NASAA
SMALL COMPANY OFFERING REGISTRATION (SCOR)

Introduction, Requirements, and Instructions

Introduction.

Welcome to SCOR. In this document, you will find information on the requirements your company must meet in order to use the Form U-7, called the "SCOR Form," to offer and sell securities. You will find specific instructions on how to complete the Form in the SCOR Manual. It may be helpful to review the entire SCOR Form before responding to any of the items. This will help you determine the appropriate place for the Company's disclosure.

The SCOR Form is not available for use in connection with every type of securities offering. The Form was designed for use by companies seeking to raise capital through a public offering of securities exempt from registration with the U.S. Securities and Exchange Commission (SEC) under SEC Regulation A, Rule 504 of SEC Regulation D ("Rule 504"), or Section 3(a)(11) of the Securities Act of 1933. Your completed SCOR Form will become the main disclosure document for offerings being registered in all states accepting SCOR. A Company offering its securities under SEC Regulation A should check with the SEC to determine whether the SCOR Form may be used as the disclosure document.

The SCOR Form does not have Items that cover all types of industries and businesses. If the Items in the SCOR Form do not cover all the important areas of disclosure about your Company or its business, you may find it necessary to add material disclosure to Item 117, Other Material Factors.

Throughout this document and the SCOR Manual we refer to the Form U-7 as the "SCOR Form" or the "Disclosure Document."

These materials are intended to help small companies understand state securities laws and their filing requirements. You should be aware that the Company must also comply with federal securities laws. Information on complying with these laws is available from the SEC at the following website address: www.sec.gov.

Requirements.

Many jurisdictions require companies that want to use the SCOR Form to sell their securities to comply with the Statement of Policy of the North American Securities Administrators Association (NASAA) regarding Small Company Offering Registrations. Information about NASAA and help for small businesses may be found at the following

website address: www.nasaa.org. The provisions of the NASAA Statement of Policy are summarized below:

The Company must:

- be a corporation or centrally managed limited liability company organized under the laws of the United States or Canada;

- not be subject to the reporting requirements of the Securities Exchange Act of 1934;

- not be an investment company under the Investment Company Act of 1940;

- not be engaged in petroleum exploration and production, mining, or other extractive industries; and

- not be a development stage company with no specific business plan or purpose other than merger.

Additionally, the Company may not use the SCOR Form to offer and sell its securities if the Company or any of its officers, directors, principal stockholders or promoters are disqualified because of prior violations of the securities laws. The Company also may not use salespersons who are disqualified because of prior violations of the securities laws.

The Company must set an offering price for common stock or common ownership interests that is equal to or greater than US $1.00 per share or unit of interest. The Company must agree with the appropriate securities regulatory agencies that it will not split its common stock, or declare a stock dividend, for two years after effectiveness of the registration if to do so has the effect of lowering the price below US $1.00.

If the Company pays a commission, fee or other remuneration to any person for soliciting any prospective purchaser in connection with the offering, that person must be registered or licensed if required under securities law.

The Company's financial statements must be prepared in accordance with either U.S. or Canadian generally accepted accounting principles. Interim financial statements may be unaudited. All other financial statements must be audited by independent certified public accountants. If certain conditions set out in the Statement of Policy are met, the Company's financial statements, instead of being audited, may be reviewed by an independent certified public accountant in accordance with the Accounting and Review Service Standards promulgated by the American Institute of Certified Public Accountants or the Canadian equivalent.

Although summarized above, you should read the Statement of Policy in its entirety.

State securities laws.

State securities laws are designed to provide investors with information needed to make an informed investment decision. Additionally, they are designed to protect investors from being victimized by dishonest promoters of fraudulent business schemes posing as legitimate business enterprises.

In order to comply with state securities laws, you must disclose in the SCOR Form all material information about the Company that a typical investor would want to know before making an investment in the Company. Many state securities laws also require Company promoters to share the potential risks and rewards of holding stock in the Company fairly with public investors. If you file an application to register the company's securities in those states, examiners will review the Company's offering for compliance with substantive standards.

The Company will receive comments from examiners in states in which the SCOR Form is filed. Comments may be limited to requests for disclosure of additional information or may require that certain terms of the offering be modified to comply with a state's substantive standards. Failure to resolve outstanding comments can lead to denial of an application for registration.

If the Company intends to offer its securities in two or more states within a geographic region, you should contact those states to determine if the Company can request regional review. By requesting regional review, the Company will, in most cases, confer with a lead jurisdiction that will coordinate the review and comments of all states within the region in which the Company intends to offer its securities. To link to the various regional review programs, go to the NASAA website at: www.nasaa.org and click on "Help for Small Business".

Prior to completing the SCOR Form, you may wish to contact your local securities regulator to review applicable standards. It may be possible to arrange a pre-filing conference.

General instructions.

You should use "Plain English" in writing the Company's Disclosure Document. If any answer requiring significant information is materially inaccurate, incomplete or misleading, the Company, its management and principal stockholders may be liable to investors. If the Company is using a salesperson to help sell its securities, the salesperson should ask questions to determine that the Disclosure Document is accurate and not misleading, or the salesperson may also be liable.

