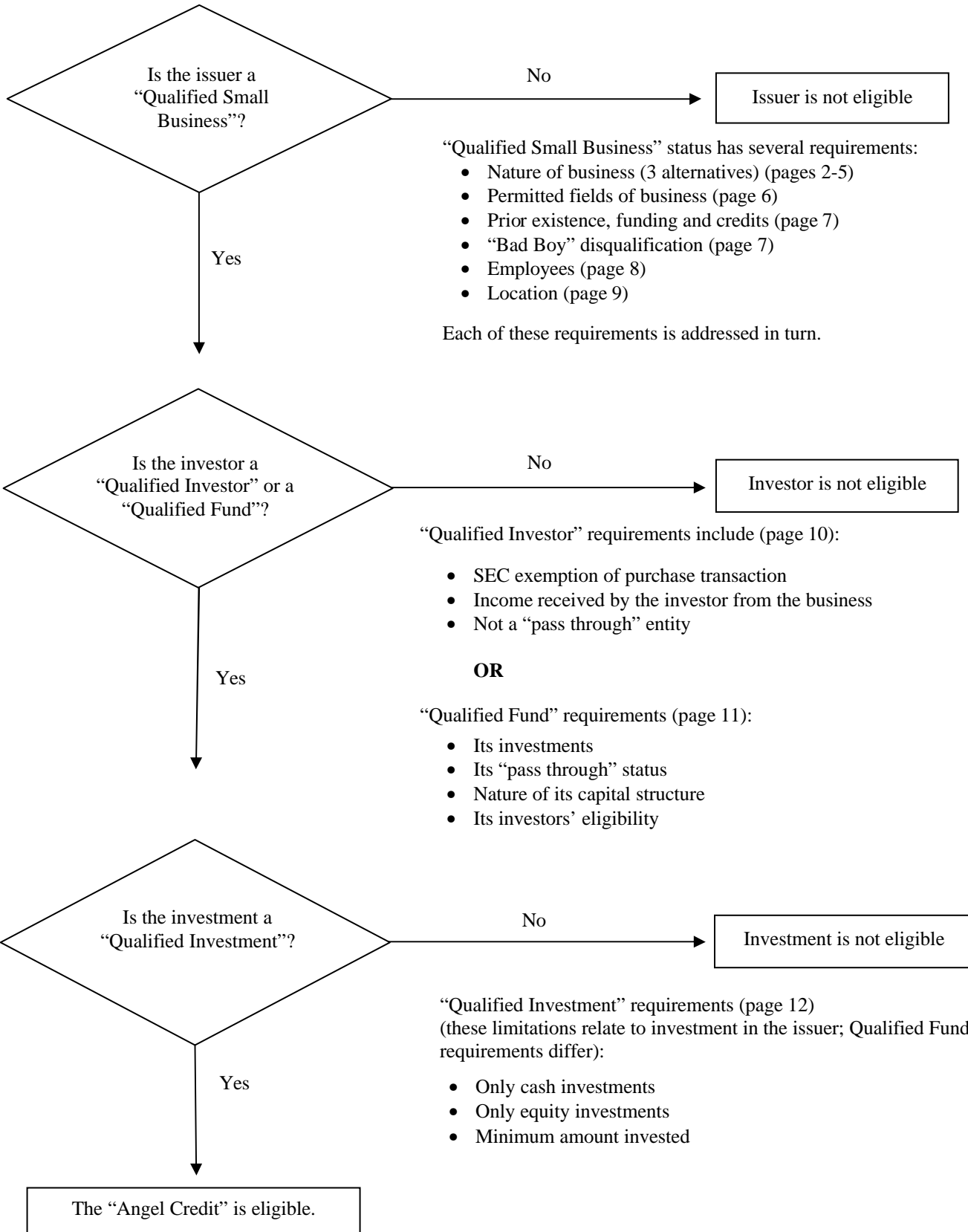


# ELIGIBILITY FOR MINNESOTA SMALL BUSINESS (“ANGEL”) TAX CREDIT

(As signed into law on April 1, 2010).

