

OTCQX RULES FOR U.S. COMPANIES

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1 General Considerations

At OTC Markets Group our mission is to create better informed and more efficient financial markets. Our vision is to expand the world of investment opportunities by creating the financial markets of choice, that bring the benefits of public trading to a wide spectrum of securities and efficiently fulfill the capital formation needs of a broad range of U.S. and global companies.

These OTCQX Rules for U.S. Companies are designed to create the most informed, efficient and cost-effective market for your securities¹. We use the power of technology and transparency to connect companies with investors and broker dealers to intelligently analyze, value and trade securities. The OTCQX rules require companies to meet high standards, make adequate, current information publicly available, provide timely public disclosure of any news or information which might reasonably be expected to materially affect the market for its securities, and demonstrate compliance with securities laws and regulations. By agreeing to these rules, an OTCQX Company will support the best public market, with a fair and efficient trading experience, increased confidence in its operations and an enhanced reputation with shareholders and the general public.

We urge all OTCQX company directors, officers, and persons responsible for the accuracy and adequacy of disclosure, as well as their outside advisors, to understand these OTCQX Rules and to act with integrity and the highest standards in meeting their responsibilities and obligations. Transparency builds trust, and the unique success of each OTCQX company will be a reflection on the good will and efforts of the people involved.

1.1 Application of OTCQX Rules for U.S. Companies

These OTCQX Rules for U.S. Companies consist of certain regulations adopted and published by OTC Markets Group, which prescribe the rights, privileges and obligations of Companies with securities qualified to be traded on the OTCQX market and the nature of the securities that may be traded in any particular premium tier. The Rules are necessarily principles-based and should be understood as instituting standards for conduct, rather than rules establishing minimum compliance requirements. Accordingly, the Rules are intended to outline for Companies and investors the standards a Company must meet to qualify for trading on the OTCQX market and describe the initial and ongoing disclosure OTCQX Companies must provide to the investing public.

1.2 Amendment of OTCQX Rules for U.S. Companies

OTC Markets Group may, in its sole and absolute discretion, amend these Rules, whenever it determines that an amendment is necessary or desirable to enhance the quality of the market represented by OTCQX, to improve the disclosure of OTCQX Companies for the benefit of public investors, or for any other reason. Each amendment shall be effective 30 days subsequent to its publication in an OTCQX Rules for U.S. Companies Release.

¹ *These Rules have not been reviewed by the U.S. Securities and Exchange Commission or any state securities regulator, although OTC Markets Group as a matter of policy welcomes comments and suggestions from these and other regulators.*

1.3 Defined Terms

Capitalized terms used herein are defined in Part 7 of these OTCQX Rules for U.S. Companies.

2 Requirements for Admission

OTCQX for U.S. Companies is comprised of two distinct tiers, OTCQX U.S. and, for companies able to meet our highest standards, OTCQX U.S. Premier.

2.1 OTCQX U.S. Tier - Initial Eligibility Criteria

To be considered for admission to the OTCQX U.S. tier, a Company shall:

- a) Meet one of the following exemptions, consistent with the definition of a “Penny Stock” under Rule 3a51-1 under the Securities Exchange Act of 1934. Financial criteria for these exemptions must be met based on audited financial reports dated within 15 months prior to the Company’s Application Day.
 1. Net tangible assets of \$2,000,000, if the Company has been in continuous operation for at least three years, or \$5,000,000, if the Company has been in continuous operation for less than three years²;
 2. Average revenue of at least \$6,000,000 for the last three years³; or
 3. A bid price of \$5 per share as of the close of business on each of the 30 consecutive calendar days immediately preceding the Company’s Application Day, and as of the most recent fiscal year end have at least one of the following:
 - A. Net income of \$500,000;
 - B. Net tangible assets of \$1,000,000;
 - C. Revenues of \$2,000,000; or
 - D. Total assets of \$5,000,000;

In the event that there has not been a prior public market for the Company’s securities in the U.S., and FINRA has approved a Form 211 with a bid price greater than \$5 per share, then the Company may apply in writing for an exemption from the requirement to maintain a bid price over \$5 per share as of the close of business on each of the 30 consecutive days prior to the Company’s Application Day, which exemption may be granted by OTC Markets Group in its sole and absolute discretion. In such a case, the Company may demonstrate compliance with Section 2.1(a)(3)(A) - (D) using its most recent annual, quarterly or current event report filed through EDGAR or the OTC Disclosure & News Service, or a pro-forma financial statement (signed and certified by the CEO or CFO) posted through EDGAR or the OTC Disclosure & News Service.

- b) Have proprietary priced quotations published by at least one Market Maker in OTC Link ATS;

² Company relying on 2.1(a)(1) may demonstrate compliance using an interim audited balance sheet dated within 135 days prior to the Company’s Application Day.

³ Company relying on 2.1(a)(2) must have at least three years of operations and reported revenue.

- c) Have a primary class of securities with a minimum bid price of \$0.25 per share as of the close of business on each of the 30 consecutive calendar days immediately preceding the Company's Application Day. OTC Markets Group may consider an exemption to this requirement in the following circumstances:
1. There has been no prior public market for the Company's securities in the U.S., and FINRA has recently approved a Form 211 relating to the Company's securities with a bid price equal to or greater than \$0.25; or
 2. The Company is applying for admission to OTCQX immediately subsequent to delisting from a national securities exchange and has a minimum bid price of at least \$0.10;

An exemption from the minimum bid price requirement of this Section 2.1(c) may be granted by OTC Markets Group in its sole and absolute discretion. Any such exemption is conditioned upon the bid price for such Company's securities remaining over \$0.25 or \$0.10, respectively, for the Company's first 30 days on OTCQX;

- d) Have a Market Capitalization of at least \$10 million on each of the 30 consecutive calendar days immediately preceding the Company's Application Day. In the event that there has been no prior public market for the Company's securities, then OTC Markets Group may, in its sole and absolute discretion, grant an exemption from the 30 consecutive calendar day look back period;
- e) Have ongoing operations and not be a Shell Company or Blank-Check Company;
- f) Not be subject to any Bankruptcy or reorganization proceedings;
- g) Be duly organized, validly existing and in good standing under the laws of each jurisdiction in which the Company is organized or does business;
- h) Have at least 50 Beneficial Shareholders, each owning at least 100 shares;
- i) Have a freely traded Public Float of at least 10% of the total shares issued and outstanding of the class of security to be traded on OTCQX.⁴

A Company applying to OTCQX with a freely traded Public Float above 5% but below 10% of the total shares issued and outstanding, and a market value of Public Float of at least \$2 million, or that has a separate class of securities traded on a national exchange, may apply in writing to OTC Markets Group for an exemption from this Section 2.1(i), which exemption may be granted by OTC Markets Group in its sole and absolute discretion.

- j) Have (i) an audited balance sheet dated within the prior 15 months, and audited statements of income, cash flows and changes in stockholders' equity for the fiscal year immediately preceding the date of such audited balance sheet (or such shorter period as the Company has been in existence), with each such financial disclosure prepared in accordance with U.S. GAAP and audited by an auditor registered with the Public Company Accounting Oversight Board (PCAOB); and (ii) interim financial reports, which may be unaudited, prepared in conformance with U.S. GAAP, each including a balance sheet as of the end of the Company's most recent fiscal quarter, income statement, and statement of cash flows for the interim period up to the date of such balance sheet and the comparable period of the preceding fiscal year.

