

OTCQX Composite Index Rules Document

Oct 2016

Change History

12-1-2014	Initial Version
1-14-2015	Addition of OTCQX Banks
4-24-2015	Addition of OTCQX Billion+
5-27-2016	Addition of OTCQX Dividend
10-17-2016	Addition of OTCQX Canada

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I. Overview

The OTCQX Composite Index (.OTCQX, ISIN: DE000SLA0TC9) is designed as a benchmark for tracking the overall performance of the OTCQX marketplace and serves primarily as a performance benchmark for investors in OTCQX securities. The index highlights the most transparent, investor focused companies trading in the OTC marketplaces.

II. The OTCQX Composite Index

The Index tracks the performance of all OTCQX companies which meet the requirements noted in Section III. The Index may include securities from OTCQX International and OTCQX US. Eligible securities must be in compliance with the defined liquidity screen (one trade at least every 10 trading days) to further its use as an effective benchmark. Final decisions regarding additions and removals from the Index are made by OTC Markets Group.

Index is capitalization-weighted, using an Index formula based upon the aggregate of last sale price times outstanding share quantity. In the case of ADRs, the DR ratio is considered.

The Index, which is denominated in U.S. dollars, is calculated on a price (.OTCQXP) and total rate of return basis (.OTCQX), with the reinvestment of dividends as of the close the day before the ex-dividend date. The base date of the index 9/1/2014 is and the base index level is 1000.

III. Index Coverage and Constituents

Eligible Securities

The Index is restricted to securities quoted on the OTCQX marketplace. U.S. and International securities generally include common stock, preferred stock (excluding fixed-rate and convertible types), depositary receipts, and other such securities that represent an equity interest in a company, regardless of voting status. Rebalancing, additions, and deletions will, in most cases, be done quarterly.

Eligible Share Classes

In general, eligible shares include any shares currently on OTCQX.

Ownership restrictions

Only the shares outstanding associated with a share class which is quoted on OTCQX will be considered.

Selection Criteria

OTC Markets has the sole discretion to select which OTCQX securities will be included in the Index. Securities currently quoted on OTCQX will be included subject to a minimum liquidity standard.

Shares Outstanding

Definition: The number of shares used in the Index calculation generally represents the entire class of shares that trade on OTCQX. For ADR's, the ADR ratio will be taken into consideration.

IV. Pricing

All Index computations use the last sale price as recorded on OTCQX via the US OTC Reporting Facility (ORF) reporting facility operated by the Financial Regulatory Authority (FINRA). If no trading occurs on a particular day, then the last sale price from the last trading day will be used. If trading in a stock is suspended or halted, the last available price prior to the suspension is used.

V. Maintenance Policy and Corporate Actions

Index maintenance includes monitoring and implementing the adjustments for company additions and deletions, share changes, stock splits, stock dividends, and stock price adjustments due to company restructurings, spin-offs, or other corporate actions. Some corporate actions, such as stock splits and stock dividends, require simple changes in the common shares outstanding and the stock prices of the companies in the Index. Other corporate actions, such as share issuances, change the aggregate market capitalization of the Index and, therefore, require an index divisor adjustment as well. To avoid Index discontinuity due to adjusting for corporate actions, offsetting Index divisor adjustments are ordinarily made. By adjusting the Index divisor for the changes in the aggregate market capitalization of the Index arising from one or more corporate actions affecting component stocks, the value of the Index and all related indices remains constant. This helps keep the value of the Index and all related indices accurate as a barometer of stock market performance and ensures that the movements of the Index and all related indices will not be improperly affected by corporate actions in the component stocks. Divisor adjustments are ordinarily made prior to the opening of trading on the day of effectiveness of such corporate actions. The Calculation Agent will supply to OTC Markets Group after the close of business of every trading day, a data file that reflects that day's current Index constituent data and the Index divisor, as well as, the next day's information.

Calculation Agent

The Calculation Agent for the Index is [Solactive AG](#). Accordingly, they will compile, calculate, maintain and disseminate the values of the indices on behalf of OTC Markets Group.

