

OTC MARKETS GROUP INC.

A Delaware Corporation

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Federal EIN: 13-3941069
NAICS: 523210
SIC Code: 6289

2020 Annual Report

For the period ended December 31, 2020

ISSUER'S EQUITY SECURITIES

COMMON STOCK

Class A Common Stock
\$0.01 Par Value Per Share
14,000,000 Shares Authorized
11,764,244 Shares Outstanding as of February 28, 2021
OTCQX: OTCM

OTC Markets Group Inc. is responsible for the content of this Annual Report. The securities described in this document are not registered with, and the information contained in this report has not been filed with, or approved by, the U.S. Securities and Exchange Commission.

Dear Shareholders,

We will remember the past year for the global pandemic that profoundly impacted the world's citizens and brought unforeseen challenges to our communities. It was a hundred-year storm sending uncertainty and stress to all corners of the global economy. We are thankful for the courage of our healthcare workers and first responders, who bravely served the communities and individuals most impacted by the COVID-19 crisis.



OTC Markets Group has focused on ensuring that our colleagues are healthy, safe, and connected while serving clients and keeping our trading systems running. Last March, we asked the majority of our employees to work from home, without a true sense of just how long it would be until we could be together again. The work of our team over the past 12 months has been remarkable. Our people have risen to the challenge, and, in a dynamic environment, delivered outstanding service to clients. As a critical market infrastructure provider, we played our role in keeping the financial system operating and the economy going. I am honored to call everyone at OTC Markets Group a partner on this journey, and I thank you for everything you have done this year. Despite the many challenges and changes, we have safely kept our markets open.

Volatility in the equity markets drove record trading volumes on our OTC Link ATS and OTC Link ECN, underscoring our responsibility to operate a platform on which our broker-dealer subscribers can rely as they manage their own rapidly evolving businesses. This extends to our continuing commitment to provide innovative solutions that adapt and grow in lockstep with our subscribers and the broader community. Our Market Data Licensing business grew this year as well, as investors looked to us for transparency in pricing, company information, and compliance data. Our compliance data offerings continue to grow, and we now offer risk scoring metrics and state "Blue Sky" compliance data on a wide range of OTC, NYSE, and Nasdaq securities.

We initially saw a slowdown in Corporate Services sales as the global economy first reacted to the pandemic. Despite these challenges, our retention rates remained strong and interest in our OTCQX and OTCQB markets increased throughout the remainder of the year. This cycle reinforced the vital role we play in providing companies an efficient, cost-effective way to connect with their investors and access the benefits of a public market. Increased use of investor engagement tools such as our Virtual Investor Conference allowed companies and investors to strengthen existing bonds and build new relationships.

Our regulatory landscape evolved, with the SEC finalizing amendments to Rule 15c2-11, the rule that governs a broker-dealer's ability to quote on our markets. These amendments will give us greater responsibility and recognition for operating our markets. The modernized rule allows us, as a Qualified Interdealer Quotation System, to streamline the onboarding of securities, create a more efficient compliance process for our broker-dealer subscribers, and serve as the repository for monitoring ongoing issuer disclosure. We continue to collaborate with the SEC on implementing this crucial regulatory change, and we appreciate how receptive they have been to our message that this rule should protect the property rights of minority investors and allow sophisticated investors to continue to access opportunities.

Our markets serve a diverse community of broker-dealers, and we continue to invest in tools that support various business models and trading strategies. In what remains a competitive market,

we prioritize projects that deliver the most efficient and liquid trading markets and enhance functionality for our OTC Link ATS and OTC Link ECN subscribers.

I look forward to the day our entire team can once again gather in our New York corporate headquarters. When the time is right, we invite you to visit us while you are in New York.

I encourage you to review the OTC Markets Group 2020 Annual Report, which provides a broader overview of our performance and metrics related to our operating strategy.

We will continue to embrace tomorrow's opportunities and pursue our mission – to create better informed and more efficient financial markets, with a focus on facilitating our customers' success. I am grateful for the opportunity to lead this company, and I am excited for what we have yet to achieve. On behalf of the entire team, I value your partnership and thank you for the trust you place in OTC Markets Group.

Sincerely,



R. Cromwell Coulson
President, CEO and Director
OTC Markets Group Inc.

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OTC MARKETS GROUP INC.

A Delaware Corporation

ANNUAL REPORT

Cautionary Note Regarding Forward-Looking Statements

Information set forth in this 2020 Annual Report (the “Annual Report”) contains forward-looking statements, which involve a number of risks and uncertainties that could cause our actual results to differ materially from those reflected in the forward-looking statements. Forward-looking statements can be identified by use of the words “expect,” “project,” “may,” “might,” “potential,” and similar terms. OTC Markets Group Inc. (“OTC Markets Group,” “we” or the “Company”) cautions readers that any forward-looking information is not a guarantee of future performance and that actual results could differ materially from those contained in the forward-looking information. Forward-looking statements involve a number of risks, uncertainties or other factors beyond OTC Markets Group’s control. These factors include, but are not limited to, our ability to implement our strategic initiatives; economic, political and market conditions and price fluctuations, government and industry regulation; U.S. and global competition; the impact of the COVID-19 pandemic, including changes to trading behavior broadly in the market; and other risk factors discussed under “*Risk Factors*” section in this Annual Report. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. We undertake no obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise.

Part A. General Company Information

The name of the issuer is OTC Markets Group Inc.

There have been no changes in control of the Company since 1997. OTC Markets Group is currently conducting operations and it is not now, nor has it at any time been, a “shell company” as that term is defined in the OTCQX® U.S. Disclosure Guidelines or Rule 405 under the Securities Act of 1933, as amended (the “Securities Act”).

The Company has three wholly owned subsidiaries: OTC Link LLC, a Delaware limited liability company formed in 2010; OTC Markets Group International Ltd, incorporated with the Registrar of Companies for England and Wales and formed in 2018; and Qaravan® Inc., a Delaware limited liability company acquired in 2019. The Company does not have any other parents, subsidiaries or affiliated companies. Neither we nor any of our predecessors have been in bankruptcy, receivership, or any similar proceeding.

OTC Link LLC is a broker-dealer member of the Financial Industry Regulatory Authority, Inc. (“FINRA”) that operates two Securities and Exchange Commission (“SEC”) registered Alternative Trading Systems (“ATS”), OTC Link® ATS and OTC Link ECN. In late 2020, the Company filed an initial operation report with the SEC to operate a third ATS, known as OTC Link NQB.

Our fiscal year ends on December 31.

The address of the issuer is:

**300 Vesey Street, 12th Floor
New York, NY 10282**

The telephone and facsimile are: **Telephone: (212) 896-4400**
Facsimile: (212) 868-3848

The issuer's website: **OTC Markets Group's corporate website, www.otcmarkets.com, contains general information about us and our products and services. We also maintain www.otciq.com, www.otcdealer.com, www.garavan.com, www.virtualinvestorconferences.com, www.lifesciencesinvestorforum.com and www.lifescienceinvestorforum.com. The information contained on such websites shall not be deemed incorporated by reference herein.**

Investor relations contact: **Antonia Georgieva, Chief Financial Officer**
300 Vesey Street, 12th Floor
New York, NY 10282
Telephone: (212) 220-2215
ir@otcmarkets.com

The name and address of the transfer agent is: **Continental Stock Transfer & Trust Company**
1 State Street, 30th Floor
New York, NY 10004
(212) 509-4000

Continental Stock Transfer & Trust Company is registered under the Securities Exchange Act of 1934 (the "Exchange Act") and regulated by the SEC.

