



OTCBB

(Over the Counter Bulletin Board)

<http://www.otcbb.com>

Provides access to more than 3,300 securities and includes more than 230 participating Market Makers. It electronically transmits real-time quote, price, and volume information in domestic securities, foreign securities and ADRs.

Introduction

There are two trading systems that are separate from the National Market: the Over the Counter Bulletin Board (OTCBB) and the National Quotation Service Bureau (NQS), commonly known as the Pink Sheets. Together, the OTCBB and Pink Sheets make up the OTC market in the United States. The OTCBB and the Pink Sheets are quotation mediums, rather than stock exchanges. OTC securities are traded by a community of market makers who enter quotes and trade reports through a sophisticated, closed computer network. In the last ten years, there has been a dramatic increase in trading using the OTCBB as a critical "stepping stone" to create capital structure and maximize the companies market cap value creating improved business metrics that are worthy of an outstanding NASDAQ or AMEX listing. In this paper, the significance of trading on the OTC Bulletin Board, its potential to move companies into greater exchange possibilities and the fluidity of this process will be explored.

What is the OTCBB?

The OTC Bulletin Board (OTCBB) is a regulated quotation service that displays real-time quotes, last-sale prices and volume information for approximately 3,800 companies. The OTCBB has grown from a daily volume of 29MM shares with \$100MM market volume since its introduction in 1990 to more than 40MM shares and \$400MM market volume today. Currently the 3,800 companies are traded by nearly 300 market makers, quoting an average of 39,000 positions daily. All Market Makers subscribing to NASDAQ Level 3 (more info later) service and in compliance with SEC Rule 15c2 -11 are eligible to "voluntarily" participate in the OTCBB and may enter or exit at will. A further breakdown shows 475 banks, 28 insurance companies and 3,265 companies trading; although 25% of the OTC companies have financial SIC codes.

Opportunities for Smaller Companies

The opportunity that the Bulletin Board offers smaller companies is much maligned or even ignored by the media in favor of more "exciting" market activity. For example the traditional underwritten initial public offering (IPO) market has hypnotized media and masses alike due in large part to valuation hype and trading volatility. For example, IPOs have historically enjoyed first -day gains averaging around 16%. However, from April through June of 1999, 33% of IPOs posed first-day gains of more that 100%. During the first three months of 2000, the percentage of companies with 100% gains raced to over 40% (the average first-day gain was a little over 112%) and fully 16% of deals exceeded 200% gains on day one! These spectacular first day advances attracted an enormous amount of media attention. Unfortunately for the issuing companies, this type of "branding event" is arguably the most expensive marketing a company could ever endure. However, the high initial valuation doesn't often last, a quick look at the tape now reveals that many of these "high flyers are either no longer in existence or have floundered leaving their management teams and founders with virtually worthless equity and sometime stratospheric tax bills related to options exercise strategies gone awry.

Listing Requirements

Profitability**	There are no criteria relating to a company's profitability, meaning that it is suitable for companies that are growing fast, even though they have not yet broken even.
Revenue**	There are no criteria relating to a company's revenue, hence a company that need growth financing can access it without restrictions.
History of Operations**	There are no criteria relating to a company's hence new companies with good fundamentals are welcomed.
Market Capitalization**	There are no criteria relating to a company's size.
Reporting**	Yearly audited and quarterly un-audited.
Minimum Bid Price**	There are no criteria relating to a company's share price. The range on this market goes from nearly 100 US\$/ share to just a few cents.
Public Float**	There are no criteria relating to a company's public float

Accounting must be done to US GAAP, of with reconciliation to it

**The market is investor orientated, hence the ability for a company to raise capital on the market is used to determine a company's value, rather that setting strict listing criteria. If a company raises money, then it is accepted by the investing public as being a viable company.

IMPORTANT:

The requirements shown herein only constitute a highlight of the qualifications for listing as stated in the relevant rules as at 30 April 2006 and are not intended to be exhaustive or a supplement of the rules of the Exchange. Therefore they should not be relied upon in making any investment or listing decisions. If you are interested to acquire additional information in relation to this market, you are advised to talk to our partners or your professional advisers

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.