

OTC MARKETS GROUP INC.

A Delaware Corporation

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Federal EIN: 13-3941069
NAICS: 523999
SIC Code: 6289

2010 Annual Report

ISSUER'S EQUITY SECURITIES

COMMON STOCK

Class A Common Stock
\$0.01 Par Value Per Share
14,000,000 Shares Authorized
10,462,959 Shares Outstanding as of March 31, 2011
OTCQX: OTCM

Class C Common Stock
\$0.01 Par Value Per Share
130,838 Shares Authorized
130,838 Shares Outstanding as of March 31, 2011

OTC Markets Group Inc. is responsible for the content of this Annual Report. The securities described in this document are not registered with, and the information contained in this report has not been filed with, or approved by, the U.S. Securities and Exchange Commission.

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OTC MARKETS GROUP INC.

A Delaware Corporation

ANNUAL REPORT

Cautionary Note Regarding Forward-Looking Statements

Information set forth in this 2010 Annual Report (the "Annual Report") contains forward-looking statements, which involve a number of risks and uncertainties that could cause our actual results to differ materially from those reflected in the forward-looking statements. Forward-looking statements can be identified by use of the words "expect," "project," "may," "might," "potential," and similar terms. OTC Markets Group Inc. ("OTC Markets Group", "we" or the "Company") cautions readers that any forward-looking information is not a guarantee of future performance and that actual results could differ materially from those contained in the forward-looking information. Forward-looking statements involve a number of risks, uncertainties or other factors beyond OTC Markets Group's control. These factors include, but are not limited to, our ability to implement our strategic initiatives, economic, political and market conditions and price fluctuations, government and industry regulation, U.S. and global competition, and other factors. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. We undertake no obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise.

Part A. General Company Information

The exact name of the issuer

The name of the issuer is OTC Markets Group Inc. On March 31, 2008, the Company's predecessor, Pink Sheets LLC, converted from a Delaware limited liability company to a Delaware corporation and changed its name to Pink OTC Markets Inc. On January 18, 2011, the Company changed its name to OTC Markets Group Inc.

Company description

We operate the largest electronic interdealer quotation system for the trading of OTC equity securities by broker-dealers.

We organize the OTC equity markets into three tiers based on the quality of information that companies choose to provide for investors. Our top tier is OTCQX[®], the quality-controlled marketplace for investor friendly companies that can meet our highest financial standards. The next tier is OTCQB[™], which is designed for smaller companies that are current in their reporting obligations to the SEC or a U.S. banking regulator, but have not qualified for OTCQX. The final tier is the OTC Pink[™] speculative trading marketplace that enables broker-dealers to provide high-quality execution services to their clients in any OTC traded equity security.

By electronically connecting market participants and better informing investors, our financial information and technology services make the OTC markets an efficient alternative to traditional, exchange-based markets.

The address of the issuer is: **304 Hudson Street, 3rd Floor
New York, NY 10013**

The telephone and facsimile is: **Telephone: (212) 896-4400
Facsimile: (212) 868-3848**

The issuer's website: **OTC Markets Group's corporate website, www.otcmarkets.com, contains general information about us and our products and services. We also maintain www.otcqx.com, www.otciq.com, www.otcquote.com, and www.otcdealer.com. The information contained on such websites shall not be deemed incorporated by reference herein.**

Investor relations contact: **Daniel Zinn, General Counsel
304 Hudson Street, 3rd Floor
New York, NY 10013
Tel. (212) 896-4413
dan@otcmarkets.com**

The name and address of the transfer agent is:
**Continental Stock Transfer & Trust Company
17 Battery Place, 8th Floor
New York, NY 10004**

The telephone number is: **(212) 509-4000**

Continental Stock Transfer & Trust Company is registered under the Securities Exchange Act of 1934 (the "Exchange Act") and regulated by the U.S. Securities and Exchange Commission (the "SEC" or "Commission").

The jurisdiction and date of the issuer's incorporation or organization

The Company traces its history back to 1904 and was known as the National Quotation Bureau. On April 14, 1997, a group led by current management purchased the Company. In July 2000, the Company changed its name to Pink Sheets LLC, and on March 31, 2008, Pink Sheets LLC converted from a Delaware limited liability company to a Delaware corporation and changed its name to Pink OTC Markets Inc. (the "Conversion"). On January 18, 2011, the Company changed its name to OTC Markets Group Inc.

Other corporate information

OTC Markets Group's North American Industry Classification System ("NAICS") code is 523999 – Miscellaneous Financial Investment Activities (Stock Quotation Services) and our primary SIC Code is 6289 - Services Allied With the Exchange of Securities or Commodities, Not Elsewhere Classified (Quotation Service, Stock and Financial Reporting).

There have been no changes in control of the Company since 1997. OTC Markets Group is currently conducting operations and it is not now, nor has it at any time been, a "shell company" as that term is defined in the Disclosure Guidelines or Rule 405 under the Securities Act of 1933, as amended (the "Securities Act").

On April 15, 2010, the Company formed a wholly owned subsidiary, Pink Link ATS LLC, a Delaware limited liability company. On November 17, 2010, Pink Link ATS LLC changed its name to OTC Link LLC ("OTC Link"). OTC Link registered with the SEC as a broker-dealer, has applied to become a member of the Financial Industry Regulatory Authority ("FINRA[®]") and plans to register with the SEC as an alternative trading system, or ATS. The Company plans for OTC Link to ultimately operate its interdealer quotation and messaging system. As of March 31, 2011, OTC Link has not commenced any business operations.

The Company does not have any parents, subsidiaries or affiliated companies except for OTC Link.

Our fiscal year ends on December 31.

Our securities have not been de-listed and are not in the process of being de-listed by any securities exchange, and have not been quoted on or deleted from the interdealer quotation system operated by FINRA (the "FINRA OTC Bulletin Board").

Neither we nor any of our predecessors have been in bankruptcy, receivership, or any similar proceeding.

Part B. Share Structure

The exact title and class of securities outstanding

As of December 31, 2010, OTC Markets Group had two classes of securities outstanding: Class A Common Stock and Class C Common Stock (collectively, "Common Stock"). None of OTC Markets Group's Common Stock has been registered under the Securities Act or qualified under any state securities laws, and we have no current plans to register or qualify any of our securities. There were no preferred shares outstanding as of the reported period.

From commencement of our public trading on September 19, 2009 through January 18, 2011, the trading symbol for OTC Markets Group's Class A Common Stock assigned by FINRA was "PINK". On January 19, 2011, the Company changed its trading symbol to "OTCM". The Class C Common Stock does not have a trading symbol. As of December 31, 2010, all shares of our Class C Common Stock were held by R. Cromwell Coulson, our Chief Executive Officer, and did not have a public market. On February 10, 2010, the average price per share of our Class A Common Stock in trade reports aggregating a total of 300,000 shares consecutively reported to FINRA was greater than \$3.79. As a result, pursuant to the terms of our Certificate of Incorporation, all shares of our Class B Common Stock were converted into shares of Class A Common Stock. Accordingly, no shares of our Class B Common Stock remain outstanding.

The CUSIP numbers for OTC Markets Group's common stock prior to January 19, 2011 were: 723416103 for Class A Common Stock and 723416301 for Class C Common Stock. On January 19, 2011, the CUSIP numbers for our common stock were changed to 67106F108 for Class A Common Stock and 67106F207 for Class C Common Stock.

Our Class A Common Stock has been qualified for the OTCQX U.S. Premier™ marketplace since March 11, 2010, with Merriman Curhan Ford & Co. as our Designated Advisor for Disclosure.

Par or stated value and description of the security

A. Par or Stated Value

All classes of OTC Markets Group's common stock have a par value of \$.01 per share.

B. Common and Preferred Stock

Common Stock

Each holder of shares of Common Stock is entitled to one vote for each share of Common Stock held on all matters submitted to a vote of stockholders of OTC Markets Group. The holders of Common Stock vote together as a single class. Holders of Common Stock are not entitled to any preemptive rights.

Class A. Holders of Class A Common Stock are entitled to receive such dividends and other distributions as may be authorized and declared by the Board of Directors from time to time ("Dividend Rights"). Upon the voluntary or involuntary liquidation, dissolution, or winding up of OTC Markets Group, holders of Class A Common Stock are entitled to *pro rata* shares of the net assets of OTC Markets Group available for distribution in proportion to the number of Class A Common Stock held by such stockholder ("Liquidation Rights").

Class C. Holders of Class C Common Stock are not entitled to any Dividend Rights or Liquidation Rights.

Each share of Class C Common Stock will automatically convert into Class A Common Stock at a ratio of one-to-one (1:1) if the price of Class A Common Stock is greater than \$19.62 per share as determined by either (i) the average price in trade reports aggregating a total of 300,000 shares consecutively reported to FINRA or (ii) an Acquisition of OTC Markets Group.

Preferred Stock

OTC Markets Group has not authorized any class of preferred stock.

Provisions in the Issuer's charter or by-laws that would delay, defer, or prevent a change in control of the Issuer

In our Certificate of Incorporation, we elect the application of Section 203 of the Delaware General Corporation Law, or DGCL. Section 203 of the DGCL prohibits persons deemed "interested stockholders" from engaging in a "business combination" with a Delaware corporation for three years following the date these persons become interested stockholders unless the business combination is, or the transaction in which the person became an interested stockholder was, approved by the Board of Directors or another prescribed exception applies. Generally, an "interested stockholder" is a person who, together with affiliates and associates, owns, or within three years prior to the determination of interested stockholder status did own, 15% or more of a corporation's voting stock. Generally, a "business combination" includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. The existence of this provision may have an anti-takeover effect with respect to transactions not approved in advance by our Board of Directors.

Our Certificate of Incorporation also provides that the Board of Directors may not authorize any "business combination" with a "related person" unless it (i) meets the "Fair Price" provision, which seeks to ensure that stockholders receive the highest possible price in the event of a business combination, as that provision is described in Article 10 of our Certificate of Incorporation or (ii) is approved by a majority of the outstanding shares of stock entitled to vote.

The number of shares or total amount of the securities outstanding for each class of securities authorized

As of December 31, 2010, OTC Markets Group had 14,130,838 shares of Common Stock authorized, consisting of (i) 14,000,000 shares of Class A Common Stock and (ii) 130,838 shares of Class C Common Stock. There was no Class B Common Stock authorized as of December 31, 2010, and there were no preferred shares outstanding as of the reported periods.

The following tables show the amount of the securities outstanding for each class of securities authorized:

Class A Common Stock as of:

	December 31,	
	2010 (1)	2009
(i) Number of shares authorized	14,000,000	14,000,000
(ii) Number of shares outstanding	10,350,107	8,408,902
(iii) Number of shares freely tradable (public float)	5,155,867(2)	4,062,510
(iv) Total number of beneficial shareholders	203	78(3)
(v) Total number of holders of record	102	131

Notes:

1. On February 10, 2010, 1,869,162 shares of Class B Common Stock automatically converted into an equal number of Class A shares of Common Stock. Accordingly, as of February 10, 2010, the number of outstanding shares of Class A Common Stock was increased by 1,869,162 shares.
2. The number of shares freely tradable may include shares held by shareholders owning 10% or more of our Class A Common Stock. These shareholders may be considered "affiliates" within the meaning of Rule 144, and their shares may be "control shares" subject to the volume and manner of sale restrictions under Rule 144.
3. Reflects the number of beneficial holders of freely tradable shares, as reported in our 2009 Annual Report.

Class B Common Stock as of:

	December 31,	
	2010 (1)	2009
(i) Number of shares authorized	0	1,869,162
(ii) Number of shares outstanding	0	1,869,162
(iii) Number of shares freely tradable (public float)	0	0
(iv) Total number of beneficial holders	0	1
(v) Total number of holders of record	0	1

Notes:

1. On February 10, 2010, 1,869,162 shares of Class B Common Stock automatically converted into an equal number of Class A shares of Common Stock.

Class C Common Stock as of:

	December 31,	
	2010	2009
(i) Number of shares authorized	130,838	130,838
(ii) Number of shares outstanding	130,838	130,838
(iii) Number of shares freely tradable (public float)	0	0
(iv) Total number of beneficial holders	1	1
(v) Total number of holders of record	1	1

Issuer purchases of equity securities

	Number of Shares Purchased	Average Price Paid Per Share	Number of Shares Purchased as Part of Announced Repurchase Plan	Number of Shares Remaining To Be Purchased Under Announced Plan
3/31/2010	11,015	\$5.85	N/A	N/A
8/10/2010	N/A	N/A	N/A	250,000
9/22/2010	67,154	\$5.00	67,154	182,846

On March 31, 2010, the Company repurchased 11,015 shares of common stock for \$64,438.

On August 10, 2010, the Board of Directors authorized the Company to repurchase up to 250,000 shares of the Company's Class A Common Stock during the remainder of 2010, solely through block trades in compliance with Rule 10b-18 under the Exchange Act.

On September 22, 2010, the Company repurchased 67,154 shares of common stock for \$335,770.

Summary of stock option activity

The following table contains a summary of all stock option activity from January 1, 2009 through December 31, 2010:

	Stock Options	Weighted-Average Exercise Price
Outstanding at January 1, 2009	965,500	2.30
Grants	135,500	2.88
Exercises	(233,700)	1.26
Forfeitures or expirations	(58,800)	2.43
Outstanding at December 31, 2009	808,500	\$ 2.69
Grants	343,800	6.59
Exercises	(152,200)	2.52
Forfeitures or expirations	(119,400)	3.25
Outstanding at December 31, 2010	880,700	4.17
Exercisable at December 31, 2010	256,600	\$ 2.67

Summary of unvested stock activity

In February 2009 and January 2010, the Company granted to certain employees shares of its Class A Common Stock subject to the terms of Restricted Stock Agreements (“RS Agreements”) between the Company and each employee. Stock granted subject to a RS Agreement is included in our calculation of shares outstanding, and holders of such stock are included in our calculation of holders of record.

The following table contains a summary of all activity relating to stock granted subject to RS Agreements from January 1, 2009 through December 31, 2010:

	Unvested Stock	Weighted- Average Grant Date Fair Value
Outstanding at January 1, 2009	-	
Granted	105,157	\$ 2.03
Vested	- (55,069)	-
Forfeited	(2,562)	2.03
Outstanding at December 31, 2009	47,526	2.03
Granted	75,701	5.48
Vested	(53,542)	-
Forfeited	(14,800)	3.90
Outstanding at December 31, 2010	54,885	\$ 4.00

Public trading of Class A Common Stock

On September 16, 2009, public trading commenced in the shares of Pink OTC’s Class A Common Stock, under the symbol “PINK”, in the OTC Pink Current Information tier. Our Class A Common Stock was included on the OTCQX U.S. Premier marketplace on March 11, 2010, with Merriman Curhan Ford & Co. as our Designated Advisor for Disclosure. On January 19, 2011, the Company changed its trading symbol to “OTCM”.

The following table sets forth for the periods indicated the high and low reported sales prices per share for the Class A Common Stock, as reported on OTC Quote:

	High	Low
Third Quarter – 2009	\$ 10.00	\$ 2.75
Fourth Quarter – 2009	\$ 6.00	\$ 4.20
First Quarter – 2010	\$ 6.25	\$ 3.93
Second Quarter – 2010	\$ 8.00	\$ 6.10
Third Quarter – 2010	\$ 6.70	\$ 5.76
Fourth Quarter – 2010	\$ 6.40	\$ 5.91

There is no trading market for our Class C Common Stock.

Dividends

On February 23, 2010, the Board of Directors authorized and approved a quarterly cash dividend of \$0.04 per share of Class A Common Stock. The quarterly dividend was paid on April 8, 2010 to our stockholders of record as of March 22, 2010.

On May 11, 2010, the Board of Directors authorized and approved a quarterly cash dividend of \$0.04 per share of Class A Common Stock. The quarterly dividend was paid on July 8, 2010 to our stockholders of record as of June 22, 2010.

On August 10, 2010, the Board of Directors authorized and approved a quarterly cash dividend of \$0.04 per share of Class A Common Stock. The quarterly dividend was paid on October 7, 2010 to our stockholders of record as of September 21, 2010.

On November 9, 2010, the Board of Directors authorized and approved a quarterly cash dividend of \$0.04 per share of Class A Common Stock. The quarterly dividend was paid on January 6, 2011 to our stockholders of record as of December 21, 2010.

On March 8, 2011, the Board of Directors authorized and approved a quarterly cash dividend of \$0.04 per share of Class A Common Stock. The quarterly dividend will be paid to our stockholders of record on March 21, 2011, and is payable on April 7, 2011.

The declaration of dividends by OTC Markets Group is subject to the discretion of our Board of Directors. Our board of directors will take into account such matters as general business conditions, our financial results, capital requirements, contractual, legal and regulatory restrictions on the payment of dividends and such other factors as our Board of Directors may deem relevant.

Part C. Business Information

Overview

OTC Markets Group operates within the structure of U.S. markets as an independent provider of financial information and technology services to FINRA-member broker-dealers and issuers of OTC traded securities. Although we are in the process of registering our OTC Link subsidiary with the SEC as an alternative trading system (“ATS”), we do not offer or plan to offer trade execution services and we are not a stock exchange or a regulator. There is no regulatory relationship between OTC Markets Group and issuers whose securities trade on the OTC market, and such issuers are not required by U.S. securities laws to provide us with financial information or other disclosure for their securities to be quoted on our OTC Link interdealer quotation system.

Although we are not a stock exchange, we offer FINRA member broker-dealers and issuers of OTC securities financial information and technology services that are alternative solutions to many of the products and services offered by stock exchanges. By utilizing our OTC Link platform, broker-dealers can take advantage of portions of their existing trading systems already employed in trading NASDAQ and NYSE listed securities to internalize trades and document best execution in OTCQX, OTCQB, OTC Pink and FINRA OTC Bulletin Board securities. Investor focused issuers may use our products and services to improve the trading transparency and information available on the broker-quoted OTC market. U.S. issuers trading on our OTCQX U.S. marketplace are able to use the investment banks or securities attorneys that have advised them in creating their investor disclosure as the professional third party sponsors required to qualify for OTCQX. Non-U.S. issuers trading on our OTCQX International marketplace may use their existing, home country disclosure to satisfy the OTCQX investor disclosure requirements.

While investing in any OTC security has a high degree of risk, we believe that the financial information and technology services we provide ultimately benefit investors in OTC securities. By increasing the availability and quality of information, investors in OTC securities benefit through more efficient trading and valuations. Our Subscriber Services allow broker-dealers to attract order flow, enable broker-dealers to improve execution quality of trades in OTC securities, and create an audit trail for broker-dealers to document compliance with FINRA regulations regarding Order Handling and Best Execution of client orders. We believe our disclosure services create a structure for issuers to communicate with investors, improve the transparency of information regarding issuers of OTC securities, and provide an independent platform for issuers to demonstrate compliance with securities laws.

We have used information technology to leverage our subscriber base and position as a communication medium to transform our business from a paper-based supplier of securities information to a leading financial information and technology services provider for the U.S. OTC market. Currently, approximately 165 financial services firms actively make markets in over 10,000 OTC securities quoted on our OTC Link system. During 2010, broker-dealers used OTC Link trade messaging to negotiate trades in more than 656.6 billion individual shares of OTCQX, OTCQB and OTC Pink securities having a combined market value of over \$39.5 billion.

Since 2000, dollar trading volume of OTCQX, OTCQB and OTC Pink securities in the U.S. OTC market has increased approximately 393%, rising from an annual rate of approximately \$29.2 billion in 2000 to an annual rate of approximately \$144.1 billion in 2010. The OTCQX marketplace, which was introduced in 2007, grew to represent 11% of the dollar volume traded in 2010.

The following table shows the number of OTC securities quoted for trading on each of the three tiers of the OTC market at December 31, 2010 and at December 31, 2009, including those securities that are dually quoted on both OTC Link and the FINRA OTC Bulletin Board.

OTC Market Tier	Year Ended December 31,		2010 vs. 2009
	2010	2009	
OTCQX	159	78	104%
OTCQB ⁽¹⁾	3,851	3,321	16%
FINRA OTC Bulletin Board	22	69	(68%)
OTC Pink	5,954	5,879	(1%)
Total	9,986	9,347	7%

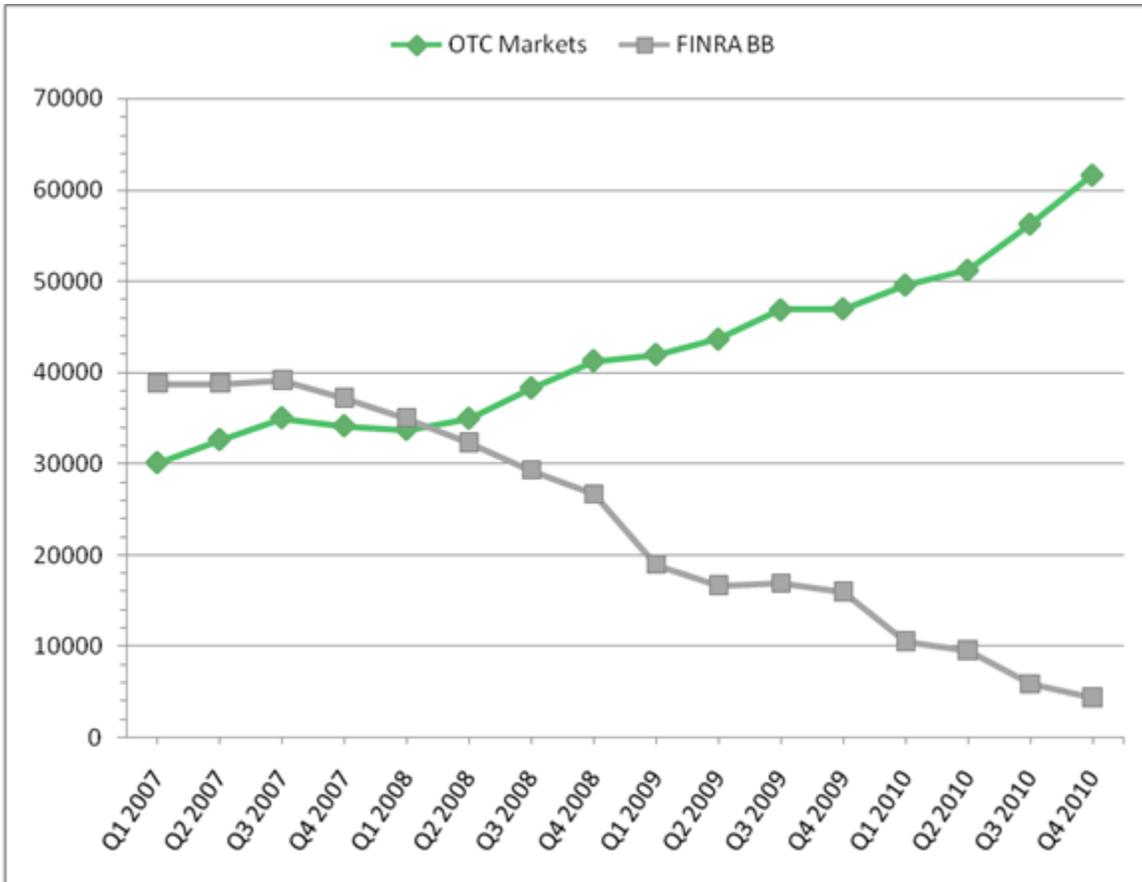
(1) OTCQB was launched on April 5, 2010 to identify companies that are current in their reporting obligations to the SEC or a U.S. banking or insurance regulator. OTCQB includes securities dually quoted on OTC Link and the FINRA OTC Bulletin Board as well as the securities of approximately 400 former OTC Pink issuers that are current in their SEC reporting obligations but not presently quoted on the FINRA OTC Bulletin Board.

Of the 9,986 equity securities that were quoted on the OTC market at December 31, 2010, 71% were quoted exclusively on OTC Link and approximately 0.2% were quoted exclusively on the FINRA OTC Bulletin Board, with the remainder being dually-quoted on both interdealer quotation systems.

Over the last four years, there has been continued growth in priced quotes on the OTC Link platform. In early 2008, broker-dealers priced quotes on OTC Link equaled the number of priced quotes on the FINRA OTC

Bulletin Board; since then, the number of priced quotes on OTC Link has continued to grow, while the number of priced quotes on the FINRA OTC Bulletin Board has continued to decline. The rise in priced quotes has been driven by broker-dealers choosing to consolidate their quoting activity in OTC securities on the OTC Link system, which we believe is attributable to systems improvements resulting from investments in our technology platform.

The following table shows the number of priced quotes for each of the two interdealer quotation systems:



Our Strategy: Information + Transparency = Efficiency

OTC Markets Group’s mission is to be the leading provider of financial information and technology services for the OTC equity markets by providing a quotation and trade messaging platform for FINRA member broker-dealers, market data for OTC participants, and disclosure and transparency services for issuers with securities traded on the OTC market. We believe that we provide the leading independent platform on which our customers create, categorize, record, and distribute information needed by broker-dealers, issuers, regulators, and investors in the OTC equity markets.

Key elements of our strategy include:

- *Make the OTC trading process more efficient for broker-dealers.* We will continue to improve the usefulness of information and communication tools broker-dealers need to attract order flow, efficiently trade OTC securities, and provide best execution to their clients.
- *Integrate our financial information and technology services with third-party applications.* Our OTC Link quotation and messaging system enables existing customers and third-party service providers to develop and deliver value-added order management, proprietary trading, and compliance systems. Our market

data and information products are easily integrated with third-party products and web sites to increase their value to users.

- *Improve the quality of issuer disclosure for investors.* We believe the variability in quality and availability of FINRA OTC Bulletin Board and OTC Pink issuer disclosure provides an opportunity to offer products and services that allow issuers to provide more reliable, timely information to investors and regulators.
- *Segment the OTC market.* We organize the OTC equity markets into three tiers based on the quality of information that companies choose to provide for investors. Our top tier is OTCQX, the quality-controlled marketplace for investor friendly companies that can meet our highest disclosure and financial standards. The next tier is OTCQB[™], which is designed for development stage companies that are current in their reporting obligations to the SEC or a U.S. banking regulator, but have not qualified for OTCQX. The final tier is the OTC Pink speculative trading marketplace that enables broker-dealers to provide high-quality execution services to their clients in any OTC traded equity security. These market tiers highlight each issuer's willingness to provide disclosure to investors. We believe that our market tiers facilitate more efficient capital allocation by investors.
- *Offer a high-quality platform to attract new companies to the OTC market.* We believe there is demand by (i) smaller U.S. companies for a tailored primary trading market and (ii) non-U.S. companies for a visible U.S. platform to provide investors with a transparent, informed, and efficient secondary trading market. Our OTCQX U.S. platform allows investor-friendly OTC traded issuers to offer their shareholders many of the information services that shareholders would receive from issuers listed on a U.S. stock exchange, and creates a new alternative for companies with a culture of compliance. Our OTCQX International platform provides a mechanism for non-U.S. issuers listed on a non-U.S. stock exchange to disseminate home country disclosure to U.S. investors.

Recent Business Developments

Review of Previously Issued Financial Statements

On August 6, 2010, we announced that our management and the Audit Committee of our Board of Directors determined that several of our previously issued financial statements should no longer be relied upon due to errors related to the validity of certain of our accounts receivable.