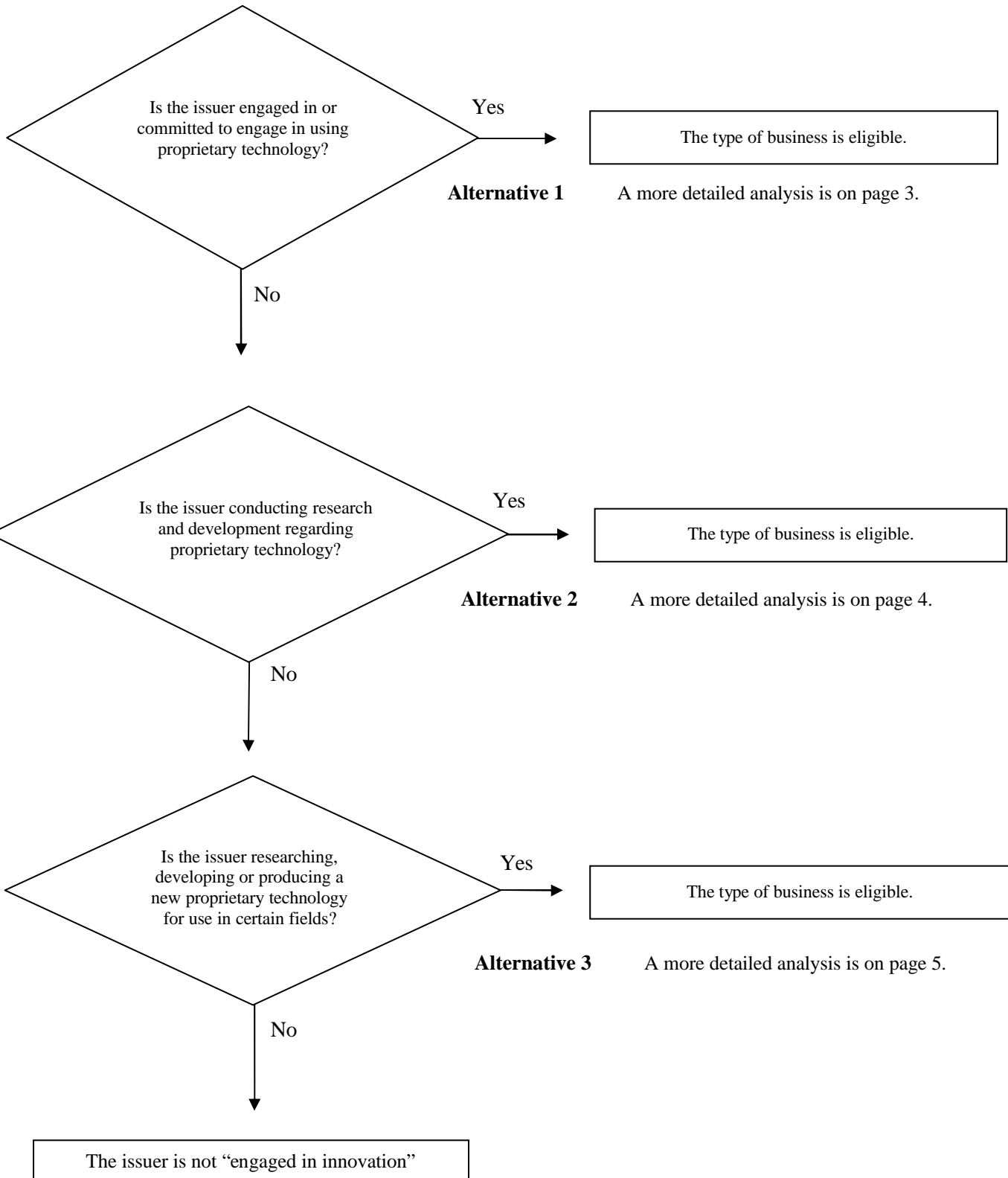
Will this credit be available for investors in your business? Answer these questions to find out.



## NATURE OF BUSINESS (THREE ALTERNATIVES)

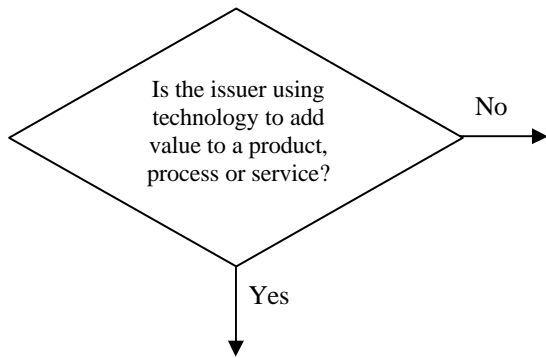
The issuer must be “engaged in, or committed to engage in, innovation in Minnesota.” There are three alternative types of business that qualify. Each is addressed on a separate page.

The issuer must satisfy **only one**.

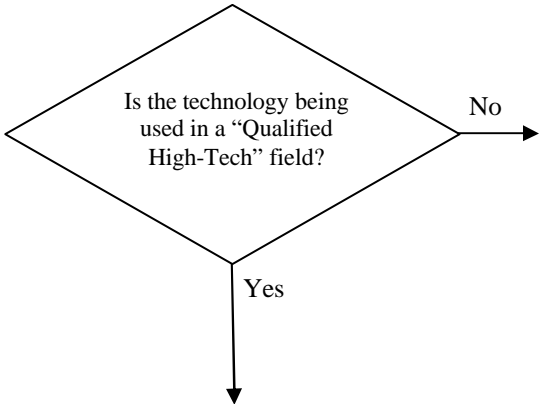


### NATURE OF BUSINESS (ALTERNATIVE 1 OF 3)

The issuer is “engaged in innovation” by using proprietary technology to add value to a product, process, or service in a qualified high technology field.



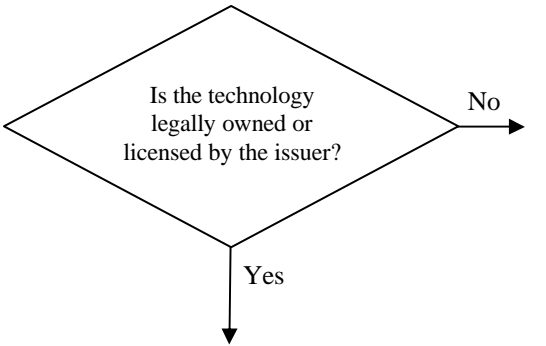
Alternative 1 not satisfied. Try Alternatives 2 or 3.



Alternative 1 not satisfied. Try Alternatives 2 or 3.

