can provide a fidelity bond.

Impoundment Agent. When utilized for the purpose of impoundment, a financial institution that is organized or chartered under the laws of a State or of the United States, authorized to receive deposits, and supervised and examined by an official or agency of a State or the United States if its deposits or share accounts are insured to the maximum amount authorized by statute by the Federal Deposit insurance Corporation, the National Credit Union Share Insurance Fund, or a successor authorized by federal law. This term does not include an insurance company or other organization primarily engaged in the business of insurance; a Morris Plan bank; or an industrial loan company that is not an "insured depository institution" as defined in Section 3(c)(2) of the Federal Deposit Insurance Act, 12 U.S.C. 1813(c)(2), or any successor federal statute.

Independent Director. A member of issuer's board of directors who: is not an officer or employee of the Issuer, its subsidiaries, or their affiliates or associates and has not been an officer, or employee of the issuer, its subsidiaries, or their affiliates or associates within the last two years; is not a promoter as defined herein with respect to the issuer; and does not have a material business or professional relationship with the issuer or any of its affiliates or associates. For purposes of determining whether or not a business or professional relationship is material, the gross revenue derived by the Independent Director from the issuer, its affiliates or associates shall be deemed material *per se* if it exceeds five percent (5%) of the Independent Director's annual gross revenue, derived from all sources, during either of the last two years, or net worth, on a fair market value basis.

Insolvent Person. A person as defined herein who has an accumulated deficit; has negative shareholder equity; is unable to satisfy current obligations as they come due; has negative cash flow; or has financial statements that include a footnote or explanatory paragraph in the auditor's report regarding the issuer's ability to continue as a going concern.

Lock-In Agreement. An agreement between an issuer and persons wherein those persons agree, as a condition of registration, not to sell, pledge, hypothecate, assign, grant any option for the sale of, or otherwise transfer or dispose of, whether or not for consideration, directly or indirectly, equity securities and all certificates representing stock dividends, stock splits, recapitalizations, and the like, that are granted to or received by the Security Holder for the period specified in the lock-in agreement.

Net Earnings. The issuer's after-tax earnings that are derived from its normal operations, exclusive of extraordinary and nonrecurring items, determined according to generally accepted accounting principles, consistently applied.

Person. An individual; private corporation; business trust; estate; trust; partnership; limited liability company; association; joint venture; government; governmental subdivision, agency or instrumentality; public corporation; or any other legal or commercial entity.

Promoter. A person who, alone or in conjunction with one or more person's, directly or indirectly, took the initiative in founding or organizing the issuer or controls the issuer; a person who, directly or indirectly, receives, as consideration for services and/or property rendered, five percent (5%) or more of any class of the issuer's equity securities or five percent (5%) or more of the proceeds from the sale of any class of the issuer's equity securities; a person who is an officer or director for the issuer; or anyone who legally or beneficially owns, directly or indirectly, five percent (5%) or more of any class of the issuer's equity securities; or person who is an affiliate or an associate of a person as defined herein. A promoter does not include a person who receives securities or proceeds solely as underwriting compensation if that person falls outside the definition of underwriter as defined herein; or an unaffiliated

institutional investor, who purchased the issuer's equity securities more than one year prior to the filing date of the issuer's registration statement. An unaffiliated institutional investor, who purchased the issuer's equity securities on an arm's-length basis within one year prior to the filing date of the issuer's registration statement may, at the Commissioner's discretion, be excluded from the definition of promoter.

Promoters' Equity Investment. The total of cash and tangible assets that has been contributed by the promoters to the issuer, provided that the value of the tangible assets is accepted by the Commissioner. Promoters contributions of intangible assets may be considered as promoters' equity investment, provided that the value thereof has been accepted by the Commissioner. Promoters' equity investment may be adjusted by the issuer's earned surplus immediately prior to the public offering.

Promotional or Development Stage Company. An issuer who is not listed on the New York Stock Exchange, the American Stock Exchange or the NASDAQ Global Market, or a securities exchange that the Securities and Exchange Commission determines under Section 18(b)(1) of the Securities Act of 1933 has substantially similar listing standards; or whose annual net earnings for each of the last two (2) consecutive fiscal years or whose average, annual net earnings for the last five (5) fiscal years prior to the public offering have been less than five percent (5%) of the aggregate public offering.

Promotional Shares. Equity securities that are to be issued or have been issued by an issuer, which is a promotional or development stage company, to promoters for cash or other consideration, including
service rendered, patents, copyrights, and other intangibles; or within three (3) years prior to the filing of the registration statement by an issuer, which is not a promotional or development stage company, to promoters for cash or other consideration, including services rendered, patents, copyrights and other intangibles.