After a thorough review and analysis of the circumstances leading to the August 6 press release, our management and the Audit Committee of our Board of Directors determined that \$1.434 million in accounts receivable from our Market Data Licensing line of business was uncollectable, primarily due to problems with our collection procedures for market data sales reported by third-party vendors during the period from 2003 through 2008. We determined to write-down the full amount of the uncollectable receivables of \$1.434 million. After taking into account the related tax benefit of \$524,700, the net effect of the write-down is equal to \$909,300.

Our management and the Audit Committee of our Board of Directors determined that the proper accounting treatment for the uncollectable receivables was a "change in accounting estimate" as that term is defined in FASB Accounting Standards Codification 250, *Accounting Changes and Error Corrections* ("ASC 250").

Pursuant to ASC 250, we accounted for the change in accounting estimate in the period during which management discovered new information giving rise to the revised estimate. Management discovered the information during the third quarter of 2010, thus we amended our financial statements, and the related Quarterly Report, for the third quarter of 2010 to reflect the change in accounting estimate. We also amended our financial statements and related Quarterly Report for the second quarter of 2010 to indicate that the change in accounting estimate was not accounted for during that quarter. The Amended Quarterly Reports, including amended financial statements, for the second and third quarters of 2010 were published through the OTC Disclosure and News Service on March 18, 2011 and are available on our website at www.otcm Markets.com.

Remedial Action

Our internal review and analysis revealed that incorrect estimates were made for accounts receivable related to market data sales prior to 2009. In late 2008, we retained a third-party reporting service through which market data vendors report usage, and in early 2009 we upgraded our billing and accounting system and revised our collection procedures.

We have committed substantial resources to improving the quality of our accounting personnel and strengthening segregation of duties and internal controls related to all accounting functions. In addition, we have implemented improvements to our financial statement disclosure controls and procedures.

The Company has also taken the following remedial action:

- Making outstanding accounts receivable and aging reports accessible and transparent to senior management;
- Establishing policies regarding accounts receivable collection, and eliminating service to customers not in compliance with Company policy; and
- Providing a comprehensive accounts receivable report to senior management on a monthly basis, and to the Board of Directors on a quarterly basis.

Integration of Professional Employer Organization

On November 8, 2010, the Company entered into a client services agreement with a professional employer organization, Administaff, which on March 3, 2011 changed its name to Insperty™. The agreement became effective on January 1, 2011. Insperty acts as the Company's off-site, full service human resource department. Insperty provides the Company with services such as administration of payroll and benefits; procurement of workers' compensation insurance and administration of claims; advice regarding compliance with federal and state employment law; employee training; development of policies and procedures relating to personnel management and guidance on general human resources matters.

As part our agreement with Insperty, as of January 1, 2011, the Company's employees entered into a co-employment relationship with Insperty. The Company retains direction and control of our employees, including the right to hire, promote, discipline, terminate and direct all work related activities. Insperty provides the human resources services described above, leveraging its co-employment relationship with over 100,000 U.S. businesses.

Corporate Name Change

On November 30, 2010, the Company's stockholders approved changing the Company's name from Pink OTC Markets Inc. to OTC Markets Group Inc. The name change became effective on January 18, 2011. On January 19, 2011, the Company's Class A Common Stock, quoted on OTCQX, began trading under the symbol "OTCM".

FINRA's QCF Proposal

On November 13, 2009, FINRA filed with the SEC a proposed rule change (Release No. 34-60999; File No. SR-FINRA-2009-077) to create a Quotation Consolidation Facility ("QCF") that would serve as a commercial data consolidator and disseminator for quote data in the OTC equity market (the "QCF Proposal"). Under the QCF Proposal, FINRA would provide a national best bid or offer for OTC securities ("NBBO") traded on interdealer quotation systems for inclusion in the NASDAQ UTP Level One feed.

We believe that the QCF Proposal, if adopted in its current form, could negatively impact our revenues, including revenues from our Market Data Licensing and Subscriber Services lines of business. We currently generate a portion of our revenues by licensing the market data that we collect through our interdealer quotation system. We provide this market data, including the dissemination of a national best bid or offer in

OTC equity securities quoted on OTC Quote (the “OTC-BBO”), to market data redistributors, broker-dealers, and other OTC market participants under subscription and enterprise license agreements.

Under the QCF Proposal, we would effectively be required to provide FINRA with our OTC-BBO and all broker-dealer quotations on our OTC Link platform, so that FINRA could provide an NBBO for OTC securities for inclusion in the NASDAQ UTP Level One feed. During the year ended December 31, 2010, approximately 47% of OTC Markets Group’s total Market Data Licensing revenues were derived from the OTC-BBO. If the SEC approves the QCF Proposal, we expect that we will lose all or the majority of this revenue.

Under the QCF Proposal, FINRA would charge its members an additional “per quote” fee of \$4.00 per month (the “FINRA Quote Fee”) for each security quoted on an interdealer quotation system such as OTC Link. The FINRA Quote Fee would likely negatively impact our Subscriber Services revenues, and could negatively affect the value of our market data by decreasing the amount and the breadth of that data.

On March 18, 2010, FINRA filed with the SEC a proposed amendment to the original QCF Proposal (the “QCF Amendment”). FINRA’s QCF Amendment would eliminate, at this time, the FINRA Quote Fee, while reserving the right to re-introduce a fee in a separate rule filing in the future. As of March 17, 2011, the SEC had not incorporated the QCF Amendment into the QCF Proposal.

OTC Markets Group is strongly opposed to FINRA’s QCF Proposal. On December 14, 2009 we submitted to the SEC a comment letter in opposition to the QCF Proposal. On March 19, 2010 and May 5, 2010, Bingham McCutchen LLP submitted similar comment letters to the SEC on our behalf regarding the QCF Proposal and on June 3, 2010 a comment letter regarding Amendment 21 of the NMS Plan for NASDAQ securities (“Amendment 21”) questioning the appropriateness of including FINRA OTC Equity Data in the plan. On October 18, 2010, FINRA responded with a comment letter in support of Amendment 21. On December 6, 2010, Bingham McCutchen LLP submitted another comment letter on our behalf, noting flaws in FINRA’s argument and raising several additional points in opposition to Amendment 21. As of March 31, 2011, the SEC has not approved the QCF Proposal or Amendment 21.

OTC Markets Group is considering a variety of options in the event that the SEC approves the QCF Proposal or Amendment 21, including bringing a legal action against the SEC and/or FINRA. A legal action relating to the QCF Proposal would be protracted and costly, which may adversely affect our operating results.

Sale of FINRA OTC Bulletin Board

See “*Competition – Subscriber Services.*”

Alternative Trading System

See “*Regulation.*”

Recent Regulatory Developments

Dodd-Frank Wall Street Reform and Consumer Protection Act

On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act. Among other things, Dodd-Frank exempted smaller public companies with a market capitalization less than \$75 million from Section 404 of the Sarbanes-Oxley Act. The SEC is also required to provide, within one year of the Act’s enactment, a study to Congress regarding the costs of Section 404 compliance for public companies with a market capitalization greater than \$75 million, but less than \$250 million. This study may lead to further exemptions from Section 404 for certain public companies.

OTCQX and the OTC Disclosure and News Service target issuers choosing to deregister with the SEC. OTC Markets Group believes that the expense and effort of compliance with the internal control audit requirements of Section 404 of the Sarbanes-Oxley Act provided a significant incentive for smaller public companies to deregister under Section 12 of the Securities Exchange Act of 1934 and apply for an OTCQX classification. Dodd-Frank’s exemption from Section 404 may reduce this incentive somewhat, which could lead to a decrease in the growth of companies using the Alternative Reporting Standard to qualify their securities for inclusion on OTCQX and less demand for the OTC Disclosure and News Service in future periods. On the

other hand, this exemption may encourage issuers to register and use the SEC Reporting Standard to qualify their securities for inclusion on the OTCQX and OTCQB marketplaces.

Regulation NMS-Principled Rules in the Market for OTC Equity Securities

Effective February 11, 2011, FINRA introduced three new rules regulating the quoting and trading of OTC equity securities. These rules implement in the OTC market principles that previously applied only to the market for exchange-listed securities.

FINRA Rule 6434, Minimum Pricing Increment for OTC Equity Securities, places limits on quote price increments. For example, if an OTC stock is priced at \$1.00 or more, broker-dealers must submit quotes in increments of at least \$0.01. Sub-penny quotes are not permitted in these stocks. Lower quote price increments are allowed for stocks priced at less than \$1.00.

FINRA Rule 6437, Prohibition from Locking or Crossing Quotations in OTC Equity Securities, requires broker-dealers to implement policies aimed at avoiding quotes that “lock” or “cross” the market. A locking quote is one that makes the best bid for a security in an interdealer quotation system equal to the best offer for that security in the same interdealer quotation system. A “crossing” quote is a bid for a security that is higher than the best offer for that security in the same interdealer quotation system, or an offer that is lower than the best bid. There are circumstances in which it is still permissible to lock or cross the market. As a service to our subscribers, our OTC Link system does not allow a broker-dealer to lock or cross the market without an additional confirmation that the subscriber intends to do so.

FINRA Rule 6450, Restrictions on Access Fees, allows a broker-dealer that posts a bid or offer quote to charge a fee to a competing broker-dealer that accepts that quote. Rule 6450 places limits on the amount of the fee, starting with a maximum of \$0.003 per share for securities priced at \$1.00 or more. The maximum fee decreases as the price of the security decreases.

OTC Markets Group is developing a system, which we expect to introduce during the second quarter of 2011, to assist our subscribers in processing access fees, or Quote Access Payments (QAP). The QAP system is intended to allow a subscriber to display an access fee or rebate in connection with a posted quote. Subscribers may update their access fees or rebates with each new posted quote. OTC Markets Group also intends to provide a related service that will calculate each subscriber’s net access fees owed or earned per month, and will assist any subscribing broker-dealer in collecting net access fees when appropriate.

On February 24, 2011, the SEC released a proposal by FINRA to require its members to disclose access fees, as well as any discounts available, on the member’s website. FINRA’s proposal in its current form would not allow subscribers to use the QAP system as their primary communication method for access fee pricing and updates. We submitted a comment opposing this proposal because we believe the best place to disclose access fees is within the interdealer quotation system that displays the quotations associated with the fees. We also believe that the proposed disclosure requirements will result in fixed fees, which are generally known to reduce competition and harm investors.

Effective May 9, 2011, FINRA Rule 6460, Display of Customer Limit Orders, will require an OTC market maker displaying priced quotes to publish, generally within 30 seconds, the price and full size of many of the market maker’s customer limit orders. A customer limit order is generally a specific order to buy or sell securities at a specified price.

Products and services

OTC Markets Group generally derives revenues pursuant to a “subscription” model, whereby the significant majority of our revenues are recurring in nature. For example, once a broker-dealer decides to trade in the U.S. OTC market using our services, that broker-dealer typically continues to subscribe to our services, with different monthly user and usage levels, until it ceases to be active in the U.S. OTC market. The market data

redistributors that offer our OTC market data to their subscribers, including our largest redistributors, have historically remained long-term OTC Markets Group clients. Companies that seek designation on the OTCQX marketplace do so on an annual basis. It has been our experience that once these companies have made a decision to move to OTCQX, they generally choose to remain with OTCQX, although several OTCQX companies have recently moved on to an exchange listing. Other OTC traded companies subscribe to our suite of Issuer Services products and services on a semi-annual or annual basis, with subscription fees paid in advance.

OTC Markets Group has three lines of business that provide a variety of products and services, including trading technologies for FINRA member broker-dealers and market information for broker-dealers, issuers, investors, and market data distributors. Each of our business lines, consisting of Subscriber Services, Market Data Licensing, and Issuer Services, is described in detail below.

Subscriber Services

OTC Markets Group offers an information technology platform that enables FINRA member broker-dealers to display prices, attract orders and conduct trade negotiations in OTC traded securities. We offer a suite of quotation and trade-messaging products and services to broker-dealers operating as OTC market makers, agency brokers and Electronic Communications Networks (“ECN”). Providing these services is fundamental to our business model. Our Subscriber Services business made up approximately 41% of our revenues from services for the year ended December 31, 2010.

OTC Markets Group generates revenues by providing broker-dealers with information and communication technology to facilitate quote publication, order handling and trade execution in the OTC market. Broker-dealers pay us monthly license, subscription, and connectivity fees to use our OTC Link interdealer quotation, messaging, and trading platform. Our OTC Dealer™ software-as-a-service application enables broker-dealers to view and submit quotes for OTC securities and communicate with each other on OTC Link. OTC Link delivers trade negotiation messages electronically, replacing the use of the telephone to execute, negotiate, or decline orders in OTC securities.

OTC Markets Group’s Subscriber Services offer a unique value proposition to broker-dealer clients in the following areas:

- **Control** – Broker-dealer subscribers have greater control over the execution of client, correspondent, and proprietary orders, allowing broker-dealers to deliver a better experience to their customers and improve opportunities for best execution.
- **Cost** – We provide connectivity and communication to the OTC equity trading process. Broker-dealers can leverage their substantial investment in internal systems infrastructures, originally designed to trade NASDAQ and NYSE securities, to internalize trades in OTC securities. This allows broker-dealers to avoid the costs of routing orders through an intermediary that charges per share fees, such as a stock exchange or ECN. Since broker-dealer subscribers are not charged per execution or per transaction fees, the more transactions they are able to execute in OTC securities, the lower their transactional costs.
- **Capital** – Due to the ability to control the trading process while using our Subscriber Services products, broker-dealer subscribers have increased opportunities to efficiently employ capital to facilitate customer orders or trade on a proprietary basis.

OTC Dealer, together with separately priced add-on applications, shows a full Real-Time Level 2 quote montage for OTCQX, OTCQB, FINRA OTC Bulletin Board and OTC Pink securities, providing full access to OTC Link tickers, quote montages, and multiple watch lists for OTCQX, FINRA OTC Bulletin Board and OTC Pink securities. For automated trading and integration with third-party Order Management Systems (“OMS”) and direct access trading systems, we offer the OTC FIX Gateway, a real-time FIX Protocol based computer-to-computer interface that allows for fully-electronic submission and receipt of messages relating to quotes, orders, and executions. Our broker-dealer subscribers pay variable usage fees to (i) publish quotes and (ii)

communicate and negotiate with counterparties on the OTC Link interdealer quotation and messaging system. Monthly OTC Link Position fees are based on the number of daily bona fide continuous two-sided priced quotes (“BFC Quote Positions”) and un-priced quote positions, with graduated volume discounts for BFC Quote Positions. Monthly OTC Link message fees are based on the number of messages sent or received relating to BFC Quote Position securities and un-priced securities on OTC Link, with graduated volume discounts for messages relating to BFC Quote Position securities. We do not charge fees for quotes of any securities that are listed on NYSE, NYSE Amex Equities, or NASDAQ. Our daily messaging fee allows subscribers to send and receive an unlimited number of messages in a security on that day. Fees for use of the OTC Dealer application are based on the number of authorized users per subscriber and are discounted in graduated amounts in relation to total users per subscriber.

Beginning on July 1, 2009, OTC Link Position Fees were modified to provide an economic incentive for broker-dealers to publish their FINRA OTC Bulletin Board priced quotes on OTC Link. OTC Link message fees have not been similarly adjusted. As a result of this modified fee structure, broker-dealers that publish un-priced quotes on OTC Link will continue to incur higher use and usage fees, while broker-dealers that publish priced quotes on OTC Link should realize a cost savings.

OTC Dealer also provides users access to analytics and information, including corporate action data and advanced search capabilities for broker-dealer activity, quotes, inside markets and trades, security changes, and trader open/close activity. Our OTC Dealer application contains many tools and features recognizable to users of other trading applications and it has a familiar interface for rapid adoption by traders. As a result, our users do not require substantial training to use and benefit from the service.

Add-ons to the OTC Dealer application include:

- *AutoQuote Link™* – enables the calculation of quotes from an Excel spreadsheet for automatic submission to OTC Link, thus enhancing trader efficiency in cross-border and convertible arbitrage quote pricing.
- *FINRA OTC Bulletin Board Quote and OTC Trade Data* – provides access to FINRA OTC Bulletin Board quotes to create a consolidated quote montage and real-time trade volumes for OTC securities. OTC Markets Group purchases this market data from NASDAQ to supplement the market data generated through OTC Quote.
- *QIX FINRA OTC Bulletin Board Quote Update Link™* – electronic submission to NASDAQ QIX gateway of quote price updates for FINRA OTC Bulletin Board securities dually quoted on the OTC Link platform is provided without charge by OTC Markets Group, although NASDAQ port charges apply.

OTC Markets Group also offers a variety of other unique financial information and technology services that allow broker-dealers to take further advantage of our platform and integrate in real-time with internal and third party OMS, direct access, and compliance systems. These products and services include:

- *OTCQuote.com™* – designed for OTC agency traders, institutional investors, and compliance officers who require access to real-time and historical quote, trade and market data for OTC securities, but do not need the ability to publish quotations or negotiate trades.
- *TRF™ Drop Copies* – direct reporting of OTC Link enabled executions to FINRA’s OTC trade reporting facility.
- *OTC FIX™* – our FIX communication protocol enables the combination of three core broker-dealer services: quote contribution, messaging and routing via OTC Link; and routing of execution reports to internal or OMS execution systems.
- *OTC Feed™* – a real-time, low latency market data feed that delivers our Real-Time, NBBO, Level 2 Quotations and OTC Link trade data to broker-dealers, market data redistributors, and other third-party vendors.

- *FINOP Report*TM – a monthly report with security and market maker details to facilitate and streamline the preparation of monthly FOCUSTM reports. This report provides critical data for calculating OTC equity security haircuts pursuant to Rule 15c3-1 under the Exchange Act (net capital requirements for broker-dealers).
- *OTC Library Research*TM – provides comprehensive coverage of securities listed for trading on the NYSE, NYSE Amex Equities (formerly, the American Stock Exchange) and NASDAQ, as well as OTC securities. This service includes a compilation of historical prices and quotations in our Pink Sheets[®] historical database, as well as corporate actions for stocks and bonds.
- *OTC Quote History*TM – available on a monthly basis to broker-dealers on a CD-ROM. Contains the daily history of all inside and broker-dealer quotations for OTCQX, OTCQB, FINRA OTC Bulletin Board and OTC Pink securities quoted on OTC Link. Broker-dealers subscribe to OTC Quote History to perform a number of required internal and external functions, including best execution analysis, current and historical recordkeeping, and regulatory compliance.

As of December 31, 2010, approximately 165 broker-dealers subscribed to our Subscriber Services products, enabling them to post quotes and/or communicate via our OTC Link platform.

Market Data Licensing

OTC Markets Group generates revenues by providing our subscribers with access to the extensive OTC market data and security information we collect through our Subscriber Services products. Due to our central position in the OTC market, we are able to collect and resell a variety of OTC market data, including real-time, end-of-day, historical quotation and trading data, security master data and corporate reference data. Investors, traders, institutions, accountants, and regulators pay us monthly license fees to access this information. Depending on a subscriber's needs, we offer a suite of market data licenses, priced at per enterprise or per subscriber rates, through direct connectivity, third-party market data redistributors or OMS. Depending on the license type, subscribers may distribute the market data on an internal-only basis, to clients, or post it on their websites. We generate a majority of our market data revenues from sales to market data redistributors, including Bloomberg, Thomson Reuters, Interactive Data, and Fidessa. These distributors ultimately pay us a portion of the fees that they receive from their subscribers. For the year ended December 31, 2010, our Market Data Licensing business made up approximately 42% of our revenues from services.

Our Market Data Licensing services include:

- *OTC Markets Level 1+* - Real-time bid and offer price information and aggregate size information at each bid or offer price level. This license includes information regarding trades negotiated by broker-dealers via OTC Link.
- *OTC Markets Level 2+* - Real-time individual bid and offer prices, size information, market participant identifiers and contact information. This license includes information regarding trades negotiated by broker-dealers via OTC Link.
- *Real-Time Reference Prices* – Real-time inside bid and offer prices. Size and market participant information is not available with this license. OTC Link trade information is included in this license.
- Internal System Application Licenses – Real-time price, size and market participant (Level 2 version only) data for use by a software application only.
- End of Day Pricing Licenses – End of day bid and ask quotations for valuation, research and analysis use.
- Security & Company Data Licenses – Security and Company attribute data for compliance, research and analysis use.

Issuer Services

OTC Markets Group offers products and services to OTC issuers that are designed to promote transparency in the OTC marketplace, facilitate public disclosure, and enable issuers to demonstrate compliance with federal securities laws. The primary suite of products and services we offer to OTC issuers are our OTCQX marketplace, OTC Intelligence, OTC Disclosure and News Service™, Real-Time Level 2 Quote Display™, and Blue Sky Monitoring Service™. For the year ended December 31, 2010, our Issuer Service business made up approximately 17% of our revenues from services.

The securities traded on the OTC market represent a broad and diverse group of companies with a variable level of financial strength, disclosure availability, and management quality. They span all major sectors and industries, and are characterized by market capitalization levels ranging from micro-cap start-ups to large-cap multi-national companies. OTC issuers that demonstrate their commitment to investors by providing timely disclosure and complying with the stringent OTCQX qualification requirements are eligible to have their securities traded on our OTCQX platform.

In contrast to securities listed on U.S. stock exchanges, securities may trade in the OTC market whether or not they are registered with the SEC. There are three ways that issuers of OTC traded securities provide disclosure to investors:

- *U.S. Registered and SEC Reporting Standard:* Issuers may register a class of their securities with the SEC and comply with SEC reporting requirements. Bank and insurance company issuers may register with and report to their primary U.S. regulator.
- *Alternative Reporting Standard:* When SEC registration is not required, issuers generally must make certain information publicly available to satisfy the requirements of Rule 10b-5 under the Exchange Act and Rule 144(c)(2) under the Securities Act. The Alternative Reporting Standard may be satisfied through compliance with the OTC Markets Guidelines for Providing Adequate Current Information.
- *International Information Standard:* Rule 12g3-2(b) under the Exchange Act (“Rule 12g3-2(b)”) permits non-U.S. companies with securities listed primarily on a non-U.S. exchange to make publicly available to U.S. investors in English the same information that is made publicly available in their home countries as an alternative to SEC Reporting.

The OTCQX Marketplace

OTC Markets Group believes that the OTCQX marketplace is the premier tier of the U.S. OTC market. Investor-focused OTC issuers use the quality controlled OTCQX marketplace to offer investors trading transparency and superior information. OTCQX stocks generally may be lawfully traded in more states than other OTC securities. The innovative OTCQX marketplace offers OTC issuers and their shareholders services formerly available only on a U.S. stock exchange.

OTCQX fills an important role for issuers that are not efficiently served by a U.S. stock exchange listing but may benefit from the investor visibility, credibility, and trust that a branded marketplace provides. To join OTCQX, issuers must be sponsored by a professional third-party, meet minimum financial, disclosure and qualitative standards, pay annual fees, and continue to meet the requirements of our OTCQX Rules on a going-forward basis. We believe that less than 20% of all issuers of OTC securities are currently able to meet the minimum financial and qualitative standards for trading on OTCQX.

The OTCQX marketplace is divided into OTCQX U.S. for U.S. issuers and OTCQX International for non-U.S. issuers. SEC registered issuers must be compliant with the U.S. Registered and SEC Reporting Standard. U.S. issuers that are exempt from SEC registration, usually because they have less than 500 holders of record, must make appropriate disclosures as required by following OTC Markets Group’s Alternative Reporting Standard. Non-U.S. issuers that are exempt from SEC registration must be listed on a qualified non-U.S. stock

exchange and compliant with the International Information Standard. Within OTCQX there are elite tiers separating the largest companies (OTCQX U.S. Premier and OTCQX International Premier™) from the smaller, usually growth companies. All OTCQX issuers receive a suite of our Issuer Services products and services, including the OTC Intelligence Service, OTC Disclosure and News Service, Real-Time Level 2 Quote Display, and Blue Sky Monitoring Service.

All U.S. domiciled issuers qualified for OTCQX U.S. are required to appoint and retain a “Designated Advisor for Disclosure”, or “DAD”, while companies trading on OTCQX International and on a qualified stock exchange must appoint a “Principal American Liaison”, or “PAL”. Both DADs and PALs are sophisticated securities professionals, proficient with respect to the disclosure requirements of U.S. securities law and compensated directly by the OTCQX-traded company. Prospective DADs must submit an application to OTC Markets Group to show evidence that the firm is qualified to be an OTCQX advisor. DAD eligibility is limited to reputable securities attorneys or to FINRA-member investment banking firms. OTC Markets Group believes that the use of DADs and PALs builds trust in OTCQX on the part of investors, broker-dealers and other OTC market participants. The DAD and PAL concept is modeled on the Nominated Adviser (“NOMAD”) feature of the London Stock Exchange’s Alternative Investment Market (“AIM”), a market focusing on smaller, growth companies.

The DAD or PAL is required to provide a professional third-party review, but not affirmation, of an issuer’s initial application and disclosure statement and periodically review that the ongoing disclosure is provided by OTCQX issuers. In particular, a DAD undertakes a limited review to confirm that the issuer meets its obligations under the OTCQX Rules. Likewise, a PAL must affirm that the OTCQX International issuer is in compliance with the OTCQX Rules, and has posted on the OTC Disclosure and News Service all of the “home country” information required under Rule 12g3-2(b). By relying on a professional sponsor that is independent of OTC Markets Group, the OTCQX community-based qualification process has natural checks and balances to accomplish quality control and compliance goals, which would ordinarily be the responsibility of a stock exchange listing department, in an open and efficient manner. We believe that DADs and PALs have reputational and financial incentives to carry out their roles with integrity, and that they play a critical role in building trust in the quality of the OTCQX marketplace.

The OTCQX U.S. marketplace is targeted towards (i) U.S. emerging-growth companies with a class of securities that are SEC registered or that are in the process of registering a class of securities with the SEC with the view of obtaining a NASDAQ listing, but are not yet of the size and profitability to support the additional management, operational and cost burdens that a NASDAQ listing entails, and (ii) seasoned public companies that are exempt from SEC registration and want to demonstrate to investors, employees, customers and business partners their operational strength and commitment to providing credible disclosure.

We believe that OTCQX provides an innovative solution to the disclosure needs of U.S. growth companies, including growth companies that comply with the U.S. Registered and SEC Reporting Standard.

The OTCQX International marketplace is targeted towards (i) large non-U.S. companies that meet stringent home country listing standards of a qualified non-U.S. stock exchange and do not see the value of taking on the burdens of meeting multiple regulatory, compliance, disclosure, and accounting standards, and (ii) non-U.S. emerging growth companies that are listed on a qualified non-U.S. stock exchange and may be working towards a NASDAQ or NYSE listing, but are not yet ready to support the management, operational and cost burdens of meeting two different regulatory, compliance, disclosure, and accounting standards.

While our Subscriber Services create an efficient trading platform for broker-dealer subscribers to provide their self-directed clients with best execution in any OTC security, the lack of listing standards and issuer compliance, in the case of the FINRA OTC Bulletin Board marketplace, as well as the lack of investor information in the OTC Pink marketplace, may cause investors to avoid investments in OTC securities. OTCQX provides a solution to this problem for FINRA OTC Bulletin Board and OTC Pink quoted issuers by allowing them to engage with investors to create a better secondary trading marketplace.