Part B. Share Structure

The Exact Title and Class of Securities Outstanding

As of December 31, 2020, OTC Markets Group had one class of securities outstanding, Class A Common Stock. None of OTC Markets Group's Common Stock has been registered under the Securities Act or qualified under any state securities laws, and we have no current plans to register or qualify any of our securities. There were no preferred shares authorized or outstanding as of December 31, 2020.

The trading symbol for OTC Markets Group's Class A Common Stock assigned by FINRA is "OTCM".

The CUSIP number for our Class A Common Stock is 67106F108.

Our Class A Common Stock has been qualified for the OTCQX U.S. Premier[®] market since March 11, 2010. Our securities are not, and have never been, listed on a national securities exchange, and have been quoted solely on OTC Link ATS and its predecessor system since the commencement of their public trading.

Par or Stated Value and Description of the Security

OTC Markets Group's Class A Common Stock has a par value of \$0.01 per share.

Each holder of shares of Common Stock is entitled to one vote for each share of Common Stock held on all matters submitted to a vote of stockholders of OTC Markets Group. The holders of Common Stock vote together as a single class. Holders of Common Stock are not entitled to any preemptive rights.

Holders of our Class A Common Stock, including unvested restricted stock, are entitled to receive such dividends and other distributions as may be authorized and declared by the Board of Directors from time to time (“Dividend Rights”). Upon the voluntary or involuntary liquidation, dissolution, or winding up of OTC Markets Group, holders of Class A Common Stock are entitled to a *pro rata* share of the net assets of OTC Markets Group available for distribution in proportion to the number of shares of Class A Common Stock held by each stockholder.

OTC Markets Group has not authorized any class of preferred stock.

In our Certificate of Incorporation, we elect the application of Section 203 of the Delaware General Corporation Law (“DGCL”). Section 203 of the DGCL prohibits persons deemed “interested stockholders” from engaging in a “business combination” with a Delaware corporation for three years following the date these persons become interested stockholders unless the business combination is, or the transaction in which the person became an interested stockholder was approved by the Board of Directors, or another prescribed exception applies. Generally, an “interested stockholder” is a person who, together with affiliates and associates, owns, or within three years prior to the determination of interested stockholder status did own, 15% or more of a corporation’s voting stock. Generally, a “business combination” includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. The existence of this provision may have an anti-takeover effect with respect to transactions not approved in advance by our Board of Directors.

Our Certificate of Incorporation also provides that the Board of Directors may not authorize any “business combination” with a “related person” unless it (i) meets the “Fair Price” provision, which seeks to ensure that stockholders receive the highest possible price in the event of a business combination, as that provision is described in Article 10 of our Certificate of Incorporation or (ii) is approved by a majority of the outstanding shares of stock entitled to vote.

The Number of Shares or Total Amount of the Securities Outstanding for Each Class of Securities Authorized

As of December 31, 2020, the Company is authorized to issue 14,000,000 shares of Class A Common Stock of \$0.01 par value.

The following tables show the amount of the securities outstanding for our Class A Common Stock as of:

	December 31,	
	2020	2019
Number of shares authorized	14,000,000	14,000,000
Number of shares outstanding	11,709,857	11,655,326
Number of shares freely tradable (public float) ⁽¹⁾⁽²⁾	7,309,821	7,278,067
Total number of holders of record	198	190

As of December 31, 2020, there are 1,413 non-objecting beneficial stockholders owning at least 100 shares of the Company’s Class A Common Stock.

Notes:

- (1) The number of shares freely tradable may include shares held by stockholders owning 10% or more of our Class A Common Stock. These stockholders may be considered “affiliates” within the meaning of Rule 144, and their shares may be “control shares” subject to the volume and manner of sale restrictions under Rule 144.
- (2) Our officers and directors hold approximately 4.3 million shares of our Class A common stock, which may be “control shares” subject to the volume and manner of sale restrictions under Rule 144. These shares are excluded from the number of shares freely tradable.

Issuer Purchases of Equity Securities

On March 12, 2021, the Board of Directors refreshed the Company’s stock repurchase program, giving the Company authorization to repurchase up to 300,000 shares of the Company’s Class A Common Stock. The Company is authorized to purchase shares from time to time on the open market and through block trades, in accordance with the safe harbor provision of Rule 10b-18 under the Exchange Act.

The following table shows purchases made by the Company of our Class A Common Stock during the years ended December 31, 2020 and 2019:

Date	Number of Shares Purchased	Average Price Paid Per Share	Number of Shares Purchased as Part of Announced Repurchase Plan	Total Amount (in thousands)	Number of Shares Remaining To Be Purchased Under Announced Plan
2019					
Feb 2019	46,711	\$ 29.75	46,711	\$ 1,390	219,818
Mar 2019 ⁽¹⁾	-	-	-	-	300,000
Total	<u>46,711</u>		<u>46,711</u>	<u>\$ 1,390</u>	
2020					
Feb 2020	102,732	\$ 34.20	102,732	\$ 3,513	197,268
Mar 2020	206	32.98	206	7	197,062
Mar 2020 ⁽¹⁾	-	-	-	-	300,000
Total	<u>102,938</u>		<u>102,938</u>	<u>\$ 3,520</u>	

Note: (1) In March 2020 and 2019, the Board of Directors refreshed the Company’s stock repurchase program, authorizing the Company to repurchase up to 300,000 shares of the Class A Common Stock.

Summary of Stock Option Activity

The Company grants stock options to new, full-time employees as of the last date of their first month of employment, with the strike price set at the closing price on the day prior to the grant date. Stock options granted vest in equal installments, annually, over 5 years.

The following table contains a summary of all stock option activity during 2020 and 2019:

(in thousands, except W/A exercise price)	Stock options	Weighted- average exercise price
Outstanding, January 1, 2019	681	\$ 17.31
Granted	151	32.14
Exercised	(126)	13.79
Forfeited	(44)	20.15
Outstanding, January 1, 2020	662	\$ 21.17
Granted	67	32.23
Exercised	(160)	11.97
Outstanding, December 31, 2020	569	\$ 25.06

Summary of Restricted Stock Award Activity

The Company grants to certain employees and directors shares of its Class A Common Stock subject to the terms of Restricted Stock Agreements (“RS Agreements”) between the Company and each recipient. Stock granted subject to RS Agreements is included in our calculation of shares outstanding, and holders of such stock have voting and Dividend Rights and are included in our calculation of holders of record.