⁴ Companies that were on OTCQX as of May 2, 2019 are not be subject to the ongoing public float requirements under Section 2.1(i) until May 2, 2021. All other companies are subject to these requirements effective May 2, 2019.

2.2 OTCQX U.S. Premier Tier - Initial Eligibility Criteria

To be considered for admission to the OTCQX U.S. Premier tier, the Company shall:

a) Meet one of the below standards:

1. Market Value Standard: Have at least (a) \$15 million in Public Float and (b) a Market Capitalization of at least \$50 million, each as of the close of business on each of the 30 consecutive calendar days immediately preceding the Company's Application Day; or
2. Net Income Standard: Have at least (a) \$1 million in Public Float; (b) a Market Capitalization of at least \$10 million, each as of the close of business on each of the 30 consecutive calendar days immediately preceding the Company's Application Day; and (c) \$750,000 in net income as of the company's most recent fiscal year end;

b) Have proprietary priced quotations published by at least one Market Maker in OTC Link ATS;

c) Have a primary class of securities with a minimum bid price of \$4.00 per share as of the close of business on each of the 30 consecutive calendar days immediately preceding the Company's Application Day. OTC Markets Group may consider an exemption to this requirement in the following circumstances:

1. There has been no prior public market for the Company's securities in the U.S. and FINRA has recently approved a Form 211 relating to the Company's securities with a bid price equal to or greater than \$4.00⁵; or
2. The Company is applying for admission to OTCQX immediately subsequent to delisting from a national securities exchange, and has a minimum bid price of at least \$1.00;

An exemption from the minimum bid price requirement of this Section 2.2(c) may be granted by OTC Markets Group in its sole and absolute discretion. Any such exemption is conditioned upon the bid price for such Company's securities remaining over \$4.00 or \$1.00, respectively, for the Company's first 30 days on OTCQX;

d) Meet one of the following exemptions, consistent with the definition of a "Penny Stock" under Rule 3a51-1 under the Securities Exchange Act of 1934. Financial criteria for these exemptions must be met based on audited financial reports dated within 15 months prior to the Company's Application Day.

1. Net tangible assets of \$2,000,000; or
2. Average revenue of at least \$6,000,000 for the last three years;⁶

e) Have a three-year operating history;

f) Have at least \$4 million in stockholders' equity;

g) Have ongoing operations and not be a Shell Company or Blank-Check Company;

h) Not be subject to any Bankruptcy or reorganization proceedings;

⁵ A Company relying on 2.2(c)(1) may demonstrate compliance using an interim audited balance sheet dated within 135 days prior to the Company's Application Day.

⁶ Company relying on 2.2(d)(2) must have at least three years of reported revenue.

- i) Be duly organized, validly existing and in good standing under the laws of each jurisdiction in which the Company is organized or does business;
- j) Have at least 100 Beneficial Shareholders, each owning at least 100 shares;
- k) Have at least 500,000 shares in the Public Float resulting in at minimum 10% of the total shares issued and outstanding of the class of security to be traded on OTCQX.⁷

A Company applying to OTCQX with a freely traded Public Float above 5% but below 10% of the total shares issued and outstanding, and a market value of Public Float of at least \$2 million, or that has a separate class of securities traded on a national exchange, may apply in writing to OTC Markets Group for an exemption from this Section 2.2(l), which exemption may be granted by OTC Markets Group in its sole and absolute discretion; and

- l) Have (i) an audited balance sheet dated within the prior 15 months and audited statements of income, cash flows and changes in stockholders' equity for the fiscal year immediately preceding the date of such audited balance sheet, with each such financial disclosure made in accordance with U.S. GAAP, audited by an auditor registered with the Public Company Accounting Oversight Board (PCAOB); and (ii) unaudited interim financial reports, prepared in accordance with U.S. GAAP, each including a balance sheet as of the end of the Company's most recent fiscal quarter, income statement, and statement of cash flows for the interim period and the comparable period of the preceding fiscal year.

2.3 OTCQX Special Purpose Acquisition Company Eligibility Criteria

OTC Markets Group will consider on a case-by-case basis the appropriateness of considering for admission a Special Purpose Acquisition Company ("SPAC") with substantial cash or investments and no prior operating history. To be considered for admission to OTCQX, the SPAC must satisfy all of the eligibility requirements for the OTCQX U.S tier (set forth in Section 2.1 above, and 2.5 below), with the exception of 2.1(e), and must satisfy the following additional requirements:

- a) Have at least \$20 million in Public Float;
- b) Have a minimum bid price of \$5.00 per share as of the close of business on each of the 30 consecutive calendar days immediately preceding the Company's application for OTCQX; and
- c) Be an SEC Reporting Company.

2.4 OTCQX Real Estate Investment Trust Eligibility Criteria

OTC Markets Group will consider on a case by case basis the appropriateness of considering for admission a Real Estate Investment Trust ("REIT") with no operating history but a comprehensive prospectus with details on the REIT's expected investments filed on EDGAR. To be considered for admission to OTCQX, a REIT must satisfy all of the eligibility requirements for the OTCQX U.S tier (set forth in Section 2.1 above, and 2.5 below) with the exception of 2.1(e), and must satisfy the following additional requirements:

- a) Have stockholders' equity of at least \$10 million evidenced in (i) its most recent audited financial statements or (ii) a quarterly or current event report with pro-forma financial statements (signed

⁷ Companies on OTCQX as of May 2, 2019 will not be subject to the ongoing public float requirements under Section 2.1(i) until May 2, 2021. All other companies are subject to these requirements effective May 2, 2019.

and certified by the CEO or CFO), in each case filed on EDGAR or posted through the OTC Disclosure & News Service;

- b) Maintain its status as a REIT under the Internal Revenue Code; and
- c) Be an SEC Reporting Company or a Regulation A Reporting Company.

2.5 OTCQX Corporate Governance Eligibility Criteria

In addition to meeting the eligibility criteria under Sections 2.1 through 2.4, as applicable, all OTCQX U.S. and OTCQX U.S. Premier tier Companies are required to meet high standards of corporate governance as outlined below:

- a) Have a board of directors that includes at least two Independent Directors⁸;
- b) Have an Audit Committee, a majority of the members of which are Independent Directors; and
- c) For a Company with common stock, voting preferred stock, or their equivalent, conduct annual shareholders' meetings and make annual financial reports available to its shareholders at least 15 calendar days prior to such meetings.

Trusts, funds, and other similar Companies may be exempted from these corporate governance requirements. The Company must apply in writing to OTC Markets Group for an exemption under this Section 2.5, which exemption may be granted by OTC Markets Group in its sole and absolute discretion.

A Company applying to OTCQX in connection with its initial public trading, in conjunction with a Form 211 filed with FINRA to initiate quotations in the Company's securities on OTC Link ATS, shall be permitted to phase in its compliance with the Corporate Governance Eligibility Criteria set forth in this Section 2.5 as follows:

1. At least one member of the Board of Directors and the Audit Committee must be an Independent Director on the Company's Application Day;
2. At least two members of the Board of Directors and a majority of the members of the Audit Committee must be an Independent Director within the later of 90 days after the Company begins trading on OTCQX, or the time of the Company's next shareholder meeting. In any event, the Company's next shareholder meeting must be held within one year of the Company joining OTCQX.

This Section 2.5 does not supplant any applicable state or Federal Securities Laws concerning annual meetings.