The OTCQX platform creates a better OTC market for investors and issuers by replicating many of the services investors expect from an exchange-listed security. The four key components are:

- *Trading Transparency* – OTCQX companies have Real-Time Level 2 Quotes available free for investors on the internet at www.otcqx.com, www.otcmartets.com, and on the issuer’s website.
- *Superior Disclosure* – OTCQX companies provide current audited financial information and disclosure available free for investors on the Internet at www.otcqx.com, www.otcmartets.com, and on the issuer’s website, if they so choose.
- *Increased Access to Liquidity* – OTCQX companies must be published in the S&P or Mergent securities manual, which satisfies the securities laws for secondary trading (“Blue Sky” laws) in many states, and are proactively monitored for other available exemptions for compliance with the majority of state Blue Sky laws. Compliance with Blue Sky laws expands the pool of available liquidity to include investors that are professionally advised by registered broker-dealers and investment advisors.
- *Quality Control* – OTCQX is only available to companies that have met qualification standards, which provides a separation from the speculative, distressed, or disengaged issuers that have securities quoted on OTC Pink.

OTC Markets Group believes that the four components above, as well as the quality, strength, and reputations of the companies that have chosen to qualify their securities for OTCQX and the community of DADs and PALs that sponsor these companies, enhance the trust and credibility of the OTCQX marketplace with issuers and investors. As a result, we expect that OTCQX will continue to attract well-known non-U.S. issuers and will bolster our efforts to market OTCQX to large international issuers, as well as to those smaller domestic and international issuers that may be influenced by the example of those already trading on OTCQX.

Current OTCQX issuers include Allianz SE, the Germany-based insurance and asset management company; Computer Services, Inc., the Kentucky-based provider of software and services to over 3,000 banks; Roche Holding Ltd., the Switzerland-based pharmaceuticals company; and Wal-Mart de Mexico S.A.B. de C.V., the Mexico-based operator of retail chain stores in Mexico.

As of December 31, 2010, 159 issuers, comprising 21 U.S. companies and 138 international companies, have qualified their securities for OTCQX. In 2010, the average dollar volume per security traded on our OTCQX tier was \$96.0 million as compared to \$16.0 million for securities traded on our OTC Pink tier and \$8.6 million for securities traded on our OTCQB tier.

The following table shows 2010 dollar trading results by various alternative or entry-level securities trading venues:

Marketplace	# of Securities at December 31, 2010	2010 Dollar Volume (000’s)	Avg. \$ Volume per Security
OTCQX	159	\$15,267,394	\$96,021,347
LSE AIM	1,194	\$50,605,800	\$42,383,417
OTC Pink	5,954	\$95,736,805	\$16,073,410
TSX Venture	2,376	\$34,350,300	\$14,457,197
OTCQB	3,851	\$33,051,946	\$8,582,692

OTCQB

On April 5, 2010, OTC Markets Group introduced a new market tier, named OTCQB, to help investors easily identify OTC issuers that are registered with the SEC or report to a U.S. banking or insurance regulator, and that are currently in compliance with their respective disclosure obligations. OTCQB includes securities dually quoted on OTC Link and the FINRA OTC Bulletin Board as well as the securities of approximately 400 former OTC Pink issuers that are current in their SEC reporting obligations but not presently quoted on the FINRA OTC Bulletin Board. Securities in the OTCQB tier are identified by an icon that says “OTCQB – U.S. Registered.”

OTC Intelligence

The OTC Intelligence™ service provides compliance and communication tools alongside investor relations and business intelligence solutions for OTC-traded companies. OTC Intelligence allows subscribers to publish financial reports, news releases, research, and investor presentations; sponsor Real-Time Level 2 Quotes for investors on www.otcmarkets.com; gain access to more investors with our Blue Sky Solutions and analyze unique OTC market data. Subscribers also receive the OTC Market Report, a weekly synopsis of the trading activity of an issuer’s securities that enables companies to monitor their stock performance and make informed, intelligent capital markets-related business decisions. OTC Intelligence is available through www.otciq.com, a secure website available only to OTC traded companies.

OTC Disclosure and News Service for FINRA OTC Bulletin Board, OTCQB and OTC Pink Quoted Issuers

The OTC Disclosure and News Service provides a simple and efficient way for issuers of OTC securities to communicate with the marketplace and demonstrate their compliance with securities laws. Accessed through the secure web-based www.otciq.com portal, the OTC Disclosure and News Service permits issuers to post financial reports, news releases, and other disclosure documents on www.otcmarkets.com and, for OTCQX issuers, on www.otcq.com. The OTC Disclosure and News Service also serves as a document retention system, as all documents submitted through the service are permanently stored and readily available to investors, regulators, and market professionals.

OTC Markets Group currently places OTC Pink issuers into one of three easily identifiable categories that inform investors whether an issuer has made adequate public information available in a timely manner: “OTC Pink Current Information”, “OTC Pink Limited Information”, and “OTC Pink No Information”. In addition, companies whose stock is the subject of a spam campaign or other public interest concern are flagged: “Caveat Emptor” or “Buyer Beware”. OTC issuers provide public information to qualify for the OTC Pink Current Information or OTC Pink Limited Information market tiers either through a U.S. regulator, such as the SEC or a banking regulator, a qualified non-U.S. stock exchange, or directly to OTC Markets Group through the OTC Disclosure and News Service. For issuers that provide the disclosure directly under the Alternative Reporting Standard, we require a quarterly letter from a U.S. securities attorney that adequate current information is available under Rule 144.

We believe that segmenting OTC Pink securities into these disclosure categories has the effect of increasing the overall level of information available to OTC broker-dealers and investors, thereby strengthening the OTC market as a whole.

Liquidity follows transparency. Issuers of OTCQX, OTCQB, FINRA OTC Bulletin Board, and OTC Pink securities that provided current disclosure to the public markets during the full year of 2010, either through a regulator or directly to OTC Markets Group, represented 91% of the total dollar volume of securities traded in the OTC market during 2010.

OTC Market Tier	# of Securities at December 31, 2010	% of Total 2010 Dollar Volume	Avg. 2010 Dollar Volume per Security
OTCQX	159	10.6%	\$96,021,347
OTCQB	3,851	22.9%	\$8,582,692
FINRA OTC Bulletin Board Only	22	0.02%	\$1,138,639
OTC Pink:			
Current Information	1,830	57.4%	\$45,153,368
Limited Information	749	7.4%	\$14,717,663
No Information	3,375	1.5%	\$617,070

Real-Time Level 2 Quote Display Service

Issuers may provide their investors with access to free real-time level 2 quotes for their securities on www.otcmarkets.com. This service also permits issuers to stream quotes to the investor relations portion of their corporate websites. Level 2 quotes consist of a full montage of real-time inside bid and ask quotes, a full depth-of-book quote montage, and streaming trade data.

To further encourage better disclosure practices, OTC Markets Group offers the Real-Time Level 2 Quote Display Service only to those OTC Pink issuers placed into the Current Information and Limited Information categories. Quotes for securities of companies in the OTC Pink No Information category will be displayed with only inside quotes and trade information on a 15 minute delayed basis. Generally, there is no quote display for securities of companies flagged "Caveat Emptor;" rather, a message to investors is displayed explaining the reasons for the Caveat Emptor designation.

Blue Sky Monitoring Service

The Blue Sky Monitoring Service provides analysis, review, and guidance to companies about compliance with each state's Blue Sky laws. OTC Markets Group and Blue Sky Data Corp. have partnered to provide the Blue Sky Monitoring Service. The service provides a determination of an issuer's Blue Sky status and/or available exemptions, guidance regarding additional information, filings or registrations required in states for which they are not covered by the manual or other exemptions, and distribution of an issuers' Blue Sky information to broker-dealers and clearing firms around the country to ensure their compliance with the various states' rules and regulations pertaining to secondary market trading.

Website Advertising

Our leading position in the U.S. OTC market and the depth and breadth of OTC securities market data and trading-related information offered on our websites attracts marketplace participants to advertise on www.otcmarkets.com. Financial services firms, including investment firms, online brokerage firms and fund managers, may advertise on www.otcmarkets.com to promote investor awareness of their products and services.

As we have enhanced our products and services, our web traffic has increased. As of December 31, 2010 we had seven website advertising clients.

Websites

OTC Markets Group operates a number of websites, each targeting specific OTC market participants, such as traders, issuers and investors. Our websites provide a broad range of information about the U.S. OTC market and the issuers of OTCQX, OTCQB, FINRA OTC Bulletin Board and OTC Pink securities.

- **www.otcmarkets.com** – Designed for retail and institutional investors, as well as the general public, our corporate website, with greater than 28 million monthly page views, is the premier source of financial and corporate information for OTCQX, OTCQB, FINRA OTC Bulletin Board, OTC Pink and Grey Market securities. This website is a unique destination for free delayed and real-time quotes, trade data, financial news and reports, and also provides detailed company profile and corporate action information about OTC traded companies. The site allows access to in-depth information about the U.S. OTC market and a variety of OTC trading and issuer statistics. This is the only website on which we allow paid advertising. Our www.pinkotcmarkets.com, www.pinkotc.com and www.pinksheets.com URLs all now flow to www.otcmarkets.com.
- **www.otcq.com** – This website provides in-depth financial and trading market information about the domestic and international companies that have chosen to qualify their securities for OTCQX. The site provides dynamic, real-time Level 2 quote and trade data for OTCQX securities, along with issuer-specific news releases, financial reports, and a company search capability. Our OTCQX governing documents, including the OTCQX Rules, applications, and agreements are posted on this website. www.otcq.com is geared towards OTCQX issuers, financial professionals and investors.
- **www.otciq.com** – This website is our secure, web-based portal for investor relations and market intelligence. It provides subscribing OTC companies with access to the OTC Intelligence Services, the OTC Disclosure and News Service, Real-Time Level 2 Quotations for all OTC securities, the OTC Market Report, and the Blue Sky Monitoring Service.
- **www.otcquote.com** – This is a subscription-based website targeting OTC agency traders, compliance officers, institutional investors and other financial professionals who desire access to detailed, real-time data for OTC securities.
- **www.otcdealer.com** – This is the technical support and training site for OTC Dealer customers. All training and technical documentation for OTC Dealer, which includes the current versions of the user manual and the detailed specification document, is available at www.otcdealer.com.

Technology

OTC Markets Group is in large part a technology company. The IT team works very closely with the business side to deliver products and services that are finely attuned to the needs of our customers. Performance, functional depth, and the usability of our products and services drive our technology decisions and product direction. We use commercially available hardware, virtualization, and a combination of proprietary, open source, and commercially available software to provide our products and services.

The team consists of a group of strong technologists that build and maintain all products in-house. This allows us to be nimble in delivering new functionality while maintaining a high level of quality. We consistently roll out new pieces of business functionality while simultaneously focusing on improving the availability of our systems. In the past year, we made a number of hires, and the team grew by more than 30%. As we adapt to this bigger team size, some of our focus this year will also be on building out our internal support systems, such as our continuous integration environment, our automated regression and load testing frameworks, and our deployment and administration tools.

Our IT infrastructure is the foundation of our business-critical applications. Therefore, we strive to ensure its reliability, high-availability, scalability (to support the expansion of our systems as well as the growth of our subscribers), and performance. We select our infrastructure components based on their proven success within

the financial industry. With that in mind, EMC Celerra became our unified and consolidated storage solution, best-in-class for file shares and block storage, maintaining high-performance and providing measured five-nines (99.999 percent) data availability. For the same reason, our Core and Edge networks relied mainly on Cisco (routers and switches) and F5 equipment. The major financial networks are available for our subscribers to connect to our services: BT/Radianz, TNS, and SAVVIS. Our applications run on Oracle-Sun and HP hardware computing platforms, leveraging Solaris-10, Linux RedHat, or Virtualization (KVM, Xen), whenever applicable.

Our core technologies are highly scalable, real-time financial information distribution and communication applications written in Java. The open source and commercial technologies include, but are not limited to, SOA, AJAX, Hibernate, iBatis, Spring, J2EE, TIBCO Rendezvous, Oracle Coherence, IBM Informix Database, and Vertica Data Warehouse. Our FIX Engine Gateway and Feed Handler are supplied by NYSE Technologies. Our web-based services are built on top of JBOSS application servers using a service-oriented architecture.

The underlying systems are built around a common information architecture, shared database design, reusable components, best-of-breed architectural frameworks, and standard design patterns and implementation. These systems facilitate rapid deployment and introduction of new services, as well as lower overall development, operational, and maintenance costs. The standardization of information and technology in our back-end systems and our adherence to reusable components streamline the development and on-going operation of our suite of products and services and reduce time-to-market. As a result, we are able to distribute the cost of developing and delivering our products and services across the full line of products and services we offer to our customers. Moreover, we are able to focus our resources on building new functionality to deliver to our entire customer base, rather than on maintaining an infrastructure to support our customers' distinct applications.

Our stable of products include quote and trade messaging services, desktop applications for traders, incoming and outgoing market data feeds, multiple website portals, and a number of other data related products. We focus our research and development efforts on improving and enhancing the features, functionality, and security of our existing service offerings, as well as developing new proprietary products and services. Because of our common, multi-tenant application architecture, we are able to provide all of our customers with a service based on a single version of our application. Consequently, we are able to upgrade all of the web-based services used by our subscribers at the same time with each release. As a result, with the exception of the OTC Dealer Application that resides on each trader's desktop, we do not have to maintain multiple versions of our applications.

Contracts

Exhibits 3 and 4 to this Annual Report provide a list of contracts important to our business, divided into two categories: material contracts and customer contracts. Negotiated contracts include Mr. Coulson's employment agreement, real estate leases on real properties used in our business, and our credit agreement with JPMorgan Chase Bank, N.A. ("JPMorgan Chase"). We use standardized customer contracts in each of our three lines of business.

Legal Proceedings

There are no current, past, pending, or threatened legal proceedings or administrative actions either by or against us that could have a material effect on our business, financial condition, or operations. We are not a party to any past or pending trading suspensions by a securities regulator.

Risk Factors

The risks and uncertainties described below are not the only ones facing us. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also adversely affect our business. If any of the following risks actually occur, our business, financial condition, or operating results could be adversely affected.

Risks Relating to our Business

Challenging economic conditions may continue to impact our business, financial condition and operating results.

Our business performance is impacted by a number of factors including general economic conditions, which have been difficult in recent years, particularly for financial services companies that are the majority of our subscribers. Although access to credit markets has improved, prolonged recessionary conditions and/or a slow or uneven recovery from the economic downturn could continue to result in reduced demand for our products and services and is likely to negatively impact the ability of our customers, lenders, and other counterparties to meet their obligations to us. In particular, we believe that the ongoing difficult economic climate could result in continued declines in trading activity on the OTC market, additional deterioration of the economic condition of our customers, and a further reduction in demand for our market data.

We are highly dependent upon the levels of trading activity in the OTC marketplace and the number of broker-dealers in the market, which in turn affects the number of new OTCQX companies and the demand for issuer services generally, the quality and demand for our market data, and the demand for our website advertising. We have no control over the broker-dealers that use our subscriber services or other variables affecting the demand for our products. These variables are influenced by economic, political and market conditions and factors such as business and capital market trends, terrorism and war, concerns over inflation and the level of institutional or retail confidence, and changes in government policies. Because a significant percentage of our revenues are related to the level of trading activity in the OTC market, it is likely that a general decline in trading volumes would lower our revenues and may adversely affect our business, financial condition and operating results. Further, continued excessive market volatility (such as that seen with the “flash crash” of May 2010) could drive investors away from the OTC markets and lower our revenues.

Our Market Data Licensing business may be affected by the ongoing weak economic conditions. Continued reductions in OTC trading activity could lower the value of our market data. In addition, demand for our market data may decline due to, among other things, additional layoffs throughout the financial services industry. If layoffs were to continue, there would be fewer customers for our products and services and remaining customers could be less able to pay for our products and services.

The effect of a slow financial recovery on our Issuer Services business may cause the OTCQX market to grow less than we expect or cease its recent growth. Reductions in OTC trading activity may result in less demand by issuers for our Issuer Services, including a reduction in the number of issuers who choose to qualify for OTCQX.

Regulatory changes, including changes made in response to the ongoing global economic crisis, could have a material adverse effect on our business.

The securities markets have faced increasing governmental and public scrutiny and significant regulatory changes in response to the recent global economic crisis. We believe that there will continue to be increased demand for more regulation and stricter oversight of the financial markets, including regulations that affect the OTC markets and our business. We cannot predict the nature of these potential changes in regulation or their impact on our business. Our ability to comply with new laws and regulations will, among other things, depend on our ability to establish and maintain appropriate systems and procedures, as well as our ability to attract and retain qualified personnel. Our subscribers also operate in a highly regulated industry. The SEC or other regulatory authorities could impose regulatory changes that could adversely affect the ability of our subscribers

to use our services or could result in reduced demand for our services. For example, Dodd-Frank's exemption for smaller public companies from Section 404 of the Sarbanes-Oxley Act could reduce the incentive for companies to use our services. (See *"Recent Regulatory Developments—Dodd-Frank Wall Street Reform and Consumer Protection Act"*.)

As discussed in *"Recent Business Developments—FINRA's QCF Proposal"*, the QCF Proposal, if adopted by the SEC, could have an adverse effect on our operating results, including a significant negative impact on revenues from our Market Data Licensing and Trading Services lines of business. We cannot predict whether the QCF Proposal will be adopted in its current form or in an amended form. However, if this proposal is adopted, we may decide to bring legal action against the SEC and/or FINRA. A legal action relating to the QCF Proposal could be protracted and costly and could adversely affect our operating results, whether or not we prevail in any such legal action.

Our non-exchange status enables us to offer certain services that are competitive with the services offered by stock exchanges at lower cost. We benefit from SEC regulations that prevent U.S. exchanges from listing or quoting the securities of issuers that are not registered with the SEC as well as securities of SEC registered issuers that are not current in their reporting obligations. We would be negatively impacted by any regulatory change that would enable registered stock exchanges to compete with us for the trading of OTC securities or that would limit our ability to provide our products and services.

Our OTCQB tier, which is a marketplace for registered issuers that are current in their reporting obligations to the SEC or a U.S. banking or insurance regulator but do not qualify for OTCQX or for listing on U.S. exchanges, benefits from the quantitative requirements imposed by U.S. exchanges. However, NASDAQ has filed a rule proposal to create a marketplace similar to OTCQB, called The BX Venture Market (Release No. 34-63597; File No. SR-BX-2010-059) ("BX"). The NASDAQ proposal, if adopted, could threaten our OTCQB tier in that we are currently seeking to offer services to the same group of companies that NASDAQ is targeting. If this NASDAQ proposal is adopted, or if other U.S. exchanges establish similar marketplaces, it may reduce demand for our OTCQB services.

In addition, our Issuer Services business targets issuers choosing to deregister with the SEC. In recent years, SEC initiatives have had the effect of causing issuers of registered securities to terminate their registration. Any regulatory change that would encourage or require OTC quoted issuers to undertake SEC registration and reverse the deregistration trend would likely reduce the demand for our OTC Disclosure and News Service and our OTCQX market tier, but may increase the demand for inclusion on our new OTCQB tier. If U.S. exchanges are permitted to create listing markets such as BX, broker-dealers could seek out alternatives to quoting companies on our OTCQB tier and companies could seek alternative trading venues to our OTCQX tier, causing our business to be adversely affected.

Registration of our interdealer quotation system as an ATS will increase our costs, including the cost of providing subscriber services. Operating under the framework of Regulation ATS will require substantial time and resources for compliance, which would make it more costly to operate our business. Our Trading Services operations will also be subject to regulation and periodic examinations by the SEC and FINRA. See *"Recent Business Developments – Alternative Trading System."*

We are subject to reliance on a decreasing number of major customers as financial institutions are acquired, merge, restructure, and dissolve.

A majority of our Subscriber Services and Market Data Licensing customers are financial institutions. The recent financial downturn caused our customer base to decrease as the number of financial institutions decreased. In 2010, our relationship with Bloomberg accounted for 36% and 15% of our Market Data Licensing revenues and revenues from services, respectively; our relationship with Interactive Data accounted for 15% and 7% of our Market Data Licensing revenues and revenues from services, respectively; and, our relationship with Thomson Reuters accounted for 8% and 3% of our Market Data Licensing revenues and revenues from services, respectively. If our relationships with these or our other largest distribution partners or

a substantial number of our financial institution customers are terminated, not renewed or renegotiated on terms less favorable to us, our business could be adversely affected.

Our business depends on our ability to keep up with the significant and rapid technological and other changes that affect our industry.

Our future success will depend on our ability to adapt to rapidly changing technologies, to adapt our products and services to evolving industry standards and to improve the performance and reliability of our services. Any failure to adapt and evolve would harm our business.

The markets in which we operate are characterized by rapidly changing technology, frequent enhancements to existing products and services, the introduction of new services and products, and rapidly changing customer demands. We have made significant investments in the development of our technology infrastructure, including our quotation platform. Although investments in technology are carefully scrutinized for value to the enterprise, there can be no assurance that we will generate an acceptable return on such investments. Ultimately, we may not realize any, or may realize only small amounts of, revenues for these technological improvements.

We operate in a business environment that has undergone, and continues to experience, significant and rapid technological change. To remain competitive, we must continue to improve the functionality, capacity, accessibility, and features of the technology for each of our three lines of business, especially technology relating to the quotation and trade messaging platforms. We expend considerable resources in the development and testing of new products and upgrades to existing products. Nonetheless, our business would be negatively affected by failures of new products or upgrades to function as expected.

Keeping pace with increasing technological requirements is expensive, and we cannot be sure that we will succeed in making these improvements in a timely manner or at all. Many of our competitors and potential competitors have much greater resources that, if applied to the development of technology in the OTC marketplace, could make it difficult for us to provide competitive products and services. If we are unable to anticipate and respond to the demand for new services, products, and technologies on a timely and cost-effective basis and to adapt to technological advancements, we may be unable to compete effectively, which could adversely affect our business, financial condition, and operating results.

If we are not able to maintain and enhance OTC Markets' reputation and brand, our ability to expand our business will be impaired and our business and operating results will be harmed.

Among our competitive advantages are our strong reputation and brand name. We believe that our brand identity has significantly contributed to the success of our business. We also believe that maintaining and enhancing the "OTC Markets" brand as an innovative provider of financial information and technology services is critical to expanding our business. Our OTCQX marketplace needs to be a trusted designation associated with investment-quality companies. Our OTCQB marketplace must be associated with identification of companies that are current in their reporting obligations to the SEC or U.S. banking regulators. Our OTC Pink marketplace brand must convey high quality subscriber services for broker-dealers while alerting unsophisticated investors to the potential risks of speculating in OTC Pink securities. Maintaining and enhancing our brands may require us to make substantial investments and these investments may not be successful. If we fail to promote and maintain our brands, or if we incur excessive expenses in this effort, our business, operating results, and financial condition will be materially and adversely affected. Maintaining and enhancing our brands will depend largely on our ability to be a technology leader and to continue to provide high quality products and services, which we may not do successfully.

Our reputation could be harmed by technology-related failures, misconduct or fraudulent activity by current or past employees, any inaccuracy of our financial statements or other public disclosure, any diminishment in the quality of our products and services, negative publicity surrounding us or our OTCQX companies, and security breaches. Damage to our reputation could harm our business in many ways, including causing broker-dealers to discontinue their use of our subscriber services, causing issuers not to qualify their securities for OTCQX, or

to remove their securities, causing current or potential customers to refrain from purchasing market data and causing regulators to scrutinize or impose regulations on our operations. Any of these events could adversely affect our business, financial condition and operating results.

Computer system limitations, failures, and security breaches could harm our business.

Our business depends on the continuing operation of our information technology and communications systems. If these systems cannot accommodate user demand or otherwise fail to perform, we could experience disruptions in service, slower response times, and delays in the introduction of new or updated products and services. Interruptions in service and delays could reduce revenues and profits, and our brand could be damaged if people believe our system is unreliable.

We have experienced systems failures in the past, and systems failures may occur in the future. Failures could be caused by, among other things, unusually heavy use of our systems, insufficient capacity or network bandwidth, power or telecommunications failures, natural disasters, hardware or software malfunctions or defects, and computer viruses. We also rely on third parties for systems support. Any interruption in these third-party services could be disruptive to our business. The steps we have taken to increase the reliability and redundancy of our systems are expensive, reduce our operating margin and may not be successful in reducing the frequency or duration of unscheduled downtime.

The fast and secure transmission of highly confidential information over public and other networks is a critical element of our operations. Our networks and those of our third-party service providers may be vulnerable to unauthorized access, computer viruses, and other security problems. Individuals could wrongfully access and use our information or our customers' information, or cause interruptions or malfunctions in our operations. Although we have implemented security measures, our security and the security of our third party providers may prove to be inadequate. If our systems fail to perform or if there are security breaches, any such failures or breaches could, among other things, damage our reputation and/or cause a loss of business, trading, quote and message volumes and revenues, any of which could adversely affect our business, financial condition and operating results.

Our operating results may fluctuate, which makes our results difficult to predict and could cause our results to fall short of expectations.

Our operating results may fluctuate as a result of a number of factors, many of which are outside of our control, including economic and political market conditions, natural disasters, terrorism, war or other catastrophes, broad trends in industry and finance, price levels and volatility in the stock market, the level and volatility of interest rates, changes in government monetary or tax policy or other legislative and regulatory changes, the perceived attractiveness of the U.S. markets, and inflation. For these reasons, comparing our operating results on a period-to-period basis may not be meaningful, and you should not rely on our past results as an indication of future performance.

Our expenses as a percentage of our revenues may be significantly different from our historical or projected rates. Our results of operations may be especially volatile because many of our operating expenses consist of fixed costs. Our fixed costs tend to magnify the impact of revenue fluctuations because even a relatively small decline in revenue may lead to a large impact on our overall operating results. Moreover, a substantial portion of our fixed operating expenses cannot be adjusted quickly or at all. Our operating expense levels are based on our expectations for future revenue.

If actual revenue is below management's expectations, our operating results would be materially and adversely affected. It is possible that operating results may fail to meet our expectations or the expectations of stock market analysts and investors. If this happens, the market price of our common stock may be adversely affected.

We may need additional funds to maintain and grow our business, which may not be readily available.

We depend on the availability of capital and credit to maintain and develop our business. Although we believe that we can meet our current capital requirements from internally generated funds, cash on hand and available borrowings under our existing Credit Facility, there are no assurances that additional capital will not be required in the future. If we do not achieve our expected operating results, we will need to reallocate our cash resources. Our failure to fund our capital or credit requirements could have an adverse effect on our business, financial condition, and operating results.

We currently have no outstanding borrowings under our Credit Facility and have up to \$1 million available pursuant to the Revolving Loan component of our Credit Facility. In the event that we need to borrow funds under our Credit Facility, we would be subject to restrictive covenants that would, among other things, restrict our ability to grant liens, incur additional indebtedness, pay dividends, sell assets, and make certain payments. Our failure to meet any of the covenants could result in an event of default. If an event of default were to occur, and we are unable to receive a waiver of default, our lenders could increase our borrowing costs, restrict our ability to obtain additional borrowings, accelerate all amounts outstanding, or enforce their interest against all collateral pledged. See *“Liquidity and Capital Resources—Credit Facility.”*

In the event that capital is required in addition to internally generated funds and funds available from our Credit Facility, we may seek to borrow funds from outside sources. The restrictive covenants and other terms of such borrowings may, among other things, impose limits on our ability to make investments in our business. On the other hand, were we to raise funds through issuing additional equity, our equity holders will suffer dilution.