The following table contains a summary of all activity relating to stock granted subject to RS Agreements during 2020 and 2019:

(in thousands, except W/A fair value)	Restricted stock	Weighted- average fair value
Outstanding, January 1, 2019	282	\$ 20.15
Granted	105	30.04
Vested	(99)	17.91
Forfeited	(12)	23.14
Outstanding, January 1, 2020	276	\$ 24.57
Granted	97	33.95
Vested	(94)	22.45
Outstanding, December 31, 2020	279	\$ 28.55

Public Trading of Class A Common Stock

The following table sets forth for the periods indicated the high and low reported sales prices per share for our Class A Common Stock:

	High	Low
2019		
First Quarter	\$ 39.95	\$ 28.99
Second Quarter	36.98	29.55
Third Quarter	37.95	31.12
Fourth Quarter	37.00	32.04
2020		
First Quarter	\$ 34.75	\$ 23.00
Second Quarter	32.80	26.50
Third Quarter	32.00	29.03
Fourth Quarter	36.00	29.50

Dividends

During 2020 and 2019, our Board of Directors authorized and approved the following cash dividends:

Declaration Date	Dividend Per Common Share	Record Date	Total Amount (in thousands)	Payment Date
2019				
March 06, 2019	\$ 0.15	March 18, 2019	\$ 1,743	March 28, 2019
May 08, 2019	0.15	June 13, 2019	1,746	June 27, 2019
August 06, 2019	0.15	September 12, 2019	1,747	September 26, 2019
November 04, 2019	0.65	November 20, 2019	7,575	December 4, 2019
November 04, 2019	0.15	December 05, 2019	1,749	December 19, 2019
Total	<u>\$ 1.25</u>		<u>\$ 14,560</u>	
2020				
March 04, 2020	\$ 0.15	March 17, 2020	\$ 1,748	March 28, 2020
May 05, 2020	0.15	June 11, 2020	1,749	June 25, 2020
August 12, 2020	0.15	September 11, 2020	1,750	September 25, 2020
November 09, 2020	0.65	November 25, 2020	7,607	December 9, 2020
November 09, 2020	0.15	December 09, 2020	1,756	December 23, 2020
Total	<u>\$ 1.25</u>		<u>\$ 14,610</u>	

The declaration of dividends by OTC Markets Group is subject to the discretion of our Board of Directors. Our Board of Directors will take into account such matters as general business conditions, our financial results, capital requirements, contractual, legal and regulatory restrictions on the payment of dividends and such other factors as our Board of Directors may deem relevant.

Part C. Business Information

Overview

Our mission is to create better informed and more efficient financial markets.

We operate three business lines:

- OTC Link LLC is a FINRA member broker-dealer that operates two SEC registered ATSS.
- Market Data Licensing distributes market data and financial information.
- Corporate Services operates the OTCQX and OTCQB® markets and offers issuers disclosure and regulatory compliance products.

We operate regulated trading systems, connect brokers, incentivize disclosure and organize securities. We distribute market data that informs investment decisions, enables the efficient pricing of risk, and assists regulated entities in meeting their compliance obligations. We offer an open, competitive platform that provides a wide spectrum of companies with the benefits of being public, and acts as a gateway for global companies to access the U.S. markets.

Products and Services

Each of our three business lines is described in detail below.

OTC Link

Our wholly owned subsidiary, OTC Link LLC, a FINRA member broker-dealer, operates OTC Link ATS and OTC Link ECN, both SEC registered ATSS. In late 2020, OTC Link LLC filed an initial operation report with the SEC to operate a third ATS, known as OTC Link NQB.

OTC Link ATS offers our FINRA registered broker-dealer subscribers a fully-attributable, network-based model for quoting and facilitating transactions in OTC equity securities and serves a diverse community of FINRA member broker-dealers that operate as market makers, agency brokers and ATSS, including Electronic Communication Networks (“ECNs”). OTC Link ATS provides a suite of quotation and trade-messaging services offering broker-dealers control of trades and choice of counterparties so they can efficiently provide best execution, attract order flow, and comply with FINRA and SEC regulations. Unlike traditional exchanges and matching engines, OTC Link ATS is not an intermediary. Rather, OTC Link ATS operates as a Qualified Interdealer Quotation System (“Qualified IDQS” or “QIDQS”) and delivers trade messages electronically, allowing subscribers to execute or negotiate bilateral trades with known counterparties.

OTC Link ECN functions as a matching engine and router for certain OTC securities, complementing OTC Link ATS by providing subscribers with anonymous order matching functionality. OTC Link ECN acts as the executing party on an agency basis in relation to all transactions executed on the ECN's platform. When orders do not match internally on OTC Link ECN's matching engine, they are routed to another market destination. Pursuant to applicable FINRA rules, OTC Link ECN submits trade reports to FINRA's OTC Reporting Facility. All transactions executed on OTC Link ECN are cleared and settled pursuant to a clearing agreement with Apex Clearing Corporation.

As of December 31, 2020, 84 broker-dealers subscribe to our OTC Link ATS and 73 broker-dealers connect to our OTC Link ECN, as compared to 87 and 53 subscribers, respectively, as of December 31, 2019. Our OTC Link business comprised approximately 22% and 19% of our gross revenues in the years ended December 31, 2020 and 2019, respectively.

Market Data Licensing

OTC Markets Group provides our subscribers with access to extensive market data and financial information. Due to the role OTC Link ATS plays in supporting the broker-dealer trading process, and our interaction with issuers, we generate a significant amount of market data and information about companies. Our market data consists of real-time, delayed and end-of-day quotation and trading data, as well as security master data, company data and compliance data.

We offer a suite of market data licenses, priced per enterprise or per user, through direct connectivity and third-party market data redistributors and Order Management Systems (“OMS”). Depending on the license type, subscribers may distribute our market data on an internal-only basis, redistribute to clients or redistribute to the public. We generate a majority of our Market Data Licensing revenues from sales through market data redistributors, and certain of our market data licensing agreements include redistribution fees and rebates. As of December 31, 2020 and December 31, 2019, 61 and 59 market data distributors, respectively, were disseminating our market data to subscribers.

We also charge for the display of advertisements on www.otcmarkets.com.

Our Market Data Licensing business comprised approximately 40% and 39% of our gross revenues in the years ended December 31, 2020 and 2019, respectively.

Corporate Services

Our Corporate Services business line includes the OTCQX Best Market, the OTCQB Venture Market, the Pink® Open Market, and our suite of disclosure and information services.

The OTCQX Best Market provides efficient public trading without the complexity and cost of a national securities exchange listing. To join OTCQX, companies must meet minimum financial, disclosure and qualitative standards, pay annual fees, and meet the requirements set out in our OTCQX Rules on an ongoing basis. Companies pay a one-time application fee and annual fees upon renewal.

The OTCQX market is divided into OTCQX U.S. and OTCQX International. OTCQX for Banks, an expansion of the OTCQX market for U.S. companies, is specifically aimed at meeting the needs of community and regional banks. The OTCQX International market is targeted towards (i) large global companies that meet the listing standards of a qualified non-U.S. stock exchange in their primary market and do not see value in meeting multiple regulatory, compliance, disclosure, and accounting standards associated with a U.S. exchange listing, and (ii) global emerging growth companies that are listed on a qualified non-U.S. stock exchange and may be working towards a U.S. exchange listing, but are not yet ready to deploy the management resources necessary to handle the operational complexity and cost burdens.

