

MEMORANDUM



Date: **20 March 2008**
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Share offers in OTC companies

If the company is an OTC company, you should be very careful before you decide to make an investment. This type of share offer is especially common among frauds. OTC stands for the over-the-counter market. It is not an organised marketplace or stock exchange. On the contrary, it is a generic name for companies that are not listed on a stock exchange. Trading of such shares takes place on the so-called Grey Market. In such a market there is no market maker and most often no financial information available about the company either. Offers to purchase shares in such companies are often made without approved prospectuses. The value of the company's shares is therefore very difficult to assess. You receive a share certificate, which shows how many shares you own in the company.

Share offers in American OTC companies

There are several categories of OTC company. Some examples are OTC and Other OTC as well as the Grey Market. You can look for OTC companies on the OTC Bulletin Board (www.otcbb.com) and at Pink Sheets (www.pinksheets.com), which are both electronic bulletin boards. You can look for the companies here because the brokers report their transactions in accordance with the regulations set by the Financial Industry Regulatory Authority (FINRA), (www.finra.org).

OTC companies are companies that cannot or will not meet the requirements set by listed companies. Those who invest in such companies must be very active investors and also be aware that the entire investment can be lost. It is a very risky investment and requires extensive investigative work.

It is common for fraudsters to refer to various stock exchanges' websites to search for the company in order to give the impression that the company is listed on a stock exchange. Using the company's symbol, you can search for OTC companies in several places, such as NASDAQ, Yahoo Finance, CNN Business, Stockwatch, among numerous other sites. However, following the company's name, it should say OTC or Other OTC.

OTC Bulletin Board and Pink Sheets

OTC Bulletin Board and Pink Sheets offer a service for market quotations for paying members, not a service for registered companies and it should not be confused with NASDAQ. Investors must contact an authorised broker in order to purchase and sell shares on the OTC Bulletin Board and Pink Sheets.

On Pink Sheets' website, you can read the following: "Unlike those listed on NASDAQ and New York Stock Exchange, Pink Sheets stocks are not required to meet listing standards. This means there is a wide range in the quality of issuers that are traded in the Pink Sheets, from major international conglomerates to very small companies struggling to survive. Investors must be aware that good information is simply not available for many Pink Sheet traded companies and that there are unscrupulous individuals that will attempt to defraud investors through manipulative schemes in Pink Sheets stocks. While Pink Sheets cooperates fully with securities regulators and those regulators are continually working to combat fraud, it is not possible to eradicate fraud from the markets. Accordingly, you must be very careful in making a decision to invest in a Pink Sheets stock or any OTC Security."

Restricted securities

Restricted securities are unregistered shares that are sold by the company or the company's management or larger shareholders in cooperation with the company. This means that shares that are not registered with the U.S. Securities and Exchange Commission (SEC) cannot be sold in the market except in accordance with certain exemption regulations. One of the exemptions is trade in accordance with Regulation S of the Securities Act of 1933. This rule means that the company's shares may not be sold to American citizens within or outside the USA. They may, however, be sold to foreign citizens, in accordance with legislation in those particular countries. The shares cannot be sold back to the USA for at least one year and they are so-called restricted shares. Other exceptions are that the company is allowed to sell shares to its employees or larger shareholders. If you purchase such shares, you will receive a share certificate which is stamped with a "restricted" legend.

If you wish to sell your "restricted shares", five conditions must be met in accordance with U.S. legislation (Rule 144) and even if these are met, it is still not possible to sell the shares unless the restriction legend is removed. The Transfer Agent cannot remove the restriction legend nor sell the share without the company's consent.

For more information on regulations for trading of OTC shares, please refer to the SEC's (the American supervisory authority) website: www.sec.gov.