2.6 Requirement to Select an OTCQX Sponsor

- a) Except as provided below, a Company that is applying for admission to OTCQX must select an OTCQX Sponsor approved by OTC Markets Group, for the purpose of having such Sponsor

⁸ Prior to January 1, 2021, U.S. Companies traded on OTCQX as of December 12, 2019 will not be subject to the Independent Director definition adopted on December 12, 2019 until January 1, 2021. Prior to January 1, 2021, these companies remain subject to the previous Independent Director definition, which stated "Independent Director" shall mean a person other than an executive officer or employee of the Company or any other individual having a relationship which, in the opinion of the Company's board of directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

submit a Letter of Introduction to OTC Markets Group. The Company may select an OTCQX Sponsor only if:

1. The OTCQX Sponsor is included on OTC Markets Group's OTCQX Sponsor List; or
 2. The OTCQX Sponsor's "Application to Serve as an OTCQX Sponsor" has been approved by OTC Markets Group and the OTCQX Sponsor has executed an "Agreement to Serve as an OTCQX Sponsor."
- b) An SEC Reporting Company with a class of securities that has been publicly traded for at least one year may be exempt from the requirement to select an OTCQX Sponsor. A Company granted this exemption must submit a Letter of Introduction from their outside securities counsel.
- c) A Company that applies to join OTCQX immediately subsequent to delisting from a national securities exchange including the New York Stock Exchange, NYSE MKT or Nasdaq, and is in good standing with the exchange at the time of delisting, may be exempt from the requirement to select an OTCQX Sponsor or submit a Letter of Introduction.
- d) A Company with a class of securities listed on a national securities exchange including the New York Stock Exchange, NYSE MKT or Nasdaq, that applies to have a separate class of securities traded on OTCQX may be exempt from the requirement to select an OTCQX Sponsor or submit a Letter of Introduction.

Companies that may be exempt under Sections 2.6 (b), (c) or (d) above must apply in writing to OTC Markets Group for such an exemption, which may be granted by OTC Markets Group in its sole and absolute discretion. Additional information relating to OTCQX Sponsors and the Letter of Introduction, is contained in Part 4 of these OTCQX Rules for U.S. Companies.

2.7 Transfer Agent Criteria

A U.S. Company must retain a transfer agent that participates in the Transfer Agent Verified Shares Program. Additionally, the Company must authorize its transfer agent to provide to OTC Markets Group, upon its request, information related to the Company's securities, including but not limited to, shares authorized, shares issued and outstanding, and share issuance history.

2.8 Application Materials

A U.S. Company that desires to apply for admission to OTCQX must submit the following materials (collectively referred to as the "**OTCQX Application Materials for U.S. Companies**"), completed and signed, to OTC Markets Group Inc., via email at OTCQXApplications@otcmarkets.com or to OTC Markets Group Inc., 100 M Street SE, #220, Washington, D.C. 20003. A Company's application for admission to OTCQX will not be deemed complete until all of the OTCQX Application Materials for U.S. Companies are received by OTC Markets Group. The OTCQX Application Materials for U.S. Companies are as follows:

- a) OTCQX Application for U.S. Companies;
- b) OTCQX Application Fees (see Section 5.1 of these Rules);
- c) OTCQX Agreement for U.S. Companies, including exhibits and the Cover Sheet;
- d) Background Check Authorization Form and, if required, a Personal Information Form for each Executive Officer, Director, and beneficial owner of 5% or more of a class of the Company's securities. OTC Markets Group may exempt the Company from the requirement to submit Personal Information Forms if the Company is applying for admission to OTCQX immediately

subsequent to delisting from a national securities exchange including the New York Stock Exchange, NYSE MKT or Nasdaq;

- e) Current shareholder list provided by the Company's transfer agent;
- f) If the desired OTCQX Sponsor is not already included in the OTCQX Sponsor List, the desired OTCQX Sponsor must submit (i) an "Application to Serve as an OTCQX Sponsor," (ii) an "Agreement to Serve as an OTCQX Sponsor," and (iii) the OTCQX Sponsor's Application Fee (see Section 5.2 of these Rules);
- g) A high-resolution copy of the Company's logo.

2.9 Delivery Confirmation

The Company and its OTCQX Sponsor will be sent an email confirmation upon OTC Markets Group's receipt of (i) the OTCQX Application for U.S. Companies and (ii) all of the OTCQX U.S. Application Materials (usually within five business days of the receipt of such documents). Inquiries relating to the receipt of any OTCQX U.S. Application Materials should be sent to OTCQXApplications@otcmarkets.com, with subject line "OTCQX Application Receipt Status."

2.10 Posting and Notification of a Company's Initial Disclosure

Once a Company's OTCQX Application Materials for U.S. Companies and Application Fee have been received and reviewed by OTC Markets Group, the Company will be granted access to the OTC Disclosure & News Service to post its initial disclosure in compliance with Section 2.11 below ("**Initial Disclosure**").

The Company shall notify OTC Markets Group when the Company's Initial Disclosure has been posted.

2.11 Company's Initial Disclosure Obligations

The Company shall make the following **Initial Disclosure** available to the public prior to admission to OTCQX:

- a) If the Company is an SEC Reporting Company, the Company must have filed all reports required to be filed thereunder on EDGAR.
- b) If the Company is a Regulation A Reporting Company, the Company must have filed all reports required to be filed on EDGAR.⁹
- c) If the Company is not an SEC Reporting Company or a Regulation A Reporting Company, the Company must post, through the OTC Disclosure & News Service, an information statement prepared in accordance with the OTCQX U.S. and OTCQB Disclosure Guidelines ("**Disclosure Guidelines**"), including the financial statements required therein. If the Company was an SEC Reporting Company immediately prior to joining OTCQX and has a current 10-K on file with the SEC, or was a Regulation A Reporting Company immediately prior to joining OTCQX and has a current 1-K on file with the SEC, the Company is not required to post an information statement through the OTC Disclosure & News Service, but subsequent to joining OTCQX must post all annual, quarterly, interim and current reports required pursuant to the Disclosure Guidelines.

⁹ The most recent financial statements required to be audited under Regulation A must be audited by auditor registered with the PCAOB.

2.12 Letter of Introduction

Subject to Section 2.6 herein, subsequent to the Company posting its Initial Disclosure, the OTCQX Sponsor or the Company's outside securities counsel, as applicable, shall submit to OTC Markets Group a Letter of Introduction, containing the information described in Section 4.3 or 4.4, below.

2.13 OTC Markets Group Review of Application

Upon receipt of an OTCQX Application for U.S. Companies, OTC Markets Group may:

- a) Require the Company, with the assistance of the Company's OTCQX Sponsor or outside securities counsel, as applicable, to confirm, clarify or modify any information contained in the OTCQX U.S. Application Materials;
- b) Require the Company to provide a further undertaking, or fulfill a further condition, prior to admission;
- c) Delay admission pending the completion of further due diligence; or
- d) Refuse the application for any reason, including but not limited to stock promotion, dilution risk, or use of "toxic" financiers if it determines the admission of the Company's securities for trading on OTCQX would be likely to impair the reputation or integrity of OTC Markets Group or be detrimental to the interests of investors.

2.14 Application Approval and Supplemental Submission

The Company and its OTCQX Sponsor or outside securities counsel, as applicable, will be notified in writing of the outcome of the Company's OTCQX Application for U.S. Companies. If OTC Markets Group approves a Company's OTCQX Application for U.S. Companies, the Company shall submit to OTC Markets Group, within 30 calendar days of the date of the written approval notice, a list of any material changes that would affect the information presented in the original OTCQX Application Materials for U.S. Companies.