The SCOR Form when properly filled in, signed and submitted, together with the exhibits scheduled below and a Form U-1, Uniform Application to Register Securities, constitutes an application to register securities in the states where filed. If the Company is relying on Rule 504, a copy of the Form D that you have filed with the SEC becomes part of the

Company's application and you must also file it with the securities regulators. The Company must submit a signed original of the SCOR Form, together with an executed Form U-1 and any other required documents. Certain items on the Form U-1 may not be applicable depending on which federal exemption the Company relies.

You must file a separate Form U-1 in each state in which you want to sell securities indicating the amount of securities being registered in that state. You also must enclose a check for the amount of the filing fee. Each state must separately declare the registration effective by an order to that effect unless that state has some other procedure.

You must reproduce each Item in the SCOR Form exactly as it appears, although the Items or the Company's responses may appear in boldface type in order to distinguish between them. The Items and the Company's responses must appear in the same type size. You should not use script or italic type.

The Company must file an opinion that the securities being offered have been duly authorized and when issued will be legally and validly issued, fully paid and non-assessable and binding on the Company in accordance with their terms. The opinion must be from an attorney licensed to practice in a state or territory of the U.S. or in a province or territory of Canada.

Once the Company's SCOR Form is filled out, filed and declared effective, it becomes the Company's disclosure document. The Company may reproduce the SCOR Form for dissemination to potential investors or may place it on the Internet. You should make sure that the copies that are reproduced are readable and the same as the accepted SCOR form. You should also make sure that no one changes the Form that is given to investors or that is posted on the Internet because the Company may be held responsible for any inaccurate information. Do not include a cover of any type in the document you distribute.

If the Company intends to offer securities, including a public solicitation, before the offering is registered, it must ensure that it has complied with one of the available federal exemptions as well as with applicable state law.

If the Company is relying on an exemption from registration under Rule 504, the Company may not be able to conduct a public solicitation of its securities until the registration has been declared effective in at least one state. If the Company is making an intrastate offering of securities under Section 3(a)(11) of the Securities Act of 1933 or making an offering under SEC Regulation A, the Company may be able to make offers, but not sales, in certain jurisdictions prior to registration. In all three cases, you should contact the appropriate securities regulator to determine whether that jurisdiction's laws allow you to make an offer or public solicitation before the registration is declared effective.

Examples of activities that the Company may not be able to engage in until the offering is registered include giving the SCOR Form to potential investors, placing it on the Internet,

taking orders, giving a potential investor a subscription agreement and taking money in exchange for securities. If the Company offers securities before allowed by the applicable securities laws, securities regulatory agencies may take action to delay or stop the offering, or to order the Company or its management to return money to investors. An action taken by a regulator in one jurisdiction may prevent the offering from going forward in another jurisdiction. When the registration has been declared effective in a state, offers and sales may be made in that state even though registration in other states has not been declared effective.

You must deliver the Disclosure Document to each investor before a sale is made. The securities regulator will issue an order indicating the length of time the registration will be effective. The length of time a registration will remain effective in a particular jurisdiction is usually limited to a one year period, unless renewed.

If a material event concerning the Company or the offering occurs after the registration has been declared effective, and while the offering is still in progress, the Company will need to change its Disclosure Document so that it is accurate and complete. The Company must file its amended Disclosure Document with the appropriate securities regulators. The Company may not use the amended Disclosure Document until the securities regulators have cleared it. If any of the changes would be material to the making of an investment decision by an investor, and if the minimum proceeds have not been raised, the Company must deliver the amended Disclosure Document to persons that have previously subscribed. They must be given the opportunity to rescind or reconfirm their investment.

The Company must file all supplemental selling literature or advertisements announcing the offering with the securities regulator of each state prior to publication or circulation within that state.

You must include financial information about the Company. To do that, you must attach the Company's financial statements to the Disclosure Document. Refer to Item 118 of the SCOR Manual for details about the required financial statements. You also are encouraged to contact the securities regulatory agencies to discuss financial statement requirements, as certain jurisdictions may have financial statement requirements that differ from those disclosed in the SCOR Manual.

You should file the following exhibits with each application to register securities:

- Sales Agreement between the Company and a broker dealer or selling agent.

- Articles of Incorporation or Organizational Documents and all amendments to those documents

- By-Laws, as amended to date

- Any indenture, form of note or other contractual provision containing terms of notes or other debt, or of options, warrants or rights to be offered

- Specimen of security to be offered (including any legend restricting resale)

- Consent to service of process (Form U-2) accompanied by appropriate corporate resolution (Form U-2A), if required

- All advertising or other materials directed to or to be furnished investors in the offering

- Form of impound agreement for impound of proceeds

- Consent to inclusion in Disclosure Document of Accountant's report

- Consent to inclusion in Disclosure Document of Tax Advisor's opinion or description of tax consequences

- Consent to inclusion in Disclosure Document of any evaluation of litigation or administrative action by counsel

- Form of any Subscription Agreement for the purchase of securities in this offering

- Opinion of Counsel

- Computations of responses to Items 10, 34, 37, 40 and 65 (check your work against the Company’s financial statements)