As of December 31, 2020, 461 companies were traded on the OTCQX market, comprised of 160 U.S. companies and 301 international companies, as compared to 164 U.S. companies and 278 international companies as of December 31, 2019.

The OTCQB Venture Market provides public trading for developing and venture-stage companies and applies standards that promote price transparency and facilitate public disclosure. OTCQB is also open to international companies that trade in the U.S. in reliance on one of various available exemptions from SEC registration and to domestic companies that meet our Alternative Reporting Standard and the applicable OTCQB Standards.

There were 902 companies traded on the OTCQB market as of December 31, 2020, of which more than 400 were international companies, as compared to 907 total companies as of December 31, 2019.

Securities traded on OTC Link ATS that do not meet the standards of, or choose not to apply for, the OTCQX Best Market or the OTCQB Venture Market are traded on the Pink Open Market. Companies on the Pink market are categorized as “Pink Current Information,” “Pink Limited Information” or “Pink No Information” based on the sufficiency and timeliness of the information they provide to investors. Pink companies can subscribe to our OTC Disclosure & News Service® (“DNS”) to make current information available to their investors on our website and through our distribution channels in accordance with the Pink Basic Disclosure Guidelines.

We publish company and security-level compliance flags to help investors identify opportunity and quantify risk. For example, companies whose stock is the subject of a public interest concern are flagged “Caveat Emptor,” or buyer beware.

Our Corporate Services business comprised approximately 38% and 42% of our gross revenues in the years ended December 31, 2020 and 2019, respectively.

Key Metrics

The table below presents key metrics for our business lines for the years ended December 31, 2020, 2019 and 2018.

	December 31,		
	2020	2019	2018
OTC Link			
Number of securities quoted ⁽¹⁾	11,758	10,755	10,465
Number of active ATS subscribers ⁽¹⁾	84	87	91
Number of ECN subscribers ⁽¹⁾	73	53	41
New Form 211 filings	496	319	393
<i>Dollar volume traded (in thousands):</i>			
OTCQX	\$ 91,481,231	\$ 57,971,220	\$ 63,202,047
OTCQB	26,908,614	24,774,483	24,845,633
Pink	326,623,622	246,429,161	287,122,972
Total	\$ 445,013,466	\$ 329,174,864	\$ 375,170,651
<i>Dollar volume per security (in thousands):</i>			
OTCQX	\$ 179,024	\$ 118,551	\$ 136,211
OTCQB	28,385	25,834	25,021
Pink	31,714	26,478	31,874
Corporate Services			
Graduates to a national securities exchange	66	57	70
<i>Number of securities: ⁽¹⁾</i>			
OTCQX	511	489	464
OTCQB	948	959	993
Pink	10,299	9,307	9,008
Total	11,758	10,755	10,465
<i>Number of corporate clients ⁽¹⁾</i>			
OTCQX	461	442	409
OTCQB	902	907	934
Pink	742	736	741
Total	2,105	2,085	2,084
Market Data Licensing			
Market data professional users ⁽¹⁾	23,463	22,426	21,487
Market data non-professional users ⁽¹⁾	20,673	12,882	14,763
Market data compliance file users ⁽¹⁾	45	41	28

(1) Figures presented are at period end.

Recent Business Developments

Impact of the Ongoing COVID-19 Pandemic

The global spread of COVID-19 and related economic and governmental responses have had, and are expected to continue to have, a substantial negative impact on many businesses around the world and on global, regional and national economies. There is considerable uncertainty related to how COVID-19 could impact any recovery or precipitate further deterioration in global economic conditions.

We have continued to operate our business with a majority of our employees working remotely since March 2020. In July 2020, we began permitting a small number of employees to return to our offices, each on a voluntary basis. We plan to continue to operate predominantly remotely. Pursuant to our Business Continuity Plan, we are able to operate normally while connecting remotely, which gives us the opportunity to carefully assess and develop our plan for bringing employees back to the office. We will continue to evaluate the unfolding situation and plan to take a conservative and measured approach to returning to our offices that balances the health and safety of our colleagues, operational effectiveness and our ability to serve our subscribers.

The COVID-19 pandemic did not have an adverse effect on our revenue and financial results for the year ended December 31, 2020. However, it is possible that the current global economic conditions and the ongoing COVID-19 pandemic could have an adverse effect on our future business, financial condition and results of operations. There can be no assurance that the elevated levels of trading volumes that we have experienced will persist. Furthermore, we have seen, and could in future periods see, reduced sales in our Corporate Services business and an increase in our voluntary non-renewal rate as issuers reach the end of their service terms. The potential impact on our financial results is discussed further in the *Trends in Our Business* section, below.

Launch of our Blue Sky Data Product

In September 2020, we introduced our Blue Sky Secondary Trading Compliance Data Product, designed to provide broker-dealers with a comprehensive view of compliance data on state “Blue Sky” secondary trading rules for more than 16,000 OTC equity securities and 80,000 OTC corporate fixed income securities.

Virtual Investor Conferences® Business

Following our 2019 acquisition of assets related to the Virtual Investor Conferences (“VIC”) business, we have devoted internal resources to growing our VIC business. As the COVID-19 pandemic continues to require remote working arrangements, the VIC allows issuers to communicate and engage with shareholders and potential investors. During 2020, we hosted 27 VICs, with a total of 387 companies participating, reaching more than 21,000 investors. During 2019, we hosted 18 events, with a total of 213 companies participating, reaching over 14,000 investors.

Recent Regulatory Developments Impacting our Business

SEC Final Rule Amending Exchange Act Rule 15c2-11

On September 16, 2020, the SEC published a Final Rulemaking on Publication or Submission of Quotations without Specified Information (the “Adopting Release”), amending Rule 15c2-11 under the Exchange Act (“Rule 15c2-11”, the “Amended Rule 15c2-11”). Rule 15c2-11 governs the ability of broker-dealers to publish quotations in an IDQS such as our OTC Link ATS. OTC Link LLC and OTC Link ATS, our broker-dealer subscribers, and companies quoted on our

markets must comply with Amended Rule 15c2-11 on or before September 28, 2021 (the “Compliance Date”).

Subject to certain limited exceptions, Amended Rule 15c2-11 will generally prohibit broker-dealers from submitting or publishing quotations in securities on OTC Link ATS unless current information about the company is publicly available. Amended Rule 15c2-11 will permit OTC Link ATS, as a Qualified IDQS, to perform the required information review to determine whether a security is eligible for public quoting. Under the new framework, broker-dealers can rely on our information review and current information designations in submitting quotations on our OTC Link ATS. The ability to perform the necessary information review requirements as a Qualified IDQS will streamline the onboarding of securities onto our markets, incentivize ongoing company disclosure and relieve broker-dealers of the obligation to independently review company information.

