

OTC MARKETS COMPLIANCE ANALYTICS – RISK SCORING ALGORITHM

The OTC Compliance Analytics product provides broker-dealers and investment managers with a comprehensive, quantitative tool for evaluating and automating risk processes for OTCQX, OTCQB and Pink securities. Each security is given a numerical risk score on a 0-55 point scale. This document outlines how point values are assigned.

<u>Risk Factors</u>	<u>Points Assigned</u>
Caveat Emptor	<ul style="list-style-type: none"> • IF Current Caveat Emptor = Y then +5 • IF Former Caveat Emptor = Y then +3
Marketplace	<ul style="list-style-type: none"> • IF Market = Pink No Information or Expert Market then +2 • IF Market = Grey Market AND Security Type = Common Stock then +2
Security Status	<ul style="list-style-type: none"> • IF Security Status <> Active then +2 • IF Former Suspended/Revoked Status Flag = Y then + 2
Shell	<ul style="list-style-type: none"> • IF Shell status = Y then +3 • IF Former Shell status = Y then +2
Penny Stock	<ul style="list-style-type: none"> • IF Penny Stock Exempt = N then +3
Bankruptcy	<ul style="list-style-type: none"> • IF Bankrupt = Y then +2
Delinquency	<ul style="list-style-type: none"> • IF Delinquent in reporting obligations = Y then +2
Reverse Splits	<ul style="list-style-type: none"> • IF Reverse Split in past year then +1 • IF Most Recent Split factor is <.1 then +2 • IF Multiple Reverse Split value = Y then +1
Name Changes	<ul style="list-style-type: none"> • IF Name Change within past year then +1 • IF More than 1 name change in past 2 years = Y then +1 • IF More than 2 name changes in past 5 years = Y then +1
Market Cap	<ul style="list-style-type: none"> • IF Market Cap value < 300 MM then +3 • IF Market Cap value > 300 MM and < 400 MM then +2 • IF Market Cap value > 400 MM and < 500 MM then +1 • IF value cannot be calculated then +1
Price	<ul style="list-style-type: none"> • IF Last Sale < .01 then +3 • IF Last Sale > .01 and < 1.00 then +2 • IF Last Sale > 1.00 and < 5.00 then +1 • IF Last Sale is null then +1

OTC MARKETS COMPLIANCE ANALYTICS – RISK SCORING ALGORITHM

Price Change	<ul style="list-style-type: none"> • IF Price Change Value > 10% then +1 • IF Price Change Value > 20% then +1 • IF Price Change Value > 30% then +1 • IF Price Change Value = Null then +.5
Volume Change	<ul style="list-style-type: none"> • IF Volume Change Value > 10% then +1 • IF Volume Change Value > 20% then +1 • IF Volume Change Value > 30% then +1 • IF Volume Change Value = Null then +.5
Trade Count Change	<ul style="list-style-type: none"> • IF Trade Count Change Value > 10% then +1 • IF Trade Count Change Value > 20% then +1 • IF Trade Count Change Value > 30% then +1 • IF Trade Count Change Value = Null then +.5
Shares Out Change	<ul style="list-style-type: none"> • IF Shares Out Change Value > 5% then +1 • IF Shares Out Change Value > 10% then +1 • IF Shares Out Change Value > 20% then +1 • IF Shares Out Change Value = Null then +.5
Authorized Shares Change	<ul style="list-style-type: none"> • IF Authorized Shares Change Value > 15% then +1 • IF Authorized Shares Change Value > 25% then +1 • IF Authorized Shares Change Value > 50% then +1 • IF Authorized Shares Change Value = Null then +.5
Promotion	<ul style="list-style-type: none"> • IF Active Promotion Value = Y then +4 • IF Active Promotion Value = N and Most Recent Promotion Date > Current Date – 6 months then +3 • IF Active Promotion Value = N and (Most Recent Promotion Date > Current Date – 1 Year and < Current Date – 6 Months) then +2 • IF Active Promotion Value = N and Most Recent Promotion Date < Current Date – 1 Year then +1
Shell Risk	<ul style="list-style-type: none"> • IF Shell Risk Flag Value = Y then +2 • IF Shell Risk Flag Value = U and Reporting Standard value <> (International Reporting or Bank/Thrift Reporting or Insurance Reporting) then +1 • IF Former Shell Risk Flag Value = Y then +1
Hot Sector	<ul style="list-style-type: none"> • IF Hot Sector Flag value = Y then +2 • IF Former Hot Sector Flag value = Y then +1