3 Requirements for Continued Qualification

3.1 Ongoing Responsibilities of the Company

- a) *Compliance with Rules.* The Company is responsible for compliance with these OTCQX Rules for U.S. Companies and is solely responsible for the content of the Information.
- b) *Compliance with Laws.* The Company shall comply with applicable Federal Securities Laws and U.S. state securities laws and shall cooperate with any U.S. federal or state securities regulator or any U.S. self-regulatory organization.
- c) *Payment of Fees.* The Company shall pay an Annual Fee each year in which its securities continue to be traded on OTCQX. The Annual Fee is set forth in Section 5.1(b) of these OTCQX Rules for U.S. Companies.

- d) *Sales of Company Securities by Affiliates.* Prior to transacting in the Company's securities through a broker-dealer, each officer, director or other Affiliate of the Company (within the meaning of Rule 144(a)(1) under the Securities Act) shall make its status as an Affiliate of the Company known to the broker-dealer.
- e) *Distribution and Publication of Proxy Statements.* The Company shall solicit proxies for all meetings of shareholders. If the Company is an SEC Reporting Company or a Regulation A Reporting Company, the Company shall publish, on EDGAR through SEC Form DEF 14A or Form 1-U respectively, copies of all proxies, proxy statements and all other material mailed by the Company to its shareholders with respect thereto, within 15 days of the mailing of such material. If the Company is not an SEC Reporting Company or a Regulation A Reporting Company, the Company shall publish, through the OTC Disclosure & News Service, copies of all proxies, proxy statements and all other material mailed by the Company to its shareholders with respect thereto, within 15 days of the mailing of such material.
- f) *Redemption Requirements.* The Company shall not select any of its securities traded on OTCQX for redemption otherwise than by lot or pro rata and will not set a redemption date earlier than 15 days after the date a corporate action is taken to authorize the redemption.
- g) *Changes in Form or Nature of Securities.* The Company shall not make any change in the form or nature of any of its securities traded on OTCQX, nor in the rights or privileges of the holders thereof, without having given 20 days' prior notice to OTC Markets Group of the proposed change.
- h) *Transfer Agent.* The Company shall maintain a transfer agent that participates in the Transfer Agent Verified Shares Program upon the Company's qualification for trading on OTCQX and at all times thereafter. Upon the Company's appointment of any such transfer agent the Company shall notify OTC Markets Group of the name and current address of such transfer agent. The Company shall authorize its transfer agent to provide share information to OTC Markets Group, in accordance with Section 2.7 above.
- i) *Accounting Methods.* The Company will not make any substantial change, nor will the Company permit any subsidiary directly or indirectly controlled by the Company to make any substantial change, in accounting methods, in policies as to depreciation and depletion or in bases of valuations of inventories or other assets, without notifying OTC Markets Group and disclosing the effect of any such change in the Company's next succeeding quarterly and annual financial reports.
- j) *Changes in Auditors.* The Company will promptly notify OTC Markets Group if the Company changes its independent public accountants regularly auditing the books, accounts and reports of the Company.
- k) *Responding to OTC Markets Group's Requests.* The Company will confirm, clarify or modify any statement contained in the Company's Information, if requested to do so by OTC Markets Group, and will respond to inquiries and requests from OTC Markets Group from time to time, including submission of updated Personal Information Forms, Background Check Authorization Forms or any request to provide a further undertaking or fulfill a further condition.
- l) *Company's Ongoing Disclosure Obligations.*
 - 1. *Financial Reporting Requirements:*
 - A. *SEC Reporting Companies.* A Company that is an SEC Reporting Company must file, on an ongoing basis, all annual, quarterly and other interim reports required to be filed on EDGAR.

- B. *Regulation A Reporting Companies.* If the Company is a Regulation A Reporting Company, the Company must file, on an ongoing basis, all annual, semi-annual and other interim reports required to be filed on EDGAR under Regulation A, and within 45 days of the end of the first and third fiscal quarters where the company is not already required to file an annual or semiannual report must publish on EDGAR through Form 1-U quarterly disclosure including all information required in the Company's semi-annual report.
- C. *Non-SEC Reporting Companies.* A Company that is not an SEC Reporting Company or a Regulation A Reporting Company must comply, on an ongoing basis, with the annual, quarterly and current reporting obligations contained in the Disclosure Guidelines, including but not limited to the financial report requirements contained therein.
- D. *Notice of Inability to Timely Post Reports.* If any Company that is not an SEC Reporting Company or a Regulation A Reporting Company fails to post, on a timely basis, any annual, semi-annual, quarterly or interim report required by the Disclosure Guidelines, such Company must post through the OTC Disclosure & News Service, no later than one business day after the due date for such report, a notice containing the following requirements:
 - i. The notice must be entitled "Notification of Late Filing;" and
 - ii. The notice must state the name of the Company, the type of report (annual, quarterly or interim) that is or will be late, the reason why the report is or will be late, and the date that the Company expects to post the report.

A Notification of Late Filing will extend the Company's due date for a quarterly report by 5 calendar days and an annual report by 15 calendar days.

2. *Timely Disclosure of Material News Releases/Developments:*

- A. An OTCQX Company is expected to release quickly to the public any news or information which might reasonably be expected to materially affect the market for its securities. This is one of the most important and fundamental purposes of the OTCQX market.
- B. An OTCQX Company should also act promptly to dispel unfounded rumors that result in unusual market activity or price variations.
- C. Information required to be released quickly to the public under this Section 3.1 (l)(2) should be disclosed in a press release through the OTC Disclosure & News Service or an Integrated Newswire (or a combination of methods).

Annual and quarterly earnings, dividend announcements, mergers, acquisitions, tender offers, stock splits, major management changes, and any substantive items of unusual or non-recurrent nature are examples of news items that should be handled on an immediate release basis. News of major new products, contract awards, expansion plans, and discoveries very often fall into the same category. Unfavorable news should be reported as promptly and candidly as favorable news. Reluctance or unwillingness to release a negative story or an attempt to disguise unfavorable news endangers management's reputation for integrity. Changes in accounting methods to mask such occurrences can have a similar impact.

It should be the Company's primary concern to assure that news will be handled in proper perspective. This necessitates appropriate restraint, good judgment, and careful adherence to the facts. Any projections of financial data, for instance, should be soundly based, appropriately qualified, conservative and factual. Excessive or misleading conservatism should be avoided. Likewise, the repetitive release of essentially the same information is not appropriate. Few things are more damaging to a Company's shareholder relations or to the general public's regard for a Company's securities than information improperly withheld. On the other hand, a volume of press releases is not to be used since important items can become confused with trivia.

Premature announcements of new products whose commercial application cannot yet be realistically evaluated should be avoided, as should overly optimistic forecasts, exaggerated claims and unwarranted promises. Should subsequent developments indicate that performance will not match earlier projections; this too should be reported and explained. Judgment must be exercised as to the timing of a public release on those corporate developments where disclosure would endanger the Company's goals or provide information helpful to a competitor. In these cases, the Company should weigh the fairness to both present and potential shareholders who at any given moment may be considering buying or selling the Company's stock.