For a security to become quoted initially, the issuing company must undergo an initial information review or otherwise comply with one of Rule 15c2-11’s available exemptions to the information review requirements. Amended Rule 15c2-11 maintains existing exemptions for exchange-listed and municipal securities and adopts several new exceptions, including for securities of issuers that meet minimum financial and trading volume thresholds and those that have been the subject of underwritten offerings. Unsolicited quotations, meaning those representing customer interest not solicited by the broker, will continue to be exempt from the information review requirements under the Amended Rule 15c2-11, provided they are from investors not affiliated with the company.

To be eligible for public quotations on an ongoing basis, Amended Rule 15c2-11’s modified “piggyback exemption” requires that (i) the specified current information about the company is publicly available, and (ii) the security is subject to a one-sided (i.e. a bid or offer) priced quotation, with no more than four business days in succession without a quotation. Under Amended Rule 15c2-11, shell companies and formerly suspended securities may only rely on the piggyback exemption in certain limited circumstances.

We do not anticipate that the disclosure rules applicable to companies on our OTCQX and OTCQB and Pink Current Information markets will change materially. As a general matter, companies on OTCQX, OTCQB, Pink Current Information and the Pink Limited Information market tiers will be eligible for continued public quoting on our markets. However, Amended Rule 15c2-11’s new requirements under the piggyback exemption, including those for shell and other non-operational companies, may impact companies on the OTCQB and Pink markets.

Companies that do not make current information available, and do not meet one of the enumerated exemptions, will no longer be eligible for public broker-dealer proprietary quotations. This may include securities designated as Pink No Information, certain shell companies, and those for which priced broker-dealer quotations are not available.

On December 22, 2020, in response to a request for relief from OTC Link LLC, the SEC published a Notice of Proposed Conditional Exemptive Order that would allow broker-dealers to publish proprietary quotations in securities that are no longer eligible for public quoting under Amended Rule 15c2-11, subject to certain conditions (the “Proposed Order”). Under the Proposed Order, OTC Link LLC would operate a regulated marketplace for broker-dealer subscribers with quote distribution limited to professional and sophisticated investors (the “Expert Market”). The categories of securities eligible for the Expert Market would include those that lose the ability to be publicly quoted under Amended Rule 15c2-11’s revised piggyback exemption and certain securities of bankrupt companies. While we currently operate an expert market tier with quote distribution limited only to broker-dealers, the Expert Market under consideration would operate within the specific parameters set forth in the Proposed Order.

As described in the Proposed Order, OTC Link LLC would limit distribution of real-time and delayed quotations in Expert Market securities to market data distributors, including broker-dealer subscribers, and to investors that qualify, at a minimum as (i) qualified institutional buyers, as defined in Rule 144(A)(a)(1) under the Securities Act, (ii) accredited investors, as defined in Rule 501 (a) of Regulation D under the Securities Act, or (iii) qualified purchasers, as defined in Section 2(a)(51)(A) of the Investment Company Act of 1940 (collectively, "Qualified Experts"). If OTC Link LLC meets these and certain other conditions outlined in the Proposed Order, broker-dealer subscribers could publish or submit proprietary quotations in Expert Market securities without complying with Rule 15c2-11's information and recordkeeping requirements. The Proposed Order was published for public comment and awaits final approval of the Commission.

We are also seeking additional relief to streamline and simplify the requirements for continued public quoting for certain categories of lower-risk securities on our markets, including banks and certain foreign issuers. We continue to engage with the SEC on a regular basis regarding such additional exemptive relief and general compliance with the Amended Rule 15c2-11.

We have devoted and continue to devote significant technology, compliance, legal, personnel and other resources towards compliance with Amended Rule 15c2-11 in advance of the Compliance Date. While we expect our financial results will be affected as a result of the amendments, it is not yet possible to determine the scope or extent of such effect.

Consolidated Audit Trail

In 2016, the SEC approved a National Market System (NMS) plan to create a comprehensive database of trading activity, or consolidated audit trail ("CAT"), for regulatory market surveillance purposes. Under the CAT plan, self-regulatory organizations ("SROs") and FINRA member broker-dealers (such as OTC Link LLC) are required to report information to, and fund the operation of, the CAT. The operating committee for the CAT plan has adopted certain technical specifications and timeliness for compliance but has not yet established the funding requirements for the CAT. The initial phase of CAT reporting obligations applicable to OTC Link LLC and its broker-dealer subscribers began on June 22, 2020. We continue to engage with the SEC and the SROs, including FINRA, to define CAT reporting obligations related to OTC equity securities in the later stages of CAT implementation.

As the next phases of the CAT plan become effective beginning in April 2021, the applicable CAT reporting requirements are likely to result in increased compliance and technology costs that may be material. It is not possible at this time to determine the potential impact on our financial results.

FINRA Rule 6439 and Retirement of the OTC Bulletin Board® ("OTCBB") Service

On September 24, 2020, FINRA filed with the SEC a proposed rule change seeking to cease operating the OTCBB and enhance the regulatory obligations related to member IDQs by introducing proposed Rule 6439 (the "FINRA Proposal").

Rule 6439 would impose additional requirements on member IDQs, such as OTC Link ATS, that permit quotation updates on a real-time basis. Rule 6439 would impose monthly reporting obligations for order and quotation data and mandate timely reporting of system disruptions.

On October 28, 2020 and on January 27, 2021, we submitted comments in response to the FINRA Proposal, expressing our support for the retirement of the OTCBB and suggesting ways to improve Rule 6439 to reduce regulatory inefficiencies and enhance market integrity. On December 30, 2020, the SEC published an order instituting proceedings to determine whether

to approve or disapprove the FINRA proposal. We do not expect that the FINRA Proposal, if approved in its current form, will have a material impact on our financial results.

Blue Sky Secondary Trading Exemptions for OTCQX and OTCQB

As of March 1, 2021, our OTCQX and OTCQB markets are exempt from state Blue Sky laws regarding secondary trading in 37 states: Alaska, Arkansas, Colorado, Connecticut, Delaware, Georgia, Hawaii, Idaho (OTCQX only), Indiana, Iowa, Kansas (OTCQX only), Kentucky, Louisiana, Maine, Michigan, Minnesota, Mississippi, Missouri, Nebraska, New Jersey, New Mexico, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Dakota, Tennessee, Texas, Utah, Vermont (OTCQX only), Virginia (OTCQX only), Washington, West Virginia, Wisconsin and Wyoming. State Blue Sky laws generally help investors make informed decisions by mandating that companies disclose accurate and current information when offering or marketing securities. We believe recognition of our markets by state regulators and the resulting Blue Sky exemptions make OTCQX and OTCQB more attractive to current and prospective companies. However, the impact of this initiative on our financial results is indirect, and therefore difficult to determine.

ESOP Fairness Act

On February 11, 2020, the ESOP Fairness Act (S.3270) (H.R.5851) was introduced by bipartisan cosponsors in the House and Senate and later gained additional co-sponsors in the 116th Congress. The ESOP Fairness Act would put qualified companies that meet established financial standards, such as those traded on the OTCQX market, on par with exchange listed companies by allowing them to fully access the benefits of public company employee stock ownership plans, or ESOPs. We continue to support the reintroduction of this legislation in the 117th Congress. We would expect this legislation, if passed by Congress in its current form and signed into law, to have a positive effect on our financial results.

