

OTC MARKETS SMALL CAP LISTED COMPLIANCE ANALYTICS – RISK SCORING ALGORITHM

The OTC Markets Small Cap Listed Compliance product provides broker-dealers and investment managers with a comprehensive, quantitative tool for evaluating and automating risk processes for US Exchange Listed securities (corporates) with a market cap < \$500 Million. Each security is given a numerical risk score on a 0-40 point scale. This document outlines how point values are assigned.

<u>Risk Factors</u>	<u>Points Assigned</u>
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
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
OTC Graduate	<ul style="list-style-type: none"> • IF Former OTC market tier = Pink) Limited or No Information) or Grey Market THEN + 3 • IF Former OTC market tier = Pink Current THEN +2 • IF Former OTC market tier = OTCQB THEN + 1
Penny Stock	<ul style="list-style-type: none"> • IF Penny Stock Exempt = N then +3
Shell	<ul style="list-style-type: none"> • IF Shell status value = Y then +3 • IF Former Shell status value = 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 Market Cap value cannot be calculated then +1
Price	<ul style="list-style-type: none"> • IF Last Sale < 5.00 & > = 3.00 then +1 • IF Last Sale < 3.00 & > = 1.00 then +2 • IF Last Sale < \$1.00 then + 3 • IF Last Sale is null then +1

OTC MARKETS SMALL CAP LISTED 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
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