3. *Disclosure of Convertible Debt Arrangements.* The Company will promptly disclose all issuance of any promissory notes, convertible notes, convertible debentures, or any other debt instruments that may be converted into a class of the issuer's equity securities. Such disclosure should include copies of the securities purchase agreement(s) or similar agreement(s) setting forth the terms of such arrangement, any related promissory notes or similar evidence of indebtedness, and any irrevocable transfer agent instructions. Companies should make such disclosure either through the SEC's EDGAR system or the OTC Disclosure & News Service, as applicable.
 4. *Compliance with Blue Sky Laws.* OTCQX has been recognized for the purposes of many U.S. state Blue Sky laws governing registration requirements for secondary market transactions. The initial and ongoing disclosure required by these OTCQX rules may satisfy the applicable secondary trading exemptions for transactions in OTCQX securities, subject to additional conditions under each state's applicable regulations.
 5. *Maintain Verified Company Profile.* At least once every six months, the Company must verify its Company Profile via www.otciq.com with the information required to maintain the "Verified Company Profile" designation on the Company Profile page on www.otcmarkets.com. This includes verification of certain required information, such as officers, directors and securities counsel.
- m) *OTCQX Sponsor.* A Company may voluntarily retain an OTCQX Sponsor to provide ongoing advice and services. Such advisor will have no formal role under these OTCQX Rules.
- n) *Procedures for Change in Control.* The Company shall notify OTC Markets Group upon the completion of any transaction resulting in a Change in Control. OTC Markets Group may from time to time independently determine that the Company has undergone a Change in Control, and in such case will notify the Company of its determination. Subsequent to each Change in Control, the Company must submit to OTC Markets Group a Change in Control notification as well as a new OTCQX Application for U.S. Companies and Application Fee within 20 calendar days. A Company that fails to submit the required documentation and fees subsequent to a Change in Control may be suspended or removed from OTCQX in OTC Markets Group's sole and absolute discretion.

3.2 Standards for Continued Qualification

- a) The Company must maintain compliance with the eligibility criteria set forth in Sections 2.1 (a), 2.1 (e) – (j), 2.2 (d), (g) – (l), 2.3 - 2.5, as applicable, of these OTCQX Rules for U.S. Companies.
- b) *OTCQX U.S. Tier.* To remain eligible for trading on the OTCQX U.S. tier, the Company must have:
 - 1. A minimum bid price of \$0.10 per share as of the close of business for at least one of every 30 consecutive calendar days;
 - 2. A Market Capitalization of at least \$5 million for at least one of every 30 consecutive calendar days; and
 - 3. At least 2 Market Makers publish priced quotations on OTC Link ATS within 90 days of the Company joining OTCQX.

In the event that the Company's bid price, the Market Capitalization, or the number of Market Makers fall below the minimum criteria established in the Section 3.2(b), a cure period of 180 calendar days to regain compliance shall begin, during which time the applicable criteria must be met for 10 consecutive trading days.

- c) *OTCQX U.S. Premier Tier.* To remain eligible for trading on the OTCQX U.S. Premier tier, the Company must have:
 - 1. A minimum bid price of \$1.00 per share as of the close of business for at least one of every 30 consecutive calendar days;
 - 2. Meet one of the following standards:
 - A. Market Value Standard: Have at least (a) \$15 million in Public Float and (b) a Market Capitalization of at least \$35 million, each for at least one of every 30 consecutive calendar days; or
 - B. Net Income Standard: Have at least (a) \$1 million in Public Float; (b) a Market Capitalization of at least \$5 million, each for at least one of every 30 consecutive calendar days; and (c) at least \$500,000 in net income in the most recently reported fiscal year;
 - 3. At least \$1 million in stockholders' equity; and
 - 4. At least 4 Market Makers publish priced quotations on OTC Link ATS within 90 days of the Company joining OTCQX.
- d) *Corporate Governance Standards.* If the Company fails to comply with the Independent Directors requirement or the Audit Committee composition requirement as set forth in Sections 2.5(a) and (b) of these Rules, the Company shall:
 - 1. Notify OTC Markets Group immediately upon learning of the event or circumstance that caused the noncompliance; and
 - 2. Regain compliance with the requirement by the earlier of its next annual shareholders meeting or the date that is one year from the occurrence of the event that caused the noncompliance.

4 OTCQX Sponsor Role

4.1 Requirements of an OTCQX Sponsor

- a) *Eligibility.* To be eligible to serve as an OTCQX Sponsor, an attorney or investment bank must meet the eligibility requirements set forth in Part B of the “Application to Serve as an OTCQX Sponsor,” as applicable.
- b) *Role of the OTCQX Sponsor.* An OTCQX Sponsor’s primary role is to use its best efforts in reviewing the business of the Company and its securities to the extent required to render advice to the Company with respect to its OTCQX eligibility and to write the Letter of Introduction. The OTCQX Sponsor is expected to sponsor companies it reasonably believes have the quality of public disclosure, operations and management teams that will enhance the OTCQX Sponsor’s own reputation. An OTCQX Sponsor should also consider the harm to its own reputation and OTCQX that can occur from sponsoring companies that are likely to have questionable public disclosure, operations or management teams. In fulfilling its obligations under these OTCQX Rule for U.S. Companies, the OTCQX Sponsor shall:
 - 1. Educate the Company to enable it to understand its responsibilities under these OTCQX Rules for U.S. Companies and, if applicable, the Disclosure Guidelines;
 - 2. Provide assistance to the Company in connection with the Company’s response to requests and inquiries from OTC Markets Group;
 - 3. Perform such initial review of the Company’s Information, Background Check Forms and, if applicable, Personal Information Forms, business and securities sufficient to make the statements required to be made in the Letter of Introduction (see 4.4 below);
 - 4. Submit a Letter of Introduction to OTC Markets Group on behalf of the Company in accordance with Section 4.4 of these Rules.

4.2 Duty to Provide Information to OTCQX Sponsor or Outside Securities Counsel

In connection with the provision of the Letter of Introduction to OTC Markets Group, the Company shall provide the OTCQX Sponsor or outside securities counsel, as applicable, with the following:

- a) access to information regarding the Company, including confidential and proprietary information;
- b) access to its personnel;
- c) Background Check Authorization Forms, and Personal Information Forms, except that the Company need not provide Personal Information Forms if the Company is exempt per Section 2.8 (d) of these OTCQX Rules for U.S. Companies;
- d) responses to requests for information or documents; and
- e) material information relating to the Company.

4.3 Letter of Introduction by OTCQX Sponsors

The OTCQX Sponsor may provide OTC Markets Group with a Letter of Introduction in connection with the Company's application for OTCQX.

Each letter shall state that it may be relied upon only by OTC Markets Group for purposes of qualification for trading of the Company's securities on OTCQX, but not by any other Person or for any other reason, and that the Company and its management are solely responsible for the content of the Information, except that the OTCQX Sponsor is responsible for any disclosure in the Information relating to any conflict of interest that may affect the advice given by the OTCQX Sponsor to the Company. The Letter of Introduction will also, in substance, make the following additional statements:

a) OTCQX Sponsor *Qualifications*.

