



Over the past few years, the Over the Counter Market has developed several tiers of quotation with increasingly higher reporting requirements (Pink Sheets, OTCQB and OTCQX); the separately run OTCBB has been sold to a private entity and now removes any Issuer's securities that do not meet frequent trading guidelines; the SRO governing over the counter trading activity has evolved with the NASD becoming FINRA joining oversight of the New York Stock Exchange and the Over the Counter Market into a single self-regulatory body; DTC has evolved from a service and processing entity to a semi-governmental regulatory agency taking on a very active oversight role; the SEC has issued new interpretative guidance on Rule 415 for shelf registrations limiting PIPE transaction death spirals; Rule 144 has been amended; new guidance on broker dealer registration and finder's fees have issued; the Frank-Dodd Act has impacted all areas of securities laws, including the definition of an accredited investor; and most recently the JOBS Act has passed with its much anticipated Crowdfunding Act and removal of advertising and solicitation restrictions on Regulation D offerings. This is the short list of changes.

Small public companies that trade on the over the counter market must deal with a fluid and constantly changing regulatory environment. Our job is to keep current with these matters so that our clients may do likewise.

Legal & Compliance ensures that each client receives the superior legal service they deserve by limiting the number of assignments we accept at any given time. Legal & Compliance respects entrepreneurs and their need to have competent counsel to complete mergers and acquisitions, stay current with all state and federal securities rules and regulations and reporting requirements, state and financial industry reporting requirements, comply with FINRA rules and regulations which could affect the trading in a client's stock and prepare and/or review contracts, agreements and transactions in the ordinary course of business.

FINRA and DTC Compliance

FINRA is the self-regulatory body which oversees trading on the over the counter market. On the most basic level, FINRA issues trading symbols to company's trading on the over the counter market (including the pink sheets, OTCQB and OTCQX and OTCBB). Public companies are also required to notify FINRA and submit to FINRA for processing, certain corporate restructuring and actions, such as forward and reverse splits, name changes, mergers and redomiciles. FINRA performs an in-depth review of these corporate actions and requires that detailed information and forms be submitted at least ten days prior to the subject action (FINRA charges a substantial late fee for failure to comply with this rule). Legal & Compliance keeps abreast of FINRA's requirements and forms to assist its clients in a smooth process.

The Depository Trust Company (DTC) provides the clearing and settlement services for all the electronic trading of securities in the United States. Over the past year, DTC eligibility seems to have become a concern for many OTC Issuers. Obtaining and maintaining eligibility is of utmost importance for the smooth trading of an Issuer's float in the secondary market. Moreover, DTC eligibility is a prerequisite for OTC Issuers' shareholders to deposit securities with their brokers and have such securities be placed in street name. Legal & Compliance keeps abreast of DTC requirements to assist clients in avoiding disruptions to their stocks trading activity.

OTCBB Compliance

For public companies, regulatory requirements are complex and increasingly more stringent every year. OTCBB or Bulletin Board Companies have very specific legal needs that require the representation of a securities law firm that is familiar with the current regulation and proposed regulatory changes. Moreover, the securities regulations change either via statutory amendments or interpretative releases on a continuous basis. Accordingly, to benefit clients, securities law must be the focus of the attorney, and not a part time endeavor.

Legal & Compliance, LLC – Services Provided

- Meeting reporting requirements for OTCBB or Bulletin Board Companies and reporting OTC Market companies, including OTCQB and OTCQX, including quarterly 10Q's, annual 10K's, periodic 8-K's; proxy and information statement filings
- The drafting and filing of Registration Statements, including Registration Statements for initial or secondary offerings for both already public companies or companies going public, most commonly on Form S-1
- Coordinating all EDGAR filings
- General corporate compliance with state and federal corporate and securities laws for private, pink sheet and bulletin board companies
- Representing officers and directors of reporting OTC Market companies, including OTCQB and OTCQX and OTCBB or Bulletin Board Companies
- Assistance with 15c2-11 applications
- Mergers and acquisitions
- Change in control transactions
- Stock option plans
- Private offerings including preparation of Private Placement Memorandums (PPM's);
- PIPE Transactions
- General contract work such as employment agreements; marketing agreements; asset purchase; stock purchase; licensing agreements; and distribution agreements.
- All debt and equity transactions

Commonly-Asked Questions and Answers Regarding OTC Market Compliance and Periodic Reporting Requirements;

- Only companies that have securities registered under either the '33 or '34 Act are required to file reports with the SEC
- Reporting companies are required to be "transparent" in their operations so that investors can make an informed decision before investing.
- Companies not required to file reports with the SEC should maintain current information on the OTC Markets
- Reporting entities are those entities that are subject to the reporting requirements under either Section 13 or Section 15(d) of the Securities Exchange Act of 1934
- Reporting entities are required to file quarterly forms 10Q; annual forms 10K and periodic reports on form 8-K upon the occurrence of certain events

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A Corporate, Securities and Going Public Law Firm

- Section 13 requires reporting for Issuers who have registered securities pursuant to the Securities Exchange Act of 1934 (i.e. a Form 10) and Section 15(d) requires reporting for Issuers who have registered securities pursuant to the Securities Act of 1933 (ie an S-1)
- Companies that are 34 Act filers (i.e. required to file reports per Section 13) are also subject to the proxy rules (filing of certain proxy statements and information statements and providing annual reports to shareholders)
- In addition officers, directors, 5% shareholders and 10% shareholders of reporting companies have certain reporting obligations as to their stock ownership and changes in stock ownership
- Annual reports are due 90 days from the date of the fiscal year end; quarterly reports are due 45 days from the quarter end and periodic reports on form 8-K are due within 4 days of the reportable event
- Shell companies that complete a transaction that changes their shell status (such as a reverse merger or asset acquisition) are required to file a detailed report on Form 8-K that includes all information required in a Form 10 registration statement, including audited financial statements. This report is often referred to as a Super 8-K;
- it is a requirement to be eligible for quotation on the over the counter bulletin board (OTCBB) and OTCQB and OTCQX that an entity be reporting and current in its reporting obligations
- A small business issuers are entitled to somewhat scaled back reporting and are defined as a company that has revenues of less than 75,000,000 per year and a public float (market value of outstanding equity held by non-affiliates) of less than \$75,000,000
- A new class of companies referred to as emerging growth companies (EGC's) are also entitled to the scaled back reporting requirements of small business issuers for up to a 5 year period. An EGC is a company that has less than \$1billion in revenues and initially goes public after December 8, 2011
- A form 8-K must be filed within four days of the occurrence of certain reportable events such as the entry into a material definitive agreement, the closing or termination of such an agreement, a change in control, change in officers or directors, or a change in a company's financial condition as previously reported.

Reporting requirements for public companies are highly technical. It is imperative to retain a law firm that possesses extensive experience in the aforementioned practice areas.