If the capital and credit markets experience volatility, access to capital or credit may not be available on terms acceptable to us or at all.

We are not subject to SEC reporting requirements, which may negatively impact our ability to raise capital.

None of our common stock has been registered with the SEC under the Exchange Act or qualified under any state securities laws. We do not file annual, quarterly, or current reports or proxy statements with the SEC. This limits our ability to raise capital under certain circumstances. For example, certain investors will not invest in unregistered securities, including in private offerings of securities issued by public companies that do not provide investors with registration rights.

Moreover, our securities are not listed on a national securities exchange. Many states require securities not listed on a national securities exchange to comply with state Blue Sky laws before such securities may be traded within the state. While we avail ourselves of the Blue Sky “manual exemption” through our inclusion in S&P’s Corporation Records, Market Access Program and Mergent’s Mergent Industrial OTC and OTC Unlisted Manuals, not all states recognize the manual exemption. For this reason, many investors are reluctant to purchase securities in private offerings from issuers that are not listed on a national securities exchange, which may make it difficult for us to raise significant capital through ordinary private offerings.

Unless we register our securities with the SEC under the Securities Act, we may not raise funds through a public offering. If we decide to issue securities in a public offering, we will also be required to register our securities under the Exchange Act and, among other things, comply with SEC reporting requirements, which would increase our ongoing costs of operations.

The securities market business is highly competitive.

The industry in which we operate is highly competitive. We face formidable competition in every aspect of our business. We compete with other OTC market participants, including other SEC-registered ATS’s, in a variety of ways, including the cost of products and services, the functionality, ease of use and performance of trading systems, the range of products and services offered to customers, technological innovation, and reputation. We face competition in each of our lines of business. There is the possibility that new ATS’s could emerge that

would further increase the competition in our industry. There is also the possibility that U.S. exchanges could create listing marketplaces that compete with our OTCQB market tier, such as NASDAQ's proposed BX listing market. (See the discussion on the risks related to *Regulatory Changes*, above.) If we fail to compete successfully with existing or new OTC market participants, our business, financial condition, and operating results may be adversely affected. For additional information on the competitive environment in which we operate, see the section on "*Competition*" below.

The issuer services business is highly competitive.

Competition for companies to qualify their securities for our market tiers is highly competitive with numerous large, financially strong competitors. The leading global stock exchanges have highly developed and successful listing products and premium fee structures that can fund substantial advertising, marketing and sales efforts. The fees charged for issuers to join the OTCQX marketplace cannot support the same level of sales, marketing and advertising efforts as NYSE, NASDAQ, London Stock Exchange or others.

OTCQX companies are not required to register with the SEC and this may cause some investors to choose not to invest in OTCQX securities, which would adversely affect our business and operating results.

OTCQX issuers are not required to register with the SEC or file annual, quarterly, or current reports or proxy statements with the SEC. While OTCQX issuers can choose to register with the SEC based on their investor base or capital raising needs, those that do not register may find some investors reluctant to invest in their securities.

OTCQX is not a national securities exchange and this may limit the pool of available investors for OTCQX issuers.

OTCQX is not a national securities exchange and some investors may only invest in securities listed on a national securities exchange. Moreover, many states require securities not listed on a national securities exchange to comply with state Blue Sky laws before such securities may be traded within the state. OTCQX issuers are required to comply with the "manual exemption," which permits secondary trading in most states. OTCQX issuers may also decide whether to comply with the Blue Sky laws and exemptions of states that do not accept the manual exemption. Nonetheless, an active trading market for OTCQX securities may not develop, which may cause other companies to be reluctant to qualify for OTCQX.

Many OTCQX companies operate in Canada and are concentrated in specific industries, and may be subject to economic factors in Canada that may cause them to no longer qualify for, or choose to withdraw from, OTCQX.

A significant percentage of our OTCQX companies are based in Canada, and many of those companies are engaged in metal mining or oil and gas businesses. A downturn in those industries may adversely affect the operating results of those companies, causing them to no longer qualify for OTCQX or to choose to withdraw from OTCQX to avoid the related fees. A downturn in the general Canadian economy may also adversely affect the operating results of Canadian OTCQX companies, causing them to no longer qualify for, or choose to withdraw from, OTCQX. The voluntary or involuntary withdrawal from OTCQX by these companies could adversely affect our financial position and results of operations.

We are exposed to credit risk from third parties.

We are exposed to credit risk from third parties. These parties may default on their obligations to us due to bankruptcy, lack of liquidity, or other reasons. We have credit risk related to transaction fees that are billed to our customers in arrears. Our customers are generally financial institutions whose ability to satisfy their contractual obligations may be negatively impacted by, among other things, a slow recovery from the recent financial crisis. Credit losses could adversely affect our financial position and results of operations.

Our failure to attract and retain key personnel may adversely affect our ability to conduct our business.

Our success depends, in large part, upon our ability to attract and retain highly qualified personnel. Even during challenging economic climates, competition for highly qualified individuals is intense. Our ability to attract and retain highly qualified personnel will be dependent on a number of factors, including market conditions and compensation offered by our competitors. Moreover, there can be no assurance that we will be able to retain our current employees. We may have to incur costs to replace senior executive officers or other key employees who leave, and our ability to execute our business strategy could be impaired if we are unable to replace such persons in a timely manner.

We are highly dependent on the continued services of R. Cromwell Coulson, our Chief Executive Officer, and other executive officers and key employees who possess extensive knowledge and technology skills. Other than Mr. Coulson, we do not have any employment agreements. We maintain a “key person” life insurance policy on Mr. Coulson in the amount of \$5 million, but the loss of the services of Mr. Coulson or other key employees for any reason could have a material adverse effect on our business, financial condition, and operating results.

Our intellectual property rights are valuable and any failure to protect our intellectual property rights, or allegations that we have infringed the intellectual property rights of others, could adversely affect our business, financial condition, and operating results.

Our trademarks, trade secrets, copyrights, and all of our other intellectual property rights are important assets. Our intellectual property rights are subject to a combination of trademark laws, copyright laws, trade secret protection, confidentiality agreements, and other contractual arrangements with our affiliates, customers, and others. We may be unable to detect the unauthorized use of, or take appropriate steps to enforce, our intellectual property rights, including with respect to our market data. Failure to protect our intellectual property adequately could harm our reputation and affect our ability to compete effectively. Further, defending our intellectual property rights may require significant financial and other resources.

Third parties may assert intellectual property rights claims against us, which may be costly to defend, could require the payment of damages, and could limit our ability to use certain of our intellectual property. Any such claims, with or without merit, could be expensive to litigate or settle, and could divert management resources and attention. Successful challenges against us could require us to modify or discontinue our use of technology or business processes or require us to purchase licenses from third parties, any of which could adversely affect our business, financial condition and operating results.

Risks Relating to an Investment in OTC Markets’ Common Stock

If a more active, liquid trading market for our common stock does not develop, stockholders may be unable to sell their shares quickly or at all.

The trading market for our common stock may not continue to develop. Stockholders may not be able to sell their shares quickly or at all if trading in our stock is not active. Currently, our shares are traded only infrequently and there have been only a limited number of interested buyers and sellers. As a result, there has been volatility in the price of our common stock. Prices of thinly traded securities, such as OTC Markets’ common stock, tend to be more volatile than those traded more actively because just a few trades may affect the market price substantially. It may also be difficult to sell shares of thinly traded securities, especially during a slow economic recovery.

The market price and trading volume of OTC Markets’ common stock may be volatile and stockholders could lose some or all of their investment.

Our stock price has been, and will likely continue to be, volatile. A variety of market and industry factors may affect the market price of our common stock, regardless of our actual operating performance. This market

volatility, as well as the factors listed below, could affect the market price of our common stock, and stockholders may lose some or all of their investment:

- quarterly variations in our results of operations or the results of operations of our competitors;
- additions to or departures of key personnel;
- changes in earnings estimates, investors' perceptions, recommendations by securities analysts or failure to achieve analysts' earnings estimates;
- the announcement of new products or service enhancements by us or our competitors;
- developments in the financial services industry;
- regulatory changes; and,
- general economic, market and political conditions and other factors.

Two of our stockholders, including our Chief Executive Officer, hold a majority of our issued and outstanding capital stock.

To the best of our knowledge, as of December 31, 2010, our two largest stockholders, including our Chief Executive Officer, R. Cromwell Coulson, together own approximately 51.2% of the voting power of our outstanding capital stock. Since these two stockholders own a majority of our capital stock, they will, collectively, have significant influence over all matters requiring stockholder approval, including the election of directors and significant corporate transactions, such as a merger or other sale of the Company or our assets, for the foreseeable future. This concentrated control may limit the ability of other stockholders to influence corporate matters, and as a result we may take actions that our stockholders do not view as beneficial. As a result, the market price of our common stock could be adversely affected.

Provisions of our certificate of incorporation, by-laws, and Delaware law could delay or prevent a change in control of the Company and entrench current management.

Our organizational documents contain provisions that may be deemed to have an anti-takeover effect and may delay, deter, or prevent a change of control, such as a takeover proposal that might result in a premium over the market price for our common stock. Additionally, certain of these provisions make it more difficult to bring about a change in the composition of our board of directors, which could result in entrenchment of current management.

Our certificate of incorporation and by-laws:

- authorize our board of directors to elect directors to fill a vacancy created by the expansion of the board or the resignation, death or removal of a director, which prevents stockholders from being able to fill vacancies on our board of directors;
- require supermajority stockholder approval to remove directors;
- do not permit stockholders to act by written consent or to call special meetings; and,
- authorize the board, in the event of a tender or other offer for our shares, to advise stockholders not to accept the offer, acquire our securities, create a preferred stock rights agreement and obtain a more favorable offer from another individual or entity.

Our certificate of incorporation elects the application of Section 203 of the Delaware General Corporation Law, or DGCL. Under Section 203 of the DGCL, a corporation may not engage in a business combination with any

holder of 15% or more of its capital stock unless the holder has held the stock for three years or, among other things, the board of directors has approved the transaction. Our board of directors could rely on Delaware law to prevent or delay an acquisition of the Company. See *“Provisions in the Issuer’s charter or by-laws that would delay, defer or prevent a change in control of the Issuer.”*

Regulation

We are in the process of registering OTC Link, the operator of our interdealer quotation system, with the SEC as an ATS and have applied for membership with FINRA. An ATS is a registered special purpose broker-dealer that is exempt from registration with the SEC as an exchange pursuant to Regulation ATS under the Exchange Act.

On May 7, 2010, OTC Link filed with the SEC a Uniform Application for Broker-Dealer Registration (Form BD), and on August 25, 2010, a New Membership Application (Form NMA) with FINRA. On March 3, 2011, OTC Markets Group and FINRA agreed to extend until May 23, 2011 the deadline for FINRA to process our Form NMA. We continue to work with FINRA to ensure that FINRA has all of the information necessary to process our Form NMA.

We anticipate that the majority of our Subscriber Services operations will be part of OTC Link and therefore subject to regulation and periodic examinations by the SEC and FINRA.

We do not expect registration of OTC Link as an ATS, or FINRA membership, to alter our existing business model or the services we provide. We do not plan to become a provider of the agency execution services provided by an ATS that operates as an ECN. While we allow only FINRA member broker-dealers to publish quotes and transmit messages on our facilities, we are not party to any trade executions that may result and we neither promulgate any rules that would apply to trades resulting from such quotes or messages nor charge any execution or share-based fees. Instead, FINRA rules apply to trades resulting from information we supply. Among other things, FINRA requires broker-dealers to comply with the firm quote rule (FINRA Rule 5220), which requires that a broker-dealer’s published quotes be firm and include minimum sizes, and prohibits backing away from such quotes. FINRA’s reporting rules also apply, including the requirement that broker-dealers report all transactions within 90 seconds to FINRA’s OTC Reporting Facility.

Other than being regulated by the SEC as an ATS, we do not expect to be directly regulated by the SEC in any other capacity, although we cannot be sure that this status will continue. OTC Markets Group is a Securities Information Processor, or SIP, within the meaning of the Exchange Act. A SIP is defined as a person engaged in the business of “(i) collecting, processing, or preparing for distribution or publication, or assisting, participating in, or coordinating the distribution or publication of, information with respect to transactions in or quotations for any security (other than an exempted security), or (ii) distributing or publishing (whether by means of a ticker tape, a communications network, a terminal display device, or otherwise) on a current and continuous basis, information with respect to such transactions or quotations.” The SEC does not currently require registration for a non-exclusive SIP such as OTC Markets Group that does not provide these services exclusively for a national securities exchange or a national securities association; however the SEC is allowed by rule or order to require any SIP to register with them.

OTC Markets Group, and the OTC market generally, provide an alternative to stock exchange listing for the U.S. quoting and trading of securities of issuers that either choose not to be listed on a U.S. stock exchange or do not meet the relevant listing requirements. Our non-exchange status enables us to offer certain financial information and technology services that are competitive with the services offered by stock exchanges at lower cost, but it also inhibits our ability to provide certain other services.

We believe that we have a good working relationship with the SEC, FINRA and state securities regulators. It is our policy to share information and records upon request from regulators. OTC Markets Group requires each issuer displaying information on the OTC Disclosure and News Service to agree in writing that OTC Markets Group may provide the relevant authorities with information provided by the issuer and the identity of those authorized to submit information on the issuer’s behalf.

Our services facilitate transparency in the OTC marketplace and provide a repository of information regarding activities by broker-dealers and issuers. We believe that the transparency and automation our products and services facilitate, as well as the information we make available to regulators, increases regulatory surveillance and oversight of market participants and improves the OTC market.

The effect of SEC regulation on our business would depend on its form. Recent regulatory developments have applied rules developed in the markets for exchange-listed securities to the trading of OTC equity securities. See “*Recent Business Developments – Regulation NMS Principled Rules in the Market for OTC Equity Securities.*” In recent years, exchanges have automated their trading functions in response to regulatory changes. The institution of regulations mandating automated execution processes in the markets for OTC equity securities could require us to alter our business model. Any regulatory change that would enable registered stock exchanges to compete with us in the market for OTC equity securities or, on the other hand, that would limit our ability to offer certain services, can be expected to have a material adverse effect on our business. From time to time, the SEC has considered regulatory changes that would affect broker-dealers that use our Subscriber Services, and it is possible that changes in the regulation of our broker-dealer customers would have a material adverse effect on our business. For example, SEC approval of FINRA’s QCF Proposal could negatively impact our revenues by, among other things, (i) significantly reducing our ability to license our OTC Link NBBO and (ii) reducing our Subscriber Services revenue. See “*Recent Business Developments – FINRA’s QCF Proposal.*”

Other than the QCF Proposal, and the Regulation NMS-Principled Rules in the market for OTC Equity Securities described in “*Recent Regulatory Developments,*” we are not aware of any current proposals for regulatory reform that would have a direct impact on the market for OTC equity securities, but there can be no assurance that any regulations eventually adopted will not have a material adverse effect on our business.

Employees

At December 31, 2009 and December 31, 2010, OTC Markets Group had a total of 53 and 68 employees, respectively, all of whom are full-time employees. Employees are staffed in one of our three lines of business – Subscriber Services, Market Data Licensing and Issuer Services – or one of our three support units – Product Development, IT Operations, and Finance & Administration. The Product Development group designs, creates, enhances, and releases our various suites of products and services and maintains our websites. The IT Operations group ensures operational and system efficiencies and manages our various databases. The Finance and Administration group is responsible for our finance, compliance, legal, and human resources functions.

2011 Outlook

As part of our growth and development into the leading electronic marketplace for broker-dealers to trade unlisted stocks, we will be increasing our investment in our platform, marketing, and people.

- We plan to implement significant upgrades to our IT architecture and infrastructure. We expect this investment in our technology to allow us to leverage our increased bandwidth to complement the growth of our core business lines, and ensure that the quality of our service delivery and customer satisfaction remains high.
- As part of our efforts to continue the momentum in the growth within our Issuer Services business, we plan to increase our OTCQX and OTCQB direct sales and marketing efforts, both domestically and internationally.
- We will commence execution of what we expect to be a five-year effort to enhance our brand image and promote our evolution from Pink OTC Markets to OTC Markets Group. In late 2010, we employed a Director of Marketing to lead this effort to develop a targeted marketing and advertising strategy.

- Our full-time employee headcount increased during 2010, growing from 54 at December 31, 2009 to 68 at December 31, 2010. We are a financial technology business, and our investment in our people reflects our commitment to technology development and delivery. During 2011, we plan to hire additional employees, predominantly in our Product Development/IT Operations departments to ensure that the growth in demand for our services is supported by world-class products delivered via our technology infrastructure and environment.
- We believe that proposed regulatory changes may impact our current and future business plans. We will continue to participate in the regulatory process through communication with the SEC, FINRA, and other regulators as well as submitting comment letters regarding rule amendments and interpretations.

There can be no assurance that any of our strategic initiatives will be successful. Moreover, the environment in which we operate is highly regulated and the pace of regulatory change in recent years has been dramatic. Regulatory changes could alter the way we do business, which might adversely affect our profitability.

Competition

Subscriber Services

In late 2009, FINRA announced its intention to sell certain Internet properties (the “FINRA OTC Bulletin Board Assets”) related to the FINRA OTC Bulletin Board and withdraw from the business of operating an interdealer quotation system. During 2010, most broker-dealers in OTC equity securities ceased the publication of priced quotations on the FINRA OTC Bulletin Board. As a result, we no longer consider the FINRA OTC Bulletin Board to be a significant competitor.

Rodman & Renshaw Capital Group Inc. (“Rodman”) announced on September 14, 2010, that it had entered into an agreement to purchase the FINRA OTC Bulletin Board Assets, subject to completion of definitive agreements. Rodman’s announcement stated that the transaction was expected to close during the first quarter of 2011. Rodman has not publicly described its plans for the FINRA OTC Bulletin Board Assets. FINRA does not own, and therefore is not selling, the interdealer quotation system currently operated by FINRA, and Rodman has not disclosed plans to purchase or create any other system to publish quotations that would compete with OTC Link. Accordingly, it is not possible at this time to determine the extent to which Rodman will seek to compete with OTC Link or other services offered by the OTC Markets Group.

We compete with U.S. exchanges such as NASDAQ, NYSE, and NYSE Amex Equities because many of the companies quoted on OTC Link may also qualify for an exchange listing. The SEC’s regulation of exchanges has been in a state of flux for several years. In addition, Deutsche Borse has announced plans to acquire NYSE Euronext, and the London Stock Exchange plans to acquire the Toronto Stock Exchange. Exchange regulation may be affected by the current consolidation of global exchanges. Any regulatory change that would better enable registered stock exchanges to compete with us for the quotation of OTC equity securities or that would limit our ability to provide our products and services can be expected to have a material adverse effect on our business. In particular, we benefit from current SEC regulations that prevent a U.S. exchange from listing the securities of non-SEC registered foreign issuers. We would face increased competition for the quotation of OTC equity securities if U.S. exchanges were permitted to list or quote non-SEC registered foreign securities.

On September 1, 2010, the SEC published a release seeking public comment on a proposal by NASDAQ OMX BX, Inc. (“NASDAQ”) to create a listing market, called the “BX Venture Market,” for equity securities of issuers using the SEC Reporting Standard that do not qualify for inclusion in the national market system (“NMS Securities”). On December 7, 2010, the SEC instituted proceedings to determine whether to disapprove the proposal. Institution of disapproval proceedings does not indicate that the SEC has formulated any conclusions as to the issues involved. On March 3, 2010, the SEC extended the time for making a decision with respect to disapproval to May 6, 2011.

OTC Markets Group submitted comments on NASDAQ's proposal on October 3, 2010 and January 24, 2011 expressing our concern that investors would confuse NASDAQ-listed securities with BX-listed securities. Among other things, we proposed that ticker symbols should be used that clearly identified BX-listed securities and that quotation and transaction reports not be commingled with market data for NMS Securities by any NMS plan processor.

The BX Venture Market, if instituted as proposed, would compete directly with our OTCQB market tier for the publication of quotations and resulting market data. The proposed BX Venture Market would not compete with OTC Markets Group for the publication of quotes in securities of issuers that (i) use the Alternative Reporting Standard; (ii) use the International Information Standard; or, (iii) are not current with their disclosure under the U.S. Registered and SEC Reporting Standard, as these issuers may be quoted on OTC Link, but could not be quoted on the BX Venture Market. In particular, the securities of foreign issuers that use the International Reporting Standard could not be quoted on the BX Venture Market.

The OTCQX marketplace offers the added benefit of professional third-party review of issuer's disclosure statements by DADs and PALs, and offers issuers an opportunity to distinguish their compliance with federal disclosure requirements. NASDAQ has not proposed any similar requirements for the BX Venture Market. In the OTC market, this review is especially important to help ensure the accuracy and quality of issuer disclosure.

We could also face competition from, among other things, an industry consortium that launched an interdealer quotation system, if we are unable to provide our clients with high quality products and services at competitive prices. In addition, a registered ATS, such as NYSE ARCA, may change their business model to offer an interdealer quotation system in OTC equity securities. At the present time, NYSE ARCA and other registered ATSS provide execution services, rather than quotation services, and are considered our customers, rather than our competitors.

Finally, we also encounter limited competition from the Grey Market, because broker-dealers that quote OTC equity securities are not required to publish quotes in an interdealer quotation system, such as the system we provide.

Market Data Licensing

We compete with third parties who provide market data to OTC market participants, including FINRA OTC Bulletin Board and NASDAQ market data. Because the market data business is highly dependent on rapidly changing technology, to remain competitive we must constantly invest in innovative product design and development. Many of our competitors have greater financial and other resources than we do. These market data providers may offer more competitive pricing and deploy new products and business methods to our detriment. Competition may arise from, among other things, FINRA providing quote data for OTC securities through the NASDAQ UTP Level 1 data feed, in the event that the QCF Proposal is approved.

Many stock exchanges rebate market data revenues to broker-dealers to incentivize quote activity. We believe that it is more efficient to subsidize the cost of subscriber services. However, we may be forced by competitors' business models to rebate a portion of our market data revenues to our broker-dealer clients that provide quotation data, which may force us to charge more for our Subscriber Services or result in a reduction of operating profits.

Issuer Services

We compete for the quotation and trading of foreign issuers with small foreign exchanges and quoting facilities, such as the London Stock Exchange's AIM and International Order Book, Euronext's Alternext, Bora Italiana's Expandi Market and PLUS Markets plc.

Dependence on One or a Few Major Customers

OTC Markets Group's three lines of business produce a diverse offering of products and services. The varied nature of our revenue streams generally prevents us from material reliance on a small number of major customers. However, our Market Data Licensing business utilizes third party data distributors to bring our data to numerous end users, and the public dissemination of our market data is somewhat concentrated. Bloomberg, Interactive Data, and Thomson Reuters are our largest distribution partners. In 2010, our relationship with these partners accounted for the following:

Third-Party Distributor	Percentage of Market Data Revenues	Percentage of Revenues from services
Bloomberg	36.0%	15.2%
Interactive Data	15.5%	6.5%
Thomson	7.9%	3.3%

A majority of our Subscriber Services and Market Data Licensing customers are financial institutions. We are subject to reliance on a decreasing number of major customers as financial institutions are acquired, merge, restructure and dissolve. If our relationship with our largest distribution partners or a substantial number of our financial institution customers is terminated, not renewed, or renegotiated on terms less favorable to us, our business could be adversely affected.

Trademarks, Licenses, Franchises, Concessions, Royalty Agreements, or Labor Contracts

To protect our intellectual property rights, we rely on a combination of trademark and copyright laws, trade secret protection, confidentiality agreements, and other contractual arrangements with our clients, strategic partners, and others. The protective steps that we take may be inadequate to deter misappropriation of our proprietary information. We may be unable to detect the unauthorized use of, or take appropriate steps to enforce, our intellectual property rights, including with respect to our market data.

We own or have licensed rights to trade names, trademarks, domain names, and service marks that we use in conjunction with our operations and services. We have registered many of our most important trademarks. Our primary trademarks and trade names include "OTCQX", "OTC Link", "OTCQB" and "OTC Pink". We currently have 6 pending United States trademark applications, and 30 registered trademarks. We maintain copyright protection in our branded materials.

There has been considerable controversy in recent years over ownership of market data. We vigorously defend our rights to own and license the use of market data. However, U.S. intellectual property laws continue to be the subject of significant dispute. Any change in existing law that would place in question our intellectual property rights in our market data would have a material adverse effect on this aspect of our business.

The Need for any Governmental Approval of the Company's Products and Services and the Status of such Approvals

We are in the process of registering OTC Link with the SEC as an ATS and we are currently pursuing membership with FINRA. See "*Recent Business Developments – Alternative Trading System.*" FINRA membership will subject our trading services to FINRA's rules. At the present time, we believe all of our products and services fully comply with FINRA's rules, but our status as an ATS and FINRA member may delay or restrict the introduction of future products and services and our ability to market them.

We work closely with securities regulators to promote rulemaking that benefits transparent and efficient OTC markets and to provide data and information to them in conjunction with enforcement activities.

Many OTCQX and OTC Pink securities are sold in reliance on Rule 144. Rule 144 requires that prior to a sale of the securities of a non-SEC registered issuer by an affiliate of the issuer, the information specified by Rule 15c2-11 must be made “publicly available.” OTC Markets Group is working with the SEC to obtain a formal ruling indicating that information posted on the OTC Disclosure and News Service satisfies Rule 144’s “publicly available” requirement. We believe a favorable ruling by the SEC would further validate us as leading central information provider for the OTC markets.

We continue to work with the SEC, specifically the Division of Trading and Markets, regarding an exemption from Rule 15c2-11 for securities included on the FTSE All-World Index Series or listed on the Toronto Stock Exchange. Such an exemption would free broker-dealers from the public disclosure requirements of Rule 15c2-11 with respect to securities listed on that Index Series or the Toronto Stock Exchange. This would in turn reduce the time and expense required for broker-dealers to post quotations in these securities on OTC Link.

The Nature and Extent of the Issuer’s Facilities

OTC Markets Group’s corporate headquarters is located at 304 Hudson Street, New York, NY 10013, and is composed of approximately 12,500 square feet of general office space on the second floor, and approximately 12,500 square feet of conference, meeting, and reception space that comprises the OTCQX Market Center on the third floor. We lease all of our space in this building. The lease expires in 2017 and the annual rental expense for 2010 was \$993,000.

Through March 25, 2011, we maintained an office located at 725-8th Street SE, Washington, D.C., comprised of approximately 1,700 square feet of general office space. We leased this office space. The annual rental expense for 2010 was \$57,600. On March 25, 2011, our Washington, D.C. office moved to temporary leased space, located at 739 8th Street SE, comprised of approximately 1,400 square feet of general office space. The monthly rent for this space will be \$4,800. We have entered into a lease agreement for our Washington, D.C. office to move to approximately 4,000 square feet of general office space located at NW 100 M Street, Washington, D.C. The lease will commence upon completion of certain construction in the space, and the monthly rent will be approximately \$16,000.