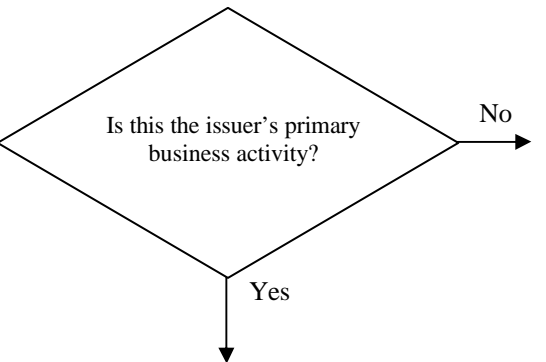
“Qualified High-Tech Fields” are listed (same as Alternative 2):

- Aerospace
- Agricultural processing
- Renewable energy
- Energy efficiency and conservation
- Environmental engineering
- Food technology
- Cellulosic ethanol
- Information technology
- Materials science technology
- Nanotechnology
- Telecommunications
- Biotechnology
- Medical device products
- Pharmaceuticals
- Diagnostics
- Biologicals
- Chemistry
- Veterinary science
- Similar fields (not defined)



Alternative 1 not satisfied. Try Alternatives 2 or 3.

This includes, without limitation, technology which is patented, patent pending, subject of trade secrets or copyrighted.



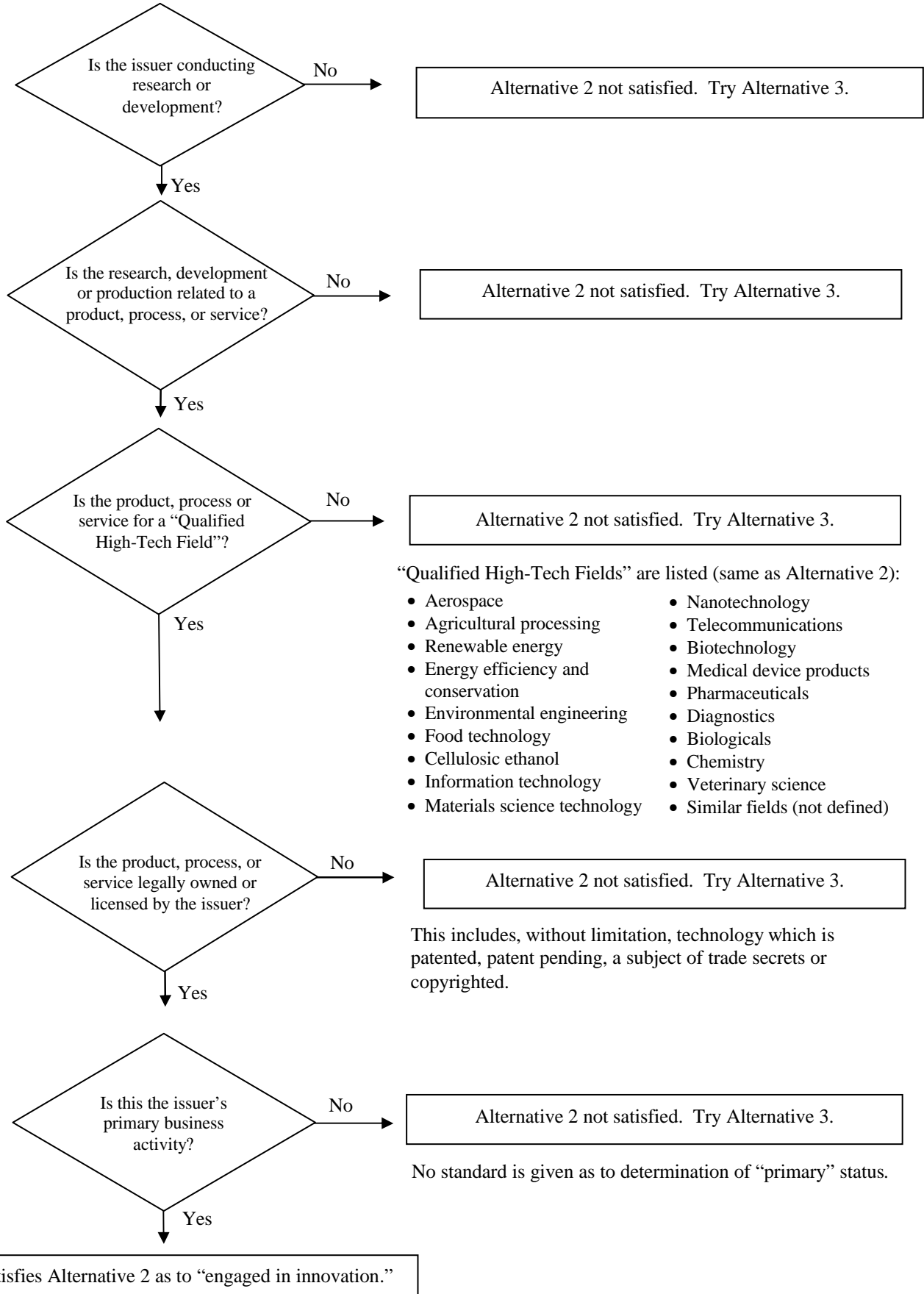
Alternative 1 not satisfied. Try Alternatives 2 or 3.

No standard is given as to determination of “primary” status.