Simple adjustments

Simple adjustments resulting from stock splits, stock dividends, name changes, and ADR ratio changes, which require no adjustment to the index divisor, will be implemented by the Calculation Agent prior to the opening of trading on the effective date as those corporate actions occur.

Divisor Adjustments

Divisor adjustments are ordinarily made prior to the opening of trading on the day of effectiveness of such corporate actions. The Calculation Agent will supply to OTC Markets Group after the close of business of every trading day, a data file that reflects that day's current Index constituent data and the Index divisor, as well as, the next day's information.

Changes in Shares Outstanding and Capital Adjustments

Share information utilized in the calculation of the Indices will be provided by the Calculation Agent. The number of shares used in the Index calculation generally represents the entire class or series of shares that trade on OTCQX. For ADR's, the shares are adjusted by the DR ratio. Once a quarter, ordinarily after the last business day of March, June, September, and December the shares of the companies in the Index will be updated by the Calculation Agent. Determining the most updated number of common shares outstanding for the companies in the Index is one of the most important Index maintenance functions. Shares outstanding are constantly changing. OTC Markets has adopted a policy that share changes of <5% will normally be made effective in the Index on a quarterly basis. Adjustments > 5% will be made at agent/OTC Markets discretion.

Rights Offering

In a Rights offering, the company offers existing shareholders the right to purchase new shares. A rights offering results in a capital inflow and increases both the number of shares outstanding and the market capitalization of the company. (On the ex-date, the number of shares is changed if the subscription price is equal to or less than the price of the security, and the Index divisor is adjusted as required).

Stock Dividends

Stock dividends are simply accounting transactions. No funds flow into or out of the company, and total market value remains unchanged. Therefore, the weight of the company in the Index remains unchanged. (On the ex-date, the number of shares is changed, but no Index divisor adjustment is necessary).

Stock Splits and Reverse Splits

Stock splits and reverse splits are the splitting or recoupment of the number of shares outstanding without any change in the shareholders equity. No funds flow into or out of the company and total market value remains unchanged. Therefore, the weight of the company in the Index remains unchanged. (On the ex-date, the number of shares is changed, but no Index divisor adjustment is necessary).

Spin-offs

A spin-off is the distribution to existing shareholders of a part of the company's business through the issuance of shares in the newly established company. (On the ex-date there is no change in the number

of shares outstanding to the existing company. A downward price adjustment is calculated to reflect the reduction in market value of the existing company, and the Index divisor is adjusted as required.)

Tender offers

Because of the unique nature of each tender offer, each event will be reviewed on a case by case basis with the intention to remove the constituent being acquired from the index prior to when it ceases to trade.

Dividends

For the total return indices, dividends will be re-invested across the index on the close prior to the ex-date.

Constituent Changes

Additions

A new eligible security, regardless of size, becomes available for inclusion in the Index upon being quoted on OTCQX.

- New eligible securities will generally be added to the Index on a quarterly basis, prior to the opening of trading following the last market day of March, June, September, and December of each calendar year. Nonetheless, OTC Markets Group reserves the right to add a new security before the end of the quarter.
- A new eligible security that is acquiring another Index constituent will ordinarily be included in the Index immediately as a stock replacement.
- If an existing constituent “spins off” a part of its business, issues new equity to the existing shareholders, and establishes a new company with its’ own equity structure and the new entity decides to join OTCQX, then the new company will be eligible for inclusion in the Index.

Deletions

- Constituents will be deleted as a result of the quarterly liquidity review in conjunction with the ordinary index rebalancing if they lack reasonable liquidity defined as trading at least once in any 10 market day period on OTCQX. Companies may also be removed for compliance or other reasons. OTC Markets has the sole discretion to determine which securities will be deleted from the Index.
- Constituents may be deleted from the Index due to its merger, acquisition by another company, or restructuring upon the effective removal date or sooner.
- Constituents may be deleted due to sudden financial distress or bankruptcy. Sudden financial distress can reasonably be ascertained if the security has been halted/suspended in trading due to a regulatory action/investigation. In the case of bankruptcy, the constituent will be removed immediately.

Frequency of Review

OTCQX Composite Index will be reviewed on a quarterly basis. Quarterly index changes are effective at the open of the next trading day following the last business day Friday of March, June, September and December and we will provide licensees at least two days advanced notice of quarterly changes.