Thinly Traded Securities

On October 17, 2019, the SEC issued a Policy Statement on Market Structure Innovation for Thinly Traded Securities (the "Policy Statement"), seeking proposals to improve secondary market trading for smaller companies with less actively traded securities, including proposals to suspend or terminate unlisted trading privileges ("UTP") for these companies and consolidate all trading onto a single exchange. UTP permits securities listed on a national securities exchange to be traded on other exchanges. Suspending UTP, or regulatory recognition of a single venue for small company trading, could negatively impact our Corporate Services business. On February 5, 2020, Nasdaq, Inc. submitted a proposal in response to the SEC's Policy Statement, proposing a set of rules for thinly traded securities that would, among other things, suspend UTP (the "Nasdaq Proposal"). The SEC has not yet commented on the Nasdaq Proposal, or proposed any formal rulemaking with respect to thinly traded securities and, as such, we are not able to determine the potential impact of this Policy Statement or the Nasdaq Proposal on our financial results.

Rule 144

On December 22, 2020, the Commission published a proposed rule to amend Rule 144 to revise the holding periods applicable to certain OTC-traded convertible securities (the "Rule 144 Proposal"). The Rule 144 Proposal also introduces several other proposed changes to Rule 144 and related Form 144, including mandating the electronic filing of Form 144 with respect to securities of SEC reporting issuers and eliminating the Form 144 filing requirement for non-reporting issuers. While the Rule 144 Proposal may impact issuers of securities on our markets, we do not expect the proposed rule, if adopted, to have a direct or material impact on our financial results.

Other Business and Regulatory Information

Technology

Our IT infrastructure is the foundation of our internal and customer facing applications and focuses on their reliability, high-availability and scalability.

We roll out new business functionality while simultaneously focusing on improving the scalability and stability of our systems. Capital expenditures during the past several years have been concentrated on the enhancement of our primary and secondary data centers and increased network resiliency and security. We will continue to invest in building out our systems, monitoring capabilities and support services to meet the functionality and reliability needs of our subscribers.

The Nature and Extent of the Issuer's Facilities

OTC Markets Group's corporate headquarters is located on the 12th floor at 300 Vesey Street, New York, NY 10282, and is composed of approximately 33,000 square feet of leased office, conference, meeting, and reception space. The Company's sublease agreement was entered into effective October 19, 2018. The term of the sublease is through December 30, 2031. The annual rental expense under the lease is approximately \$1.8 million.

We maintain an office in Washington, D.C., consisting of approximately 4,000 square feet of general office space, located at NW 100 M Street, Washington, D.C. 20003. The lease expires in June 2021 and annual rent expense is approximately \$203 thousand. We are in the process of negotiating a renewal of our Washington D.C. lease. However, it is not yet possible to determine if we will be successful in securing an extension of our lease and whether the terms of any lease extension would be materially different as compared to our current lease agreement.

In connection with our London office, which opened in January 2019, we rent a single WeWork office space located at 30 Stamford Street, London SE1 9PY on a month-to-month basis.

We also contract with SunGard Availability Services, in Carlstadt, New Jersey and Philadelphia, Pennsylvania, for hosting and networking services in respect of our primary and secondary data centers, including production, back-up and disaster recovery sites, and internet and telecommunication services.

Legal Proceedings

There are no current, past, pending, or threatened legal proceedings or administrative actions either by or against us that could have a material effect on our business, financial condition, or operations. We are not a party to any past or pending trading suspensions by a securities regulator.

Contracts

Exhibits 3 and 4 to this Annual Report provide a list of contracts important to our business, divided into two categories: material contracts and customer contracts. Negotiated material contracts include R. Cromwell Coulson's employment agreement, Change in Control agreements with certain senior executive officers and real estate leases on commercial office space used in our business. We use standardized customer contracts in each of our three business lines.

Regulation

Our wholly owned subsidiary, OTC Link LLC, is a FINRA member broker-dealer. OTC Link LLC operates two SEC registered ATSS, OTC Link ATS and OTC Link ECN, and has filed with the

SEC to operate a third ATS, OTC Link NQB. OTC Link LLC and each of our ATSS are therefore subject to regulation and periodic examinations by the SEC and FINRA.

OTC Link ATS meets the definition of an SCI Entity under the SEC's Regulation Systems Compliance and Integrity ("Regulation SCI"). Regulation SCI is a set of rules designed to strengthen the technology infrastructure of the U.S. securities markets and applies to national securities exchanges and certain ATSS, market data information providers and clearing agencies, subjecting these entities to comprehensive compliance obligations. OTC Link ATS and OTC Link ECN are also each required to comply with the applicable regulatory obligations under Regulation ATS and have had CAT reporting responsibilities since June 2020. OTC Link NQB will have similar CAT and Regulation ATS requirements upon commencing its operations.

FINRA member broker-dealers publish quotes and transmit trade messages on OTC Link ATS. OTC Link ATS is not a party to any trade reports with respect to any trade executions that may result from these trade messages. All subscribers to OTC Link ATS are FINRA member broker-dealers, subject to all applicable FINRA rules.

OTC Link ECN provides its subscribers with matching engine and order routing functionality and is subject to FINRA and SEC rules applicable to that market model.

OTC Markets Group, and our markets generally, are not national securities exchanges. Our markets provide an alternative to national securities exchange listing for companies that either choose not to be listed on a U.S. national securities exchange or do not meet the relevant listing requirements. Our non-exchange status enables us to offer certain financial information, technology and market services that are competitive with the services offered by national securities exchanges with less complexity and lower costs, but it also inhibits our ability to provide certain other benefits that exchanges may offer.

The recent amendments to Rule 15c2-11 will permit OTC Link ATS, as a QIDQS, to perform the required information review to determine whether a security is eligible for public quoting (see *Recent Regulatory Developments Impacting our Business*, above). Our broker-dealer subscribers will be able to rely on these determinations. OTC Link LLC and OTC Link ATS will be required to maintain policies and procedures with respect to making such determinations and will be subject to recordkeeping requirements and SEC and FINRA review of those policies and procedures.

OTC Markets Group does not have regulatory enforcement authority over companies whose securities trade on our markets. However, it is our policy to share information about ourselves and our markets proactively with regulators and, under Amended Rule 15c2-11, companies on our markets may be required to publish financial information and other disclosure in order for their securities to be publicly quoted by broker-dealers on our markets.

The Need for any Governmental Approval of the Company's Products and Services and the Status of such Approvals

The products and services we offer through OTC Link LLC must comply with applicable FINRA and SEC rules.

Securities on our OTCQX and OTCQB markets are exempt from secondary trading laws by securities regulators in 37 states and 33 states, respectively (see *Blue Sky Secondary Trading Exemptions for OTCQX and OTCQB*, above). States have granted this status via no-action letters, administrative orders, rule changes, legislative amendments and under existing exemptions. The recognition of our markets for this purpose is primarily based on the free, public, online availability of current corporate disclosure from OTCQX and OTCQB companies

on our website and is conditioned upon the continued availability of that disclosure. We expect OTCQX and OTCQB to be recognized by additional states in 2021.

