



Memorandum

To: Our Clients and Friends

Date: April 16, 2014

Re: Important Changes to OTCQB Continued Listing Requirements

Effective May 1, 2014, OTC Markets Group (“OTC Markets”) is implementing new eligibility standards for companies to trade on the OTCQB® Venture Stage Marketplace (the “OTCQB”). Issuers will now be required to meet an initial and ongoing \$0.01 per share minimum bid price test, submit an initial application, pay annual fees, and submit annual certifications. Companies that do not meet the new requirements will be moved to the OTC Pink® Marketplace (“OTC Pink”). The new eligibility standards are likely to result in some existing OTCQB-quoted companies to be moved to the OTC Pink despite being fully reporting under the 1934 Exchange Act. For further information, please see the OTCQB Fact Sheet attached hereto as Exhibit A.

Minimum Bid Test

Beginning May 1, 2014, in order to be eligible to be quoted on the OTCQB: (i) a company must have a minimum bid price of \$0.01 per share as of the close of each business day for each of the previous thirty calendar days and (ii) once quoted on the OTCQB, the company must maintain a minimum bid price of \$0.01 per share as of the close of the business day at least one time per each thirty (30) consecutive calendar days. Companies which do not meet the minimum bid test will be moved to the OTC Pink.

Initial and Annual Certification

OTCQB-quoted companies will be required to post the following information on the OTC Markets website in a certificate signed by either the chief executive officer or the chief financial officer, which states: (i) the company’s reporting standard (e.g. SEC Reporting) and briefly describes the registration status of the company; (ii) that company is current in its reporting obligations to its regulator and such information has been posted either on EDGAR or the OTC Markets website; (iii) the law firm involved in assisting the company prepare its annual report on Form 10-K; (iv) that the company’s profile on the OTC Markets website is current and complete; (v) the total shares outstanding and in the public float as of the most recent fiscal year end; and (vi) the names and shareholdings of all officers and directors, as well as beneficial shareholders who hold more than 5% of outstanding shares.

Initial and Annual Fees

OTCQB-quoted companies will also be required to pay the following fees: (i) a one-time application fee of \$2,500 for new companies upgrading to the OTCQB there is (there is no required payment for companies currently quoted on the OTCQB) and (ii) an annual fee of \$10,000 for all OTCQB-quoted companies.

If you have any questions regarding these changes or should you wish to discuss them further, please do not hesitate to contact us at hgracin@gracinmarlow.com or lmarlow@gracinmarlow.com.

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OTCQB FACT SHEET Creating a Better Venture Stage Marketplace

OTC Markets Group is making changes to OTCQB® to make it a better venture stage marketplace. Companies will be required to meet eligibility standards aimed at improving the information available to investors. OTCQB will include Real-Time Level 2 quotes and the OTC Disclosure & News Service to help companies improve the information experience for their investors. This Fact Sheet provides details on the new requirements and rollout schedule.

► SUMMARY OF CHANGES

To be eligible for OTCQB, companies will be required to:

- Meet a minimum bid price test of \$0.01. Securities that do not meet the minimum bid price test will be downgraded to OTC Pink
- Submit an application to OTCQB and pay an application and annual fee
- Submit an OTCQB Annual Certification confirming the Company Profile displayed on otcmarkets.com is current and complete and providing additional information on officers, directors, and controlling shareholders

Additional Changes:

- International Reporting companies listed on a Qualified Foreign Stock Exchange are now eligible for OTCQB
- Banks that do not file disclosures on EDGAR will be required to post their regulatory filings on otcmarkets.com
- Securities of companies that do not either meet the OTCQB standards or qualify for OTCQX will likely continue to be traded by broker-dealers on OTC Pink

► TIMING

BEGINNING MAY 1, 2014:

- **Bid Test:** All current OTCQB companies that do not meet the minimum bid test (minimum bid price of \$0.01 per share as of the close of business for at least one of the previous thirty consecutive calendar days) will be removed from OTCQB beginning May 1.
- **New Companies:** Companies that are not on OTCQB as of April 30, 2014 must submit an application, pay the required fees and follow the new procedures in order to become traded on OTCQB. Securities will no longer be automatically put on OTCQB when a new Form 211 is cleared by FINRA or an OTC Pink company becomes current in its reporting.
- **International Reporting:** International Reporting companies on a Qualified Foreign Stock Exchange may now apply to trade on OTCQB.

COMPANIES CURRENTLY TRADED ON OTCQB

OTC Markets will roll out the new procedures for OTCQB over the course of a year. Each company will be required to comply with the new OTCQB procedures 120 days after its Fiscal Year End ("FYE"). Companies that do not comply with the new procedures within the required timeframe will be downgraded to OTC Pink.

Companies with a March 31 FYE will be the first group of current OTCQB companies subject to the new requirements and will be required to comply with the new OTCQB standards by July 31, 2014. The rollout will be complete when the last group of current OTCQB companies with a FYE of March 30 are required to comply on July 30, 2015.