VI. Index Calculations/Data Correction

Frequency

The Index is ordinarily calculated every trading day. The Index is calculated and published on a real-time basis (i.e. with updated values published every fifteen seconds). Index adjustments become effective before market hours.

Price and Total Return

The Index is calculated on a price and total rate of return basis. Total return calculations adhere to the standard methodology of the Calculation Agent. Pursuant to this methodology, all dividends are reinvested across the index as of the close the night before the ex-dividend date, using the ex-dividend amount per share.

Calculations

The Index is a capitalization-weighted Index, using an Index formula based upon the aggregate of prices times share quantities. Standard Index algorithms are used for the calculation and are available upon request from the Calculation Agent.

Data Correction

OTC Markets Group makes every effort to ensure the accuracy of the information used for Index calculation. However, an Index error may occur due to incorrect or missing data, including trading prices, shares outstanding and corporate actions, due to operational errors or other reasons.

- Intraday – Reasonable efforts are employed to prevent erroneous data from affecting the indices. Corrections will be made for bad prices and incorrect or missing corporate actions as soon as possible after detection. Since the indices are calculated on a real-time basis, an incorrect Index value tick will not be fixed retroactively. Incorrect daily close values will be corrected as soon as practicable.
- Index-Related Data and Divisor Corrections – Incorrect pricing and corporate action data for individual issues in the database will be corrected upon detection. In addition, an incorrect divisor of an Index, if discovered within five days of its occurrence, will always be fixed on the day it is discovered to prevent an error from being carried forward. If a divisor error is discovered more than five days after occurrence, the adjustment will depend upon how

significant the error is, how far back the error occurred and the feasibility of performing the adjustment.

VII. Dissemination of the OTCQX Composite Index

The Index data is available on a real time basis to Distribution Agents as determined by OTC Markets Group. Accordingly, it is anticipated that the Index data will be available via major worldwide market data vendor networks and other print and electronic information media vendors.

Appendix I OTCQX International Index

Index Summary

The OTCQX International Index (.OTCQXINT, ISIN: DE000SLA0TD7) is designed as a benchmark for tracking the overall performance of the international companies trading on the OTCQX marketplace. The index highlights the most transparent, investor focused, international companies trading in the OTC marketplaces.

Index Universe

Eligible securities are current members of the OTCQX Composite Index that are internationally listed on a qualified foreign exchange and also trade on OTCQX International.

Index Construction

The OTCQX International Index is a market capitalization weighted index. The base date of the index is 9/1/2014 and the base index level is 1000. Index divisor is adjusted on an ongoing basis to maintain the continuity of the index return through time. The OTCQX International Index is reviewed on a quarterly basis for additions, adjustments, and shares and ADR ratio changes over 5% during the months of March, June, September and December.

Appendix II OTCQX US Index

Index Summary

The OTCQX US Index (.OTCQXUS, ISIN: DE000SLA0TE5) is designed as a benchmark for tracking the overall performance of domestic companies trading on the OTCQX marketplace. The index highlights the most transparent, investor focused companies trading in the OTC marketplaces.

Index Universe

Eligible securities are current members of the OTCQX Composite Index that are principally traded on OTCQX US.

Index Construction

The OTCQX U.S. Index is a market capitalization weighted index. The base date of the index 9/1/2014 is and the base index level is 1000. Index divisor is adjusted on an ongoing basis to maintain the continuity of the index return through time. OTCQX U.S. Index is reviewed on a quarterly basis for additions, adjustments, and shares changes over 5% during the months of March, June, September and December.

Appendix III OTCQX Banks Index

Index Summary

The OTCQX Banks Index (.OTCQXBK, ISIN: DE000SLA4TE7) is designed as a benchmark for tracking the overall performance of US banks and thrifts on the OTCQX marketplace. The index highlights the most transparent, investor focused banks and thrifts trading in the OTC marketplaces.

Index Universe

Eligible securities are current members of the OTCQX Composite Index that are banks, thrifts, or bank holding companies who securities primarily trade on OTCQX US.