We continue to engage with the SEC regarding our ability to operate the Expert Market, as well as additional relief under, and general compliance with, the Amended Rule 15c2-11 (see *Recent Regulatory Developments Impacting our Business*, above).

Competition

OTC Link

The market for trading services in the U.S. is intensely competitive. Changes in the regulatory landscape over the past several years have contributed to an increase in the number of trading platforms in the equities markets, including numerous national securities exchanges, regional markets, ATSS and ECNs. A continued increase in new entrants and products to the market or in price competition could result in a decline in our trading activity, thereby adversely affecting our operating results.

We compete with national securities exchanges such as Nasdaq and NYSE because a portion of the companies traded on OTC Link ATS may also qualify for a national securities exchange listing. Current law prevents national securities exchanges from listing or facilitating trading in non-SEC registered securities. OTC Link would face increased competition from national securities exchanges if those laws were to change. OTC Link may also face competition if national securities exchanges are permitted to operate specialized markets for thinly traded securities, as has been proposed by Nasdaq (see *Recent Regulatory Developments Impacting our Business*, above).

Global OTC, an ATS operated by a subsidiary of NYSE Group Inc., operates an automatic execution venue for certain OTC equity securities. OTC Link competes with Global OTC. During the twelve months ended December 31, 2020, we added 20 net new subscribers to our OTC Link ECN platform.

Market Data Licensing

A decline in trading on our OTC Link ATS caused by competition or otherwise, as well as other economic conditions adversely affecting our OTC Link ATS or our subscribers may result in a reduction in demand for our market data products. If competition in the OTC trading market results in fragmentation of the existing market for quoting and trading OTC equity securities, the value of our market data products, and corresponding demand for those products, may be reduced. The market data business is highly dependent on rapidly changing technology and is characterized by intense price competition. Many of our competitors have greater financial and other resources than we do. These market data providers may offer more competitive pricing and deploy new products to our detriment. Competition for our market data products may arise from, among other things, market data generated by a competing ATS or FINRA providing quote data for securities on our markets through a regulatory data feed or other mechanism.

Corporate Services

Our Corporate Services business line competes with national securities exchanges such as Nasdaq and NYSE and with global exchanges such as the London Stock Exchange's AIM and Canada's TSX Venture Exchange. We face competition because certain companies that join our OTCQX or OTCQB markets may also qualify for a national securities exchange listing. Similar to OTC Link, our Corporate Services business line benefits from current law that prevents a national securities exchange from listing the securities of non-SEC registered companies.

It is possible that the national securities exchanges or competing ATSS could alter their business models to attempt to compete with our corporate services. New entrants may, among other things, respond more quickly to competitive pressures, develop and deploy products and services more efficiently or adapt more successfully to changes in technologies and customer requirements. If we are unable to compete successfully in terms of our product offerings or pricing, our business, financial condition and results of operations could be materially adversely affected.

Dependence on One or a Few Major Customers

OTC Markets Group's three business lines provide diverse products and services. The varied nature of our revenue streams generally prevents us from having material reliance on a small number of major customers. However, our Market Data Licensing business utilizes third party data redistributors to bring our data to end users, and these end users are somewhat concentrated with certain major redistribution partners. In each of 2020 and 2019, redistribution of our market data licenses through the three largest of our redistributors accounted for 15% of our gross revenues.

A majority of our OTC Link and Market Data Licensing customers are financial institutions. We are subject to reliance on a decreasing number of these types of customers as financial institutions are acquired, merge, restructure and dissolve. If relationships with our largest distribution partners or a substantial number of our financial institution customers, including our OTC Link broker-dealer subscribers, are terminated, not renewed, or renegotiated on terms less favorable to us, our business could be adversely affected.

Employees

As of December 31, 2020 and 2019, OTC Markets Group had a total of 102 and 99 employees, respectively, all of whom are full-time employees. Employees support one of our three business lines, or our Information Technology, Marketing, or Finance/Corporate Administration support units.

We believe great people make a great company, and we pride ourselves on attracting and retaining top talent and developing a collection of creative minds who find inspiration in their work. Career development and training opportunities are available throughout the organization, including targeted courses and self-directed instruction from a number of available resources. Our open, transparent and connected core values are incorporated into each aspect of our company, and our culture emphasizes autonomy, responsibility, innovation and self-discipline. We encourage professionally passionate discussions of opposing viewpoints and creativity.

Trademarks, Licenses, Franchises, Concessions, Royalty Agreements, or Labor Contracts

To protect our intellectual property rights, we rely on a combination of trademark and copyright laws, trade secret protections, confidentiality agreements, and other contractual arrangements with our clients, strategic partners, and others.

We own or have licensed rights to trade names, trademarks, domain names, and service marks that we use in conjunction with our operations and services. We have registered many of our most important trademarks. Our primary trademarks and trade names include "OTCQX," "OTCQB," "OTC Link," and "Pink". As of December 31, 2020, we had 33 registered trademarks and one pending trademark application. We maintain copyright protection in our branded materials.

Risk Factors

OTC Markets Group evaluates the key enterprise risks it faces on an ongoing basis. The list of key enterprise risks and uncertainties that follows is not exhaustive. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may adversely affect our business now or in the future.

The economic impact of the COVID-19 pandemic could adversely affect our financial condition and results of operations.

The COVID-19 pandemic and governmental and other measures aimed at containing its spread have resulted in an unprecedented slowdown in global economic activity. If the pandemic and/or its economic impact continue, it may have a negative impact on our business.

We could be subject to various risks related to the COVID-19 pandemic, as well as additional risks not presently known to us, or that we currently deem immaterial, any one of which could have a material, adverse effect on our business, financial condition, liquidity, and results of operations. For example, existing clients and subscribers negatively impacted by the COVID-19 pandemic may choose to cancel or reduce the services they purchase from us and potential clients could choose to delay or defer purchasing decisions. The COVID-19 pandemic could also impact the productivity of our employees and third party vendors, both as a result of the challenges of working from a remote environment or as a result of illness, impacting the effectiveness of our operations and hampering our ability to deliver on strategic initiatives.

A prolonged economic downturn due to the COVID-19 pandemic and related governmental and market responses could result in reduced levels of trading activity on our markets. It is likely that a general and prolonged decline in trading activity would adversely affect our broker-dealer subscribers, possibly driving continued business consolidation and/or further declines in headcount within the financial services industry, all of which would adversely impact our OTC Link and Market Data Licensing businesses.

The extent to which the pandemic could materially adversely affect our business and results of operations will depend on numerous evolving factors and future developments that we are not able to predict. See *Trends in Our Business*, below, for additional information on the potential impact of COVID-19 on our specific business lines and operations.

Regulatory changes could have a material adverse effect on our business.

The securities markets have faced increasing governmental and public scrutiny and significant regulatory changes over the past several years (see *Recent Regulatory Developments Impacting our Business*, above). It is difficult to predict the exact nature of potential changes in the regulatory environment or to predict the resulting impact on our business. The SEC regulates us directly, and exercises regulatory authority over issuers, broker-dealers and other participants in the public markets. Our ability to comply with applicable rules and regulations depends on, among other things, our ability to establish and maintain appropriate systems and procedures, as well as our ability to attract and retain qualified personnel.

