



MEMORANDUM

From:

Sunny J. Barkats, Esq.,
Huan (Wendy) Zheng, Esq.,
Date: June, 21, 2011
Re: OTCQX Criteria

The OTCQX marketplace is the premier tier of the U.S. Over-the-Counter (OTC) market, providing investors with an objective measure to distinguish the best OTC-traded companies. OTCQX is comprised of two distinct tiers, OTCQX U.S. Premier and OTCQX U.S., each of which has different eligibility requirements. OTCQX U.S. Premier is designed to identify Companies that are of the size and quality to list on a National Stock Exchange. OTCQX U.S. is designed to identify Companies that are operating Companies with audited financials, but not of sufficient size to be OTCQX U.S. Premier.

Requirements for OTCQX U.S.:

To be considered for admission to the OTCQX U.S. tier of OTCQX, the Company shall:

- a) As of the most recent fiscal year end, have \$2 million in total assets and one of the following: (i) \$2 million in revenues; (ii) \$1 million in net tangible assets; (iii) \$500,000 in net income; or (iv) \$5 million in market value of publicly traded securities;
- b) Have ongoing operations and shall not be a Shell Company, Blank-Check Company, Special Purpose Acquisition Company or Development Stage Company;
- c) Not be subject to any Bankruptcy or reorganization proceedings;
- d) Be duly organized, validly existing and in good standing under the laws of each jurisdiction in which the Company is organized or does business;
- e) Have at least 50 beneficial shareholders, each owning at least 100 shares of the Company's common stock;
- f) Have proprietary priced quotations published by a Market Maker in OTC Link;
- g) Have a minimum bid price of \$0.10 per share for its common stock as of the close of business on each of the 90 consecutive trading days immediately preceding the Company's application for OTCQX, provided, however, that in the event that (i) there has been no prior public market for the Company's securities in the U.S. and (ii) FINRA has approved a Form 211 relating to the Company's securities, then the Company may apply in writing to OTC Markets Group for an exemption from the minimum bid price requirements, which exemption may be granted by OTC Markets Group in its sole and absolute discretion;

- h) Have (i) audited balance sheets as of the end of each of the two most recent fiscal years, or as of a date within 135 days if the Company has been in existence for less than two fiscal years, and audited statements of income, cash flows and changes in stockholders' equity for each of the fiscal years immediately preceding the date of each such audited balance sheet (or such shorter period as the Company has been in existence), with each such financial disclosure made in accordance with U.S. GAAP and including all matters of which the Company is aware that are relevant to the Company's ability to continue as a going concern, including, without limitation, significant conditions and events and the Company's plans to mitigate such conditions and events; and (ii) unaudited interim financial reports, prepared in conformance with U.S. GAAP, including a balance sheet as of the end of the Company's most recent fiscal quarter, and income statements, statements of changes in stockholders' equity and statements of cash flows for the interim period up to the date of such balance sheet and the comparable period of the preceding fiscal year; and
- i) Be included in a securities manual published by Standard and Poor's or Mergent.

Requirement of OTCQX U.S. premier:

To be considered for admission to OTCQX U.S. Premier, the Company must satisfy all of the eligibility requirements for the OTCQX U.S. tier above, plus must satisfy the following additional requirements. To qualify for trading on OTCQX U.S. Premier, a Company must:

- a) As of the most recent fiscal year end, have one of the following qualifications: (i) average revenues of at least \$6 million over the prior three years; or (ii) (a) \$2 million in net tangible assets if in operation for at least three years, or (b) \$5 million in net tangible assets if in operation for less than three years;
- b) Have at least 100 beneficial shareholders, each owning at least 100 shares of the Company's common stock;
- c) Have a minimum bid price of \$1.00 per share for its common stock as of the close of business on each of the 90 consecutive trading days immediately preceding the Company's application for OTCQX. In the event that (1) there has been no prior public market for the Company's securities in the U.S., (2) FINRA has approved a Form 211 regarding the Company securities, and (3) the bid price for the Company's securities is equal to or greater than \$1.00, then this minimum bid price requirement shall not apply;
- d) Meet the financial standards for continued listing on the NASDAQ Capital Market if its securities have not previously been traded on OTCQX U.S. Premier, except that the Company is not required to (i) have a class of securities with at least 300 shareholders, (ii) have proprietary priced quotations published by 2 Market Makers or (iii) comply with NASDAQ corporate governance provisions; and
- e) Conduct annual shareholders' meetings and submit annual financial reports to its shareholders at least 15 calendar days prior to such meetings.