Index Construction

The OTCQX Banks Index is a market capitalization weighted index. The base date of the index is 1/2/2015 and the base index level is 1000. On the base date the initial index divisor was created by dividing the index market capitalization by index base value of 1000. Index divisor is adjusted on an ongoing basis to maintain the continuity of the index return through time. OTCQX Banks Index is reviewed on a quarterly basis for additions, adjustments, and shares changes over 5% during the months of March, June, September and December.

Appendix IV OTCQX Billion+ Index

Index Summary

The OTCQX Billion+ Index (.OTCQXBIL, ISIN: DE000SLA0D00) is designed as a benchmark for tracking the overall performance of US and International Companies with market-capitalizations greater than \$1 Billion trading on the OTCQX marketplace. The index highlights the most transparent, investor focused companies trading in the OTC marketplaces.

Index Universe

Eligible securities are current members of the OTCQX Composite Index that have a market capitalization of at least \$1 Billion.

Index Construction

The OTCQX Billion+ Index is a market capitalization weighted index. The base date of the index is 4/1/2015 and the base index level is 1000. Index divisor is adjusted on an ongoing basis to maintain the continuity of the index return through time. OTCQX Billion+ Index is reviewed on a quarterly basis for additions, adjustments, and shares changes over 5% during the months of March, June, September and December.

Appendix V OTCQX Dividend Index

Index Summary

The OTCQX Dividend Index (.OTCQXDIV, ISIN: DE000SLA1680) is designed as a benchmark for tracking the overall performance of US and International Companies trading on the OTCQX marketplace that pay a regular dividend. The index highlights the most transparent, investor focused companies trading in the OTC marketplaces.

Index Universe

Eligible Securities are current members of the OTCQX Composite Index that pay a regular dividend.

Index Construction

The OTCQX Dividend Index is a market capitalization weighted index. The base date of the index is 4/1/2016 and the base index level is 1000. Index divisor is adjusted on an ongoing basis to maintain the continuity of the index return through time. OTCQX Dividend Index is reviewed on a quarterly basis for additions, adjustments, and shares changes over 5% during the months of March, June, September and December.

Appendix VI OTCQX Canada Index

Index Summary

The OTCQX Canada Index (.OTCQXCAN, ISIN: DE000SLA2HT4) is designed as a benchmark for tracking the overall performance of Canadian securities that are traded on OTCQX. The index highlights the most transparent, investor focused, Canadian companies trading in the OTC markets.

Index Universe

Eligible securities are current members of the OTCQX Composite Index that are listed on the TSX, TSX-V, or CSE and also trade on OTCQX International.

Index Construction

The OTCQX Canada Index is a market capitalization weighted index. The base date of the index is 9/30/2016 and the base index level is 1000. Index divisor is adjusted on an ongoing basis to maintain the continuity of the index return through time. The OTCQX Canada Index is reviewed on a quarterly basis for additions, adjustments, and shares and ADR ratio changes over 5% during the months of March, June, September and December.

Appendix VII Market Identifiers

Name	Ticker	ISIN
OTCQX Composite – Total Return	.OTCQX	DE000SLA0TC9
OTCQX Composite – Price Return	.OTCQXP	DE000SLA0TF2
OTCQX International – Total Return	.OTCQXINT	DE000SLA0TD7
OTCQX International – Price Return	.OTCQXINP	DE000SLA0TG0
OTCQX US – Total Return	.OTCQXUS	DE000SLA0TE5
OTCQX US – Price Return	.OTCQXUSP	DE000SLA0T28
OTCQX Banks – Total Return	.OTCQXBK	DE000SLA4TE7
OTCQX Banks – Price Return	.OTCQXBP	DE000SLA4TD9
OTCQX Billion+ - Total Return	.OTCQXBIL	DE000SLA0D00
OTCQX Billion+ - Price Return	.OTCQXBPR	DE000SLA0C92
OTCQX Dividend – Total Return	.OTCQXDIV	DE000SLA1680
OTCQX Dividend – Price Return	.OTCQXDVP	DE000SLA1698
OTCQX Canada – Total Return	.OTCQXCAN	DE000SLA2HT4
OTCQX Canada – Price Return	.OTCQXCNP	DE000SLA2HU2