We also contract with SunGard Availability Services, in Carlstadt, New Jersey and Philadelphia, Pennsylvania, for computer hosting and networking services, including production, back-up and disaster recovery, as well as internet and telecommunications services.

PART D. Management Structure and Financial Information

The name of the Chief Executive Officer, members of the Board of Directors, as well as control persons

A. Officers and Directors

R. Cromwell Coulson, President and Chief Executive Officer; Director

R. Cromwell Coulson is President and CEO of OTC Markets Group. In 1997, Cromwell led a group of investors in acquiring OTC Markets Group's predecessor business, the National Quotation Bureau (NQB). With a vision of making unlisted markets Open, Transparent and Connected, he led the technology driven transformation of the business into operating the world's largest electronic marketplace for broker-dealers to trade unlisted stocks. Prior to the acquisition of NQB, Cromwell was a trader specializing in distressed and value-oriented investments at Carr Securities Corporation, an OTC market maker. Cromwell received a BBA from Southern Methodist University in Dallas, TX. Cromwell is 44 years of age.

Matthew Fuchs, Managing Director - Market Data and Strategy

Matthew Fuchs joined OTC Markets Group in 2007 to help build out the growing product development team. He has over 12 years of experience in the financial technology industry. Prior to OTC Markets Group, he served as the Director of Product Development for The National Research Exchange, an equity research start-up. Before The NRE he was a Manager/Technology Consultant for Bearing Point and Arthur Andersen. Matthew received a BA from Columbia University. Matthew is 35 years of age.

Todd Graber, Chief Financial Officer

Todd Graber joined OTC Markets Group as the Chief Financial Officer in 2010. He has over 17 years experience in the securities and finance industry. Prior to OTC Markets Group, he served as the CFO for Quadriserv, which operates a trading platform for the securities lending industry. Before Quadriserv, he was Managing Director and Corporate Controller for LaBranche & Co Inc. where he played an integral role in the initial public offering and public debt issuances of the company and participated in the due diligence and subsequent integration of several merged entities. Todd is a graduate of the University of Michigan and earned his CPA in 1994. Todd is 40 years of age.

Lisabeth Heese, Managing Director - Issuer and Information Services

Lisabeth (Liz) Heese joined OTC Markets Group in 2004 as the Head of Issuer and Information Services. Since then, she has built a team responsible for collecting and maintaining market data for approximately 10,000 issuers; development, sales and support of issuer-related products and services; and monitoring issuer compliance with Company policies and procedures. Prior to joining OTC Markets Group, Liz spent 11 years at NASDAQ, serving as a Product Manager in the Trading and Market Services Division. Liz received a BA degree from American University. Liz is 41 years of age.

Timothy Ryan, Managing Director - Sales and Business Development

Tim Ryan joined OTC Markets Group in 2005 to help create the OTC market tiers, including OTCQX, and became Managing Director – Sales and Business Development in 2009. In this role, he is primarily responsible for growing the Issuer Services business line as well as spearheading marketing and new business company-wide. Tim has recently taken a more active management role in marketing and branding. Prior to joining OTC Markets Group, Tim was with NASDAQ in various marketing and new business development roles, including The Portal Market and the OTC Bulletin Board. Tim holds a BA from Stonehill College in Easton, MA. Tim is 40 years of age.

Emilia Sherifova, Chief Information Officer

Emilia Sherifova joined OTC Markets Group in 2000 and oversees the Company's development and IT infrastructure. During her tenure, Emilia has been instrumental in transforming OTC Markets Group into an electronic marketplace. Prior to joining OTC Markets Group, Emilia held technology management positions at several large organizations, including the Soros Foundation and the American Civil Liberties Union. She was a founding member of an Internet start-up and worked at Andersen Consulting. Emilia holds a graduate degree with concentration in International Business and Finance from Columbia University. Emilia is 36 years of age.

Daniel Zinn, General Counsel

Dan Zinn joined OTC Markets Group as General Counsel and Corporate Secretary in November of 2010. Prior to joining OTC Markets Group, he was a partner at The Nelson Law Firm, LLC, outside counsel to the Company. Dan also previously worked in the corporate office of the American International Group (AIG). He received a BS degree from the Pennsylvania State University and earned his JD at the Benjamin N. Cardozo School of Law in New York City. Dan is a member of the New York State and American Bar Associations. Dan is 33 years of age.

Gary Baddeley, Director

Gary Baddeley has served as president and CEO of The Disinformation Company Ltd., a diversified entertainment company, since 1997. The Disinformation Company's core businesses are home entertainment and book publishing, and it is also active in television production and Internet content production. Previously Gary served for two years as Vice President and General Manager of the leading dance music label in North America, Robbins Entertainment. From 1990 to 1996 Gary was an attorney at Phillips Nizer LLP in New York City, specializing in representation of clients in the music and television industries, especially record companies, music publishers, producers, recording artists, television production companies and television sales and syndication companies. Gary holds a JD from New York University School of Law and a B.Sc. from Kingston University. Mr. Baddeley is 45 years of age.

Jason Paltrowitz, Director

Jason handles Strategy and Development for BNY Mellon's Broker Dealer Services Group (BDS). BDS is an industry leader in providing collateral solutions for dealers and investors and is also a leader in global clearance, clearing equity and fixed income transactions in more than 100 markets. Prior to joining BDS, Jason headed the M&A/Development team for BNY Mellon's Financial Markets & Treasury Services (FM&TS) group. In that role, Jason led acquisition, joint venture, marketing alliance, divestiture and other strategic initiatives across the 6 businesses that comprise the FM&TS group. Jason spent 10 years in the company's Depositary Receipt Division, most recently as head of the division's Secondary Market Solutions Group in New York. A recognized DRs expert, Jason frequently speaks at industry events on the benefits of DR investing. He received a bachelor's degree in International Relations from Boston University and an MBA from New York University's Stern School of Business. Mr. Paltrowitz is 38 years of age.

Sigurdur Petur Snorrason, Director

Sigurdur (Siggi) Petur Snorrason is currently president and principal owner of Stora Eplid ehf., a consulting firm in Iceland. Joining OTC Markets Group in 1998, Siggi was the principal designer of OTC Link, the electronic interdealer quotation, trading and messaging system. From 1998 to 2006 at OTC Markets Group, Siggi served in a number of senior capacities, including Director of Products and Services, Director of Internal Development, and Director of Trading Services. Prior to joining OTC Markets Group, Siggi was Head of Trading and Information Technology at the Iceland Stock Exchange (currently NASDAQ OMX Nordic Exchange Iceland) and Economist at the Central Bank of Iceland. Siggi holds a B.Sc. in Economics from the University of Iceland and MBA, specializing in IT Management, from Rotterdam School of Management, The Netherlands. Mr. Snorrason is 45 years of age.

Andrew Wimpfheimer, Director

Andrew Wimpfheimer has been a private investor since 2005. Mr. Wimpfheimer served as Director of AM Capital LLC from 2002 to 2005. From 1995 to 2001, Andrew was Managing Director responsible for OTC-Non-NASDAQ Trading at Knight Securities, L.P. From 1988 to 1995 he was an equity trader for Troster Singer Inc., a division of Spear, Leeds & Kellogg, Inc. From 1985 to 1988, Andrew was employed by Spear, Leeds & Kellogg Inc., where his duties included work on the NYSE, AMEX, Futures Market and Arbitrage Department, as well as general back office work. From 1980 to 1985, Andrew was a New York Stock Exchange floor clerk, trading desk employee and back office trainee for Herzfeld & Stern LLP. Mr. Wimpfheimer received his BA from Macalester College in St. Paul, Minnesota. He attended the Taft School in Watertown, Connecticut as well as the Collegiate School in New York City. Mr. Wimpfheimer is 54 years of age.

Board Memberships and Other Affiliations

Mr. Baddeley is the president and a director of a New York cooperative corporation and a director of Downtown United Soccer Club, Inc., a New York not-for-profit corporation.

Mr. Coulson is an officer of a small New York cooperative corporation.

Mr. Snorrason is the sole board member of Stora Eplid ehf. in Iceland.

Compensation of Officers and Directors

Beneficial Share Ownership of Officers and Directors as of March 15, 2011:

Name and Business Address*	Position	Shares Beneficially Owned**	Options Outstanding	Vested Options Outstanding	Note
R. Cromwell Coulson	President, Chief Executive Officer, and Director	4,154,488 Class A 130,838 Class C	0	0	(1) (2)
Matthew Fuchs	Managing Director, Market Data and Strategy	23,992 Class A	32,000	9,000	(3)
Todd Graber	Chief Financial Officer	15,700 Class A	50,000	0	(4)
Lisabeth Heese	Managing Director, Issuer and Information Services	39,320 Class A	45,000	25,000	(5)
Timothy Ryan	Managing Director, Sales and Business Development	31,960 Class A	46,000	19,200	(6)
Emilia Sherifova	Chief Information Officer	71,900 Class A	46,000	7,200	(7)
Dan Zinn	General Counsel	5,000 Class A	20,000	0	(8)
Gary Baddeley	Director and Audit Committee Member	103,335 Class A	0	0	
Jason Paltrowitz	Director	17,500 Class A	0	0	
Sigurdur Petur Snorrason	Director	108,000 Class A	17,500	17,500	(9)
Andrew Wimpfheimer	Director and Audit Committee Chairman	370,310 Class A	0	0	(10)
Officers and Directors as a Group		4,941,505 Class A 130,838 Class C	256,500	77,900	

Notes:

* All officers and directors may be contacted at OTC Markets Group's address.

** Beneficial share ownership includes vested options, options scheduled to vest within 60 days of March 15, 2011 and stock owned subject to a restricted stock agreement.

- Includes 370,000 Class A shares held by Mr. Coulson's wife.
- On February 10, 2010, all 1,869,162 shares of Mr. Coulson's Class B Common Stock automatically converted into an equal number of Class A shares of Common Stock. Accordingly, as of February 10, 2010, Mr. Coulson owned no Class B shares and 4,154,448 shares of Class A shares.
- Mr. Fuch's outstanding options consist of (i) 17,000 awarded in November 2007, at an exercise price of \$2.76, 6,000 of which are vested, (ii) 10,000 awarded in May 2009, at an exercise price of \$2.44, 2,000 of which are vested, and (iii) 5,000 awarded in January 2010, at an exercise price of \$5.50, 1,000 of which are vested.
- Mr. Graber's outstanding options consist of 50,000 awarded in May 2010, at an exercise price of \$7.15, none of which are vested.
- Ms. Heese's outstanding options consist of (i) 40,000 awarded in November 2007, at an exercise price of \$2.76, 24,000 of which are vested, and (ii) 5,000 awarded in January 2010, at an exercise price of \$5.50, 1,000 of which are vested.
- Mr. Ryan's outstanding options consist of: (i) 25,000 awarded in November 2007, at an exercise price of \$2.76, 15,000 of which are vested; (ii) 15,000 awarded in May 2009, at an exercise price of \$2.44, 3,000 of which are vested, and (iii) 6,000 awarded in January 2010, at an exercise price of \$5.50, 1,200 of which are vested.

7. Ms. Sherifova's outstanding options consist of: (i) 30,000 awarded in November 2007, at an exercise price of \$2.76, 4,000 of which are vested; (ii) 10,000 awarded in May 2009, at an exercise price of \$2.44, 2,000 of which are vested, and (iii) 6,000 awarded in January 2010, at an exercise price of \$5.50, 1,200 of which are vested.
8. Mr. Zinn's outstanding options consist of 20,000 awarded in November 2010, at an exercise price of \$6.88, none of which are vested.
9. Mr. Snorrason's outstanding options consist of 17,500 awarded in July 2002, at an exercise price of \$1.25, all of which are vested.
10. Includes 342,810 Class A shares held by the Wimpfheimer 1999 Revocable Trust, of which Mr. Wimpfheimer is a beneficiary.

The following tables set forth the aggregate compensation paid by OTC Markets Group for services rendered by its Executive Officers, during the periods indicated:

OFFICERS

Name and Position	Calendar Year Ended	Salary (\$)	Bonus (\$)	Restricted Stock Awards(1) (2)	Option Awards(5)	Restricted Stock Dollar Value	Option Dollar Value
R. Cromwell Coulson President, Chief Executive Officer, and Director	2010	\$517,000	\$0	0	0	\$0	\$0
	2009	\$420,000	\$100,000	0	0	\$0	\$0
Matthew Fuchs Managing Director, Market Data and Strategy	2010	\$158,000	\$45,000	7,500	0	\$45,000	\$0
	2009	\$148,400	\$36,000	1,800	15,000	\$9,000	\$34,119
Todd Graber Chief Financial Officer	2010	\$240,000(3)	\$75,000	10,000	50,000	\$60,000	\$172,395
	2009	N/A	N/A	N/A	N/A	N/A	N/A
Lisabeth Heese Managing Director, Issuer and Information Services	2010	\$177,000	\$45,000	7,500	0	\$45,000	\$0
	2009	\$167,000	\$36,400	1,820	5,000	\$9,100	\$14,151
Timothy Ryan Managing Director, Sales and Business Development	2010	\$175,000	\$75,000(4)	10,000	0	\$60,000	\$0
	2009	\$150,000	\$43,200	2,160	21,000	\$10,800	\$46,933
Emilia Sherifova Chief Information Officer	2010	\$219,000	\$75,000	10,000	0	\$60,000	\$0
	2009	\$206,500	\$44,000	2,200	16,000	\$11,000	\$36,949
Daniel Zinn General Counsel	2010	\$185,000(3)	\$8,000	5,000	20,000	\$30,000	\$60,109
	2009	N/A	N/A	N/A	N/A	N/A	N/A

Notes:

1. All restricted stock awards are Class A Common Stock. The 2010 share award consisted of shares of unvested stock, which vest equally over five years. The 2009 share award consisted of shares of unvested stock, which vest equally over three years.
2. The fair market value of the Class A Common Stock was \$6.00 at the award date for shares awarded in 2010 and \$5.00 at the award date for shares awarded in 2009.
3. The salaries for Mr. Graber and Mr. Zinn are presented on an annualized basis as they commenced employment during 2010.
4. Mr. Ryan's cash bonus includes \$48,646 of sales commissions related to the Company's Issuer Services Sales Commission Plan.
5. The option awards are convertible into Class A Common stock and vest equally over five years. The fair market value was determined by using the Black-Scholes valuation method at the time of issuance.

DIRECTORS

Name	Calendar Year Ended	Director's Fees (1)	Share Awards (#) (2)	Share Value (\$) (3)	Note
Gary Baddeley	2010	\$22,500	7,500	\$46,500	
	2009	\$13,500	10,000	\$20,307	
Jason Paltrowitz	2010	\$15,000	7,500	\$46,500	
	2009	\$5,000	0	N/A	
Sigurdur Petur Snorrason	2010	\$15,000	7,500	\$46,500	(4)
	2009	\$13,500	10,000	\$20,307	
Andrew Wimpfheimer	2010	\$25,000	7,500	\$46,500	(5)
	2009	\$13,500	10,000	\$20,307	

Notes:

1. Represents fees of \$3,750 for each of four regularly scheduled meetings of the Board of Directors during 2010 and \$3,000 for each of four regularly scheduled meetings and \$1,500 for one special meeting of the Board of Directors during 2009. For 2010, an additional \$7,500 was paid to Mr. Baddeley as a member of the audit committee and an additional \$10,000 was paid to Mr. Wimpfheimer as chairman of the audit committee. Following the first meeting of the Board of Directors in 2009, Mr. Paltrowitz's Board fees were reduced to \$500 per meeting for the remainder of 2009 due to restrictions related to his employment with The Bank of New York Mellon.
2. All share awards are of Class A Common Stock and were fully vested upon receipt.
3. The fair market value of the Class A Common Stock was \$6.20 for the 2010 share award and \$2.03 for the 2009 share award.
4. Mr. Snorrason served as an independent consultant to OTC Markets Group during 2010 and 2009 and was paid \$71,495 and \$88,638, respectively. In addition, Mr. Snorrason received \$15,246 during 2010 related to a deferred compensation payment awarded during his employment with the Company in 2000.
5. Through December 31, 2010, Mr. Wimpfheimer was covered by the Company's medical and dental benefits plans. During 2010 and 2009, Mr. Wimpfheimer reimbursed the Company for the medical and dental insurance premiums.

B. Legal/Disciplinary History

None of the officers, directors, promoters, or control persons of OTC Markets Group has, in the past five years, been the subject of any of the following:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);
2. Any bankruptcy petition filed by or against any business of which such person was a general partner, or executive officer either at the time of the bankruptcy or within two years prior to that time;
3. The entry of an order, judgment or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended, or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;
4. A finding or judgment by a court of competent jurisdiction (in a civil action), the Commission or the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or,
5. The entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended or otherwise limited such person's involvement in any type of business or securities activities.

C. Disclosure of Family Relationship

None.

D. Disclosure of Related Party Transactions

Sigurdur Petur Snorrason is the principal owner of Stora Eplid ehf. and a board member of OTC Markets Group. Stora Eplid ehf. has a verbal consulting agreement with OTC Markets Group to provide, on an as-needed basis, expertise related to trading system design and specifications. We paid Stora Eplid ehf. \$71,500 in 2010 and \$88,600 in 2009 for its services.

Crocker Coulson is the principal owner of CCG Investor Relations Strategic Communications, or CCG, and the brother of R. Cromwell Coulson, our Chief Executive Officer. OTC Markets Group engaged CCG to provide marketing and advertising services in 2009 and 2010. We paid CCG \$78,200 in 2010 and \$83,100 in 2009 for its services.

E. Disclosure of Conflicts of Interest

None.

Beneficial Owners

As of December 31, 2010, the following persons beneficially own 5% or more of OTC Markets Group's Common Stock:

Name and Address of Shareholder	Membership Class	Number of Shares Owned	Ownership Percentage of Class Outstanding	Note
R. Cromwell Coulson 304 Hudson Street, 3rd Floor New York, NY 10013	Class A Class C	4,154,448 130,838	40.1% 100%	(1) (2)
Walter P. Carucci c/o Carr Securities 14 Vanderventer Ave., Ste. 210 Port Washington, NY 11050	Class A	1,143,105	11%	(3)

*OTC Markets is not aware of any additional beneficial shareholders owning 5% or more of our Common Stock. It is possible that there are one or more additional beneficial holders of a significant percentage of our Common Stock, however the federal securities laws do not require a beneficial shareholder of 5% or more of our Common Stock to disclose that information publicly or to the Company. The table above is based on the best information available to the Company.

Notes:

1. Includes 370,000 Class A shares held by Mr. Coulson's wife.
2. On February 10, 2010, all 1,869,162 shares of Mr. Coulson's Class B Common Stock automatically converted into an equal number of Class A shares of Common Stock. Accordingly, as of February 10, 2010, Mr. Coulson owned no Class B shares and 4,154,448 Class A shares.
3. Walter P. Carucci is the general partner of Uncle Mills Partners. His beneficial ownership includes 582,219 Class A shares owned by Uncle Mills Partners.

The name, address, telephone number, and email address of each of the following outside providers that advise the issuer on matters relating to operations, business development and disclosure

1. Investment Banker: None.
2. Promoters: None.
3. Disclosure Counsel: The Nelson Law Firm, LLC
One North Broadway, Suite 712
White Plains, NY 10601

Tel: (914) 220-1900
Fax: (914) 220-1911
Email: sjnelson@nelsonlf.com

4. Auditor: Pustorino, Puglisi & Co., LLP
488 Madison Avenue
New York, NY 10022
Tel: (212) 832-1110
Fax: (212) 755-6748
Email: info@pustorino.com

Preparation of OTC Markets Group's financial statements is the responsibility of OTC Markets Group management. OTC Markets Group's outside audit firm, Pustorino, Puglisi & Co., LLP ("Pustorino") is responsible for expressing an opinion on these financial statements based on their audit.

Pustorino has confirmed to us that Pustorino and its personnel are licensed to practice public accounting in the states in which we conduct our business. Pustorino is registered with the Public Company Accounting Oversight Board ("PCAOB").

5. Public Relations Consultant: None.
6. Investor Relations Consultant: None.
7. Corporate Secretary: Daniel Zinn, General Counsel
8. Any Other Advisor: None.

Selected Financial Data

The selected financial data set forth below should be read in conjunction with our Financial Statements, the Notes to Financial Statements, and "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in this Annual Report.

The statement of income data for the years ended December 31, 2010 and 2009 as well as the balance sheet data at December 31, 2010 and 2009 are derived from our audited financial statements. Also presented below is a pro-forma statement of income dated for the calendar year ended December 2008, which is derived from an unaudited combination of the two audited constituent periods. The income data for the years ended 2007 and 2006 as well as the balance sheet data as of December 31, 2007 and 2006 reflect the pro-forma effect of provisions for "C" Corporation income taxes and earnings per share data.

CONSOLIDATED STATEMENT OF INCOME DATA

	Year Ended December 31,				
	2010	2009	2008*	2007	2006
	(in thousands, except per share data)				
Subscriber services	\$ 11,417	\$ 10,911	\$ 10,688	\$ 9,551	\$ 7,902
Market data licensing	11,819	9,894	7,972	6,331	4,949
Issuer services	4,803	3,227	2,510	1,553	1,208
Revenues from services	28,039	24,032	21,169	17,435	14,060
Redistribution fees/rebates	(2,168)	(1,944)	(1,650)	(1,428)	(1,117)
Total operating expenses	20,740	16,355	16,341	12,744	9,539
Income before income taxes	5,062	5,643	3,146	3,320	3,672
Net income	\$ 2,935	\$ 3,506	\$ 2,176	\$ 3,201	\$ 3,527
Net income (Pro-forma for 2008)	\$ 2,935	\$ 3,506	\$ 1,849	\$ 1,951	\$ 2,158
Net income per share (Pro-forma for 2008)					
Basic	\$ 0.282	\$ 0.342	\$ 0.184	\$ 0.195	\$ 0.216
Diluted	\$ 0.279	\$ 0.335	\$ 0.182	\$ 0.192	\$ 0.212
Weighted-average shares outstanding (Pro-forma for 2008)					
Basic	10,419,555	10,253,024	10,050,480	10,000,000	10,000,000
Diluted	10,529,508	10,454,517	10,186,259	10,174,486	10,178,289

CONSOLIDATED BALANCE SHEET DATA

	December 31,				
	2010	2009	2008	2007	2006
	(in thousands)				
Cash and cash equivalents	\$ 6,703	\$ 5,385	\$ 2,827	\$ 1,245	\$ 2,405
Total assets	\$ 17,810	\$ 16,715	\$ 11,433	\$ 6,653	\$ 5,696
Total long-term liabilities	\$ 1,015	\$ 2,179	\$ 2,708	\$ 155	\$ 168
Total stockholders' equity	\$ 9,261	\$ 7,713	\$ 4,381	NA	NA
Total members' equity	NA	NA	NA	\$ 4,860	\$ 4,532

Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion and analysis of financial condition and results of operations of OTC Markets Group Inc. ("OTC Markets Group") in conjunction with our Financial Statements and Notes thereto that are attached as Exhibit 1.1 to this Annual Report. In addition to historical and pro-forma information, this discussion contains forward-looking statements which involve a number of risks and uncertainties that could cause our actual results to differ materially from those reflected in the forward-looking statements. Forward-looking statements can be identified by use of the words "expect," "project," "may," "might," "potential," and similar terms. OTC Markets Group cautions readers that any forward-looking information is not a guarantee of future performance and that actual results could differ materially from those contained in the forward-looking information. Forward-looking statements involve a number of risks, uncertainties or other factors beyond OTC Markets Group's control. These factors include, but are not limited to, our ability to implement our strategic initiatives, economic, political and market conditions and price fluctuations, government and industry regulation, U.S. and global competition, and other factors. Factors that could cause or contribute to such differences include, but are not limited to, those discussed under the heading "Risk Factors" in this Annual Report. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

Overview

OTC Markets Group is a financial information and technology service company that operates the largest electronic interdealer quotation system for the trading of OTC equity securities by broker-dealers.

We organize the U.S. OTC equity markets into three tiers based on the quality of information that companies choose to provide for investors. Our top tier is OTCQX[®], the quality-controlled marketplace for investor friendly companies that can meet our highest financial standards. The next tier is OTCQB[™], which is designed for smaller companies that are current in their reporting obligations to the SEC or a U.S. banking or insurance regulator, but have not qualified for OTCQX. The final tier is the OTC Pink[™] speculative trading marketplace that enables broker-dealers to provide high-quality execution services to their clients in any OTC traded equity security.

By electronically connecting market participants and better informing investors, our financial information and technology services make the OTC equity markets an efficient alternative to traditional, exchange-based markets.

Due to OTC Markets Group's central position in the OTC marketplace, we generate a significant amount of OTC market data and security information through our Subscriber Services business. Our market data consists of real-time, end-of-day and historical quotation trading data, as well as security master data and corporate reference data for OTCQX, OTCQB, OTC Pink and FINRA OTC Bulletin Board securities traded in the U.S. OTC market. We use our Market Data Licensing revenues to subsidize our Subscriber Services so we may deliver premium products and services to our broker-dealer clients at a competitive price.

We also offer companies with securities traded on the OTC market a suite of products and services designed to promote transparency, facilitate public disclosure, and enable issuers to demonstrate compliance with federal securities laws. We believe our OTC Intelligence and OTC Disclosure and News Service are efficient tools that companies can use to facilitate communication with investors.

Prior to March 31, 2008, OTC Markets Group was organized and operated as a Delaware limited liability company under the name Pink Sheets LLC. As a limited liability company, we had three classes of membership interests (designated A, C, and D). Profits, losses, distributions, and tax attributes were allocated to Class A and C Members in accordance with the terms of the amended LLC Operating Agreement dated November 1, 2007. Class D membership interests were reserved for issuance to key employees, directors, and selected consultants under the Pink Sheets LLC Equity Option Plan, dated November 30, 2007.

On March 31, 2008 (the “Conversion Date”) Pink Sheets LLC converted, via a “formless conversion” (the “Conversion”) under Section 265 of the Delaware General Corporation Law, from a Delaware limited liability company to a Delaware corporation named “Pink OTC Markets Inc.” On January 18, 2011, Pink OTC Markets Inc. changed its name to OTC Markets Group Inc. OTC Markets Group is a “C” Corporation for federal, state, and local income tax purposes. On the Conversion Date: (i) the Class A Members exchanged their Class A membership interests in Pink Sheets LLC for Class A Common Stock of OTC Markets Group; (ii) the sole Class C Member, R. Cromwell Coulson, our Chief Executive Officer, exchanged his Class C membership interests in Pink Sheets LLC for Class A, Class B, and Class C Common Stock of OTC Markets Group; (iii) participants in the Pink Sheets LLC Equity Option Plan exchanged their equity options for new options to purchase Class A Common Stock of OTC Markets Group.

Impact of the Conversion on Financial Reporting

The Conversion significantly impacted the comparability of our operating results for the years ended December 31, 2010 and 2009 versus the year ended December 31, 2008. The financial and operating results for the years ended December 31, 2010 and 2009 are audited. The financial and operating results for the year ended December 31, 2008 are unaudited. For the three months ended March 31, 2008, OTC Markets Group’s financial and operating results were reported as a limited liability company, pursuant to generally accepted accounting principles in the United States (“GAAP”). As a result, for the three months ended March 31, 2008, and prior periods, income tax liability, with the exception of the New York City unincorporated business tax, was passed along to the Company’s Members. Beginning with the second quarter of 2008, our financial and operating results were reported as a corporation, pursuant to GAAP.

