

STATEMENT OF BASIS AND PURPOSE

Amendment to Chapter 3 of the Rules under the Colorado Securities Act
Colorado Division of Securities
October 3, 2008

Pursuant to the authority found in the Colorado Securities Act (“Act”), sections 11-51-101, et seq., C.R.S. (2008), including parts 3 and 7 of the Act, the Securities Commissioner adopts the amendment to Rule 51-3.7 on October 3, 2008.

The general purpose of the amendment promulgated on October 3, 2008 is to conform the rule to the current status of federal regulations of certain private placements. Rule 51-3.7 currently requires federal exempt offerings relying on Regulation D of sections 3(b) or 4(2) of the 1933 Act to file copies of their federal filings with the Colorado Securities Commissioner, pursuant to section 11-51-308, C.R.S. Beginning on September 16, 2008 and until March 15, 2009, the Securities and Exchange Commission (SEC) will allow issuers of securities that are exempt from registration under Regulation D to file electronically, on a voluntary basis. After March 15, 2009 all Regulation D offerings must be filed electronically with the SEC. Currently, the Colorado Securities Commissioner does not have the ability to receive electronic filings and must require paper filings until such time as new technology is acquired to facilitate the acceptance of electronic filings.

In order to eliminate the unnecessary filing of amendments to the Form D, the rule also provides specific situations when amendments are necessary, and specific situations when amendments are unnecessary, saving time and expense for the issuers.

The Securities Commissioner finds that the adoption of this permanent amendment to Rules 51-3.7 is necessary and appropriate in the public interest, and is consistent with the purposes and provisions of the Act. The Securities Commissioner further finds that the record demonstrates the need for this rule; the rule is clearly and simply stated; proper statutory authority exists for the rule, the rule does not conflict with any other rules or statutes governing the Division of Securities; and, the rule is coordinated with the federal acts and statutes and the rules and regulations promulgated thereunder to which references are made to the extent coordination with them is consistent with the purposes and provisions of the Act.

This general statement of basis and purpose is incorporated by reference in the rule adopted by the Securities Commissioner on October 3, 2008. The rule will become effective on December 1, 2008.

DATED this _____ day of October, 2008.

Fred J. Joseph
Securities Commissioner