Issuer satisfies Alternative 1 as to “engaged in innovation”

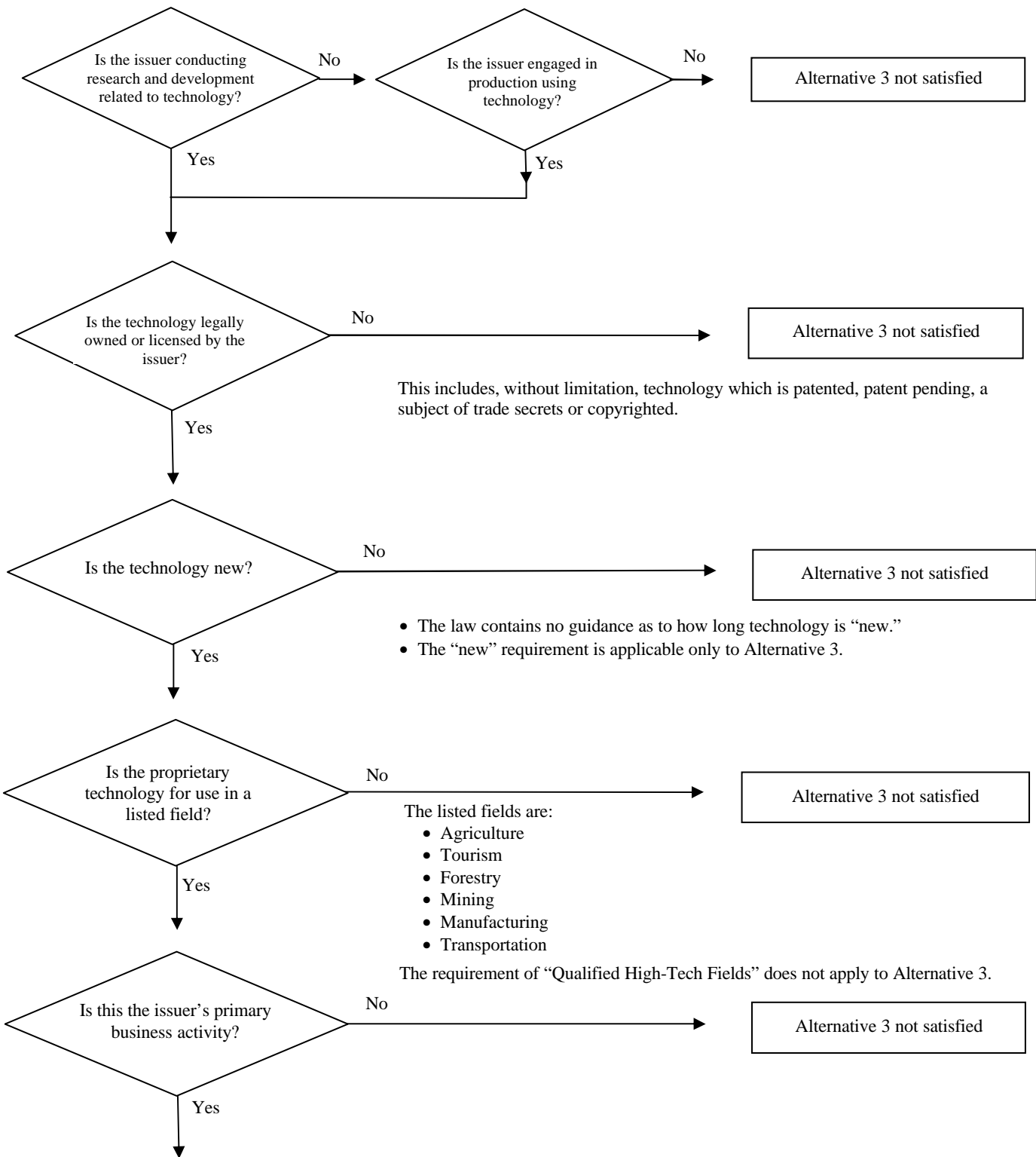
## NATURE OF BUSINESS (ALTERNATIVE 2 OF 3)

*The issuer is “engaged in innovation” by researching or developing a proprietary product, process or service in a qualified high-technology field.*



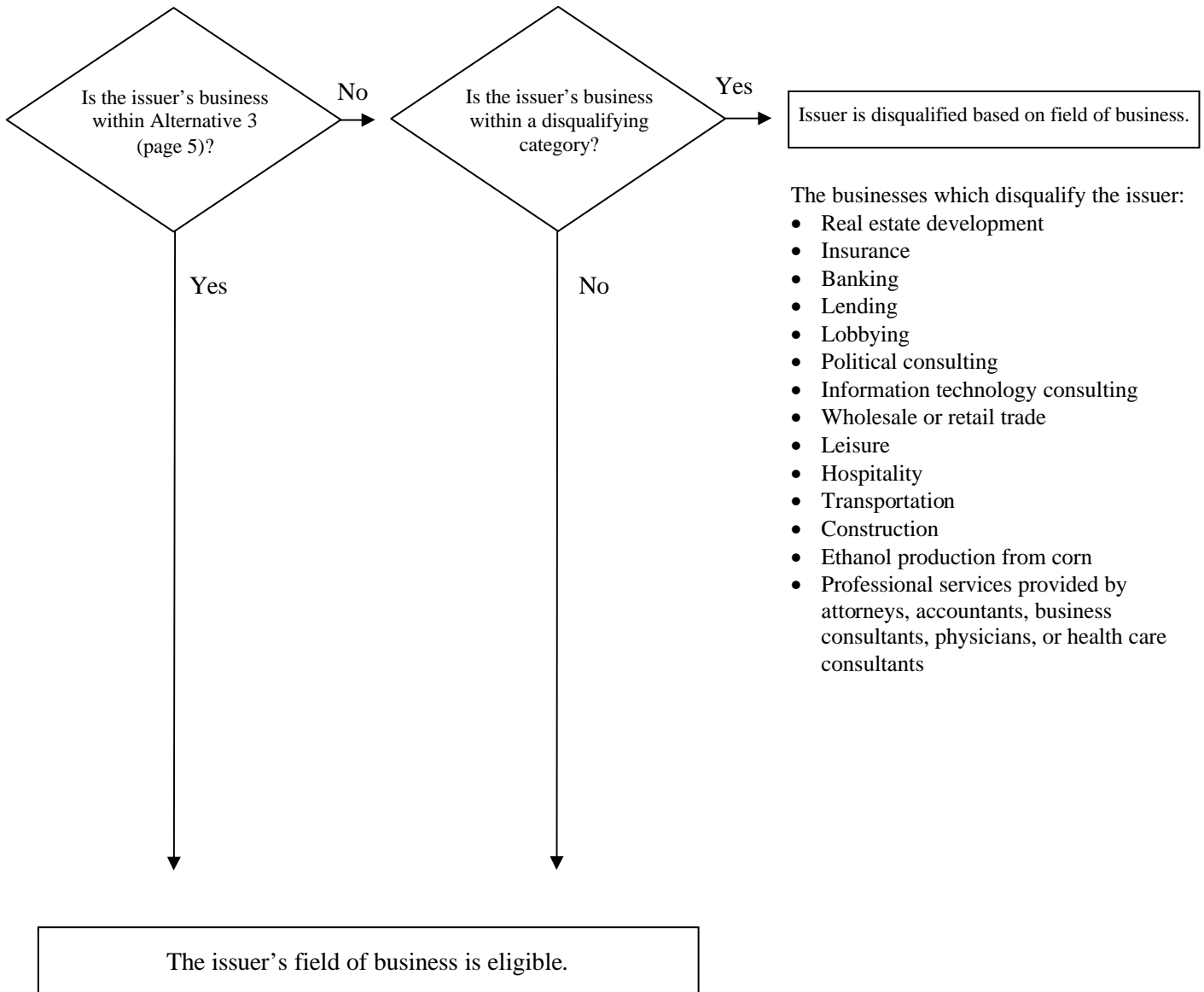
### NATURE OF BUSINESS (ALTERNATIVE 3 OF 3)

