



A Gateway to U.S. Markets

EGS
Ellenoff Grossman & Schole LLP

About Ellenoff Grossman & Schole LLP

Ellenoff Grossman & Schole LLP is a New York-based law firm with over 70 professionals offering its clients legal services in a broad range of business related matters. The Firm specializes in many areas of commercial law: Corporate, Securities, Broker-Dealer Regulations, Hedge Funds, Real Estate, Litigation, Employment, Intellectual Property, Tax and Estate Planning. The philosophy of the Firm is to provide the highest quality legal advice and counsel, dedicating consistent, personalized attention to each client at a reasonable price.

The Firm has over 30 securities professionals specializing in a range of activities, including:

- » PIPEs
- » Public Offerings (IPOs and Secondaries) – Including SPACs
- » Mergers and Acquisitions
- » Exchange Act reporting (Form 10-Ks, 10-Qs and Proxies)
- » FINRA (formerly NASD), AMEX, NASDAQ and OTC compliance
- » Broker-dealer regulations
- » Rule 144 transactions
- » Section 16 compliance

Barry I. Grossman
Douglas S. Ellenoff
C. David Selengut
Lawrence A. Rosenbloom
Stuart Neuhauser
Sarah E. Williams
Tamar Donikyan
Richard Anslow
Martin Bring
Robert Charron
Joseph Smith

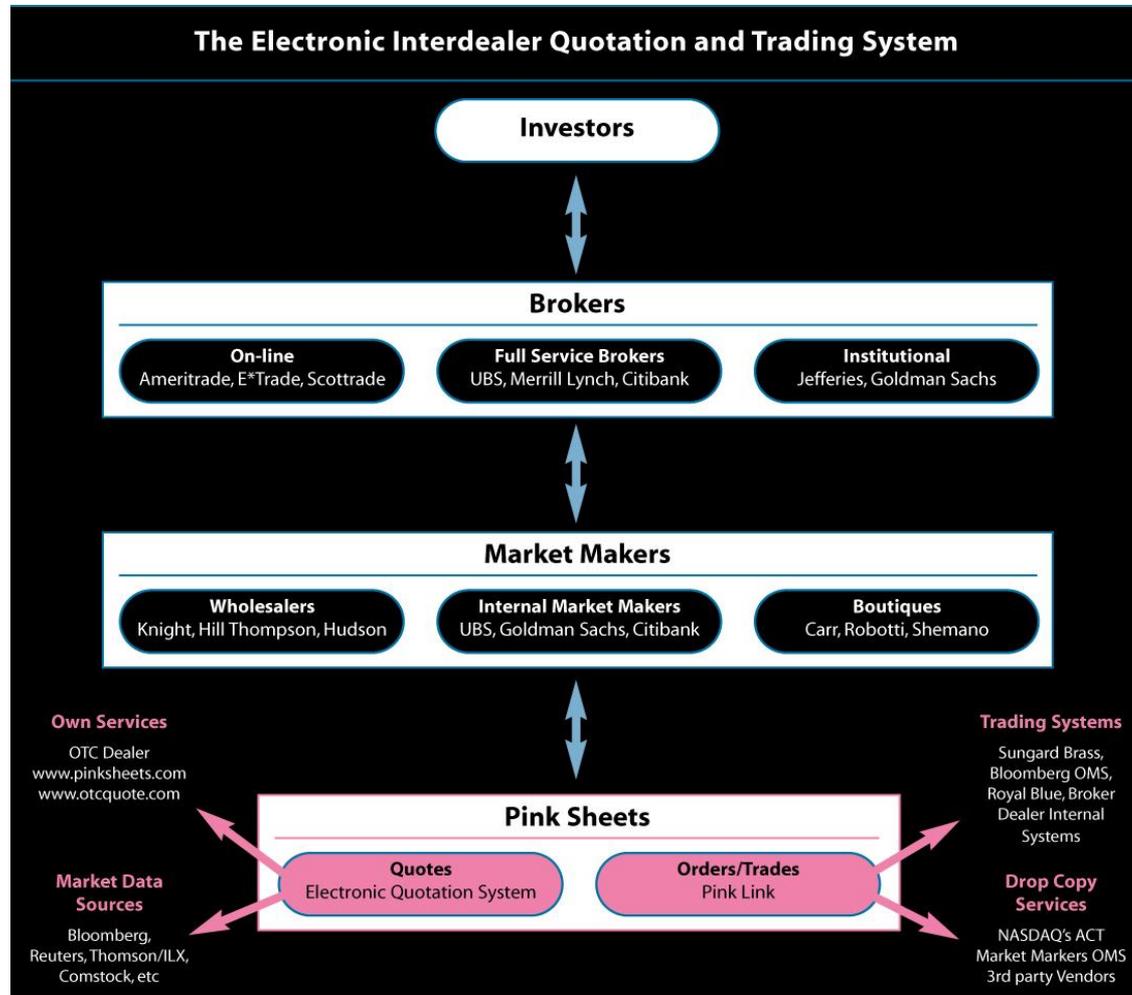
Matthew Gray
Ben Reichel
Annie Wong
Joshua England
Joan Adler
Ari Edelman
Matthew Bernstein
Michael Dedonato
Justin Anslow
Michael Nertney
Matthew McCullough