1. *Qualifications for Attorneys.* ~~The OTCQX Sponsor is an attorney or a law firm, and each~~~~OTCQX Sponsor is an attorney or a law firm with its headquarters in the U.S. or Canada,~~~~and e~~~~Each~~ attorney who will provide services as an OTCQX Sponsor is licensed to practice law in good standing in the U.S. and is not subject to any disciplinary actions within the last five years in each ~~U.S., Canadian or other~~ jurisdiction in which such Person, or in the case of a law firm, each Person that performs services as an OTCQX Sponsor, is licensed to practice law. The OTCQX Sponsor is not currently subject to any sanctions resulting from any disciplinary actions from any U.S., Canadian or other federal or state securities regulator, or from any self-regulatory organization that would prohibit or restrict its ability to serve as an OTCQX Sponsor. The OTCQX Sponsor has been approved by OTC Markets Group to serve as an OTCQX Sponsor, continues to satisfy the standards for serving as an OTCQX Sponsor, as provided in its "Application to Serve as an OTCQX Sponsor" and in the OTCQX Rules for U.S. Companies, and is competent and able to serve and to exercise independent judgment as the Company's OTCQX Sponsor without reservation; or
2. *Qualifications for Investment Banks.* The OTCQX Sponsor is a U.S. registered broker-dealer and a member in good standing with FINRA. The OTCQX Sponsor is not currently subject to any sanctions resulting from any disciplinary actions from any federal or state securities regulator, or from any self-regulatory organization that would prohibit or restrict his or her ability to serve as an OTCQX Sponsor. The OTCQX Sponsor has been approved by OTC Markets Group to serve as an OTCQX Sponsor, continues to satisfy the standards for serving as an OTCQX Sponsor as provided in the "Application to Serve as an OTCQX Sponsor," and in the OTCQX Rules for U.S. Companies, and is competent and able to serve and to exercise independent judgment as the Company's OTCQX Sponsor without reservation.

- b) *OTCQX Sponsor's Selection.* The OTCQX Sponsor has been engaged by the Company to provide this Letter of Introduction to OTC Markets Group.
- c) *Company's Primary Disclosure Counsel.* Identify the law firm or attorney(s) that acted as the Company's primary legal counsel in preparing its most recent annual report.
- d) *Company's Formal Compliance.* The OTCQX Sponsor has reviewed the Information and made such inquiries as it deemed appropriate. On the basis of these reviews, and affirmations made by the company, the OTCQX Sponsor makes the following affirmations:

1. The Company meets the initial eligibility criteria set forth in Sections 2.1, 2.2, 2.3, 2.4 and 2.5 of these OTCQX Rules for U.S. Companies, as applicable;
 2. The Information complies as to form with the Disclosure Guidelines or, if the Company is an SEC Reporting Company, with the requirements prescribed by the Commission for reports filed under Section 13 or 15(d) of the Exchange Act, or if the Company is Regulation A Reporting, with the reporting obligations under Tier 2 of Regulation A under the Securities Act;
 3. The Information is posted through the OTC Disclosure & News Service or on EDGAR, and, assuming that such posting makes the Information “publicly available” within the meaning of Rule 144(c) under the Securities Act, the Information complies as to form with the requirement to make adequate current information publicly available within the meaning of Rule 144(c)(1) or (c)(2) under the Securities Act;
 4. The Company is an operating Company with ongoing operations or a SPAC that meets eligibility requirements under Section 2.3 or a Real Estate Investment Fund that meets eligibility requirements under Section 2.4, and is not a Shell Company or Blank-Check Company, using a cautious and conservative method of making this determination;
- e) *Description of OTCQX Sponsor Qualification Review.* The letter should describe in detail (i) the steps taken to determine that the Company qualifies for OTCQX and meets the eligibility criteria set forth in Section 2.1, 2.2, 2.3, 2.4 and 2.5, as applicable, of these OTCQX Rules for U.S. Companies and (ii) any other services performed by the OTCQX Sponsor on behalf of the Company.

4.4 Letter of Introduction by Outside Securities Counsel

Subject to Section 2.6(a), certain SEC Reporting Companies may provide a Letter of Introduction from their outside securities counsel in accordance with Section 2.6(b).

Each letter shall state that it may be relied upon only by OTC Markets Group for purposes of qualification for trading of the Company’s securities on OTCQX, but not by any other Person or for any other reason, and that the Company and its management are solely responsible for the content of the Information. The Letter of Introduction will also, in substance, make the following additional statements:

- a) *Qualifications of Securities Counsel.* The outside securities counsel is licensed to practice law, is in good standing in the U.S. and is not subject to any disciplinary actions within the last five years in each U.S., Canadian or other jurisdiction in which such attorney or law firm is licensed to practice law. The attorney is not currently subject to any sanctions resulting from any disciplinary actions from any U.S., Canadian or other federal or state securities regulator, or from any self-regulatory organization.
- b) *Company’s Primary Disclosure Counsel.* The outside securities counsel is engaged by the Company to act as their primary disclosure counsel and has helped the Company prepare its most recent SEC disclosure. Securities counsel shall further describe its relationship with the issuer including when they were engaged, what additional services they provide, and any other relevant information.
- c) *Company’s Formal Compliance.* The outside securities counsel has reviewed the Information and made such inquiries as it deemed appropriate. Based on these reviews, and affirmations made by the company, the attorney makes the following affirmations:

1. The Information complies as to form with the requirements prescribed by the Commission for reports filed under Section 13 or 15(d) of the Exchange Act;
2. The Information is posted on EDGAR and the Information complies as to form with the requirement to make adequate current information publicly available within the meaning of Rule 144(c)(1) or (c)(2) under the Securities Act;
3. The Company is an operating company with ongoing operations, a SPAC that meets the OTCQX eligibility requirements under Section 2.3, or a Real Estate Investment Fund that meets the OTCQX eligibility requirements under Section 2.4, and is not a Shell Company or a Blank-Check Company, using a cautious and conservative method of making this determination.
4. The Company is in good standing in each jurisdiction in which it is licensed and doing business.
5. All of the Company's outstanding securities have been authorized and issued in accordance with applicable Federal Securities and state Blue Sky laws and are fully paid and non-assessable.

5 OTCQX Fees

All OTCQX fees are published on the Corporate Services Fee Schedule, available on www.otcmarkets.com.

5.1 Company Fees

- a) *Application Fee.* At the time the Company submits its OTCQX Application for U.S. Companies to OTC Markets Group, the Company shall simultaneously pay OTC Markets Group a-the non-refundable Application Fee ~~of \$5,000 (U.S.)~~.
- b) *Annual Fee.* The Company shall annually pay to OTC Markets Group a-the non-refundable Annual Fee ~~of \$20,000 (U.S.)~~. Upon approval by OTC Markets Group of the Company's OTCQX Application for U.S. Companies, and prior to the first day of trading, the Company shall pay a pro-rata portion of the Annual Fee, as calculated by OTC Markets Group, for the remainder of the then current calendar year. The Company shall thereafter pay OTC Markets Group the non-refundable Annual Fee for the twelve-month periods that begin each January 1st, such payments to be made by December 1st of the prior calendar year.

5.2 OTCQX Sponsor Fees

- a) *OTCQX Sponsor Application Fee.* At the time the OTCQX Sponsor's submits the "Application to Serve as an OTCQX Sponsor", it shall simultaneously pay to is submitted to OTC Markets Group, ~~the OTCQX Sponsor shall pay~~ a non-refundable OTCQX Sponsor Application Fee ~~of \$1,000 (U.S.) to OTC Markets Group~~.
- b) *OTCQX Sponsor Annual Fee.* The OTCQX Sponsor shall pay to OTC Markets Group a non-refundable Annual Fee ~~(which is separate from the Application Fee) of \$1,000 (U.S.) to OTC Markets Group~~, for continued inclusion on OTC Markets Group's OTCQX Sponsor List. The OTCQX Sponsor shall thereafter pay OTC Markets Group the OTCQX Sponsor Annual Fee for the calendar twelve-month period beginning each January 1st, such payments to be made by

December 1st of the prior calendar year. OTC Markets Group waives the OTCQX Sponsor Annual Fee for the calendar year in which the Application to Serve as an OTCQX Sponsor was submitted to OTC Markets Group.