The issuer is engaged in innovation by researching, developing or producing new proprietary technology for use in listed fields.



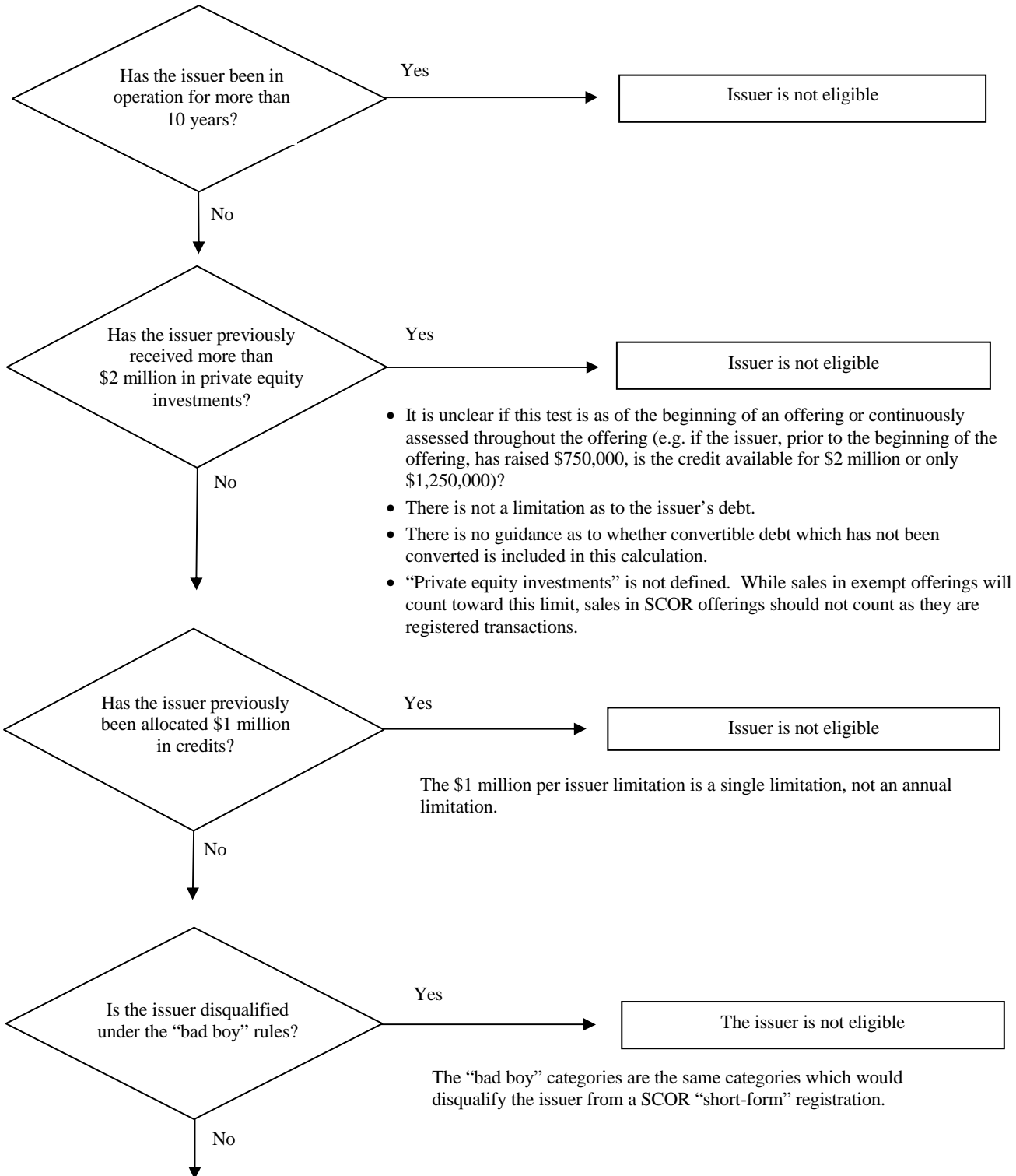
## DISQUALIFYING FIELDS OF BUSINESS

*Issuers engaged in certain types of business activities are not eligible.*



## LIMITATIONS AS TO PRIOR EXISTENCE, PRIOR FUNDING, PRIOR CREDITS AND “BAD BOY” STATUS

*The issuer may be disqualified based on its years in operation, its prior equity investments or its status under the “bad boy” rules under the Securities laws.*