Megan Penick
Barbara Warren
Joanne Sur
Jessica Yuan
Wei Wang
Sabrina He
Richard Baumann
Michael Midura
Geoffrey Parnass
Charles Phillips
John Hart

Pink Sheets – An Electronic Interdealer Trading System

- Superior technology and software systems facilitate transparency and liquidity in OTC securities through electronic quotation and trading services.
- Almost 200 market makers with an average of 7 competing market makers per security.
- Breadth and depth of securities quoted on the Pink Sheets ensures all broker-dealers have access.
- Largest financial services firms are Market Makers such as UBS, NITE, ETRD, CITI.
- Execution response time of our electronic trade negotiation system < 15 seconds.
- Approximately 90% of interdealer OTCQB trading utilize the Pink Sheets infrastructure.
- As a non-exclusive securities information processor is not required to register with the SEC.

Power of the Pink Sheets Trading and Quotation Platform



Pink Sheets

Corporate Services Network

Comprehensive product and service offerings for
broker/dealers, issuers and investors

Reuters, Bloomberg and Online Brokers

Provide market data to their customers,
access to quotes in 4,800
exclusive OTC securities

OTC Research Service

Database compiling historical
stock/bond prices and corporate
actions for any security trading
on the Exchanges
or Pink Sheets

OTC Dealer

Electronic Quotation and Trading
Workstation for Market Makers and
Broker-dealers

Pink Link

electronic order negotiation and
executions for straight through
processing and increased trader
efficiency

OTCquote.com

Provides real-time data

OTC Market Report

Weekly report providing
market performance summary
by stock including detailed price
and market maker information

REUTERS 

Bloomberg.com

AMERITRADE 

E*TRADE
FINANCIAL

Scottrade
More broker for your money.

What a Listing Should Offer

- A trading venue that is easily accessible
- Disclosure of credible investor information
- Procedures to reduce the risk of fraud
- Increased visibility with investors
- Enhanced capital raising opportunities
- Ability to use a company's securities as currency for mergers and acquisitions

*Listing is a designation that a company is
worthy of investor consideration*

Models From World Markets

U.S. Exchanges and regulators - rules and regulations that can be overly burdensome or inappropriate for small issuers.

London Stock Exchange's AIM market - a NOMAD providing professional advice to the issuer and warranting the appropriateness of the issuer to the market.

TSX Venture market – officer and director disclosure and background review to weed out persons of questionable associations.

OTCQX – not burdened by exchange rules or registration, OTCQX takes a mix of the above to give investors the information they need in the most cost efficient manner for issuers.

OTCQX establishes principals, but out sources the listing process to regulated professionals who can efficiently provide value added services to issuers

Enter OTCQX

OTCQX is designed to give many of the benefits of a traditional U.S. exchange listing without the associated costs and burdens. OTCQX is a premium listing service to separate out and identify for investors the top tier of OTC traded issues.