Procedures to Retain a Designated Advisor for Disclosure (DAD)

Regardless of which tier a Company is eligible for a Company that is applying for admission to OTCQX must retain an Attorney DAD or an Investment Bank DAD. As a condition of qualification for trading on OTCQX, the Company shall retain an Attorney DAD or Investment Bank DAD in accordance with the following procedures:

- a) Approval by OTC Markets Group Required. The Company may only appoint an Attorney DAD or Investment Bank DAD if: (1) such Attorney DAD's or Investment Bank DAD's "Application to Serve as an Attorney DAD/PAL or Investment Bank DAD/PAL" has been approved by OTC Markets Group and such Attorney DAD or Investment Bank DAD has executed an "Agreement to Serve as an Attorney

DAD/PAL or Investment Bank DAD/PAL,” or (2) such Attorney DAD or Investment Bank DAD is already included on OTC Markets Group’s DAD/PAL List.

b) Selection of a DAD. Generally, the Company must retain an Investment Bank as its DAD. The only exception to this rule is that the Company may choose to retain an Attorney as its DAD if (1) the Company is a Seasoned Public Issuer, meaning a company that has engaged in its current business operations and has had a class of its securities publicly traded on OTC Link, the OTCBB or a national securities exchange for not less than two years. (2) a majority (greater than 50%) of the Company’s assets, revenues, shareholders and management are in the United States, and (3) the Attorney serves as the Company’s Principal Disclosure Counsel¹.

c) Appointment of Designated Advisor for Disclosure. To appoint the selected Attorney or Investment Bank as the Company’s Designated Advisor for Disclosure, the Company, such Attorney or Investment Bank, as applicable, and OTC Markets Group shall together execute an “Issuer Appointment of an Attorney Designated Advisor for Disclosure” or an “Issuer Appointment of an Investment Bank Designated Advisor for Disclosure,” as applicable.

d) Appointment of a new DAD. The Company may appoint a new DAD at any time, provided that the Company retains an approved DAD at all times. The new DAD must be approved by OTC Markets Group pursuant to requirement (a) and comply with the initial and ongoing obligations of a DAD pursuant to these OTCQX Rules for U.S. Companies. To appoint a new DAD, (1) the Company must provide OTC Markets Group with a copy of the notification sent to its previous DAD terminating the DAD relationship, (2) the Company, the new DAD and OTC Markets Group must execute an “Issuer Appointment of an Attorney Designated Advisor for Disclosure” or an “Issuer Appointment of an Investment Bank Designated Advisor for Disclosure”, as applicable and (3) the new DAD must provide the Company, and the Company must provide OTC Markets Group, with a Letter of Introduction.

Additional requirements

a) The Attorney DAD or Investment Bank DAD will provide the Company with a Letter of Introduction in connection with the Company’s application for OTCQX, which the Company shall submit to OTC Markets Group. Thereafter, on a quarterly basis and an annual basis, the Attorney DAD or Investment Bank DAD shall provide the Company with Quarterly DAD Letters and Annual DAD Letters, which the Company shall also submit to OTC Markets Group, confirming that the issuer has made adequate current information publicly available and meets the tier inclusion requirements.

b) Within 75 days of the end of each fiscal quarter, the Company will provide OTC Markets Group with a letter it has received from its Attorney DAD or Investment Bank DAD; provided, however, that such letter is not required for the fourth quarter of the Company’s fiscal year since the DAD will instead be

OCTQX companies don’t have to report to SEC

OCTQX is a type of over-the-counter securities markets whereby securities are traded in some context other than a formal exchange, therefore companies trading on it are not required with registered with SEC and has no obligation to report to SEC. However, because companies that join OTCQX demonstrate their commitment to providing superior information to investors and maintaining the highest quality standards, they need to provide audited financials and some disclosures as required by OCTQX rules.

For further information contact us at info@JSBarkats.com or visit our web site at: www.JSBarkats.com

¹ “Principal Disclosure Counsel” shall mean an attorney or law firm retained by the Company to provide advice with respect to the Company’s disclosure obligations and to assist the Company in the preparation of the Information, except for the Company’s financial statements.