

**STATEMENT OF POLICY REGARDING
SMALL COMPANY OFFERING REGISTRATIONS (SCOR)
ADOPTED APRIL 28, 1996**

I. INTRODUCTION

The following guidelines of the North American Securities Administrators Association, Inc. (“NASAA”) provide for the uniform treatment of registrations of small company offerings which are exempt from federal registration under Rule 504 of Regulation D, Regulation A, or Section 3(a)(11) of the Securities Act of 1933, and are consistent with public investor protection and in the public interest. The Securities Administrator (“Administrator”) may waive any standard set forth in this Policy Statement and may also impose substantive standards not contained in this Policy Statement.

II. APPLICATION

The requirements contained in this Policy Statement shall apply to registrations that utilize Registration Form U-7 and are exempt from federal registration under (1) Rule 504 of Regulation D, (2) Regulation A, or (3) Section 3(a)(11).

III. REQUIREMENTS FOR QUALIFICATION TO USE SCOR

Registrations covered in this Policy Statement shall meet the following requirements:

- A. The issuer shall:
- 1) be a corporation or centrally managed limited liability company organized under the law of the United States or Canada, or any state, province, or territory or possession thereof, or the District of Columbia, and have its principal place of business in one of the foregoing;
 - 2) not be subject to the reporting requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934;
 - 3) not be an investment company registered or required to be registered under the Investment Company Act of 1940;
 - 4) not be engaged in or propose to be engaged in petroleum exploration and production, mining, or other extractive industries;
 - 5) not be a development stage company that either has no specific business plan or purpose or has indicated that its business plan is to engage in merger or acquisition with an unidentified company or companies or other entity or person; and
 - 6) not be disqualified under Section IV of this Policy Statement.

- B. The offering price for common stock or common ownership interests (hereinafter, collectively referred to as common stock), the exercise price for options, warrants, or rights to common stock, or the conversion price for securities convertible into common stock, must be greater or equal to US \$1.00 per share or unit of interest. The issuer must agree with the Administrator that it will not split its common stock, or declare a stock dividend for two years after the effective date of the registration if such action has the effect of lowering the price below US \$1.00.
- C. Commissions, fees, or other remuneration for soliciting any prospective purchaser in connection with the offering in the state are only paid to persons who, if required to be registered or licensed, the issuer believes, and has reason to believe, are appropriately registered or licensed in the state.
- D. Financial statements shall be prepared in accordance with either US or Canadian generally accepted accounting principles. If appropriate, a reconciliation note should be provided. If the Company has not conducted significant operations, statements of receipts and disbursements shall be included in lieu of statements of income. Interim financial statements may be unaudited. All other financial statements shall be audited by independent certified public accountants, provided, however, that if each of the following four conditions are met, such financial statements in lieu of being audited may be reviewed by independent certified public accountants in accordance with the Accounting and Review Service Standards promulgated by the American Institute of Certified Public Accountants or the Canadian equivalent;
- 1) the Company shall not have previously sold securities through an offering involving the general solicitation of prospective investors by means of advertising, mass mailing, public meetings, "cold call" telephone solicitation, or any other method directed toward the public;
 - 2) the Company has not been previously required under federal, state, provincial or territorial securities laws to provide audited financial statements in connection with any sale of its securities;
 - 3) the aggregate amount of all previous sales of securities by the Company (exclusive of debt financing with banks and similar commercial lenders) shall not exceed US \$1,000,000; and
 - 4) the amount of the present offering does not exceed US \$1,000,000.
- E. The offering shall be made in compliance with Rule 504 of Regulation D, Regulation A, or Section 3(a)(11) of the Securities Act of 1933.
- F. The issuer shall comply with the General Instructions to SCOR in Part I of the NASAA SCOR Issuer's Manual.

IV. DISQUALIFICATIONS

- A. Unless the Administrator determines that it is not necessary under the circumstances that the disqualification under this section be applied, application for registrations referred to in Section II shall be denied if the issuer, any of its officers, directors, ten percent or greater stockholders, promoters, or selling agents or, any officer, director or partner of any selling agent:
- 1) has filed an application for registration which is subject to a currently effective stop order entered pursuant to any state or provincial securities laws within five years prior to the filing of the registration statement;
 - 2) has been convicted, within five years prior to the filing of the current application for registration, of any felony involving fraud or deceit, including, but not limited to, forgery, embezzlement, obtaining money under false pretenses, larceny, or conspiracy to defraud;
 - 3) is currently subject to any state or provincial administrative enforcement order or judgment entered by that state's or province's securities administrator within five years prior to the filing of the current application for registration;
 - 4) is subject to any state or provincial administrative enforcement order or judgment in which fraud or deceit, including, but not limited to, making untrue statements of material facts and omitting to state material facts, was found, and the order or judgment was entered within five years prior to the filing of the current application for registration;
 - 5) is subject to any state or provincial administrative enforcement order or judgment which prohibits, denies, or revokes the use of any exemption from registration in connection with the offer, purchase, or sale of securities;
 - 6) is currently subject to any order, judgment, or decree of any court of competent jurisdiction that temporarily, preliminarily, or permanently restrains or enjoins such party from engaging in or continuing any conduct or practice in connection with the purchase or sale of any security, or involving the making of any false filing with the state, entered within five years prior to the filing of the registration statement; or
 - 7) has violated the law of a foreign jurisdiction governing or regulating any aspect of the business of securities or banking or, within the past five years, has been the subject of an action of a securities regulator of a foreign jurisdiction denying, revoking, or suspending the right to engage in the business of securities as a broker-dealer, agent, or investment adviser or is the subject of an action of any securities exchange or self-regulatory organization operating under the authority of the securities regulator of a foreign jurisdiction suspending or expelling such person from membership in such exchange or self-regulatory organization.

- B. The prohibitions of Subsections IV.A.1. through 3., and 5. shall not apply if the person subject to the disqualification is duly registered or licensed to conduct securities related business in the state or province in which the administrative order or judgment was entered against such person, or if the broker-dealer employing such person is registered or licensed in the state and the Form B-D filed in the state discloses the order, conviction, judgment, or decree relating to such person.
- C. No person disqualified shall act in any capacity other than the capacity for which the person is registered or licensed.
- D. Disqualification is automatically waived if the jurisdiction which created the basis for disqualification determines upon a showing of good cause that it is not necessary under the circumstances that registration be denied.