OTCQX:

- Is built upon a highly visible and transparent trading venue.
- Integrates with both federal and state securities laws without the requirement of SEC registration.
- Provides U.S. investors with easy access to issuer information.
- Associates a company with an investment bank or attorney sponsor.

OTCQX is a distinctly separate tier from the Pink Sheets for operating companies with reputable management that provide credible disclosure.

OTCQX Highlights

- Premium listing service offered by Pink Sheets, LLC that provides a gateway to U.S. investor liquidity.
- Highlights the best companies trading over-the-counter (OTC).
- Innovative trading, quotation and disclosure venue for OTC securities in the United States.
- Designed to meet the needs of smaller public companies and foreign stock exchange-listed companies in a post-Sarbanes-Oxley environment.
- Promotes companies with strong operating models that provide ongoing disclosure to the marketplace.
- Raises the quality and credibility of disclosure to investors.
- Carefully crafted to control compliance costs and management burdens.
- Comprehensive suite of investor relations and information services.
- Market maker and broker-dealer participation from 500+ firms.

Why OTCQX Disclosure Matters

- OTCQX is designed to be a distinctly separate tier for operating companies with reputable management that provide credible disclosure.
- GAAP Audits are a good start, but not enough.
- Investors need to know management's history, holdings and related party transactions.
- A clear but simple business description with material agreements disclosed.
- Share issuance and dilutive activities must be disclosed.
- OTCQX is a template to convey management's commitment to providing investors with adequate current information in a cost-effective manner.

The goal is make investment risk rather than fraud risk the primary risk for investors

America's New Venue for Superior OTC Traded Companies

OTCQX's tiered structure highlights the best companies trading OTC.

For US Issuers DAD Review Process	PremierQX PrimeQX
For non-US Issuers International OTCQX Visa Program	International PremierQX International PrimeQX

Issuers must meet specified listing criteria to qualify.

Focused on strong operating companies -- no shells, blank checks, development stage or companies in bankruptcy.

Designed to identify the higher quality issuers from the 8,000+ securities quoted on the Pink Sheets and OTCBB.

Benefits for Domestic Non-SEC Reporting Companies

- Disclosure designed for the needs of smaller companies – U.S. GAAP audit without onerous Sec. 404 requirements.
- DAD role provides custom tailored advice to create adequate disclosure for investors while not overly burdening management with multiple rules and regulations.
- Listing on the premier OTC trading venue in the U.S. provides better visibility to the marketplace.
- Increased access to equity capital and financing.
- Enhanced reputation with investors, customers and suppliers.
- Stronger shareholder base.
- Distinctly separate from other Pink Sheets traded companies.

Benefits for OTCBB or SEC Registered Companies

- Only the top 25% of OTCBB quoted companies could qualify for OTCQX.
- Designed to separate the legitimate businesses from the distressed or questionable.
- Companies must have operating businesses (no shells, nominal businesses or bankruptcies) unlike OTCBB where the majority of companies have nominal operations and/or assets.
- Review of SEC disclosure by reputable DAD increases investor confidence.
- Broker-dealer DAD will provide advice on equity fundraising and investor outreach.
- SEC registration gives access to cheaper public financing.
- SEC reporting companies will be clearly identified with a special designation.

Benefits for Foreign Companies

- Gateway to U.S. market liquidity.
- Respectful of home country disclosure requirements – no duplication of primary listing process.
- Ability to provide 12g3-2(b) disclosure in English to U.S. investors.
- Protection from SEC registration requirements.
- Provide share ownership to US customers, employees and investors.
- US trading increases home market liquidity and financing opportunities.
- Reduce the valuation gap between a U.S. and a non-U.S. Listing.

The OTCQX Tiers

Showcasing the Best
OTC Investment Opportunities

PremierQXSM

PrimeQXSM

PremierQX

Eligibility Requirements



For companies that are of the size and quality to list on a National Stock Exchange. The highest tier requires:

- ✓ A minimum bid price of \$1;
- ✓ Meets financial qualifications of a national stock exchange;
- ✓ 100 round-lot beneficial shareholders (not of record);
- ✓ Holds annual shareholders' meetings; and
- ✓ Meets all of the requirements of the PrimeQX tier.