During 2014, companies may choose to apply to OTCQB prior to their required compliance date to take advantage of discounted pricing.

▶ SEC REPORTING COMPANIES

Initial Requirements

- Meet an initial bid price test of \$0.01 as of the close of business for each of the previous 30 calendar days
- Complete and submit OTCQB Application and applicable fees
- Be current in all periodic reporting requirements on EDGAR (or for companies not required to file on EDGAR, post SEC disclosure on the OTC Markets website)
- Post on the OTC Markets website:
 - ▶ OTCQB Initial Certification (see below for details on Certification requirements)

Ongoing Requirements

- Meet an ongoing minimum bid price test of \$0.01 as of the close of business for at least one of every 30 calendar days
- Post current SEC disclosure on EDGAR, or for companies that do not file on EDGAR, post current SEC disclosure on the OTC Markets website
- Post on the OTC Markets website:
 - ▶ OTCQB Annual Certification

▶ BANK REPORTING COMPANIES

Initial Requirements

- Meet an initial bid price test of \$0.01 as of the close of business for each of the previous 30 calendar days
- Complete and submit OTCQB Application and applicable fees
- Post on the OTC Markets website:
 - ▶ Previous two years' disclosure that was filed with the company's bank regulator (except that information deemed non-public does not need to be posted)
 - ▶ OTCQB Initial Certification (see below for details on Certification requirements)

Ongoing Requirements

- Meet an ongoing minimum bid price test of \$0.01 as of the close of business for at least one of every 30 calendar days
- Post on the OTC Markets website:
 - ▶ Disclosure that is filed with the company's bank regulator (except that information deemed non-public does not need to be posted)
 - ▶ OTCQB Annual Certification

▶ INTERNATIONAL REPORTING COMPANIES

Initial Requirements

- Meet an initial bid price test of \$0.01 as of the close of business for each of the previous 30 calendar days
- Complete and submit OTCQB Application and applicable fees
- Be compliant with SEC Rule 12g3-2(b) and be listed on a [Qualified Foreign Exchange](#)
- Submit a "Letter of Introduction" from a qualified PAL which states the PAL has a reasonable belief that the Company is in compliance with 12g3-2(b), is listed on a Qualified Foreign Exchange, and has posted required disclosure on OTC Markets website
- Post on the OTC Markets website:
 - ▶ Previous two years' of disclosure required under 12g3-2(b) in English (except press releases)
 - ▶ OTCQB Initial Certification (see below details on Certification requirements)

Ongoing Requirements

- Meet an ongoing minimum bid price test of \$0.01 as of the close of business for at least one of every 30 calendar days
- Post on the OTC Markets website:
 - ▶ Disclosure required under 12g3-2(b) in English, including Quarterly Reports and audited Annual Reports (except press releases)
 - ▶ OTCQB Annual Certification

▶ OTCQB ANNUAL CERTIFICATION

Each OTCQB company must post initial and annual certification on the OTC Markets website, signed by the CEO and/or the CFO which states the following:

- The company's reporting standard (e.g. SEC Reporting, Bank Reporting, or International Reporting) and briefly describe the registration status of the company
- That the company is current in its reporting obligations to its regulator and such information has been posted either on EDGAR or the OTC Markets website
- Indicates the Law Firm and/or Attorneys involved in helping the company prepare its Annual Report or 10-K
- Confirms that the company profile on the OTC Markets website is current and complete
- Confirms the total shares outstanding and in the public float as of the most recent fiscal year end
- Names and shareholdings of all officers and directors, as well as beneficial shareholders who hold more than 5% of outstanding shares

▶ FEES

- **Application Fee.** There is a one-time application fee of \$2,500 for new companies upgrading to OTCQB. Application Fee is waived for current OTCQB companies
- **Annual Fee.** \$10,000 per year
- **Introductory Annual Fee.** For current OTCQB companies that apply for OTCQB in 2014, the Annual Fee shall be discounted to \$7,500 for each of the first two years (a total discount of \$5,000 or 25%)

OTCQB PREMIUM SERVICES

OTCQB includes the following premium marketplace services:

OTC Disclosure & News Service enables companies to share reports, news, videos, investor presentations and more

Real-Time Level 2 Quotes available for free to all investors on www.otcmarkets.com and on your company IR website (via API link, as requested)

OTCIQ Quote & Trade History Dashboard

Dedicated Support Line

▶ CONTACT US

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ABOUT OTC MARKETS GROUP: OTC Markets Group Inc. operates Open, Transparent and Connected financial marketplaces for 10,000 U.S. and global securities. To learn how OTC Markets Group creates better informed and more efficient financial marketplaces, visit www.otcmarkets.com. OTC Link® ATS is operated by OTC Link LLC, member FINRA/SIPC and SEC registered Alternative Trading System.

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