5.3 Fees Non-Refundable

No fees shall be refunded under any circumstances, including the removal of the Company from OTCQX or the removal of an OTCQX Sponsor from the OTCQX Sponsor List.

5.4 Modification of Fees

OTC Markets Group may modify the fees set forth in Sections 5.1 and 5.2 herein from time to time.

6 Removal, Withdrawal or Suspension

6.1 Removal of OTCQX Companies for Failure to Meet Requirements

OTC Markets Group may remove the Company's securities from trading on OTCQX for the Company's failure to meet any Requirement for Continued Qualification for OTCQX as set forth in Section 3, or any other obligation under these OTCQX Rules for U.S. Companies, which determination shall be made by OTC Markets Group in its sole and absolute discretion, unless such failure is cured within 30 calendar days after OTC Markets Group gives the Company notice of such failure. However, in the event that the Company's closing bid price falls below \$0.01 at any time for five consecutive trading days, the Company shall be removed from OTCQX effective immediately.

OTC Markets Group may, in its sole and absolute discretion, allow additional time to cure, *provided, however*, that to remain on OTCQX a Company must at all times post audited financials dated within 18 months as may be required to qualify for the Blue Sky secondary trading exemptions described in Section 3.1 of these OTCQX Rules.

6.2 Removal of OTCQX Companies for Public Interest Concern

OTC Markets Group may remove the Company's securities from trading on OTCQX immediately and at any time, without notice, if OTC Markets Group, in its sole and absolute discretion, believes the continued inclusion of the Company's securities would impair the reputation or integrity of OTC Markets Group or be detrimental to the interests of investors.

6.3 Removal from OTCQX U.S. Premier to OTCQX U.S.

OTC Markets Group may remove the Company's securities from trading on the OTCQX U.S. Premier tier for the Company's failure to continue to meet the eligibility criteria of the OTCQX U.S. Premier tier, which determination shall be made by OTC Markets Group in its sole and absolute discretion. If the Company's securities are removed from the OTCQX U.S. Premier tier under this Section 6.3, the Company shall have its securities traded on the OTCQX U.S. tier, provided the Company meets the requirements of the OTCQX U.S. tier.

6.4 Withdrawal of OTCQX Companies

The Company may voluntarily withdraw from OTCQX by providing OTC Markets Group with a minimum of 24 hours written notice, including the effective date of the Company's withdrawal.

6.5 Temporary Suspension

The Company understands that OTC Markets Group may, at any time, in its sole and absolute discretion, temporarily suspend the Company's inclusion on OTCQX pending the completion of further due diligence.

6.6 Continued Use of Certain Services

Subsequent to the Company's removal, withdrawal or suspension from OTCQX, the Company may continue to use any OTC Markets Group service for which it is subscribed for the remainder of the calendar year and for any subsequent period for which it has paid, except services reserved for the use of Companies with securities traded on OTCQX.

7 Definitions

Capitalized terms used in these OTCQX Rules for U.S. Companies shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Affiliate" shall mean a Person that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, an officer, a director, or a shareholder beneficially-owning 10 percent or more of the Company's outstanding shares.

"Annual Fee" shall mean the amount established from time to time by OTC Markets Group and published in the Corporate Services Fee Schedule available on www.otcmartets.com and initially set forth in these OTCQX Rules for U.S. Companies, which the Company must remit to OTC Markets Group for its securities to be traded on the OTCQX tier indicated on the Cover Sheet.

"Application Day" shall mean the calendar day on which the Company submits all required elements of the OTCQX Application Materials for U.S. Companies, as set forth in Section 2.8 of these OTCQX Rules for U.S. Companies.

"Application Fee" shall mean the amount established from time to time by OTC Markets Group and published in the Corporate Services Fee Schedule available on www.otcmartets.com and initially set forth in these OTCQX Rules for U.S. Companies, which the Company must remit to OTC Markets Group to apply for OTCQX.

"Audit Committee" shall mean a committee (or equivalent body) established by and amongst the board of directors of the Company for the purpose of overseeing the Company's accounting and financial reporting processes and audits of the Company's financial statements.

"Background Check Authorization Form" shall mean the form with the same name, as amended from time to time, that collects personal information for Persons associated with companies applying to various products or services provided by OTC Markets Group, and authorizes OTC Markets Group to conduct background checks on such Persons.

"Bankruptcy" shall mean, with respect to the Company, (i) an adjudication that it is bankrupt or insolvent, (ii) an admission of its inability to pay its debts as they mature, (iii) its making a general assignment for the benefit of creditors, (iv) its filing of a petition in bankruptcy or a petition for relief under any section of

the United States Bankruptcy Code or any other bankruptcy or insolvency statute, or (v) the involuntary filing against it of any such petition that is not discharged within 60 days thereafter.

“Blank-Check Company” shall mean an entity that (i) has no specific business plan or purpose and (ii) is issuing "penny stock," as defined in Rule 3a51-1 under the Exchange Act.

“Beneficial Shareholder” shall mean any person who, directly or indirectly has or shares voting power of such security or investment power, which includes the power to dispose, or to direct the disposition of, such security.

“Blue Sky” shall mean the securities laws, rules and regulations adopted by any state of the United States.

“Change in Control” shall mean any events resulting in:

- (i) Any “person” (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becoming the “beneficial owner” (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company’s then outstanding voting securities;
- (ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company’s assets;
- (iii) A change in the composition of the Company’s board of directors occurring within a two (2) year period, as a result of which fewer than a majority of the directors are directors immediately prior to such change; or
- (iv) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

“Commission” or “SEC” shall mean the United States Securities and Exchange Commission.

“Company” shall mean the company identified on the Cover Sheet as entering into the OTCQX Agreement with OTC Markets Group.

“Company Profile” shall mean the information entered by the Company via www.otciq.com and displayed on the ‘Company Profile’ tab of the Company’s stock page on www.otcmartets.com.

“Corporate Services Fee Schedule” shall mean the schedule of fees, including but not limited to Application Fees and Annual Fees applicable to OTCQX Companies and OTCQX Sponsors, that is published on www.otcmartets.com and amended from time to time.

“Cover Sheet” shall mean the OTCQX Agreement Cover Sheet.

“Disclosure Guidelines” shall mean the OTCQX U.S. and OTCQB Disclosure Guidelines, as amended from time to time, in the sole and absolute discretion of OTC Markets Group, which outlines the ongoing responsibilities of the Company to post disclosures within specified time frames.

“**EDGAR**” shall mean the SEC’s Electronic Data Gathering, Analysis and Retrieval system.

“**Exchange Act**” shall mean the United States Securities Exchange Act of 1934 and any rules adopted by the Commission thereunder, as amended from time to time.

“**Family Member**” means a Person’s spouse, parents, children and siblings, whether by blood, marriage or adoption, or anyone residing in such Person’s home.

“**Federal Securities Laws**” shall mean the Securities Act, the Exchange Act, the Sarbanes-Oxley Act of 2002, the Investment Company Act of 1940, the Investment Advisers Act of 1940, Title V of the Gramm-Leach-Bliley Act and any rules adopted by the Commission under any of these statutes.

“**FINRA**” shall mean the Financial Industry Regulatory Authority.

“**Form 211**” shall mean the form with the same name, which is filed with FINRA by broker-dealers representing that all applicable requirements of Rule 15c2-11 under the Exchange Act and the filing and information requirements of FINRA Rule 6740 have been satisfied.

