

SECURITIES ACT POLICY STATEMENT - 06

RE: PROJECTIONS - POLICY ON USE IN REGISTRATIONS AND OTHER FILINGS

Question presented:

The Securities Administrator is often asked about the Securities Division's position with regard to the use of projections, estimates, forecasts, and other forward looking information ("projections") in connection with offerings filed for review by the Division.

Discussion:

In general the Division follows the Securities and Exchange Commission's position on projections set out in Regulation S - K. Management's good faith projection or assessment of future economic performance of the issuer is allowed if the projection has a reasonable basis and is presented in a format suitable to the Division. For there to be a reasonable basis for the projection the issuer should have a history of operations or management should have experience on which to base it. Start-up and development stage companies should not normally attempt to produce projections because of the lack of operating history and experience.

It is the experience of the Division that many of the projections filed with the Division are misleading. For example, some issuers fail to disclose the key assumptions on which they base the projections. Others make unreasonable assumptions especially with respect to the growth rate of income or expenses. Many attempt to predict operating results in the distant future when it is clear that even the current results cannot be reasonably predicted.

All projections should disclose the basis and limitations of the projection and warn the investor not to place undue reliance on the certainty of the projection. Issuers and underwriters should also be aware of their obligation to up-date or correct projections. For additional support of the projections, the Division recommends that management obtain outside review of them. Usually this involves the review of the projections by a certified public accountant.

Substantial effort and expense are required to produce adequate projections. Issuers are encouraged to discuss the use of projections with the Division prior to the filing of the offering.

Adopted: January 1, 1991; Amended: May 17, 1991

Replaces: N/A

Jack L. Beyers, Securities Administrator

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