PrimeQX

Eligibility Requirements



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- ✓ Operating companies with audited financials;
 - ✓ Appointed Designated Advisor for Disclosure (DAD);
 - ✓ Management disclosure and annual management certification;
 - ✓ Ongoing quarterly and annual financial reports posted on OTCQX.com;
 - ✓ Interim material event disclosure;
 - ✓ Annual U.S. GAAP-compliant audit;
 - ✓ 50 round-lot beneficial shareholders;
 - ✓ Inclusion in the S&P or Mergent Manuals for Blue Sky compliance so brokers can sell the security in a minimum of 37 states; and
 - ✓ Letter from issuer's attorney listing additional Blue Sky eligible states such as AL, CA, IL, KY, LA, NY, PA, TN, VA and WI that do not allow the manual exemption.

International OTCQX Visa Program

- Streamlined admission process.
- Reserved for companies listed on a qualified foreign stock exchange.
- No need to duplicate the primary listing process.
- Home country disclosure made available in English.
- Appointment of Proposing Advisor for Listing (PAL) for initial admission.

International PremierQX Eligibility Requirements



Identifies the largest of the international exchange-listed issuers. Eligibility for the highest tier requires:

- ✓ Ability to meet the financial requirements of the New York Stock Exchange's Worldwide Listing Standards; and
- ✓ Meets all of the requirements of International PrimeQX.

International PrimeQX Eligibility Requirements



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- ✓ Listed on a Qualifying Foreign Stock Exchange;
 - ✓ Appointed Proposing Advisor for Listing (PAL);
 - ✓ Current in 12g3-2b obligations and information is posted in English on Pink Sheets News Service or registration under Section 12(g) of the Securities Act of 1933 and current in SEC reporting obligations;
 - ✓ Proprietary quotations published by a Market Maker in the Pink Sheets;
 - ✓ Inclusion in the S&P or Merger Manual for Blue Sky compliance so brokers can sell the security in a minimum of 37 states; and
 - ✓ Letter from issuer's attorney listing additional Blue Sky eligible states such as AL, CA, IL, KY, LA, NY, PA, TN, VA and WI that do not allow the manual exemption.

Designated Advisor for Disclosure (DAD)

- Mandatory appointment of a DAD for admittance into the OTCQX tiers.
- Modeled after the Nominated Advisor (NOMAD) of the London Stock Exchange's AIM market but modified to fit U.S. practices.
- Unlike AIM Nomads, DADs do not warrant issuer appropriateness.
- The DAD must be an NASD member Investment Bank or a reputable securities attorney.
- Improving upon the traditional exchange listing process, the DAD offers companies custom tailored advice to create credible disclosure for investors that is uniquely designed for their business.
- The DAD is a professional that should provide quality advice to small issuers.
- Pink Sheets role is to monitor the DAD community and remove those whose work is deficient.

DAD Role

The DAD role is to:

1. Build long term relationships as they guide and provide professional assistance to the issuer.
2. Know the people involved, the company and understand the company's business.
3. Help management and boards discern what information is material and needs to be disclosed to investors, while not overburdening issuers with complex one-size-fits-all requirements.
4. Provide a professional review, not affirmation, of issuer disclosure.
5. Be a cautious and conservative gatekeeper so companies with inadequate or questionable disclosure are not sponsored by the DAD for OTCQX.

Professional advice for the market segment that most needs it

Investment Banks

- OTCQX ties growth companies to investment banks
- Companies that are raising capital or want to increase their profile with investors will choose an Investment Bank as their DAD
- Investment banks offer valuable advice, services and guidance to growing issuers
- Investment banks have bonds with investors
- Investment banks provide sponsorship and access to capital
- Investment banks boast energy and excitement
- OTCQX allows growth companies to access capital at increasingly attractive multiples as they grow into the size needed for a Nasdaq listing to be cost effective

*The QX equation: Growth companies + investment banks =
access to capital + increased multiples*

Attorney DAD

- Companies whose primary concern is providing credible disclosure to investors in a cost efficient manner may utilize their attorney.

