



HAWK ASSOCIATES, INC.

PROVEN INVESTOR RELATIONS STRATEGIES

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SO YOU'RE GOING PUBLIC—A PRIMER OPTIONS TO CONSIDER; FACTS TO KNOW

The New York Stock Exchange is an auction market with specialists assigned to manage the auction process. All buy and sell orders come to the trading floor, 85% through an electronic network. Specialists are responsible for matching buyers and sellers. About 20% of the time they put up their own capital to fill gaps in supply and demand. Specialists are permitted to communicate key trading information back to companies and brokers, providing market knowledge and intelligence for listed companies. NYSE charges an original listing fee of \$37,000 plus an initial fee based upon the number of shares outstanding ranging from \$100,000 to over \$200,000. Continuing annual fees, also based on shares, range from \$35,000 to \$500,000. Nearly 3,000 companies are listed on the NYSE.

The Nasdaq Stock Market is an electronic market in which marketmakers compete for best buying and selling prices using their own capital. Listed companies are represented by multiple marketmakers. Marketmakers are not obliged to reveal trading information on the companies in whose stock they make a market. The Nasdaq Stock Market consists of two distinct, separate markets. **The Nasdaq National Market®** lists more than 4,100 securities. Entry fees for the Nasdaq National Market for companies with over 16 million shares outstanding are \$95,000. Annual fees, also based on shares outstanding range from \$18,000 to \$50,000 for companies with over 15 million shares outstanding. **The Nasdaq SmallCap Market®**, which is Nasdaq's smaller capitalization tier, numbers about 1,400 issues. Entry fees are capped at \$10,000, and the annual fees are a flat \$4,000.

The American Stock Exchange is the second largest floor-based securities exchange in the U.S. Amex began over 100 years ago and until 1953 was known as the Curb Exchange, inspired by the brokers and traders who literally traded in the streets of New York City. Like NYSE, Amex is an auction market in which securities prices are determined by public bids to buy and offers to sell. Amex also trades options on indexes, options on domestic and foreign stocks, and lists warrants on foreign currencies and indexes. The listing standards for Amex are less stringent than the Nasdaq SmallCap Market, making Amex an attractive option to microcap companies. Amex charges a \$5,000 initial listing fee. Companies with less than one million shares pay a \$5,000 entry fee and an annual fee of about \$11,000. Companies with over 100 million shares pay a \$95,000 entry fee and an annual fee of \$50,000.

OTC Bulletin Board -The OTC Bulletin Board® (OTCBB) quotation system is regulated by the NASD. OTCBB includes stocks not listed on Nasdaq, Amex or other national markets. It also includes foreign equity issues, warrants, units and American Depositary Receipts (ADRs). OTCBB electronically transmits real-time quotes, price and volume information in domestic securities, foreign securities and ADRs. Issuers of all securities quoted on the OTCBB must make periodic filings as required by the SEC or other regulatory authority, although there are no filing or reporting requirements with the NASD. Nasdaq has no business relationship with the issuers quoted on the OTCBB. There is no fee charged to issuers for an OTCBB quotation. Issuers are quoted on OTCBB by marketmakers. There are approximately 3,600 companies quoted on the OTCBB with more than 330 participating market makers. Quotes for OTCBB issues may be found on the Internet at www.otcbb.com.

OTC Pink Sheets - Prior to 1971 dealer quotations were issued on pink-colored paper, hence the term "pink sheet" stocks for OTC securities. Today Pink Sheets LLC is a privately owned electronic quotation and information service that enables NASD broker dealers to deal in OTC securities. Pink Sheets is not an SEC-registered stock exchange and is not affiliated with the Nasdaq Stock Market or the NASD. Pink Sheets offers the same marketmakers as Nasdaq and the OTCBB for companies that are unable or choose not to list their securities on Nasdaq or an exchange. Unlike the OTCBB, Pink Sheets issuers do not have to be reporting companies with the SEC. There is no cost to issuers to be listed on the Pink Sheets. Information and quotes about OTC securities may be found online at www.pinksheets.com.