The unaudited pro-forma income statement for the year ended December 31, 2008 combines the actual, audited historical results of operations of Pink Sheets LLC for the three months ended March 31, 2008 and the actual, audited historical results of operations of the successor corporation, OTC Markets Group, for the nine months ended December 31, 2008. The 2008 pro-forma income statement is for illustrative purposes only to show the hypothetical combined results of operations had the Conversion taken place at the beginning of 2008 and had the Company been subject to “C” corporation income taxes for the entire year. We also have provided an estimate of the pro-forma amount of income taxes that would have been payable by OTC Markets Group had it been a corporation during all periods presented in this Annual Report while the Company was operating as a limited liability company and all presentations of earnings per share reflect such pro-forma adjustments.

Basic weighted average shares outstanding for periods prior to the Conversion give effect to the actual ratios used in the Conversion. Diluted weighted average shares outstanding for all periods presented give effect to the dilution principles in ASC Topic No. 260, based on the LLC and Corporation share and option equivalents issued or issuable pursuant to the actual terms of the outstanding equity instruments and the terms of the related conversions.

The pro-forma results are hypothetical and should not be viewed as the actual results or as indicative of future results. All references to expense items for the year ended December 31, 2008 are pro-forma and reflect the sum of such expenses for the constituent 2008 periods.

Please refer to the Independent Auditor’s Report, the Financial Statements, and the Notes to Financial Statements contained in Exhibit 1.1.

Financial Highlights

The following events impacted OTC Markets Group’s 2010 results:

- The apparent recovery in the global economic and credit environment and continued declines in market volatility during 2010 increased investors’ demand for equities, including equities quoted for trading in the OTC marketplace. In 2010, the dollar trading volume in OTC equity securities traded via OTC Link increased by 32% from \$108.8 billion to \$144.1 billion. In addition, the average number of daily priced quotes displayed on OTC Link increased by 31% from 47,000 to 61,700 quotes.

- The number of securities quoted for trading in the OTC market totaled 9,986 at December 31, 2010, representing an increase of 7%, from 9,347 at year-end 2009, attributable in part to companies, voluntarily or involuntarily, delisting from NYSE or NASDAQ and the SEC's 2008 amendments to Rule 12g3-2(b), which continued to result in an increased number of securities of foreign issuers trading in the OTC market.
- The number of issuers choosing to qualify their securities for the elite OTCQX marketplace increased 104% during 2010, increasing to 159 issuers at December 31, 2010 compared to 78 at December 31, 2009.
- The \$1.434 million write-down of uncollectable receivables related to our Market Data Licensing line of business. See "*Recent Business Developments – Review of Previously Issued Financial Statements*" in this Annual Report.

Trends in Our Business

Our revenue streams are influenced by macroeconomic events and conditions affecting the broader equity markets and in particular the U.S. OTC equity market, including investor sentiment and outlook, the regulatory environment, the risk/return and volatility factors of equity securities versus other financial investments and assets, and rapidly changing technologies in the capital markets.

Revenues from our Subscriber Services business are derived primarily from broker-dealer usage of OTC Link, followed by the revenues attributable to the OTC Dealer application and add-on products. While year over year revenues have increased for the year ended December 31, 2010, this business line's contribution to revenues from services has been declining. In the future, we expect our Subscriber Services revenues to increase steadily, but at a slower pace than our Market Data Licensing and Issuer Services revenues.

The development and introduction of new trading technologies in the capital markets business since 2008 has resulted in increased trading automation, which has led to a greater number of OTC securities traded in 2009 and 2010. The long term increase in trade volume has resulted in increased quotation and messaging volumes and increased quotation revenues. Automated trading products generally drive greater consumption of market data, resulting in increased demand for our market data products, which we believe will lead to increased revenues in our Market Data Licensing business over time.

The corresponding year-over-year increased quotation and messaging volumes have resulted primarily from (i) broker-dealers moving their priced quotes from the FINRA OTC Bulletin Board to OTC Link and (ii) a continued overall increase in the number of OTC securities traded due to (a) the SEC's 2008 amendments to Rule 12g3-2(b), which we expect will continue to result in an increase in the amount of ADRs and foreign ordinary shares quoted for trading in the OTC market and (b) voluntary and involuntary delisting of companies from the U.S. exchanges and the FINRA OTC Bulletin Board due to the continuing economic uncertainty and cost considerations. In addition, our OTCQX marketplace has continued to increase the visibility and volume of OTC securities, as well as enlarge the pool of high quality companies that consider the trading of their securities in the U.S. OTC market as a viable option for their investors.

Price modifications to our OTC Link Position Fees made on July 1, 2009, offer lower fees to broker-dealers that publish priced quotes on OTC Link. As the volume of priced quotes published on OTC Link increases, our revenue from OTC Link Position Fees may decrease due to the modified price structure. We believe that the increased volume of priced quotes has and will continue to enhance the value of our market data, leading to increased revenues in our Market Data Licensing business over time.

Moreover, we have placed increased emphasis on ensuring that the market tiers we have developed are recognized and properly used by all OTC market participants. We have seen an upswing in recognition and acknowledgement of these tiers, which we expect will add to the value of our market data, resulting in increased revenues in our Market Data Licensing business.

We continue to build the necessary employee and systems infrastructures required to manage our growth and develop and promote our products and services. We plan to continue the expansion of our OTCQX sales and marketing efforts, both domestically and internationally, including the expansion of the OTCQX DAD/PAL program, which grew from 27 advisors as of December 31, 2009 to 36 advisors as of December 31, 2010. We expect the increased recognition and understanding of our OTCQX tier to lead to continued growth in the number of OTCQX issuers and corresponding revenue based on OTCQX application and annual fees. Our OTCQB market tier, launched in April 2010, has received increased recognition resulting from the migration of broker-dealer quotes in the securities of U.S. registered and reporting issuers from the FINRA Bulletin Board to OTC Link. We plan to engage the increasing number of OTCQB issuers and introduce them to our Issuer Services products and services.

Public trading of our common stock began on September 16, 2009 on the OTC Pink Current Information tier, and moved to the OTCQX marketplace on March 11, 2010. We believe the public trading of our common stock has had a positive impact on the operation of our business and serves as a model for unlisted companies to consider secondary market trading of their shares in the U.S. OTC market. We believe that a public market for our common stock has, among other things, enhanced the market value of our common stock, provided our stockholders with greater liquidity for their shares, increased our ability to attract and retain highly skilled employees, increased the transparency of our business to subscribers, investors and regulators and may in time facilitate our ability to make corporate acquisitions.

How OTC Markets Group Generates Revenues

OTC Market Group derives revenues pursuant to a “subscription” model, whereby the significant majority of our revenues are recurring in nature. For example, once a broker-dealer decides to trade in the U.S. OTC market using our services, that broker-dealer typically continues to subscribe to our services, with different monthly user and usage levels, until it ceases to be active in the U.S. OTC market. The market data redistributors, including our largest redistributors, that offer our OTC market data to their subscribers, have historically remained long-term OTC Markets Group clients. Companies that choose to trade on the OTCQX marketplace do so on an annual basis. It has been our experience that once these companies have made a decision to qualify for OTCQX they generally choose to remain with OTCQX, although some OTCQX issuers recently moved from OTCQX to an exchange listing. Other OTC traded companies subscribe to our suite of Issuer Services products and services on an annual basis, with subscription fees paid in advance.

Subscriber Services

OTC Markets Group offers the information technology platforms that enable FINRA member broker-dealers to make markets and provide best execution in OTC traded securities. We offer a suite of quotation and trade-messaging products and services to OTC market makers and agency traders. Providing these services is fundamental to our business model. In 2010, our Subscriber Services business accounted for approximately 41% of our revenue from services, as compared to 45% in 2009.

OTC Markets Group generates revenues by providing broker-dealers with information and communication technology to facilitate trading in the OTC market. Broker-dealers pay us monthly license, subscription, and connectivity fees to use our OTC Link interdealer quotation and messaging platform. Our OTC Dealer software-as-a-service application enables broker-dealers to view and submit quotes for OTC securities and communicate with one another through OTC Link. OTC Dealer, together with separately priced add-on applications, shows a full Real-Time Level 2 quote montage for OTCQX, OTCQB, FINRA OTC Bulletin Board and OTC Pink securities, providing full access to OTC Link tickers, quote montages, and multiple watch lists for those securities. For automated trading and integration with third party Order Management Systems (“OMS”) and direct access trading systems, we offer the OTC FIX Gateway, a real-time FIX Protocol based computer-to-computer interface that allows for fully-electronic submission and receipt of quotes, trade messages, and confirmations.

Our broker-dealer customers pay variable usage fees to publish quotes and communicate and negotiate with counterparties on our OTC Link interdealer quotation system. Monthly OTC Link Quote Position Fees are

based on the number of daily bona fide continuous two-sided priced quotes (“BFC Positions”) and un-priced quote positions, with graduated volume discounts for BFC Position quotes and messages. Monthly OTC Link message fees are based on the number of messages sent or received for BFC Position securities and un-priced securities on OTC Link. We do not charge fees for quotes of any securities that are listed on NYSE, NYSE Amex Equities, or NASDAQ. The fee for publication of priced BFC Position quotes in a security is discounted as compared to the fee for publishing unpriced quotes. Our daily messaging fee allows subscribers to send and receive an unlimited number of messages in a security on that day. Fees for use of the OTC Dealer application are based on the number of authorized users per subscriber and are discounted in graduated amounts as a function of total users per subscriber.

For those OTC market participants that do not make active markets in OTC securities, OTC Markets Group offers OTCQuote.com, a web-based, real-time, view-only quotes service designed for agency traders, institutional investors, compliance officers and regulators that need to stay abreast of market activity in OTCQX, OTCQB, FINRA OTC Bulletin Board and OTC Pink securities.

OTC Markets Group also sells other equity pricing products, available by subscription or transaction, including:

- **FINOP Report:** a monthly report that provides broker-dealers with monthly security and market maker details that facilitate preparation of the monthly FINRA FOCUS Report for Rule 15c3-1 under the Exchange Act (“Net Capital Requirements for Brokers and Dealers”).
- **OTC Quote History:** a daily history file, available on a monthly basis to broker-dealers on a CD-ROM of all inside and broker-dealer quotations published on OTC Link for OTCQX, OTCQB, FINRA OTC Bulletin Board and OTC Pink securities.
- **OTC Library Research:** a comprehensive database, dating to 1950, containing securities information on the securities listed on NYSE, NASDAQ and NYSE Amex Equities and quoted for trading on the OTCQX, OTCQB, FINRA OTC Bulletin Board and OTC Pink tiers of the U.S. OTC market.

Market Data Licensing

OTC Markets Group generates revenues by providing our customers with access to the extensive OTC market data and security information we collect through our Subscriber Services products. Due to our central position in the OTC market, we are able to collect and resell a variety of OTC market data, including real-time, end-of-day, historical quotation and trading data, security master data and corporate reference data. Investors, traders, institutions, accountants and regulators pay us monthly license fees to access this information. Depending on the customer’s needs, we offer a suite of market data licenses, priced on per enterprise or per subscriber rates, through direct connectivity, third party market data redistributors or OMS. Depending on the license type, subscribers may distribute the market data on an internal-only basis, to clients, or post it on their websites. We generate a majority of our market data revenues from sales to market data redistributors, including Bloomberg, Thomson Reuters, and Interactive Data. These distributors pay us a portion of the fees that they receive from their customers, or receive rebates from us. We continue to generate an increasing amount of our market data revenues from historical market data, including the End-of-Day Pricing Service for which customers generally pay monthly subscription fees. In 2010, our Market Data Licensing business made up approximately 42% of our revenue from services, as compared to 41% of our revenue from services for 2009.

Collectively, Bloomberg, Thomson Reuters, and Interactive Data were the three largest sources of gross revenues for OTC Markets Group for both 2010 and 2009.

The following table shows the top three sources of Market Data Licensing revenues as a percentage of our 2010 and 2009 revenues from services:

Redistributor	Year Ended			
	December 31, 2010		December 31, 2009	
	(in thousands)	% of Revenues	(in thousands)	% of Revenues
Bloomberg	\$ 4,255.1	15.2%	\$ 3,881.2	16.2%
Interactive Data	1,830.4	6.5%	1,293.9	5.4%
Thomson Reuters	927.6	3.3%	1,189.2	5.0%

Issuer Services

OTC Markets Group generates revenues by providing a suite of products and services that are designed to foster greater levels of timely issuer disclosure, promote transparency, facilitate communication and mitigate risk in the OTC market. In 2010, our Issuer Services business made up approximately 17% of our revenue from services, as compared to 13% in 2009.

Domestic and international issuers pay us a one-time application fee and annual fees to have their securities classified on our OTCQX marketplace. These fees are fixed and do not vary based on outstanding shares, market capitalization or otherwise. The OTCQX marketplace includes access to a variety of products and services for the issuer and their investors, including use of our OTC Disclosure and News Service to post financial reports, disclosure documents and news releases, use of the OTCQX Market Center for investor meetings, and a variety of other included services, such as Real-Time Level 2 Quote Display, the OTC Market Report, and Blue Sky Monitoring Service.

Issuers that do not choose to qualify their securities for OTCQX may subscribe separately for the OTC Intelligence Services, which are offered on an annual subscription basis. OTC Intelligence Services include:

- OTC Disclosure and News Service: Online publication and management of financial reports, news releases, and other issuer disclosure materials.
- Real-time quotes for all OTC securities and the OTC Market Report.
- Real-Time Level 2 Quote Display Service: Issuer-sponsored quotes available free to investors on www.otcmarkets.com and the issuer's website.
- Blue Sky Monitoring Service: Provides analysis, review, and guidance to companies about compliance with each U.S. state's securities laws.

Website Advertising

OTC Markets Group charges for the right to display advertisements on www.otcmarkets.com. Our clients typically include financial services and investment firms. Our website advertising revenues are included within our Issuer Services line of business.

Under generally accepted accounting principles, our three lines of business constitute a single segment for financial reporting purposes.

Financial Results

OTC Markets Group operates three lines of business – Subscriber Services, Market Data Licensing and Issuer Services – designed to provide products and services including trading technologies for FINRA member broker-dealers and comprehensive, real-time and historical market information for broker-dealers, issuers, investors, market data distributors and regulators at very cost competitive levels. We believe our competitive pricing allows us to maintain our leading market position as a financial and technology services provider to participants in the U.S. OTC market. Our sources of revenue are diverse, including subscription service fees, transaction service/usage fees, OTCQX application and annual fees, market data distribution and licensing fees, and web site advertising fees.

Consolidated Statement of Income – Results From Operations

Revenues. Despite an environment of continuing, but stabilizing, macroeconomic uncertainty, decreasing market volatility, and emerging regulatory initiatives, OTC Markets Group's 2010 results reflect our fifth consecutive year of record revenues. Our revenues from services in 2010 increased \$4.007 million, or 17%, to \$28.039 million, compared to \$24.032 million in 2009. In 2010, revenues attributable to each of our Subscriber Services, Market Data Licensing, and Issuer Services businesses increased compared to 2009, with Market Data Licensing and Issuer Services contributing the largest dollar and percentage gains over 2009.

We pay redistribution fees and rebates under our agreements with market data redistributors in connection with our Market Data Licensing business. Under these agreements, market data redistributors either retain a percentage of the revenues they collect from their customers and remit the net proceeds to us, or we directly invoice and collect payments from subscribers and rebate a redistribution fee to the redistributor. These redistribution fees and rebates are labeled under "Cost of revenues" on our Consolidated Statements of Income. Our "Revenues from services" less "Cost of revenues" results in our "Net revenues."

Our redistribution fees and rebates paid to or retained by market data redistributors and OMS entities as a percentage of Market Data Licensing revenues decreased from 20% for 2009 to 18% for 2010. This decrease was primarily due to a thorough review of our redistribution fees and rebates due, as part of our overall analysis related to the \$1.434 million of uncollectable receivables from our Market Data Licensing line of business. See "*Recent Business Developments – Review of Previously Issued Financial Statements*" in this Annual Report.

The following table shows (i) OTC Markets Group's total and percentage changes by line of business for 2010 and 2009 and (ii) OTC Markets Group's net revenues and percentage change for 2010 and 2009:

	Year Ended December 31,		Change 2010 vs 2009
	2010	2009	
	(in thousands)		
Subscriber services	\$ 11,416.5	\$ 10,910.6	5%
Market data licensing	11,819.0	9,894.2	19%
Issuer services	4,803.1	3,226.9	49%
Revenues from services	28,038.6	24,031.7	17%
Redistribution fees and rebates	(2,168.0)	(1,943.5)	12%
Net revenues	\$ 25,870.6	\$ 22,088.2	17%

Revenues attributable to our Subscriber Services business remained one of our largest sources of revenues in 2010. However, due to continuing global economic uncertainty, a lower subscriber base among broker-dealers and traders at these broker-dealers, and strong results in our Market Data Licensing and Issuer Services businesses, the Subscriber Services business continued to decline as a percentage of total Company revenues. While posting a gain of 5% growth in revenues compared to 2009, Subscriber Services revenues declined to 41% of revenues from services for 2010 as compared to 45% of revenues from services in 2009.

The \$505,900, or 5%, growth in Subscriber Services revenues was primarily the result of:

- An increase of \$270,600 in OTC Link quote revenues, which was attributable to a 6% increase in the average revenue earned per priced quote from \$0.136 in 2009 to \$0.145 in 2010 due to the July 1, 2009 price modification for priced versus un-priced quotes on OTC Link; and,
- An increase of \$262,900 in OTC Link messaging revenues which was attributable to a 10% increase in the average number of daily priced messages from 8,718 in 2009 to 9,558 in 2010.

Revenues from services and net revenues after redistribution fees and rebates attributable to our Market Data Licensing business increased \$1.925 million, or 19%, and \$1.700 million, or 21%, respectively during 2010. Strong year-to-year growth was attributable to:

- Increased demand for real-time, historical, and End-of-Day OTC securities data by an increasing number of subscribers;
- One additional enterprise license sold during 2010; and,
- An increase in professional and non-professional users of our Level 2 data from 10,665 users at year-end 2009 to 12,066 users as of year-end 2010.

In 2010, our Issuer Services business posted the strongest percentage growth in revenues, increasing 49%, or \$1.576 million, as compared to 2009. Strong year-to-year growth was primarily attributable to:

- An increase of \$1.022 million in OTCQX revenues. The number of companies on the OTCQX marketplace increased by 81 issuers, or 104%, to 159 domestic and international issuers, compared to 78 in 2009; and,
- An increase of \$697,200 in revenues related to our disclosure services offered to non-OTCQX OTC issuers, primarily related to an increase in OTC Disclosure and News Service subscribers from 591 as of year-end 2009 to 644 as of year-end 2010.

A full listing of OTCQX issuers and DADs/PALs, as well as the OTCQX Rules, application forms and agreements are available on www.otcqx.com.

The following table shows the growth of the OTCQX marketplace for the periods indicated.

OTCQX Tier	December 31,		
	2008	2009	2010
OTCQX U.S. Premier	6	8	12
OTCQX U.S.	6	9	9
Total OTCQX Domestic	12	17	21
OTCQX International Premier	16	29	49
OTCQX International	20	32	89
Total OTCQX International	36	61	138
Total OTCQX	48	78	159

Operating expenses. Operating expenses for 2010 increased by \$4.385 million, or 27%, to \$20.740 million, compared to \$16.355 million in 2009. The year-to-year growth in operating expenses was primarily attributable to:

	Year Ended December 31,		Change 2010 vs 2009
	2010	2009	
	(in thousands)		
Compensation and benefits	\$ 10,102.0	\$ 8,723.7	16%
Computer operations and data communications	3,207.7	2,832.6	13%
Professional and consulting services	2,147.9	1,386.9	55%
Occupancy	1,288.2	1,192.4	8%
Depreciation and amortization	1,016.8	835.1	22%
Marketing and advertising	1,043.2	713.7	46%
Provision for bad debts	1,543.7	270.0	472%
General, administrative and other	390.6	400.4	-2%
Total operating expenses	\$ 20,740.1	\$ 16,354.9	27%

- The write-down of \$1.434 million in uncollectable receivables related to our Market Data Licensing line of business. See “Recent Business Developments – Review of Previously Issued Financial Statements” in this Annual Report.
- Compensation and benefits in 2010 increased by \$1.378 million, or 16%, to \$10.102 million, compared to \$8.724 million in 2009, reflecting:
 - Staff headcount increased by a net of 15 professionals, from 53 at December 31, 2009 to 68 at December 31, 2010, representing 27 new hires and 12 separations;
 - Salaries and benefits expense for 2010 increased \$1.125 million, or 16%, to \$8.383 million, compared to \$7.259 million in 2009. This increase was attributable to the net headcount increase of 15, annual compensation merit increases, and increased costs associated with our benefits plans; and
 - Sales commissions paid to our Issuer Services salespeople increased \$205,600, or 294%, from \$69,800 to \$275,400 as a result of our commission plan commencing during the third quarter of 2009 and our success in bringing in new OTCQX companies during 2010.
- Professional and consulting services for 2010 increased by \$761,000, or 55% from \$1.387 million in 2009 to \$2.148 million in 2010, due to increased legal and regulatory fees related to:
 - Preparation of our response to FINRA’s QCF Proposal and the establishment of our ATS subsidiary, as well as an increased expense of \$125,000 related to the value of the shares awarded to our Board of Directors.
- Marketing and advertising expenses for 2010 increased by \$329,400, or 46%, to \$1.043 million compared to \$713,700 in 2009, primarily as a result of:
 - An increase of \$206,500 in marketing and advertising as a result of increased spending for the sponsorship of conferences and the beginning phase of our rebranding from Pink OTC Markets to OTC Markets Group; and
 - An increase of \$122,900 in travel and entertainment primarily as a result of traveling to Europe and Canada to procure and service our growing list of OTCQX companies.
- Computer operations and data communications related expenses for 2010 increased by \$375,100, or 13%, to \$3.208 million compared to \$2.833 million in 2009, primarily as a result of:
 - An increase in data acquisition costs of \$141,600 due to increased third party connectivity and hosting costs and expanded data needs to meet our newly developed and released application upgrades;

- An increase in computer supplies and expenses of \$121,200 for 2010 attributable to higher year-to-year expenditures related to new personal computers, monitors and non-capitalized equipment for our growing employee base; and
- An increase in data processing costs of \$57,800 attributable to expanded and increased software and hardware maintenance costs.
- Depreciation and amortization expense increased by \$181,700, or 22%, to \$1.017 million, compared to \$835,100 in 2009. The increase in 2010 is primarily attributable to the depreciation related to the implementation of new and replacement hardware during 2010 and the amortization of leasehold improvements and furniture and fixtures relating to the renovation of the second floor of our corporate offices during the second half of 2010.
- Occupancy expenses increased \$95,800, or 8%, to \$1.288 million compared to \$1.192 million in 2009. The majority of the increase is a result of non-capitalized expenses relating to the renovation of the second floor of our corporate offices during the second half of 2010.
- Provision for bad debt increased \$1.274 million to \$1.544 million compared to \$270,000 in 2009 primarily as a result of the \$1.434 million write-down of uncollectable receivables related to our Market Data Licensing line of business. See “*Recent Business Developments – Review of Previously Issued Financial Statements*” in this Annual Report.

Income from operations. Income from operations decreased by \$602,700, or 11%, to \$5.131 million in 2010, compared to \$5.733 million in 2009 primarily as a result of our \$3.783 million increase in net revenues being offset by the \$1.434 million write-down of uncollectable receivables related to our Market Data Licensing line of business (See “*Recent Business Developments – Review of Previously Issued Financial Statements*” in this Annual Report) and an increase in other operating expenses.

Other Income/(Expense). Other income/(expense) for 2010 decreased by \$21,200, or 24%, to (\$68,600), compared to (\$89,800) in 2009, reflecting:

- A decrease in Interest expense from \$98,500 in 2009 to \$85,200 in 2010 as a result of the monthly pay-down of principal for our two outstanding loans from JPMorgan Chase. During December, 2010, the Company prepaid the remaining principal of \$1.2 million, interest of \$1,100 and a prepayment fee of \$22,600 for our Term Loan A which had an original principal balance of \$2.0 million. As of December 31, 2010, \$92,100 of principal remained outstanding under Term Loan B.
- Interest income increased from \$8,700 in 2009 to \$16,600 in 2010 due to an increase in the average cash balance from approximately \$3.5 million in 2009 to \$6.1 million in 2010.

Provision for Income Taxes. For 2010, the provision for corporate income taxes decreased \$10,600, or 1%, to \$2.127 million, compared to \$2.138 million in 2009. This slight decrease, despite a \$581,500 decrease in income before income taxes, is due to the impact of the provisions of ASC Topic 740, *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement on Accounting for Income Taxes*. The Company provides for uncertain tax positions and the related interest and penalties based upon management’s assessment of whether a tax benefit is more likely than not to be sustained upon examination by tax authorities. The impact of this determination resulted in additional tax expense of \$263,200 for the year ended December 31, 2010. There was no impact on the year ended December 31, 2009.

Liquidity and Capital Resources

The economic and credit conditions in the international markets remain uncertain and volatile, and continue to impact the global capital markets with significantly lower levels of liquidity and available credit. To date, the cost and availability of OTC Markets Group's funding has not been adversely affected by the current economic conditions and illiquid credit markets and we do not expect it to be materially impacted in the near future.

Our sources of liquidity are our cash, cash equivalents, cash flow from operations, operating leases we may choose to enter into, and our JPMorgan Chase Credit Facility. We require cash to pay our operating expenses; fund strategic growth initiatives, particularly in the Issuer Services business; develop new products and enhance existing products; make capital expenditures; service our debt and other long-term liabilities and pay federal, state, and local corporate taxes. In the near term, we expect that our operations will provide sufficient cash to fund our operating expenses and capital expenditures. As we have paid down the large majority of our outstanding debt during 2010, the Company should have additional flexibility as to its liquidity and capital resources going forward.

Principal factors that could affect the availability of OTC Markets Group's internally-generated funds include:

- Deterioration of revenues in any of our lines of business;
- Changes in our working capital requirements; and,
- An increase in our expenses.

Principal factors that could affect OTC Markets Group's ability to obtain cash from external sources include:

- Financial covenants contained in our Credit Facility that limit, among other things, our total borrowing capacity;
- The unavailability of additional credit from existing lenders or initial credit from new lenders; and
- Volatility in the public debt and equity markets.

The following table summarizes our audited cash and cash equivalents and changes in our cash flows:

	December 31, 2010	December 31, 2009	Change
	(in thousands)		
Cash and cash equivalents	\$ 6,702.7	\$ 5,384.6	24%
Cash provided by operating activities	\$ 6,265.7	\$ 6,114.2	2%
Cash used in investing activities	\$ (1,072.4)	\$ (2,321.7)	-54%
Cash used in financing activities	\$ (3,875.2)	\$ (1,234.9)	214%

Cash and cash equivalents. Cash and cash equivalents increased by \$1.318 million from December 31, 2009 primarily due to positive cash flows from operating activities. At December 31, 2010, we had cash, cash equivalents, and short-term investments of \$6.703 million and short-term and long-term debt of \$92,100, resulting in a net cash position of \$6.611 million and a current ratio of 1.76. Our cash and cash equivalents are primarily invested in money market funds and certificates of deposit insured within the current FDIC limits.