- It is unclear if this test is as of the beginning of an offering or continuously assessed throughout the offering (e.g. if the issuer, prior to the beginning of the offering, has raised \$750,000, is the credit available for \$2 million or only \$1,250,000)?
- There is not a limitation as to the issuer’s debt.
- There is no guidance as to whether convertible debt which has not been converted is included in this calculation.
- “Private equity investments” is not defined. While sales in exempt offerings will count toward this limit, sales in SCOR offerings should not count as they are registered transactions.

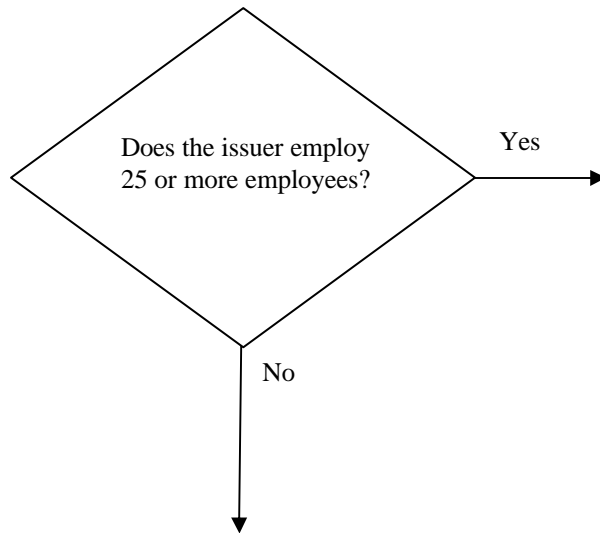
The \$1 million per issuer limitation is a single limitation, not an annual limitation.

The “bad boy” categories are the same categories which would disqualify the issuer from a SCOR “short-form” registration.

The limitations based on prior existence, prior funding, and “bad boy” status do not disqualify the issuer.

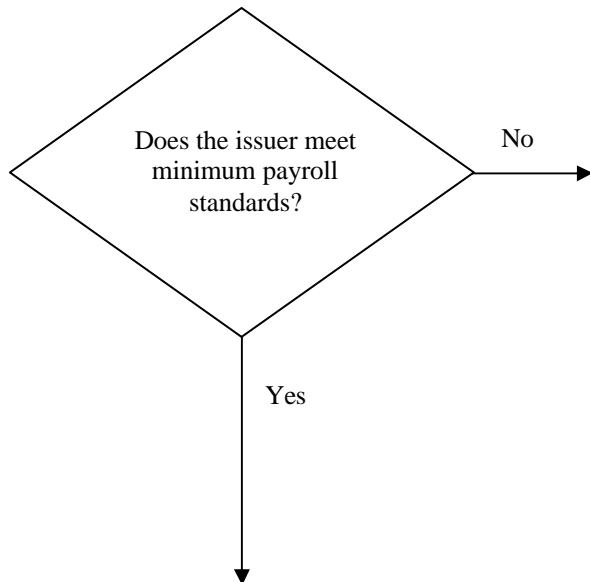
## REQUIREMENTS AS TO EMPLOYEES

*The issuer must meet requirements as to size based upon number of employees and must meet requirements as to rate of compensation of employees.*



Issuer is not eligible

- This disqualification is determined based on the number of employees in a “unitary business” as defined for income tax purposes. This means that related companies will be considered as a single issuer for this purpose.
- This is a straight count of persons and is not stated to be on a full-time equivalent basis.