Public Offering Price. The per share price at which a promotional or development stage company proposes to offer equity securities to the public.

Selling Expenses. The expenses directly or indirectly incurred in the sale of the registered securities, including, but not limited to, the following: commissions to underwriters or broker-dealers; non-accountable fees or expenses to be paid to the underwriters or broker-dealers; auditor's and accountant's fees; legal fees; the cost of printing the prospectus and any supporting documents required to comply with securities laws and regulations; charges of transfer agents, registrars, indenture trustees, escrow holders, depositories, engineers, appraisers, and other experts; the cost of authorizing and preparing the securities, including issue taxes and stamps, financial consulting and financial advisory agreements with an underwriter or any similar type agreement or fees, however designated, which shall be valued at actual cost, excluding financial and consulting agreements that are entered into at least twelve (12) months before the issuer files a registration statement with the Securities and Exchange Commission; payments made either six (6) months prior to or required to be made six (6) months following the public offering to investor relations firms that the underwriter designated; other cash expenses incurred in connection with the public offering of securities that the Commissioner determines; and expenses incurred in connection with bridge funding in the twelve (12) month period preceding a public offering of securities, including, but not limited to direct expenses attributable to the financing, including interest charges, underwriting and selling expenses, the value of warrants and options, and expenses attributable to the issuance of the securities that are not options, warrants, or convertible securities valued by subtracting the cost per share from the public offering price per share, multiplied by the number of securities issued, then multiplied by 100, and then divided by the aggregate public offering proceeds.

Unaffiliated Institutional Investor. Any of the following institutional entities that are not affiliated with the issuer: a depository institution or international banking institution; an insurance company; a separate account of an insurance company; an investment company as defined in the Investment Company Act of 1940; a broker-dealer registered under the Securities Exchange Act of 1934; an employee pension, profit-sharing, or benefit plan if the plan has total assets in excess of $10,000,000 or its investment decisions are made by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974, that is a broker-dealer registered under the

Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under laws of this State, a depository institution, or an insurance company; a plan established and maintained by a State, a political subdivision of a State, or an agency or instrumentality of a State or a political subdivision of a State for the benefit of its employees, if the plan has total assets in excess of $10,000,000 or its investment decisions are made by a duly designated public official or by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under this [Act], a depository institution, or an insurance company; a trust, if it has total assets in excess of $10,000,000, its trustee is a depository institution, and its participants are exclusively plans of the types identified herein or, regardless of the size of their assets, except a trust that includes as participants self-directed individual retirement accounts or similar self-directed plans; an organization described in Section 501(c)(3) of the Internal Revenue Code (26 U.S.C. Section 501(c)(3)), corporation, Massachusetts trust or similar business trust, limited liability company, or partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of $10,000,000; a small business investment company licensed by the Small Business Administration under Section 301(c) of the Small Business Investment Act of 1958 (15 U.S.C.Section 681(c)) with total assets in excess of $10,000,000; a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-2(a)(22)) with total assets in excess of $10,000,000; a federal covered investment adviser acting for its own account; a "qualified institutional buyer" as defined in Rule 144A(a)(1), other than Rule 144A(a)(1)(H), adopted under the Securities Act of 1933 (17 C.F.R. 230.144A); a "major U.S. institutional investor" as defined in Rule 15a-6(b)(4)(i) adopted under the Securities Exchange Act of 1934 (17 C.F.R. 240.15a-6); any other person, other than an individual, of institutional character with total assets in excess of $10,000,000 not organized for the specific purpose of evading the laws of this State; or any other person specified by rule adopted or order issued under the laws of this State.

Underwriter. Any person who has agreed with the Issuer or other person on whose behalf a distribution is to be made to purchase securities for distribution; to distribute securities for or on behalf of the Issuer or other person; or to manage or supervise a distribution of securities for or on behalf of the issuer or other person.

Underwriting Expenses. This term includes, but is not limited to: commissions to underwriters or broker-dealers; non-accountable fees or expenses paid to underwriters or broker-dealers; the value of the underwriter's warrants; rights of first refusal, to be valued at one percent (1%) of the public offering or the amount payable to the underwriter if the issuer terminates the right of first refusal; solicitation fees payable to the underwriter, to be valued at the lesser of actual cost or one percent (1%) of the public offering if the fees are payable within one year of the offering; financial consulting or financial advisory agreements with an underwriter or any other similar type of agreement or fees, however designated, to be valued at actual cost; underwriter's due diligence expenses; payments made either six (6) months prior to or required to be made six (6) months following the public offering to investor relations firms that the underwriter designated; and other underwriting expenses incurred in connection with the public offering of securities that the Commissioner determines.

Glen B. Gainer, III
State Auditor
Commissioner of Securities

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