Cash provided by operating activities. Cash provided by operating activities consisted of net income adjusted for certain non-cash items, including depreciation, amortization, share-based compensation, provision for doubtful accounts, and changes in working capital.

Cash provided by operating activities in 2010 increased by \$151,400, or 2%, to \$6.266 million, compared to \$6.114 million in 2009. Cash provided by operating activities in 2010 consisted of:

- Net income of \$2.935 million;
- Adjustments for non-cash items of \$4.411 million, primarily represented by:
 - Depreciation and amortization expense of \$1.017 million;
 - Provision for doubtful accounts expense of \$1.544 million primarily related to the \$1.434 million write-down of uncollectable receivables related to our Market Data Licensing line of business (See “*Recent Business Developments – Review of Previously Issued Financial Statements*” in this Annual Report);
 - Net deferred revenue of \$1.568 million related to our OTCQX subscription renewals in December of 2010;
 - Share-based compensation charges of \$626,100; and offset by
 - Recovery of rebates and redistribution fees of \$269,200.

Cash used in investing activities. Cash used in investing activities of \$1.072 million in the year ended December 31, 2010 was primarily attributable to capital expenditures of \$980,500 for new and replacement hardware, networking, and communications equipment.

Cash used in financing activities. Cash used in financing activities during the year ended December 31, 2010 totaled \$3.875 million, and consisted of: (i) principal payments of \$1.939 million made under the Credit Facility; (ii) four dividend payments totaling \$1.581 million, consisting of \$335,900 paid on January 8, 2010, \$414,600 paid on April 8, 2010, \$414,300 paid on July 8, 2010 and \$416,000 paid on October 7, 2010 and (iii) purchases of treasury stock totaling \$400,200.

Capital resources and working capital. OTC Markets Group’s working capital (calculated as current assets less current liabilities) at December 31, 2010 increased \$328,200 million, or 6%, to \$5.720 million, compared to \$5.392 million at December 31, 2009.

Credit Facility. OTC Markets Group maintains a commercial banking relationship with JPMorgan Chase and on March 6, 2008, we entered into the Credit Facility with JPMorgan Chase.

The Credit Facility provides for up to \$4 million in financing, of which \$92,100 was outstanding and \$1 million was available for our business operations as of December 31, 2010. The Credit Facility includes: (i) \$2 million pursuant to a term loan (“Term Loan A”), of which none was outstanding on December 31, 2010, which was utilized to fund the construction and development of the OTCQX Market Center; (ii) \$1 million pursuant to a term loan (“Term Loan B”), of which \$92,100 was outstanding on December 31, 2010, which was allocated to fund a distribution to the Members of Pink Sheets LLC immediately prior to the Conversion in April 2008, and which is payable in full on March 1, 2011; and (iii) up to \$1 million pursuant to a revolving loan (the “Revolving Loan”), which was available for our business operations, and which was due and payable on March 1, 2009 but was subsequently renewed with a new maturity date of July 17, 2011. We have not drawn funds on the Revolving Loan and do not expect to do so.

Under the Credit Facility we agreed to fulfill certain affirmative and negative covenants and other specified terms, including that we (i) must maintain a debt service coverage ratio of not less than 1.25 to 1.00; (ii) must maintain a minimum tangible net worth of \$3.5 million at, and after, March 31, 2009, and (iii) may not incur any additional indebtedness.

As of November 9, 2010, the Board of Directors authorized the prepayment in full of the remaining principal, unpaid interest, and prepayment premium of the Term Loan A. On December 10, 2010 we prepaid the remaining principal of \$1.2 million, interest of \$1,100 and a prepayment fee of \$22,600 for Term Loan A. As of December 31, 2010, \$92,100 of principal remained outstanding under Term Loan B.

We are not now, nor have we ever been, in default of any covenants or other terms of the Credit Facility.

Margins, EPS, and Other Key Financial Measurements

The following tables show key financial measurements from OTC Markets Group's consolidated statements of income and consolidated balance sheet for the periods shown. Please refer to the Independent Auditor's Report, the Financial Statements, and the Notes to Financial Statements contained in Exhibit 1.1 to this Annual Report.

The consolidated statement of income data presented below for the year ended December 31, 2010 and 2009, as well as the consolidated balance sheet data as of December 31, 2010 and 2009 are derived from our audited financial statements. Also presented below is pro-forma statement of operations data for the calendar year ended December 2008, which is derived from an unaudited combination of the two audited constituent periods.

Revenue recognition reclassification: See Note 2 in Notes to Financial Statements in Exhibit 1.1.

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CONSOLIDATED STATEMENT OF INCOME DATA

Measurement	Year Ended December 31,		
	2010	2009	Pro-forma 2008*
Operating expenses/Net revenues	80%	74%	84%
Income from operations/Net revenues	20%	26%	16%
Net income/Net revenues	11%	16%	11%

* See Note 2 to Consolidated Financial Statements

Measurement	Year Ended December 31,		
	2010	2009	Pro-forma 2008*
Income from operations per:			
Weighted-average shares			
outstanding, basic	\$ 0.492	\$ 0.559	\$ 0.316
Weighted-average shares			
outstanding, diluted	\$ 0.487	\$ 0.548	\$ 0.312
Net income per:			
Weighted-average shares			
outstanding, basic	\$ 0.282	\$ 0.342	\$ 0.216
Weighted-average shares			
outstanding, diluted	\$ 0.279	\$ 0.335	\$ 0.214

* See Note 2 to Consolidated Financial Statements

CONSOLIDATED BALANCE SHEET DATA

Measurement	December 31,		
	2010	2009	2008
	(in thousands)		
Net worth	\$ 9,260.7	\$ 7,713.4	\$ 4,381.3
Tangible net worth	\$ 8,922.1	\$ 7,323.3	\$ 3,946.7
Working capital	\$ 5,720.3	\$ 5,392.1	\$ 3,321.1
Ratios			
Debt/equity	0.01	0.26	0.64
Current	1.76	1.79	1.76

Operating Leases

We have entered into operating lease agreements for our offices. We recognize rent expense under such leases on a straight-line basis over the term of the lease. See "Nature and extent of the issuer's facilities."

Off-Balance Sheet Arrangements

None.

Part E. Issuance History and Financial Information

List of the securities offerings and shares issued for services in the past two years

On March 31, 2008, the Company converted from a limited liability company to a corporation. In 2007, prior to the Conversion, Pink Sheets LLC issued certain equity interests described in the table below. At the time of the Conversion, the Company issued the following:

1. 6,125,813 shares of Class A Common Stock to the former holders of Class A membership interests in Pink Sheets LLC.
2. 1,874,187 shares of Class A Common Stock, 1,869,162 shares of Class B Common Stock and 130,838 shares of Class C Common Stock to OTC Markets Group's Chief Executive Officer, R. Cromwell Coulson, the former holder of Class C membership interests in Pink Sheets LLC.

CLASS A COMMON STOCK AND OPTIONS ISSUED

The following table sets forth information concerning the equity securities issued during the years 2009 and 2010:

Month of Grant	Award Type	Awards Issued	Weighted Average Exercise or Grant Price	Grant Awarded To
January-09	Option Grant	6,000	\$2.44	Employee
February-09	Restricted Stock	74,400	\$2.03	Employee
February-09	Option Grant	5,500	\$2.44	Employee
March-09	Option Grant	13,500	\$2.44	Employee
May-09	Option Grant	80,000	\$2.44	Employee
June-09	Option Grant	6,500	\$2.44	Employee
July-09	Performance Shares	30,000	\$2.03	Directors
November-09	Option Grant	24,000	\$4.93	Employee
January-10	Restricted Stock	45,701	\$5.00	Employee
January-10	Option Grant	46,000	\$5.50	Employee
February-10	Option Grant	27,000	\$5.47	Employee
April-10	Option Grant	29,500	\$7.16	Employee
May-10	Option Grant	58,000	\$7.15	Employee
July-10	Option Grant	13,000	\$7.15	Employee
August-10	Performance Shares	30,000	\$6.20	Directors
August-10	Option Grant	46,000	\$6.60	Employee
September-10	Option Grant	29,500	\$6.77	Employee
October-10	Option Grant	12,000	\$6.99	Employee
November-10	Option Grant	50,000	\$6.88	Employee
December-10	Option Grant	32,800	\$6.58	Employee
Total Awards Issued		<u>659,401</u>		

Notes:

- a. All awards are of Class A Common Stock.
- b. All option grants are issued pursuant to the 2007 Pink Sheets LLC Equity Option Plan, the Pink OTC Markets Inc. 2008 Equity Incentive Plan, or the Pink OTC Markets Inc. 2009 Equity Incentive Plan and vest 20% each year the employee remains employed with OTC Markets Group.
- c. Shares issued pursuant to a restricted stock award are un-certificated and contain a legend stating that the shares have not been registered under the Securities Act or any state securities laws and setting forth or referring to the restrictions on transferability and sale of the shares under the Securities Act.
- d. Shares issued to Directors during July 2009 were part of each Director's annual compensation. The fair market value per share of the Class A Common Stock was \$2.0307 on the date of grant.
- e. Shares issued to Directors during August 2010 were part of each Director's annual compensation. The fair market value per share of the Class A Common Stock was \$6.20 on the date of grant.

Financial information for the issuer's most recent fiscal period and for such part of the two preceding fiscal years as the issuer or its predecessor has been in existence

Copies of the audited Consolidated Financial Statements of OTC Markets Group for the years ended December 31, 2010 and 2009, including the Consolidated Balance Sheets, Consolidated Statements of Income, Consolidated Statements of Stockholders' Equity, Consolidated Statements of Cash Flows, and Notes to the Consolidated Financial Statements, are attached hereto as Exhibit 1.1. The attached Consolidated Financial Statements also include the unaudited pro-forma income statement for the year ended December 31, 2008, which combines the actual, audited historical results of operations of Pink Sheets LLC for the three months ended March 31, 2008 and the actual, audited historical results of operations of its successor, OTC Markets Group (formerly Pink OTC Markets Inc.), for the nine months ended December 31, 2008. This information is presented for illustrative purposes only to show the hypothetical combined results of operations had the Company been a C Corporation for the entire year. The attached Consolidated Financial Statements and the notes thereto are hereby incorporated by reference into this Annual Report.

Part F. Exhibits

1 Financial Statements

- 1.1 Financial Information for the years ended December 31, 2010, December 31, 2009 and December 31, 2008

2 Issuer's Certifications

- 2.1 Certification of principal executive officer
- 2.2 Certification of principal financial officer

3 Material Contracts

- 3.1 Credit Facility by and between Pink Sheets LLC and JP Morgan Chase Bank, NA dated as of March 6, 2008 (incorporated herein by reference to Exhibit 3.1 to the Initial Disclosure Statement filed on September 15, 2009)
- 3.2 Lease Agreement by and between Pink Sheets LLC and The Rector, Church-Wardens and Vestrymen of Trinity Church in the City of New York for space at 304 Hudson Street, New York, NY (incorporated herein by reference to Exhibit 3.2 to the Initial Disclosure Statement filed on September 15, 2009)
- 3.3 Lease Agreement by and between Pink OTC Markets Inc. and Myles Doherty, Carolyn Doherty, Steve and Ruth Kinsley for space at 725 8th Street, Washington, D.C. (incorporated by reference to Exhibit 3.3 to the 2009 Annual Report filed on March 31, 2010)
- 3.4 Lease Agreement by and between OTC Markets Group Inc. and Myles Doherty, Carolyn Doherty, Steve and Ruth Kinsley for space at 725 8th Street, Washington, D.C.
- 3.5 Lease Agreement by and between OTC Markets Group Inc. and NW 100 M Street LLC for space at NW 100 M Street, Washington, D.C.
- 3.6 Employment Agreement dated as of May 1, 2008 by and between Pink OTC Markets Inc. and R. Cromwell Coulson (Chief Executive Officer) (incorporated herein by reference to Exhibit 3.4 to the Initial Disclosure Statements filed on September 15, 2009)
- 3.7 Pink OTC Markets Inc. "Key Man" Life Insurance Policy for R. Cromwell Coulson (incorporated herein by reference to Exhibit 3.5 to the Initial Disclosure Statement filed on September 15, 2009)
- 3.8 Client Services Agreement dated as of November 8, 2010 between Administaff Companies II, L.P. and Pink OTC Markets Inc.

4 Customer Contracts

The following documents may be found on our website at www.otcmarkets.com

- 4.1 BD Subscriber Agreement
- 4.2 OTCQuote.com Subscriber Agreement
- 4.3 Market Data Distribution Agreement
- 4.4 Market Data Subscription Agreement
- 4.5 OTCQX Application for U.S. Companies
- 4.6 OTCQX Agreement for U.S. Companies
- 4.7 OTCQX Application for International Companies
- 4.8 OTCQX Agreement for International Companies
- 4.9 Issuer Services Agreement
- 4.10 Application to Serve as an Attorney DAD or PAL or Investment Bank DAD or PAL
- 4.11 Agreement to Serve as an Attorney DAD or PAL or Investment Bank DAD or PAL
- 4.12 Issuer Appointment of Attorney Designated Advisor for Disclosure; Issuer Appointment of Attorney Principal American Liaison; Issuer Appointment of Investment Bank Designated Advisor for Disclosure; Issuer Appointment of Investment Bank Principal American Liaison; Issuer Appointment of ADR Depository Principal American Liaison
- 4.13 Advertising Agreement

5 Certificate of Incorporation and By-laws

- 5.1 Certificate of Incorporation (incorporated herein by reference to Exhibit 5.1 to the Initial Disclosure Statement filed on September 15, 2009)
- 5.2 By-laws (incorporated herein by reference to Exhibit 5.1 to the Initial Disclosure Statement filed on September 15, 2009)

6 Equity Incentive Plans

- 6.1 Pink OTC Markets Inc. 2009 Equity Incentive Plan (incorporated herein by reference to Exhibit 6.1 to the 2009 Annual Report filed on March 31, 2010)



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders
of OTC Markets Group Inc.

We have audited the accompanying balance sheets of OTC Markets Group Inc. (the "Company", a Delaware corporation and formerly known as Pink OTC Markets Inc.) as of December 31, 2010, 2009 and 2008, and the related statements of income, stockholders' equity, and cash flows for each of the two years in the period ended December 31, 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls over financial reporting. Accordingly, we do not express such an opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of OTC Markets Group Inc. as of December 31, 2010, 2009 and 2008, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2010 in conformity with accounting principles generally accepted in the United States of America.

Pustorino, Puglisi + Co., LLP

PUSTORINO, PUGLISI & CO., LLP
New York, New York
March 29, 2011

OTC MARKETS GROUP INC. (formerly Pink OTC Markets Inc.)
CONSOLIDATED BALANCE SHEETS

	December 31, 2010	December 31, 2009	December 31, 2008
Assets			
Current Assets			
Cash and cash equivalents	\$ 6,702,677	\$ 5,384,640	\$ 2,827,012
Accounts receivable, net of allowance for doubtful accounts of \$137,419 in 2010, \$240,722 in 2009 and \$40,408 in 2008	5,329,284	5,861,103	4,263,022
Prepaid income taxes	581,784	215,366	-
Prepaid expenses and other current assets	381,143	651,783	556,621
Deferred tax asset	259,604	102,255	18,163
Total current assets	13,254,492	12,215,147	7,664,818
Property and equipment, net of accumulated depreciation of \$2,078,331 in 2010, \$1,113,035 in 2009 and \$322,381 in 2008	4,036,309	4,021,064	3,113,483
Other assets			
Goodwill	250,658	250,658	250,658
Intangible assets	87,957	139,442	183,916
Cash-restricted	180,870	88,968	87,092
Deferred tax assets	-	-	132,723
Total other assets	519,485	479,068	654,389
Total assets	\$ 17,810,286	\$ 16,715,279	\$ 11,432,690
Liabilities and stockholders' equity			
Current liabilities			
Accounts payable	\$ 386,785	\$ 791,348	\$ 581,407
Current portion of bank loan	92,128	785,518	749,460
Accrued expenses and other	1,970,559	2,179,639	2,237,878
Dividend payable	413,941	335,851	-
Income taxes payable	371,815	-	68,390
Deferred revenue	4,298,930	2,730,699	706,583
Total current liabilities	7,534,158	6,823,055	4,343,718
Long-term liabilities			
Bank loan	-	1,245,923	2,034,868
Deferred rent	815,466	757,215	672,799
Deferred tax liabilities	199,938	175,661	-
Total long-term liabilities	1,015,404	2,178,799	2,707,667
Total liabilities	8,549,562	9,001,854	7,051,385
Stockholders' equity			
Common stock - par value \$0.01 per share			
Class A - 14,000,000 authorized, 10,428,276 issued and 10,350,107 outstanding at December 31, 2010, and 8,408,902 and 8,080,947 issued and outstanding at December 31, 2009 and December 31, 2008, respectively	104,283	84,089	80,809
Class B - 0- authorized, issued and outstanding at December 31, 2010 and 1,869,162 authorized, issued and outstanding at December 31, 2009 and December 31, 2008, reflecting the conversion to Class A stock in February, 2010	-	18,692	18,692
Class C - 130,838 shares authorized, issued and outstanding at December 31, 2010, December 31, 2009 and December 31, 2008	1,308	1,308	1,308
Additional paid-in capital	4,455,233	3,785,381	2,966,901
Retained earnings	5,100,108	3,823,955	1,313,595
Treasury stock - 78,169 shares at December 31, 2010, -0- at December 31, 2009 and December 31, 2008	(400,208)	-	-
Total stockholders' equity	9,260,724	7,713,425	4,381,305
Total liabilities and stockholders' equity	\$ 17,810,286	\$ 16,715,279	\$ 11,432,690

See accompanying notes to Consolidated Financial Statements

OTC MARKETS GROUP INC. (formerly Pink OTC Markets Inc.)
CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31,		
	2010	2009	Pro-forma 2008* (unaudited)
Revenues from services	\$ 28,038,596	\$ 24,031,661	\$ 21,169,490
Cost of revenues			
Redistribution fees and rebates	2,167,955	1,943,524	1,649,630
Net revenues	<u>25,870,641</u>	<u>22,088,137</u>	<u>19,519,860</u>
Operating expenses			
Compensation and benefits	10,101,999	8,723,737	7,740,262
Computer operations and data communications	3,207,680	2,832,602	2,388,859
Professional and consulting services	2,147,886	1,386,913	1,584,267
Occupancy	1,288,191	1,192,401	1,217,067
Depreciation and amortization	1,016,780	835,128	482,860
Marketing and advertising	1,043,157	713,731	2,456,187
Provision for bad debts	1,543,715	270,000	99,600
General, administrative and other	390,648	400,372	372,062
Total operating expenses	<u>20,740,056</u>	<u>16,354,884</u>	<u>16,341,164</u>
Income from operations	<u>5,130,585</u>	<u>5,733,253</u>	<u>3,178,696</u>
Other income/(expense)			
Interest income	16,553	8,664	14,013
Interest expense	(85,150)	(98,462)	(46,261)
Income before income taxes	<u>5,061,988</u>	<u>5,643,455</u>	<u>3,146,448</u>
Provision for income taxes			
LLC unincorporated business tax	-	-	48,951
Corporate income tax	2,126,876	2,137,510	921,826
Total provision for income taxes	<u>2,126,876</u>	<u>2,137,510</u>	<u>970,777</u>
Net income	<u>\$ 2,935,112</u>	<u>\$ 3,505,945</u>	<u>\$ 2,175,671</u>
Pro-forma adjustments to reflect corporate income taxes:			
Income before income taxes	\$ 5,061,988	\$ 5,643,455	\$ 3,146,448
Corporate income taxes			
Pro-forma for LLC periods	-	-	375,682
Historical	2,126,876	2,137,510	921,826
Total provision for income taxes (Pro-forma for 2008)	<u>2,126,876</u>	<u>2,137,510</u>	<u>1,297,508</u>
Net income (Pro-forma for 2008)	<u>\$ 2,935,112</u>	<u>\$ 3,505,945</u>	<u>\$ 1,848,940</u>
Net income per share (Pro-forma for 2008)			
Basic	\$ 0.282	\$ 0.342	\$ 0.184
Diluted	\$ 0.279	\$ 0.335	\$ 0.182
Weighted-average shares outstanding (Pro-forma for 2008)			
Basic	10,419,555	10,253,024	10,050,480
Diluted	10,529,508	10,454,517	10,186,259

See accompanying notes to Consolidated Financial Statements

* See Note 2 to the Consolidated Financial Statements

OTC MARKETS GROUP INC. (formerly Pink OTC Markets Inc.)
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the Years Ended December 31, 2010 and 2009

	Total	Par Value - \$0.01			Paid in Capital	Retained Earnings	Treasury Stock
		Class A	Class B	Class C			
Balance, December 31, 2008	<u>\$ 4,381,305</u>	<u>\$ 80,809</u>	<u>\$ 18,692</u>	<u>\$ 1,308</u>	<u>\$ 2,966,901</u>	<u>\$ 1,313,595</u>	<u>\$ -</u>
Issuance of 25,069 bonus shares	50,909	250			50,659		
Issuance of 47,526 restricted shares to employees, net of forfeitures of 2,562 shares	46,368	476			45,892		
Issuance of 225,630 shares upon exercise of vested options	336,532	2,254			334,278		
Issuance of 30,000 shares to Directors	60,921	300			60,621		
Vesting of outstanding stock options	327,030				327,030		
Dividends	(995,585)					(995,585)	
Net income	3,505,945					3,505,945	
Balance, December 31, 2009	<u>\$ 7,713,425</u>	<u>\$ 84,089</u>	<u>\$ 18,692</u>	<u>\$ 1,308</u>	<u>\$ 3,785,381</u>	<u>\$ 3,823,955</u>	<u>\$ -</u>
Conversion of Class B shares to Class A shares on February 10, 2010	-	18,692	(18,692)				
Issuance of 75,701 restricted shares to employees, net of forfeitures of 14,800 shares	92,425	309			92,116		
Issuance of 89,311 net shares upon exercise of vested stock options	(13,528)	893			(14,421)		
Tax benefit on stock option exercises	58,746				58,746		
Issuance of 30,000 shares to Directors	186,270	300			185,970		
Compensation expense for stock options	347,441				347,441		
Repurchase of 78,169 shares of treasury stock, at cost	(400,208)						(400,208)
Dividends	(1,658,959)					(1,658,959)	
Net income	2,935,112					2,935,112	
Balance, December 31, 2010	<u>\$ 9,260,724</u>	<u>\$ 104,283</u>	<u>\$ -</u>	<u>\$ 1,308</u>	<u>\$ 4,455,233</u>	<u>\$ 5,100,108</u>	<u>\$ (400,208)</u>

See accompanying notes to Consolidated Financial Statements

OTC MARKETS GROUP INC. (formerly Pink OTC Markets Inc.)
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2010	2009	2008*
Cash flows from operating activities			
Net income	\$ 2,935,112	\$ 3,505,945	\$ 2,175,671
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	1,016,780	835,128	482,860
Recovery of rebates and redistribution fees	(269,212)	-	-
Provision for bad debts	1,543,715	-	-
Share-based compensation	626,136	433,541	410,210
Excess tax benefits from the exercise of non-qualified stock options	-	(80,602)	-
Deferred rent	58,251	84,416	517,834
Net deferred revenue	1,568,231	2,024,116	36,911
Deferred income taxes	(133,072)	224,290	(150,886)
Decrease (increase) in assets:			
Accounts receivable	(1,011,896)	(1,598,081)	(739,198)
Prepaid expenses and other current assets	270,640	88,274	(179,898)
Prepaid income taxes	(366,418)	-	-
(Decrease) increase in liabilities			
Accounts payable	(404,563)	209,941	460,448
Accrued expenses and other	60,132	614,300	817,878
Income taxes payable	371,815	(227,039)	68,390
Cash provided by operating activities	6,265,651	6,114,229	3,900,220
Cash flows from investing activities			
Cash paid for purchases of property and equipment	(980,540)	(2,319,813)	(2,085,600)
Increase in restricted cash	(91,902)	(1,876)	(3,391)
Cash used in investing activities	(1,072,442)	(2,321,689)	(2,088,991)
Cash flows from financing activities			
Payments on term loans	(1,939,313)	(752,887)	-
Dividends paid	(1,580,869)	(659,734)	-
Distributions	-	-	(3,063,211)
Net borrowings under revolving line of credit	-	-	2,784,328
Proceeds from the exercise of stock options	128,270	97,107	50,000
Cancellation of common stock in satisfaction of withholding tax requirements			
	(141,798)	-	-
Excess tax benefits from the exercise of non-qualified stock options	58,746	80,602	-
Purchase of treasury stock	(400,208)	-	-
Cash used in financing activities	(3,875,172)	(1,234,912)	(228,883)
Net increase in cash	1,318,037	2,557,628	1,582,346
Cash at beginning of period	5,384,640	2,827,012	1,244,666
Cash at end of period	\$ 6,702,677	\$ 5,384,640	\$ 2,827,012
Cash paid during period for:			
Interest	\$ 91,860	\$ 100,373	\$ 46,261
Income taxes	\$ 2,194,809	\$ 2,163,074	\$ 1,052,993

See accompanying notes to Consolidated Financial Statements

*See Note 2 to the Consolidated Financial Statements

NOTE 1. DESCRIPTION OF BUSINESS

Overview

OTC Markets Group Inc. (“OTC Markets Group” or the “Company” and formerly known as Pink OTC Markets Inc.) is a financial information and technology service company that operates the largest electronic interdealer quotation system for the trading of OTC equity securities by broker-dealers.

OTC Markets Group organizes the U.S. OTC equity markets into three tiers based on the quality of information that companies choose to provide for investors. The top tier is OTCQX[®], the quality-controlled marketplace for investor friendly companies that can meet the highest financial standards. The next tier is OTCQB[®], which is designed for smaller companies that are current in their reporting obligations to the SEC or a U.S. banking regulator, but have not qualified for OTCQX. The final tier is the OTC Pink[™] speculative trading marketplace that enables broker-dealers to provide high-quality execution services to their clients in any OTC traded equity security.

By electronically connecting market participants and better informing investors, the Company’s financial information and technology services make the OTC equity markets an efficient alternative to traditional, exchange-based markets.

The Company has three lines of business: Subscriber Services, Market Data Licensing and Issuer Services. Each line offers a variety of products and services to OTC market participants.

- Subscriber Services – OTC Markets Group, through its interdealer quotation and messaging system, OTC Link, provides the electronic communication and connectivity technology for the third largest U.S. equity trading venue after the New York Stock Exchange and NASDAQ.
- Market Data Licensing – OTC Markets Group, as a central source of real-time and historical OTC market data, provides investors, traders, institutions, and regulators with a suite of enterprise and subscriber market data licenses, offered via either direct connectivity or through third party market data redistributors or order management systems.
- Issuer Services – OTC Markets Group offers products and services to OTC issuers that are designed to facilitate public disclosure and communication with investors, promote greater transparency, and mitigate market risk. The primary suite of products and services offered to OTC issuers are OTCQX, OTC Intelligence, OTC Disclosure and News Service, and the Real-Time Level 2 Quote Display. The Company also operates www.otcmarkets.com, a website containing market data and trading-related information on OTC securities. Financial services firms, comprised primarily of investment firms, online brokerage firms, and fund managers catering to individual investors advertise on www.otcmarkets.com to promote investor awareness of their respective products and services.