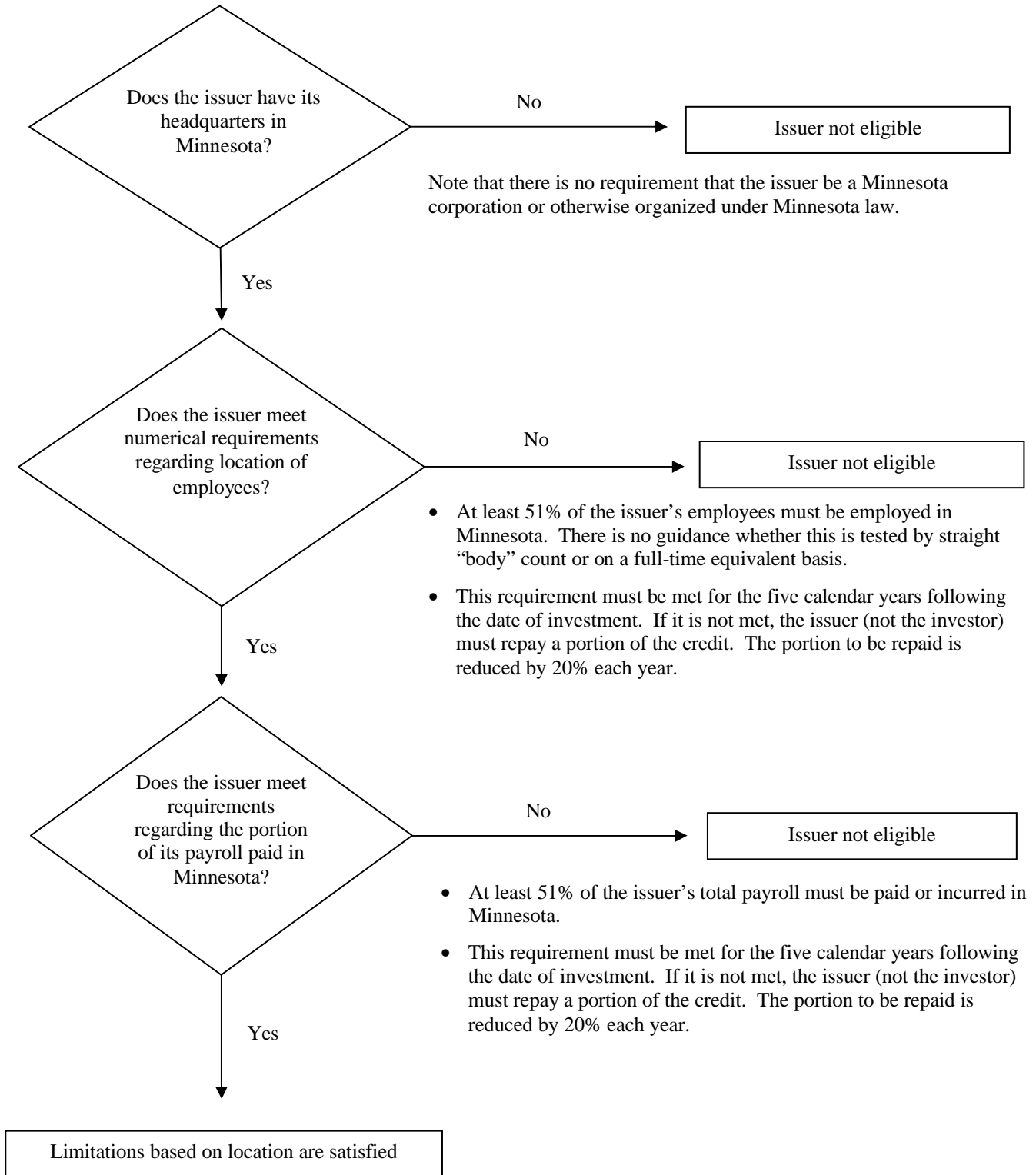
Issuer is not eligible

- Annual wages must be at least 175% of the federal poverty guideline for a family of four. As to part-time employees, this is adjusted proportionately.
- This appears to apply on an employee-by-employee basis, not an aggregate basis.
- This requirement does not apply to employees who are executive officers, directors or any employee who owns, controls, or has the power to vote more than 20% of the issuer’s outstanding securities. This exception relates only to the employee and does not provide an exception as to payroll paid to family members.

