

If you're looking for a way to raise capital for your printing business, you might want to look into the little-known Uniform Limited Offering Registration, or ULOR.

ULORs allow small companies with assets of \$5 million or less to sell up to \$1 million in stock. This process allows a company to sell stock and raise capital more cheaply and quickly than other traditional methods. Companies can then use the money to raise the additional cash they need to expand into new markets, pay off debt, or upgrade equipment.

According to Greg Toms, chief of registration for Washington state's securities division, a ULOR makes sense if your printing company would have to advertise to find investors and your business is not financially complex. But that doesn't mean that the process is easy, especially if your records are not up to date.

"If you have a hard time describing what your company does, what your product is, or who your customers are, or if you haven't really thought through your business plan carefully, the ULOR disclosure document can be very difficult to fill out accurately," says Toms.

Karen Silva, Arizona's assistant director for the securities division, agrees with Toms. "All of the information that is asked for in the ULOR application comes from the business plan," she says. "If someone has a good, precise business plan, they have a ULOR offering."

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Companies undergoing a ULOR must first fill out a disclosure document that has approximately 50 questions. The average length of a completed document can run 30 or more pages.

According to Silva, some of the biggest problems small companies such as printers have with ULORs is in disclosing critical information about how the company works, especially the financial statements and product information.

"The difficulty comes from a lack of understanding about what type of information needs to be disclosed to the public," she says. "Much of the time we spend on the ULOR process is educating business people about what needs to be disclosed to potential investors. Businesses have fears that someone is going to take their ideas, but this information has to be disclosed."

Silva adds, "And it's not just your income statement

and your balance sheet that has to be disclosed. What are your assets and liabilities? What are the prospects of your enterprise failing? Lawyers look for worst-case scenarios, and businesses need to be prepared for that."

If you think you might be interested in starting a ULOR, the costs in terms of money and time can run the gamut, depending on how much work you are willing to undertake yourself. According to Toms, the average ULOR can run \$15,000 to \$30,000 for accounting and legal fees. But, he says, some ULORs have been successfully completed for much less.

"If you choose to do it yourself, you can save yourself some money," he says. "We see the average company drafting the document themselves and then hiring security counsel to review and polish it."

Toms adds, "If you hire a law firm to review your material, it will be much cheaper than if you hire them to write the whole thing from scratch."

Garrett Vogel, senior vice president for Texas-based Code Rite, a company specializing in medical technology information, successfully completed a ULOR for non-financial reasons.

"We decided to undertake a ULOR as an exercise in corporate discipline," he says. "The kinds of questions they ask and the kind of information you have to gather helped us get our act together and do some soul-searching that otherwise might have gone undone."

Code Rite used its management team to draw up the ULOR documentation and saved thousands of dollars. They had all of their financial statements on file; they also had an underwriter and a practicing CPA on staff.

"Our president was former chief financial officer for Tyson Foods," Vogel says. "Between our expertise, we completed our ULOR with a total legal and accounting outlay of \$3,500. In a typical company, if they have the expertise, they probably wouldn't have the time. We had both."

Whether you have this kind of expertise on your staff or not, ULOR professionals stress the importance of having your company records in order and doing as much of

# Financing Through ULORs

by CYNTHIA SCANLON



the paperwork in-house as possible. The process must be carefully worked through.

Gordon Dutt, president of Sonoita Vineyards in Tucson, AZ, did not have as much success with his ULOR, which he partially attributes to not doing the paperwork himself.

"The winery was and still is doing excellent," Dutt says. "Our growth rate was 30 percent per year and had been for several years. However, by the time the lawyers got finished writing up the prospectus, you'd have thought the whole business was going broke. The things they were assuming were way out in left field, when the opposite was true."

Dutt had a law firm write up his disclosure document and estimates that it took nearly \$10,000 of his money and more than one year of his time. The winery and vineyard was trying to raise \$400,000, but sold only \$50,000 in stock.

Even though Dutt concedes he would have probably had more success if he had written the ULOR document himself, he has not been turned off from the process itself and even thinks he might eventually try another ULOR offering in the future.

If the uncertainty of a ULOR makes you uneasy, many securities divisions across the country are experimenting with something called "Testing the Waters." This allows issuers to advertise their offering to see if there are indications of interest before they have to file the entire ULOR package. You can fill out an abbreviated disclosure document on your printing business as a way to discover if a ULOR is worth pursuing before you spend the money for the full registration.

Despite these positives, ULORs are not without their problems. One of the biggest difficulties they face right now is the limited means for investors to sell back their stocks. ULORs aren't big enough to attract traditional brokerage firms, so most companies resort to selling on their own. "Some sell better than others, and some company officers are willing to spend more time than others," says Toms.

But the Securities and Exchange Commission has approved a plan for the Pacific Stock Exchange to make an auction market in ULOR shares, and several Western states are pooling their efforts to speed review of filings, which securities divisions find promising.

Despite some of the drawbacks, Toms says many ULORs are successful due, in some part, to the management teams of companies having a strong rapport with their clients and customers who become potential investors.

"Many people buy into small offerings because of the personalities involved," he says. "They think, 'These people are good, they are going to do well.'"

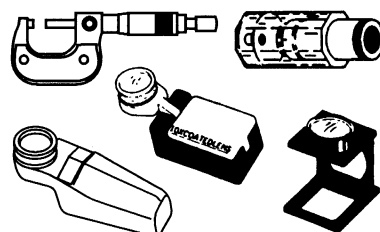
Toms cites one company that sold alternative energy products through a mail-order catalog and decided to present their stock offering to their customers through the catalog as well. "These were people that really believed in their product," says Toms. "And it worked very well for them. So customers can make good potential investors."

If a ULOR seems like the answer to some of your company's challenges, do your homework before starting the process. Make sure your business plan and financial statements are concise and up-to-date. Ask yourself if you want to spend a little money and a lot of time to raise the capital you need. If you do, call the securities division in your state to see if a ULOR is available. Currently, 41 states have ULOR options. Then, as Karen Silva suggests, "Go to the securities division to get help. The people there will answer any questions and will guide you through the process." ●

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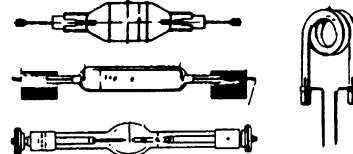
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