Proposing Advisor for Listing (PAL)

- Can be a U.S. Investment Bank, Attorney or ADR bank for a sponsored ADR.
- Recommends listing on International OTCQX for qualifying companies.
- Serves to educate, advise and assist company management and Board of Directors with respect to disclosure requirements and compliance with U.S. securities laws.
- Much simpler than DAD role due to the company already listing on a qualified foreign stock exchange.

OTCQX & International OTCQX Fee Structure

- Application Fee -- \$5,000
- Listing Fee -- \$950 per Month (listing fee is waived through April 2007)
- Application Fee for DAD / PAL -- \$500
- DAD/PAL Annual Fee -- \$500 (not charged first year)

A Suite of Unparalleled Products and Services

- Real-time Level II quotes on otcqx.com and pinksheets.com.
- Pink Sheets news service for publishing unlimited financial reports and news releases.
- Subscription to otcq.com – our new issuer portal that provides an easy interface for issuers to post disclosure and track the market in their stock with customized quotation and trading data.
- Identified participation in Pink Sheets upcoming stock forum and company Q&A for real-time shareholder communication.
- Weekly Market Report sent to the company that summarizes their security's market performance.

The screenshot shows the OTC Quote.com website interface. At the top, there is a search bar with the text "Get Quote:" and a "GO" button. Below the search bar, the website displays the quote for "PINK -- PINK TEST". The quote information includes: Cusip: 44860K102, NOB ID: 64916, PiggyBack Qualified, Inside: 11.125 / 11.375 (200 x 200), and As of Apr 10, 2000 1:49:25 PM; click "Refresh" for current price.

Below the quote information, there is a table of market makers with columns for MMID, Quote By Bid, Size, Date Time, MMID, Quote By Ask, Size, and Date Time. The table lists several market makers including MASH, FLTI, HRZG, FAHN, NITE, SHRP, HILL, EBET, and FLSC.

At the bottom of the screenshot, there is a "Market Makers" section with a table listing the MM ID, Trader, Market Maker, and Phone for each market maker.

MMID	Quote By Bid	Size	Date Time	MMID	Quote By Ask	Size	Date Time
MASH	11.125 / 13.00	200x200	09:01:21	SHRP	10.00 / 11.375	500x200	13:32:22
FLTI	11.00 / 13.00	200x200	04:06	NITE	10.00 / 12.00	500x200	10:21:58
HRZG	11.00 / 13.00	200x200	13:31:18	HILL	8.50 / 12.00	500x200	10:56:50
FAHN	10.00 / 13.00	500x200	10:12:49	FLTI	11.00 / 13.00	200x200	04:06
NITE	10.00 / 12.00	500x200	10:21:58	MASH	11.125 / 13.00	200x200	09:01:21
SHRP	10.00 / 11.375	500x200	13:32:22	FAHN	10.00 / 13.00	500x200	10:12:49
HILL	8.50 / 12.00	500x200	10:56:50	HRZG	11.00 / 13.00	200x200	13:31:18
EBET	7.75 / 50.00	500x200	03/17	EBET	7.75 / 50.00	500x200	03/17
FLSC	U / U		03/13	FLSC	U / U		03/13

MM ID	Trader	Market Maker	Phone
EBET		Emerson Bennett & Associa	954 776 9559
EBET01		Ft. Lauderdale FI	
FAHN		Fahnestock & Co., Inc.	800 682 5381
MRBLACK		New York, NY	212 422 7813
FLSC		First London Securities C	972 846 2137
00876		Bristol - Ennis, TX	

OTCQX Summary

OTCQX distinguishes the best domestic and foreign companies trading OTC

1. Identifies quality operating companies.
 2. Mandates audited financials, minimum standard requirements and ongoing disclosure.
 3. Stipulates DAD / PAL appointment to enforce ongoing issuer compliance with disclosure requirements and securities law.
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Tiered structure and DAD / PAL advisory system are effective mechanisms to improve the quality and availability of information facilitating a more efficient and transparent market environment for both issuers and investors

- This information may answer some questions, but is not intended as a comprehensive analysis of the topic. In addition, this information should not be relied upon as the only source of information.
- This information is supplied from sources we believe to be reliable but we cannot guarantee its accuracy.
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