Limitations based on employees are satisfied

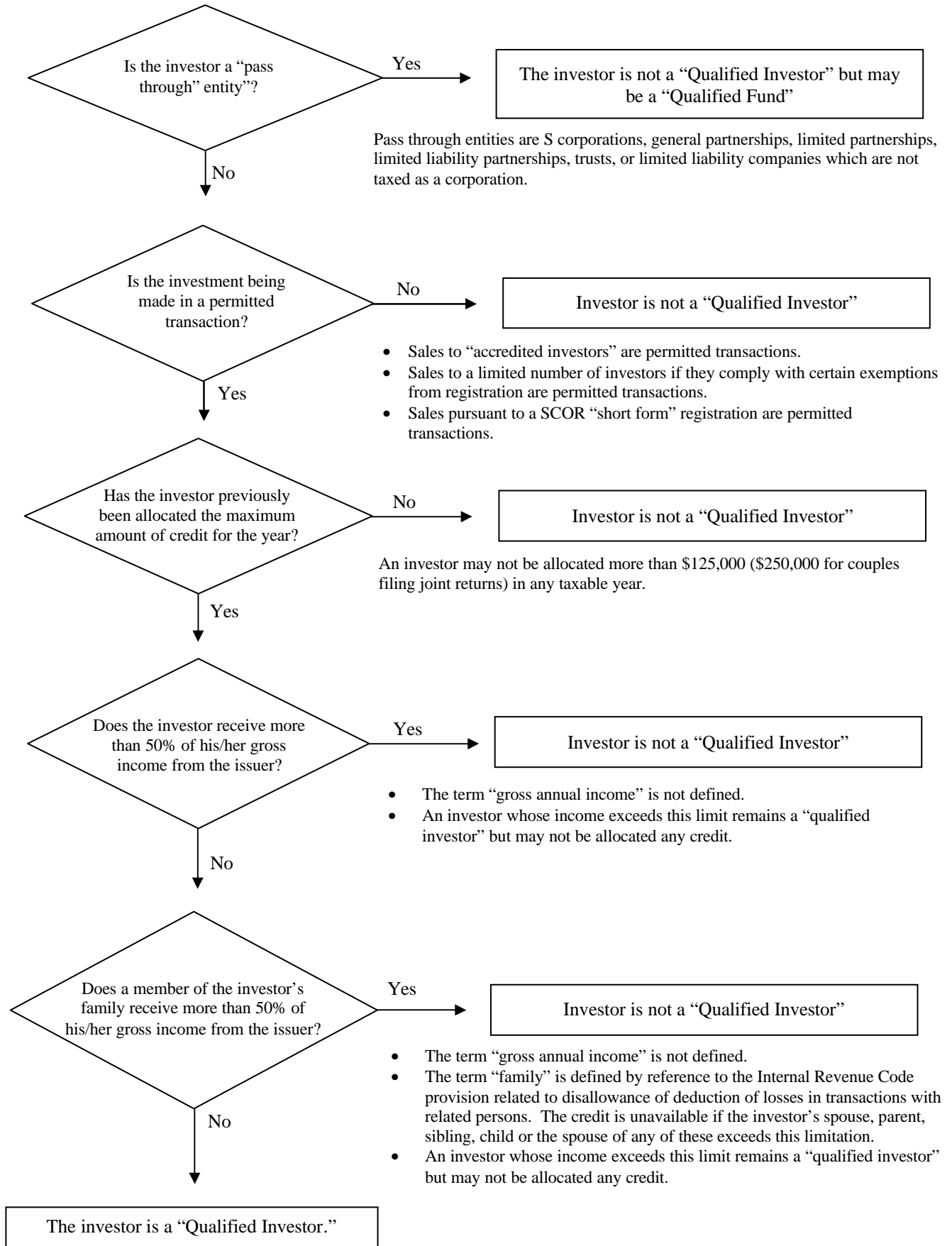
## REQUIREMENTS AS TO LOCATION

*The issuer must meet requirements as to location of its headquarters and its employees.*



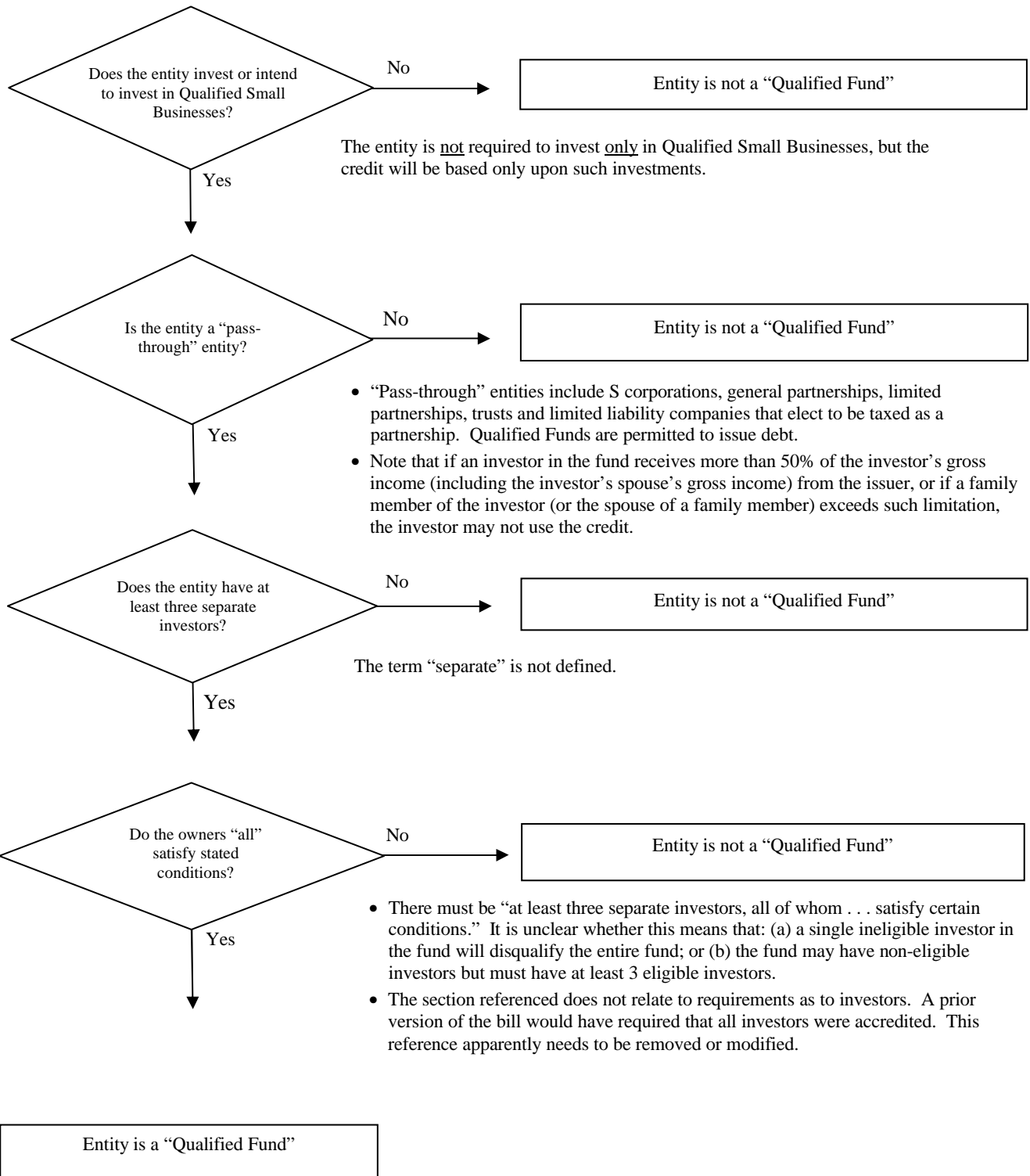
## STATUS AS "QUALIFIED INVESTOR"

Investors must be certified either as a "Qualified Investor" (addressed on this page) or as a "Qualified Fund" (addressed on the next page). This flow chart does not address the process of certification.



## STATUS AS “QUALIFIED FUND”

Investors must either be a “Qualified Fund” (addressed on this page) or must be a “Qualified Investor” (addressed on the previous page).



# IS THE INVESTMENT A QUALIFIED INVESTMENT?

*The investment must be in the nature of equity.*