“**Independent Director**” shall mean a Person other than an Executive Officer or employee of the Company or any other Person having a relationship which, in the opinion of the Company’s board of directors, would interfere with the exercise of independent judgment in carrying out their responsibilities as a director. The following persons shall not be considered independent: (A) a director who is, or at any time during the past three years was, employed by the Company; (B) a director who accepted or has a Family member who accepted any compensation from the Company in excess of \$120,000 during any fiscal year within the three years preceding the determination of independence, other than compensation for board or board committee service; compensation paid to a Family Member who is an employee (other than an executive officer) of the Company; or benefits under a tax-qualified retirement plan, or non-discretionary compensation; or (C) A director who is the Family Member of a Person who is, or at any time during the past three years was, employed by the Company as an executive officer.

“**Information**” shall mean information provided by the Company through the OTC Disclosure & News Service or on EDGAR; *provided, however*, that in the event the Company voluntarily delisted from a national securities exchange including the New York Stock Exchange, NYSE Amex or Nasdaq, the term shall not include any such information provided on EDGAR prior to such delisting.

“**Integrated Newswire**” shall mean a newswire service that is integrated with the OTC Disclosure & News Service and is included on OTC Markets Group’s list of Integrated Newswires, as published on www.otcmarkets.com.

“**Issuer**” shall mean the same as “Company.” (See definition for “Company” under this Section.)

“**Market Capitalization**” shall mean the total dollar value of the Company’s outstanding shares, computed as number of outstanding shares multiplied by the closing price of such shares on the previous trading day.

“**Market Maker**” shall mean a firm that stands ready to buy and sell a particular security on a regular and continuous basis at a publicly quoted price.

“**Material Events**” shall mean the Information provided by the Company in connection with Item 18 (material contracts) of the Disclosure Guidelines or, if the Company has a class of securities registered

pursuant to Section 12(g) of the Exchange Act, Item 601(b)(10) of Regulation S-B or Regulation S-K under the Securities Act, as applicable.

“OTC Disclosure & News Service” shall mean a Service consisting of online publication and management of Disclosure Statements, Financial Reports and News Releases.

“OTC Link ATS” shall mean the SEC registered alternative trading system(s) operated by OTC Link LLC, a wholly owned subsidiary of OTC Market Group.

“OTC Markets Group” shall mean OTC Markets Group Inc., a corporation organized under the laws of the State of Delaware, located at 300 Vesey Street, 12th Floor, New York, NY 10282. OTC Markets Group is not a securities regulator or self-regulatory organization.

“OTCQX” is a system for Companies to provide information to investors. It is not a registered stock exchange.

“OTCQX Sponsor” shall mean an attorney or investment bank selected by the Company and approved by OTC Markets Group to serve as the Company’s OTCQX Sponsor, in connection with the qualification of the Company’s securities for trading on OTCQX, having the rights and responsibilities described in (i) these OTCQX Rules for U.S. Companies, (ii) the Application to Serve as an OTCQX Sponsor and (iii) the Agreement to Serve as an OTCQX Sponsor.

“OTCQX Sponsor Annual Fee” shall mean the amount established from time to time by OTC Markets Group and published in the Corporate Services Fee Schedule available on www.otcmarkets.com ~~and initially set forth in these OTCQX Rules for U.S. Companies~~, which the OTCQX Sponsor must remit to OTC Markets Group for continued inclusion on the OTCQX Sponsor List, as published on www.otcmarkets.com.

“OTCQX Sponsor Application Fee” shall mean the amount established from time to time by OTC Markets Group and published in the Corporate Services Fee Schedule available on www.otcmarkets.com ~~and initially set forth in these OTCQX Rules for U.S. Companies~~, which the OTCQX Sponsor must remit to OTC Markets Group in connection with an Application to Serve as an OTCQX Sponsor.

“OTCQX Sponsor List” shall mean OTC Markets Group’s list containing approved OTCQX Sponsors, as published on www.otcmarkets.com.

“OTCQX Company Agreement” shall mean, as applicable, the OTCQX Agreement for U.S. Companies, as amended from time to time, that provides for the qualification of the Company’s securities for trading on an OTCQX tier and certain other services.

“OTCQX Rules Release” shall mean a notice, published by OTC Markets Group on www.otcmarkets.com, setting forth the reasons for, and text of, any amendment to these OTCQX Rules for U.S. Companies.

“OTCQX U.S.” shall mean a tier of the OTCQX system, which is available only to those Companies that satisfy the applicable requirements hereto.

“OTCQX U.S. Premier” shall mean the top tier of the OTCQX system, which is available only to those Companies that satisfy the applicable requirements hereto.

“Person” shall mean any individual, partnership, limited liability company, joint venture, corporation, trust, unincorporated organization, or other entity.

“Personal Information Form” shall mean the form with the same name, as amended from time to time, that must be filled out by certain Persons related to any company with securities qualified for trading, or applying for qualification, on OTCQX, OTCQB, or Pink.

“Public Float” shall mean the total number of unrestricted shares not held directly or indirectly by an officer, director, any person who is the beneficial owner of more than 10 percent of the total shares outstanding (a “10% Control Person”), or any Affiliates thereof, or any Family Members of officers, directors and 10% eControl pPersons.

“Qualified Foreign Stock Exchange” shall mean a foreign stock exchange listed on the OTC Markets Group List of Qualified Foreign Exchanges, as amended from time to time and available.

“Real Estate Investment Trust” shall mean a company that owns, and typically operates, income-producing real estate or real estate-related assets.

“Regulation A” shall mean Rules 251-263 under the Securities Act.

“Regulation A Reporting Company” shall mean a Company subject to the reporting obligations under Tier 2 of Regulation A under the Securities Act.

“SEC Reporting Company” shall mean a Company subject to the reporting obligations under Section 13 or 15(d) of the Exchange Act.

“Securities Act” shall mean the United States Securities Act of 1933 and any rules adopted thereunder, as amended from time to time.

“Shell Company” shall mean an entity (i) with no or nominal operations, (ii) with limited operations, if OTC Markets Group in its sole and absolute discretion determines such entity to be a Shell Company, (iii) with no or nominal assets, or (iii) defined as a “Shell Company” under Section 405 of the Securities Act. For purposes of this definition, the term “nominal operations” includes, but is not limited to, operations with the primary purpose of avoiding classification of such entity as a Shell Company.

“Special Purpose Acquisition Company” shall mean a type of blank-check company created specifically to pool funds in order to finance a merger or acquisition opportunity within a set timeframe.

“Transfer Agent Verified Shares Program” shall mean OTC Markets Group’s program that enables eligible stock transfer agents to report their clients’ share data, including authorized and outstanding shares, to OTC Markets Group on a regular basis via a secure, electronic file transfer.

A list of transfer agents that participate in this program is available on otcm Markets.com.

“U.S. Company” shall mean a company (i) incorporated in the U.S., or (ii) incorporated outside of the U.S. and meets the criteria (a) not listed on a non-U.S. exchange, (b) no more than 45 percent of its securities’ trading volume takes place outside of the U.S. markets, (c) a majority of its outstanding voting securities are held directly or indirectly by U.S. residents, (d) a majority of its executive officers or directors

are U.S. citizens or residents, (e) a majority of its assets are located in the U.S., and (f) its business is administered principally in the U.S.

“U.S. GAAP” shall mean generally accepted accounting principles in the United States, consistently applied.