Limited Liability Conversion

Prior to March 31, 2008, the Company was organized and operated as a limited liability company under the name Pink Sheets LLC (the “LLC”). On March 31, 2008 (the “Conversion Date”) the LLC was converted, via a “formless conversion” under Section 265 of the Delaware General Corporation Law, from a Delaware limited liability company to a Delaware corporation named “Pink OTC Markets Inc.” (the “Conversion”) The Conversion did not result in a change in control of the Company. On January 18, 2011, Pink OTC Markets Inc. changed its name to OTC Markets Group Inc. The Company is a “C” Corporation for federal, state, and local income tax purposes. On the Conversion Date: (i) the Class A LLC Members exchanged their Class A Membership Interests in Pink Sheets LLC for Class A Common Stock of Pink OTC Markets Inc.; (ii) the Class C Members in the LLC exchanged their Class C Membership Interests for Class A, Class B and Class C Common Stock of

Pink OTC Markets Inc.; (iii) participants in the Pink Sheets LLC Equity Option Plan exchanged their equity options for new options to purchase Class A Common Stock of Pink OTC Markets Inc.; and, (iv) a new Pink OTC Markets Inc. 2008 Equity Incentive Plan (the "2008 Plan") was created. Refer to Note 14, "Stockholders' Equity", for further information.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Pro-Forma Income Statement

The unaudited pro-forma income statement for the year ended December 31, 2008 combines the actual, audited historical results of operations of Pink Sheets LLC for the three months ended March 31, 2008 and the actual, audited historical results of operations of its successor, Pink OTC Markets Inc., for the nine months ended December 31, 2008. This information is presented for illustrative purposes only to show the hypothetical combined results of operations had the predecessor and successor been a C Corporation for the entire year.

Basic weighted average shares outstanding for periods prior to the Conversion give effect to the actual ratios used in the Conversion. Diluted weighted average shares outstanding for all periods presented give effect to dilution principles, based on the LLC and Company share and option equivalents issued or issuable pursuant to the actual terms of the outstanding equity instruments and the terms of the related conversions.

The pro-forma results are hypothetical and should not be viewed as the actual results that would have occurred or which will occur in the future. All references to expense items for the year ended December 31, 2008 are pro-forma and reflect the sum of such expenses for the constituent 2008 periods.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

The Company considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. Cash and cash equivalents at December 31, 2010, 2009 and 2008 consisted of the Company's cash accounts and money market accounts with a maturity of three months or less. The carrying amount of cash equivalents approximates fair value. The Company maintains cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts.

Accounts receivable

Accounts receivable are stated at the amount the Company expects to collect. The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its subscribers to make required payments. Management considers the following factors when determining the collectability of specific subscribers accounts: subscriber credit-worthiness; past transaction history with the subscriber; current economic industry trends; and changes in subscriber payment terms. If the financial conditions of the Company's subscribers were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. Based on management's assessment, the Company provides for estimated uncollectible amounts through a charge to earnings and a credit to a valuation allowance. Balances that remain outstanding after the Company has made reasonable collection efforts are written off, through a charge to the valuation allowance and a credit to accounts receivable.

Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, OTC Link LLC (formerly Pink Link ATS LLC). All significant intercompany transactions have been eliminated in consolidation.

Advertising

The costs of advertising are charged to expense as incurred. These costs include payments made to a related third party. Refer to Note 13, "Related Party Transactions", for further information. Total advertising costs amounted to \$720,728 and \$514,253 for the years ended December 31, 2010 and 2009, respectively, and included in marketing and advertising on the consolidated statements of income.

Revenue recognition and reclassification

Revenues are recognized as follows:

Source	Revenue Recognition
Subscriber Services	Ratably over the applicable subscription period.
Issuer Services	Ratably over the applicable subscription period.
Market Data Licensing	In accordance with the terms of the individual agreement.

Under generally accepted accounting principles, The Company's three lines of business constitute a single segment for financial reporting purposes.

Property and equipment

Property and equipment are stated at cost. Depreciation and amortization are provided over the estimated useful lives of the assets (ranging from three to eight years) utilizing accelerated methods. Expenditures for maintenance, repairs, and renewals that neither materially add to the value of the property nor appreciably extend its useful life are charged to operations as incurred. When depreciable assets are sold or otherwise retired from service, their recorded value and related accumulated depreciation and amortization are removed from the accounts, and any resulting gain or loss is reflected in the results of operations.

Intangible assets

Intangible assets with finite lives are stated at cost and are amortized using the straight-line method over their estimated useful lives (ranging from eight to fifteen years).

Intangible assets with indefinite lives, including goodwill, are evaluated annually and whenever events or changes in circumstances indicate that the carrying value of the assets may be impaired. An impairment loss is recognized when the fair value or the estimated future cash flows expected to result from the use of the asset, including disposition, is less than the carrying value of the assets. At December 31, 2010 and December 31, 2009, respectively, the Company determined that there had not been any impairment regarding its intangible assets.

Long-lived assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Recoverability of assets is measured by a comparison of the carrying amount of the asset to the undiscounted cash flows expected to be generated from the asset.

Computer software costs

Certain direct development costs, including modifications or upgrades to the internal-use software, are capitalized to the extent they allow the software to perform a task previously not performed. These costs are included with property and equipment and are being amortized over three years.

Share-based compensation

The Company measures share-based compensation calculated on the grant-date fair value of the equity instrument awarded. This value is expensed over the related period for which employee services are provided. Refer to Note 11, "Stock-based Compensation," for further information.

Income taxes

The Company accounts for income taxes under the provisions of Accounting Standards Codification Topic 740, *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement on Accounting for Income Taxes* ("ASC Topic 740"), which generally requires the recognition of deferred tax assets and liabilities for the expected future tax benefits or consequences of events that have been included in the consolidated financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on differences between the financial reporting carrying values and the tax bases of assets and liabilities, and are measured by applying enacted tax rates and laws for the taxable years in which those differences are expected to reverse.

As required by ASC Topic 740, which clarifies ASC Topic 740, the Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the Consolidated Financial Statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon settlement with the relevant tax authority.

Fair Value Measurement

The Company follows the provisions of the standard for fair value measurement, which utilizes a three-tier hierarchy to determine fair value of financial assets and liabilities maximizing observable inputs and minimizing unobservable inputs. The adoption of this standard did not have a material effect on the Company's consolidated financial position, results of operations or cash flows.

Recent Accounting Pronouncements

The company does not believe that any recently issued, but not yet effective, accounting standards, if currently adopted, will have a material effect on the Company's consolidated financial position, results of operations or cash flows.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current presentation. These changes have no effect on the net results of operations.

NOTE 3. CONCENTRATIONS AND UNCERTANTIES

During the years ended December 31, 2010 and 2009, market data revenues earned through one market data distributor amounted to approximately 15.2% and 13.3% of revenues from services, respectively. Additionally, at December 31, 2010 and December 31, 2009, accounts receivable from that same subscriber amounted to 18.1%, and 22%, respectively, of the Company's accounts receivable.

In November 2009, FINRA filed with the Securities and Exchange Commission ("SEC") a proposed rule change to create a Quotation Consolidation Facility ("QCF") that would serve as a commercial data consolidator and disseminator for quote data in the OTC equity market (the "QCF Proposal"), which, if

approved, would reduce the Company's ability to generate revenues from market data licensing. Market data licensing represents approximately 42.1% of the Company's revenues from services for the year ended December 31, 2010, and if the QCF Proposal is adopted it would negatively impact approximately 47.1% of market data licensing revenues.

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2010, 2009 and 2008:

Description	December 31, 2010	December 31, 2009	December 31, 2008	Estimated useful lives (Years)
Computer software (Note 3)	\$ 1,182,475	\$ 1,015,378	\$ 553,332	3
Computer equipment	919,889	855,145	625,852	5
Furniture and fixtures	421,152	302,149	87,088	7
Tenant improvements	3,591,124	2,961,427	2,169,592	Term of lease
	6,114,640	5,134,099	3,435,864	
Accumulated depreciation and amortization	(2,078,331)	(1,113,035)	(322,381)	
Total property equipment, net	\$ 4,036,309	\$ 4,021,064	\$ 3,113,483	

Depreciation and amortization on property and equipment, included in the consolidated statements of income, amounted to \$965,295 and \$790,654 for the years ended December 31, 2010 and 2009, respectively.

NOTE 5. INTANGIBLE ASSETS

Intangible assets consisted of the following at December 31, 2010, 2009 and 2008:

Description	December 31, 2010	December 31, 2009	December 31, 2008	Estimated useful lives (Years)
Goodwill	\$ 250,658	\$ 250,658	\$ 250,658	Indefinite
Subscription services	149,705	149,705	149,705	8-15
Distributor relations	27,209	27,209	27,209	15
Intellectual property	40,356	40,356	40,356	Indefinite
	217,270	217,270	217,270	
Accumulated amortization	(129,313)	(77,828)	(33,354)	
Intangible assets, net	\$ 338,615	\$ 390,100	\$ 434,574	

Amortization of intangible assets, included in the consolidated statements of income, amounted to \$51,485 and \$44,474 for the years ended December 31, 2010 and 2009, respectively. The remaining amortization of \$47,601 will be recognized in full during the year ended December 31, 2011.

NOTE 6. DEBT

As of December 31, 2010, the Company had agreements with JP Morgan Chase Bank N.A. for a total of \$4,000,000 in credit facilities. The facilities consist of term loans of \$2,000,000 for construction and leasehold improvements ("Term Loan A") and \$1,000,000 for working capital ("Term Loan B") with terms of 4.5 years and 3 years, respectively. In addition, the Company has available an unused revolving line of credit of \$1,000,000 with an expiration of July 17, 2011. The credit facilities are subject to certain bank covenants, with which the Company was in compliance as of December 31, 2010, 2009 and 2008.

As of December 31, 2010 the Company's obligations under the Term Loans were as follows:

Description	Interest rate	Current portion	Long-term portion	Total principal
Term Loan A	Variable - 3.88%	\$ -	\$ -	\$ -
Term Loan B	Fixed- 4.69%	92,128	-	92,128
Total debt outstanding		\$ 92,128	\$ -	\$ 92,128

The following tables summarize the changes in the Company's debt obligations during the year ended December 31, 2010:

	December 31, 2009	Additions	Payment	December 31, 2010
Term Loan A	\$ 1,584,994	\$ -	\$ 1,584,994	\$ -
Term Loan B	446,447	-	354,319	92,128
Total debt outstanding	\$ 2,031,441	\$ -	\$ 1,939,313	\$ 92,128

NOTE 7. ACCRUED EXPENSES AND OTHER

	December 31, 2010	December 31, 2009	December 31, 2008
Payroll and employee withholdings	\$ 1,280,650	\$ 1,329,840	\$ 693,211
Deferred compensation	191,026	256,303	382,536
Sales taxes payable	50,321	51,674	25,950
Accrued operating expenses	311,442	534,723	505,592
Accrued sales tax reserve	136,748	-	-
Interest on bank loans (Note 12)	372	7,099	9,010
Property and equipment	-	-	621,579
Total accrued expenses and other	\$ 1,970,559	\$ 2,179,639	\$ 2,237,878

NOTE 8. INCOME TAXES

The components of the provision for income taxes consist of the following:

	Year ended	
	December 31, 2010	December 31, 2009
Current:		
Federal	\$ 1,687,631	\$ 1,397,569
State and local	572,317	515,651
Total current	2,259,948	1,913,220
Deferred:		
Federal	(124,432)	244,927
State and local	(8,640)	(20,637)
Total deferred	(133,072)	224,290
Provision for income taxes	\$ 2,126,876	\$ 2,137,510

The significant components of the Company's deferred tax assets and liabilities are as follows:

	December 31, 2010	December 31, 2009	December 31, 2008
Current deferred tax assets:			
Allowance for doubtful accounts	\$ 105,018	\$ 102,255	\$ 18,163
Other reserves	154,586	-	-
Current Deferred tax asset	\$ 259,604	\$ 102,255	\$ 18,163
Non-current deferred tax assets:			
Share-based compensation	\$ 307,904	\$ 207,309	\$ 147,416
Deferred compensation	75,420	44,250	19,518
Deferred rent	329,888	256,117	-
Non-current deferred tax assets	713,212	507,676	166,934
Non-current deferred tax liabilities:			
Property and equipment	(913,150)	(683,337)	(34,211)
Non-current deferred tax liabilities	(913,150)	(683,337)	(34,211)
Net, non-current deferred tax (liabilities)/assets	\$ (199,938)	\$ (175,661)	\$ 132,723

The Company's effective income tax rate differed from the federal statutory rate of 34% due to state income taxes, permanent differences, prior year true-ups, and tax credits.

The Company adopted the provisions of FASB Accounting Standards Codification™ 740, *Income Taxes* (ASC Topic 740), on January 1, 2009. Previously, the Company had accounted for tax contingencies in accordance with ASC 450, *Contingencies*. As required by the uncertain tax position guidance in ASC Topic 740, the Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon settlement with the relevant tax authority. The gross amount of unrecognized tax benefits as of December 31, 2010 and December 31, 2009 was \$371,815

and \$0 respectively. It is reasonably possible that the amount of unrecognized benefit with respect to certain of the Company's unrecognized tax positions will significantly decrease within the next twelve months.

The Company is subject to income taxes in the U.S. federal jurisdiction, and various state jurisdictions. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. The Internal Revenue Service ("IRS") is examining the Company's 2008 federal income tax return. The 2008 and 2009 tax years remain subject to examination by the Internal Revenue Service (IRS) and various state taxing authorities. The Company does not believe that the outcome of any examination will have a material impact on its financial statements.

The Company recognizes interest and penalties accrued related to unrecognized tax benefits as a component of tax expense. During the year ended December 31, 2010 the Company recognized \$84,443 in interest and penalties.

NOTE 9. LEASE AGREEMENTS

Operating leases

The Company has a non-cancelable operating lease, as amended in August of 2008, for office space at 304 Hudson Street, New York, NY that expires on July 31, 2017. The lease provides for minimum annual lease payments of \$833,594, adjusted annually for increases in building operating expenses presently approximating 49.8% of base rent over the life of the lease. The lease provides for contingent rental payments consisting of a proportionate share of any increases in real estate taxes.

The Company also had a non-cancelable operating lease for office space in Washington, DC, that expired on August 31, 2010. The Company subsequently leased the premises on a month to month basis for the remainder of 2010.

The recent amendment to office space in New York, NY provided for additional space as well as an eight-month rent holiday on the additional space. The rental payments are recognized on a straight-line basis over the term of the lease, and the difference between the actual rent paid and the expense charged is reflected as an increase or decrease to deferred rent payable.

As of December 31, 2010, future minimum lease payments under the leases are as follows:

	\$	955,262
2012		1,029,333
2013		1,060,213
2014		1,092,020
2015		1,124,780
2016		1,158,524
2017		600,744
Total	\$	7,020,876

Occupancy expense included in the consolidated statements of income was \$1,288,191 and \$1,192,401 for the years ended December 31, 2010 and 2009 respectively.

Additionally, the Company makes payments under various short-term operating leases for office equipment. Neither the obligations nor the payments under such leases are considered significant to the Company's financial condition or results of operations. At December 31, 2010, the Company has an open letter of credit of approximately \$180,000, which secures its obligation under the New York City office lease. The letter of credit is collateralized by a certificate of deposit and all other assets, as defined in the security agreement.

NOTE 10. EMPLOYEE BENEFIT PLAN

The Company has a 401(k) Plan for all eligible employees. Subject to federal contribution limits, the Plan permits each participant to contribute up to 15% of his/her respective annual compensation and allows the Company to make discretionary contributions. In 2008, the Company established an "Employer Non-Elective Discretionary Contribution" feature for its 401(k) Plan and elected to accrue \$163,722 and \$160,015 for the annual periods ended December 31, 2010 and 2009, respectively.

NOTE 11. STOCK-BASED COMPENSATION

Share-based compensation cost is measured at the grant date based on the value of the award and is recognized as expense over the vesting period. For share-based awards granted prior to the establishment of a public market in the Company's Common Stock on September 16, 2009, determining the fair value of share-based awards at the grant date required judgment, including estimating expected volatility and dividends. Stock-based compensation expense for such shares was calculated using the Black-Scholes Merton option pricing model on the date of grant. This option valuation model requires input of highly subjective assumptions.

A summary of the Company's option activity for the year ended December 31, 2010 and 2009 is as follows:

	Stock options	Weighted-average exercise price	Aggregate intrinsic value	Remaining contractual term (years)
Outstanding, January 1, 2009	965,500	\$ 2.30	\$ 4,052,890	7.09
Granted	135,500	2.88	257,565	9.46
Exercised	(233,700)	1.26	249,410	1.4
Forfeited	(58,800)	2.43	136,595	N/A
Outstanding, December 31, 2009	808,500	2.69	1,669,705	7.91
Granted	343,800	6.59	38,350	9.56
Exercised	(152,200)	2.52	473,088	6.02
Forfeited	(119,400)	3.25	340,348	N/A
Outstanding, December 31, 2010	880,700	\$ 4.17	\$ 1,830,603	8.02
Exercisable, December 31, 2010	256,600	\$ 2.67	\$ 850,477	6.69

The Company recognized charges of \$347,441 and \$327,030 related to vesting of options for the years ended December 31, 2010 and 2009, respectively. Such charges are included in compensation and benefits expense on the consolidated statements of income.

At December 31, 2010, unrecognized compensation cost related to non-vested awards totaled \$1,450,901, which will be recognized ratably over the next four years.

The assumptions used and the calculated fair value of options issued in 2010 and 2009 are as follows:

	2010	2009
Risk free interest rate	2.35%	2.9-3.6%
Expected life in years	6.5	8.0
Expected volatility	55%	58-108%
Weighted average fair value of options granted	\$3.21	\$1.82-\$2.03
Dividend rate	0.00%	0.00%-4.4%

A summary of the status of the Company's non-vested stock options as of December 31, 2010 and changes during the year ended December 31, 2010 is as follows:

	Number of options	Grant date fair value	Remaining contractual life
Non-vested options at December 31, 2009	523,300	2.11	8.35
Options granted	343,800	3.21	
Options vested	(123,600)	2.11	
Options forfeited	(119,400)	2.25	
Non-vested options at December 31, 2010	624,100	2.69	8.57

A summary of the Company's restricted stock and performance shares activity for the years ended December 31, 2010 and 2009 is as follows:

	Restricted stock	Weighted- average grant date fair value	Aggregate intrinsic value
Outstanding, January 1, 2009	-	\$ -	\$ -
Granted	105,157	2.03	499,496
Vested	(55,069)	N/A	N/A
Forfeited	(2,562)	2.03	12,170
Outstanding, December 31, 2009	47,526	2.03	225,749
Granted	75,701	5.48	452,692
Vested	(53,542)	N/A	N/A
Forfeited	(14,800)	3.90	88,504
Outstanding, December 31, 2010	54,885	\$ 4.00	\$ 328,212

The Company recognized charges related to the vesting of restricted stock and performance shares of \$92,425 and \$45,890 for the years ended December 31, 2010 and 2009, respectively. Such charges are included in compensation and benefits expense on the consolidated statements of income.

The Company recognized charges of \$186,270 and \$60,921 for the years ended December 31, 2010 and 2009, respectively, related to the issuance of performance shares to the Board of Directors.

At December 31, 2010, unrecognized compensation cost related to non-vested awards totaled \$116,568, which will be recognized ratably over the next 2 years.

NOTE 12. INTEREST EXPENSE, NET

Interest expense, net, consisted of the following for the annual periods ended December 31, 2010, and 2009:

Description	Year ended December 31, 2010	
	2010	2009
Interest expense-bank loans	\$ 85,150	\$ 98,462
Interest income-cash deposits	(16,553)	(8,664)
Interest expense, net	\$ 68,597	\$ 89,798

NOTE 13. RELATED PARTY TRANSACTIONS

During 2010 and 2009, the Company engaged the services of a business owned by a Class A shareholder, who also is related to a shareholder of Class A and Class C shares. For the years ended December 31, 2010 and 2009, the business provided marketing and advertising services in the amount of \$78,150 and \$83,100, respectively.

Fees paid by the Company to the business represented less than 5% of that business's annual revenue.

NOTE 14. STOCKHOLDERS' EQUITY

Common Stock

The Company has two classes of common stock: Class A and Class C (collectively, "Common Stock") outstanding. Prior to February 10, 2010, OTC Markets Group had 1,869,162 shares of Class B Common Stock issued and outstanding. On February 10, 2010, the average price per share of the Company's Class A Common Stock in trade reports aggregating a total of 300,000 shares consecutively reported to FINRA was greater than \$3.79. As a result, pursuant to the terms of the Company's Certificate of Incorporation, all shares of the Company's Class B Common Stock were converted into shares of Class A Common Stock. Accordingly, no shares of Class B Common Stock remain authorized or outstanding.

Each holder of the Company's Common Stock is entitled to one vote for each share of Common Stock held on all matters submitted to a vote of stockholders of the Company. The holders of Common Stock vote together as a single class. Holders of Common Stock are not entitled to any pre-emptive rights. The Company is authorized to issue an aggregate of 14,130,838 shares of Common Stock at \$0.01 par value, comprised of: 14,000,000 as Class A shares and 130,838 as Class C shares. As of December 31, 2010 there were a total of 10,559,114 issued and 10,480,945 shares outstanding, comprised of: 10,350,107 Class A shares and 130,838 Class C shares. During the year ended December 31, 2010, the Company repurchased 78,169 shares of its Class A Common Stock, which are held in treasury.

Holders of Class A Common Stock are entitled to receive such dividends and other distributions in cash, stock of any corporation or property of the Company as may be authorized and declared by the Board of Directors from time to time out of the assets or funds of the Company legally available for the payment of dividends ("Dividend Rights"). Upon the voluntary or involuntary liquidation, dissolution or winding up of the Company, holders of Class A Common Stock are entitled to a pro rata share of the net assets of the Company available for distribution in proportion to the number of shares of Class A Common Stock held by each ("Liquidation Rights").

Holders of Class C Common Stock are not entitled to any Dividend Rights or Liquidation Rights. Each share of Class C Common Stock will automatically convert into Class A Common Stock at a ratio of one-to-one if the price of Class A Common Stock is greater than \$19.62 per share as determined by either (i) the average price in trade reports aggregating a total of 300,000 shares reported to FINRA under Rule 6600, provided that the Class A Common Stock has been quoted upon an interdealer quotation system by at least two market makers, or (ii) an Acquisition of the Company.

Treasury stock

On March 31, 2010, the Company repurchased 11,015 shares of common stock for \$64,438.

On August 10, 2010, the Board of Directors authorized the Company to repurchase up to 250,000 shares of the Company's Class A Common Stock during the remainder of 2010, solely through block trades in compliance with Rule 10b-18 under the Exchange Act.

On September 22, 2010, the Company repurchased 67,154 shares of common stock for \$335,770.

Dividends

On February 23, 2010, the Board of Directors authorized and approved a quarterly cash dividend of \$0.04 per share of Class A Common Stock. The quarterly dividend was paid on April 8, 2010 to the Company's stockholders of record as of March 22, 2010.

On May 11, 2010, the Board of Directors authorized and approved a quarterly cash dividend of \$0.04 per share of Class A Common Stock. The quarterly dividend was paid on July 8, 2010 to the Company's stockholders of record as of June 22, 2010.

On August 10, 2010, the Board of Directors authorized and approved a quarterly cash dividend of \$0.04 per share of Class A Common Stock. The quarterly dividend was paid on October 7, 2010 to the Company's stockholders of record as of September 21, 2010.

On November 9, 2010, the Board of Directors authorized and approved a quarterly cash dividend of \$0.04 per share of Class A Common Stock. The quarterly dividend was paid on January 6, 2011 to the Company's stockholders of record as of December 21, 2010. Dividends payable recorded on the consolidated balance sheets relating to this quarterly dividend totaled \$413,941 at December 31, 2010.

Equity Incentive Plan

The Company's Equity Incentive Plan, as approved by the Board of Directors on June 2, 2009, provides for the grant of incentive stock options, non-statutory stock options, restricted stock, restricted stock units, stock appreciation rights, performance units and performance shares, and bonus shares, and governs options awarded (Refer to Note 11 "Stock-Based Compensation").

NOTE 15. NET INCOME PER SHARE

Basic net income per share is computed by dividing net income by the weighted-average number of shares outstanding during the reporting period. Diluted net income per share includes the effect from the potential issuance of common stock, such as the stock issuable as the result of the exercise of stock options. Refer to Note 11, "Stock-based Compensation," and Note 14, "Stockholders' Equity," for further information.

Net income per share is calculated as follows:

	Year Ended December 31,		
	2010	2009	Pro-forma 2008*
Net income	\$ 2,935,112	\$ 3,505,945	\$ 1,848,940
Weighted-average number of shares			
outstanding, basic	10,419,555	10,253,024	10,050,480
Effect of potentially dilutive securities from			
equity incentive plans	109,953	201,493	135,779
Weighted-average number of shares			
outstanding, diluted	10,529,508	10,454,517	10,186,259
Net income per share:			
Basic	\$ 0.282	\$ 0.342	\$ 0.184
Diluted	\$ 0.279	\$ 0.335	\$ 0.182

* See Note 2 to the Consolidated Financial Statements

NOTE 16. SUBSEQUENT EVENTS

For purposes of disclosure in the financial statements, the Company has evaluated subsequent events through March 29, 2011, the date the financial statements were available to be issued.

On November 8, 2010, the Company entered into a client services agreement with a professional employer organization, Administaff, which on March 3, 2011 changed its name to Insperity™. The agreement became effective on January 1, 2011. Insperity acts as the Company's off-site, full service human resource department. Insperity provides the Company with services such as administration of payroll and benefits; procurement of workers' compensation insurance and administration of claims; advice regarding compliance with federal and state employment law; employee training; development of policies and procedures relating to personnel management and guidance on general human resources matters.

As part our agreement with Insperity, as of January 1, 2011, the Company's employees entered into a co-employment relationship with Insperity. The Company retains direction and control of our employees, including the right to hire, promote, discipline, terminate and direct all work related activities. Insperity provides the human resources services described above, leveraging its co-employment relationship with over 100,000 U.S. businesses.

EXHIBIT 9.1

CERTIFICATION OF PRINCIPAL EXECUTIVE

I, R. Cromwell Coulson, Chief Executive of OTC Markets Group Inc., certify that:

1. I have reviewed this Annual Report of OTC Markets Group Inc.;
2. Based on my knowledge, this Annual Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Annual Report; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this Annual Report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this Annual Report.

/s/ R. Cromwell Coulson

R. Cromwell Coulson
Chief Executive Officer

March 31, 2011

Date

EXHIBIT 9.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Todd A. Graber, Chief Financial Officer of OTC Markets Group Inc., certify that:

1. I have reviewed this Annual Report of OTC Markets Group Inc.;
2. Based on my knowledge, this Annual Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Annual Report; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this Annual Report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this Annual Report.

/s/ Todd A. Graber

Todd A. Graber
Chief Financial Officer

March 31, 2011

Date