

# Work Your Way to Trading on the NASDAQ or AMEX



Becoming a public company was once an option only for big business, and it was a costly option at that. But thanks to special rules passed by the U.S. Securities and Exchange Commission (SEC) small and medium companies can now take advantage of the benefits of trading on the public markets. Issuers can use a streamlined process to file with Form SB-2 or other methods such as Nevada State Registered Offerings, coupled with a federal filing. The rules for small and medium businesses allow companies to raise capital by distributing their own shares and apply for listing on the Over the Counter Bulletin Board (OTCBB) with a market-maker. Although the quotation medium is little understood by many businesspeople, **the OTCBB serves as an excellent launching pad for companies to eventually vault into trading on the larger national exchanges** such as NASDAQ or the American Stock Exchange (AMEX).

## Why Trade on the OTCBB?

Over the past several years, there has been a dramatic increase in the numbers of companies using the OTCBB as a stepping stone to create capital structure and maximize market cap value in order to become worthy of a NASDAQ or AMEX listing. The OTCBB is an attractive and relatively inexpensive place to start. It does, like NASDAQ, have real-time electronic quotes for domestic issues and requirements for issuers to remain listed, but unlike NASDAQ, the OTCBB does not: 1. Impose strenuous listing standards; therefore it has no quantitative listing requirements as long as the shares are not concentrated. 2. Assess listing and maintenance fees to issuers. 3. Maintain relationships with quoted issuers. 4. Have the same obligations as NASDAQ for market-makers.

Because of these distinctions, the OTCBB is a strong alternative to the risks of venture capital or a traditional initial public offering (IPO). And the OTCBB has been a successful strategy for small companies that want to get

bigger: As of November 629 companies had graduated to a major exchange from the OTCBB this year alone. Further, there have been 899 registration statements filed on Form SB-2 so far this year, up from 881 in 2005 and 800 in 2004. Companies filing a Form SB-2 to become quoted on the OTCBB created \$11.5 billion in registration value during 2005, and are likely to exceed that number in 2006.

## How Difficult Is the Transition to a Larger Exchange?

After achieving and maintaining a quotation on the OTCBB, a small company has already learned the rigors of being a fully reporting company and has grown accustomed to the maintenance of ongoing compliance. This experience is priceless in building a future as a growing public company.

Those companies that have first been quoted on the OTCBB have taken the inexpensive, less complicated route to going public, and in the process, they have already assembled a team of professionals to help them navigate the waters of going public and staying compliant. Because that trusted team is already in place and active, making the leap to a major exchange is simply the natural next step. Some of the companies that have used the OTCBB as a stepping stone to major exchanges in recent years include several that were formerly listed on the PCMC Bulletin Board Index™, an index of carefully selected OTCBB stocks: Grubb & Ellis Co. (NYSE: GBE); Covad Communications Group, Inc. (AMEX: DVW); True Religion Apparel, Inc. (NASDAQ: TRLG); VitalStream Holdings (NASDAQ: VSTH); GAINSCO, Inc. (AMEX: GAN); and Law Enforcement Associates (AMEX: AID).

A number of companies that are now well-known and widely respected started out trading on the OTCBB. For instance, Kmart Holding Corporation (NASDAQ: KMRT) and even NASDAQ Stock Market, Inc. (NASDAQ: NDAQ) originally became public companies via the OTCBB.

## How Can My Company Get Started?

It is becoming increasingly difficult for early

stage companies to raise capital, but once informed, small companies can relatively easily take advantage of the public markets via the OTCBB, eventually moving up to major exchanges like those listed above. SEC rules for small and medium enterprises allow for the filing of a Form SB-2 or a Form 10-SB (for companies with 60 or more shareholders and who have held their stock for two years or more), which are relatively affordable and less complicated processes, especially in comparison to the alternative of a full-blown IPO, and the self-distribution of their own shares. The first step is to learn more about the SB-2/self-distribution process and the benefits it offers for small and medium companies, and then to assemble a team of professionals to help lead your company through the filing process. If you determine that going public via the OTCBB is the right decision for your company, your shares could be trading within less than a year.

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## OTCBB: PUBC

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