

THE COMMISSIONER OF CORPORATIONS HEREBY ADOPTS
THE FOLLOWING CHANGES IN THE REGULATIONS UNDER THE
CORPORATE SECURITIES LAW OF 1968
AS SET FORTH IN CHAPTER 3, TITLE 10,
CALIFORNIA CODE OF REGULATIONS
EFFECTIVE: MAY 26, 2000

1. Amend Section 260.105.11 to read:

260.105.11. Securities of Foreign Issuers

(a) There is hereby exempted from the provisions of Section 25130 of the Code as not being comprehended within the purposes of the Corporate Securities Law of 1968 and the qualification of which is not necessary or appropriate in the public interest or for the protection of investors, any offer or sale of a security issued by any corporation organized under the laws of a foreign country or of a certificate of deposit, receipt or other evidence relating to such a security, provided one of the following conditions is met:

(1) The issuer is currently required to file with the Securities and Exchange Commission information and reports pursuant to Section 15(d) of the Securities Exchange Act of 1934 [*15 U.S.C. 78a et seq.*] and is not delinquent in such filing.

(2) (i) The security appears ~~in~~ on the most recent Federal Reserve Board List of Foreign Margin Stocks or (ii) the security is deemed by the Securities and Exchange Commission to have a “ready market” for purposes of Securities and Exchange Commission Rule 15c3-1 (17 C.F.R. 240.15c3-1). A broker-dealer may rely on written “no action” or interpretive letters issued by the Securities and Exchange Commission or its staff regarding the Securities and Exchange Commission’s “ready market” criteria.

(3) The issuer is not subject to the reporting requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934 and all of the following conditions are met:

(A) The issuer, including any predecessors, has been in continuous operation for at least 5 years and is a going concern actually engaged in business and neither in the organization stage nor in bankruptcy or receivership.

(B) The number of shares outstanding is at least 2.5 million worldwide and the number of shareholders is at least 5,000 worldwide.

(C) The market value of the outstanding shares, other than debt securities and preferred stock, is at least US\$100 million worldwide.

(D) The issuer, as of the date of its most recent financial statements, which may not be more than 18 months old and which have been audited in accordance with the generally accepted accounting principles of its country of domicile, has net tangible assets of at least US\$100 million worldwide.

(E) The issuer has net income after all charges, including taxes and extraordinary losses, and excluding extraordinary gains, or either:

1. At least US\$50 million in total for its last 3 fiscal years; or
2. At least US\$20 million in each of its last 2 fiscal years.

(F) If the security is a debt security or preferred stock, the issuer has not, during the past five years or during the period of its existence if shorter, defaulted in the payment of any dividend, principal, interest or sinking fund installment thereon.

(b) A broker-dealer may recommend to an investor a security which is exempted under this rule only where the broker-dealer can demonstrate that an adequate and reasonable basis exists for such recommendation.

(c) Except in the case of an unsponsored American Depositary Receipt ("ADR"), a broker-dealer initiating a quotation for a security which is exempted under this rule shall comply

with all of the requirements of Rule 15c2-11 [17 C.F.R. Sec. 240.15c2-11] of the Securities Exchange Act of 1934, except that a broker-dealer may not rely on the information set forth in paragraphs (2) and (4) of subsection (a) of that rule. A broker-dealer initiating a quotation in an unsponsored ADR exempted under this rule shall comply with all of the applicable requirements of Rule 15c2-11, including the exemptive provisions of subsection (f) of that rule.

Note: Authority cited: Sections 25105 and 25610, Corporations Code. Reference: Sections 25105 and 25130, Corporations Code.