

July 20, 2011

## **OTCQX RULES FOR U.S. AND INTERNATIONAL COMPANIES RELEASE NO. 6** **(PROPOSED AMENDMENT)**

OTC Markets Group plans to update the OTCQX Rules for U.S. Companies, OTCQX Rules for International Companies and the DAD/PAL Application on October 20, 2011 to, among other things, modify the DAD requirements. As a participant in our marketplace, we welcome your feedback about the proposed changes. OTC Markets Group believes these amendments will benefit OTCQX participants by further enhancing the effectiveness of our DADs and PALs, which will raise the overall quality of the marketplace.

### ***OTCQX Rules for U.S. Companies – Highlights of Proposed Changes:***

- To be considered for admission, a company may now qualify for the \$2 million total asset requirement based on its most recent quarterly or annual period end financials. Formerly, the total asset requirement applied only to fiscal year end financials. On an ongoing basis, the company must maintain at least \$2 million in total assets as of each fiscal year end.
- Small securities offerings generating less than \$5 million over a 12 month period no longer need to be completed through a FINRA registered broker-dealer as long as the company's DAD provides OTC Markets Group a letter indicating that the offering was (a) in compliance with all applicable securities laws, and (b) consistent with the company's public disclosure.
- The rules have been clarified to indicate that each Annual Report must include financial statements audited by an independent public accountant registered with the Public Company Accounting Oversight Board.
- Attorneys may now act as DADs for a broader range of companies. For an attorney to act as a DAD, the company no longer must 1) be a Seasoned Public Issuer, 2) have a majority of the Company's operations in the U.S., and 3) act as the company's principal disclosure counsel.
- Updated the requirements applicable to a DAD in its capacity as an advisor.
- Updated the required contents of the Letter of Introduction and Annual DAD Letters for attorneys by 1) having the attorney DAD attend the Company's Board of Directors meetings or review the minutes from such meetings, 2) requiring the attorney to personally visit the operation prior to submitting its Letter of Introduction if a majority (greater than 50%) of the company's operations or assets are outside the U.S., 3) adding a new required section entitled Description of DAD Qualification Review in which the DAD must describe in detail the steps taken to determine that the company meets the relevant eligibility criteria and describe any other services performed by the DAD on behalf of the Company, and 4) removing the Negative Assurance section.
- Updated the required contents of the Letter of Introduction and Annual DAD Letters for investment banks by 1) requiring the investment bank DAD attend the Company's Board of Directors meetings or review the minutes from such meetings, and 2) adding a new required section entitled Description of DAD Qualification Review in which the DAD must describe in detail the steps taken to determine that the company meets the relevant eligibility criteria and describe any other services performed by the DAD on behalf of the company.

***OTCQX Rules for International Companies – Highlights of Proposed Changes:***

- To be considered for admission a company may now qualify for the \$2 million total asset requirement based on its most recent quarterly or annual period end financials. Formerly, the total asset requirement applied only to fiscal year end financials. On an ongoing basis, the company must maintain at least \$2 million in total assets as of each fiscal year end.

***Application to Serve as an Attorney DAD or PAL or Investment Bank DAD or PAL – Highlights of Proposed Changes:***

- All applicants must now provide Personal Information Forms
- From the Eligibility Criteria section we removed the requirement to be a U.S. resident
- Each applicant must now provide a detailed description of the steps it will take to determine a company's suitability for OTCQX, and list any other services it will offer to any company it sponsors.

A copy of each of the OTCQX Rules for U.S. Companies, OTCQX Rules for International Companies and Application to Serve as an Attorney DAD or PAL or Investment Bank DAD or PAL is attached hereto, showing the text of the proposed changes described above.