SO YOU'RE GOING PUBLIC—A PRIMER

Non-U.S. Companies

Non-U.S.-based companies trading shares in the U.S. can be listed on Nasdaq, which lists almost 500 ADRs and foreign issues, or AMEX, which lists 67 foreign companies, or NYSE, which trades ADRs of nearly 500 foreign companies.

IPOs

Going public is a primary way to raise expansion capital or create liquidity for owners of private companies. The process begins with detailed financial results and a strong business plan. The IPO team, made up of a lead investment bank, accountant and law firm, is responsible for developing the prospectus - the primary marketing document. The SEC imposes a "quiet period" that starts when the IPO is filed and lasts until 25 days after the stock starts trading. The prospectus is the only legal selling brochure for the IPO. It includes five years of financial data, extensive details about management, target market, competitors, growth strategy and risk factors. The SEC, NASD and state securities organizations review the prospectus for completeness. The lead underwriter assembles a syndicate of investment banks to help sell the deal. Each bank receives shares to sell to clients. A roadshow is held to meet prospective institutional investors to induce them to purchase shares of the offering. After the roadshow, a final prospectus is printed and distributed to investors. Finally, the company meets with the investment bank to set the final size and price of the offering based on response to

the roadshow. The cost of going public is substantial. The underwriters' discount or commission can run as high as 10% of the offering. Other expenses can range from \$150,000 to \$500,000 for even a small \$10 million offering. A company is liable for substantial costs if the IPO is cancelled at the last minute.

Reverse Mergers

A less costly way of going public is a reverse merger into an existing public shell company. Expenses range from \$100,000 to \$500,000. A private operating company is merged into the public shell company, which becomes the legal surviving entity. The name of the company is usually changed to the name of the former private company and controlling shares are transferred to the officers of the former private company. After the merger, additional stock offerings to the public can be used to raise more capital.

EDGAR and the SEC

The SEC requires extensive reporting through its Electronic Data Gathering, Analysis and Retrieval (EDGAR) system. Reports include the IPO filing (S-1), annual report of results (10K), quarterly report of results (10Q), proxy statements (DEF14A), unscheduled material events such as acquisitions (8K), registration of securities issued in transactions (S-4), reports of insider stock transactions and various other reports of material events.

Financial Requirements (Partial) for Initial Listing on the Nasdaq Markets

	SmallCap	National (must meet 1 of 3 standards)		
Stockholder's Equity	\$5 million	\$15 million	\$30 million	N/A
Market Capitalization	\$50 million	N/A	N/A	\$75 million
Net Income	\$750,000			or
Total Assets		N/A	N/A	\$75 million and
Total Revenue		N/A	N/A	\$75 million
Pretax Income*		\$1 million	N/A	N/A
Public Float (shares)	1 million	1.1 million	1.1 million	1.1 million
Market Value of Public Float	\$5 million	\$8 million	\$18 million	\$20 million
Minimum Bid Price	\$4	\$5	\$5	\$5
Market Makers	3	3	3	4
Shareholders (round lot holders)**	300	400	400	400
Operating History	1 year***	N/A	2 years	N/A

*Excluding extraordinary and non-recurring items

**Round lot holders are considered holders of 100 shares or more

*** If operating history is less than 1 year, market cap must exceed \$50 million

DOES YOUR COMPANY BENEFIT FROM ITS INVESTOR RELATIONS PROGRAM?

Is your company benefiting from today's dynamic IPO environment? At Hawk Associates, we understand the complexities of Wall Street's new paradigm and its impact on the IPO process. We provide clients with sophisticated, leading-edge investor relations/public relations programs to create visibility and brand identity. We provide a full range of functionality and services including day-to-day IR counseling, financial public relations, media programs, crisis management and specific project work. We help build the company's credibility and assist CEOs in realizing the full potential of the company's stock.