While we are not a national securities exchange, we offer certain services that are competitive with the services offered by national securities exchanges (see *Competition*, above). Unlike a national securities exchange listing, companies are not required to be registered with the SEC to be traded on our markets. Any regulatory change that would encourage or require more companies to undertake SEC registration may reduce the demand for our OTCQX and OTCQB markets. If Nasdaq or other national securities exchanges are permitted to organize specialized venture exchanges for thinly traded securities or other exchange-based small company markets, companies could seek to list their securities on those markets and broker-dealers

could seek to quote on those markets, rather than on our OTCQX and OTCQB markets (see “Thinly Traded Securities”, under *Recent Regulatory Developments Impacting our Business*, above).

On September 16, 2020, the SEC published a Final Rulemaking on Exchange Act Rule 15c2-11 (see “SEC Final Rule Amending Exchange Act Rule 15c2-11” under *Recent Regulatory Developments Impacting our Business*, above). The Amended Rule 15c2-11 may significantly reduce the number of securities on our markets and restrict the ability of brokers to quote and trade securities on our markets, which may negatively impact our revenue and could cause some broker-dealers to cease quoting on our markets altogether.

OTC Link LLC is subject to FINRA and SEC oversight. The regulatory framework under which we operate, and new regulatory requirements or new interpretations of existing requirements, could require substantial time and resources for compliance, which could make it difficult and costly for us to operate our business.

Our wholly owned subsidiary, OTC Link LLC, operates two SEC registered ATSS, OTC Link ATS and OTC Link ECN. Regulation of OTC Link ATS, and its designation as an SCI Entity under Regulation SCI, increases the amount of regulatory scrutiny we are subjected to and the related costs. Regulation SCI requires certain critical market participants, including OTC Link ATS, to maintain comprehensive policies and procedures in relation to their systems and technology. While not an SCI entity, OTC Link ECN is subject to FINRA and SEC oversight and may qualify as an SCI Entity at some point in the future. OTC Link LLC and our broker-dealer subscribers are also required to report to the CAT (see “Consolidated Audit Trail” under *Recent Regulatory Developments Impacting our Business*, above).

The ongoing burdens associated with Regulation SCI and CAT compliance could negatively impact our business by increasing our operational expenses and our regulatory risk. Further, the SEC and/or FINRA could impose additional transactional or other fees which could increase our operating costs or otherwise negatively impact our business.

Regulatory compliance requires substantial time and resources, which make it costlier to operate our OTC Link business. OTC Link LLC is also subject to periodic examinations by the SEC and FINRA, which may result in monetary or other penalties, including possible revocation of ATS licenses. New regulatory requirements, such as the amendments to Rule 15c2-11, may also subject us to additional regulatory oversight by FINRA and the SEC, which could further increase our operating costs and the possibility of other penalties and may make the development and introduction of new products and services more costly and time-consuming, possibly limiting or prohibiting such initiatives altogether.

OTC Link ATS relies on certain trade reporting exemptions under the FINRA Rules. Limitations to the nature or extent of this exemptive relief, including with respect to our CAT reporting obligations, may have a negative impact on our business.

OTC Link LLC is subject to regulatory requirements intended to ensure its general financial soundness and liquidity, including certain minimum capital requirements.

Cyber attacks or other security incidents could harm our business.

The fast and secure transmission of information over public and other networks is a critical element of our operations and is the subject of significant regulatory scrutiny. Our computer systems, networks and those of our third-party service providers or open source technology may be vulnerable to security breaches, hacking, human error, denial-of-service attacks, sabotage, terrorism, computer viruses and other security problems. Some of these threats include attacks from foreign agents or insiders. Individuals could wrongfully access and use our

information or our subscribers' or users' information, or cause interruptions or malfunctions in our operations. Although we have implemented security measures, our security and the security of our third-party providers may prove to be inadequate. Any system breach may go undetected for an extended period of time. Maintaining and enhancing these measures also represents additional cost, which reduces our operating margin. If our systems fail to perform or if there are security breaches, any such failures or breaches could, among other things, damage our reputation and/or cause a loss of business, trading, revenues, and lead to lawsuits and regulatory actions including fines, any of which could adversely affect our business, financial condition and operating results.

As cyber security threats continue to evolve and increase in frequency, and as the regulatory environment related to information security, data collection and use, and privacy becomes increasingly rigorous, we may be required to devote significant additional resources to modify and enhance our security controls and to identify and remediate security vulnerabilities, which could adversely impact our business. We also expend time and resources reviewing, guarding against and monitoring for cybersecurity risks, threats and incidents involving our third-party vendors, which, if they were to occur, could adversely impact our business.

Our compliance and risk management methods, as well as our fulfillment of our regulatory obligations, might not be effective, which could lead to enforcement actions by our regulators.

Our ability to comply with complex and changing laws and regulations is largely dependent on our establishing and maintaining compliance and reporting systems that can quickly adapt and respond, as well as our ability to attract and retain qualified compliance and other risk management personnel. While we have policies and procedures to identify, monitor and manage our risks and regulatory obligations, if we fail to comply with any applicable regulations or specific regulatory requests, regulators could take a variety of actions, including imposing fines, issuing cease and desist orders, or prohibiting us from engaging in certain aspects of our businesses, that could impair our ability to conduct our business and have adverse consequences for our business, financial condition and operating results.

OTC Link subscribers are highly regulated and the regulatory framework under which they operate, and new regulatory requirements or new interpretations of existing requirements, could require substantial time and resources for compliance, which could make it difficult and costly for them to operate.

Our broker-dealer subscribers operate in a highly regulated environment. The SEC, FINRA, or other regulatory authorities could extend the scope of Regulation SCI to include our broker-dealer subscribers, or could impose significant CAT reporting requirements with respect to OTC equity securities that could adversely affect the ability of our subscribers to use our services or result in reduced demand for our services. Recent regulatory scrutiny has led clearing firms and other third-party service providers on which certain subscribers rely to develop policies limiting those subscribers' ability to interact with low-priced OTC securities, including restrictions on clearing, depositing or facilitating customer transactions in such securities. Continued regulatory focus on low-priced securities, including additional compliance obligations related to Rule 15c2-11, could adversely affect the ability of our subscribers to use our services, result in reduced demand for our services, or cause certain market participants to cease operating in our markets.

System limitations and failures, including failures elsewhere in the financial services industry, could harm our business.

Our business depends on the continuing operation of our information technology and communications systems. If these systems cannot accommodate user demand or otherwise fail to perform, we could experience disruptions in service, slower response times, and delays in the introduction of new or updated products and services. Interruptions in service and delays could reduce revenues and profits, lead to regulatory action including fines, and result in damage to our reputation. We have experienced systems failures in the past, and systems failures may occur in the future. Failures could be caused by, among other things, failures at third-party vendors on which we rely, hardware or software malfunctions or defects, unusually heavy use of our systems, insufficient capacity or network bandwidth, power or telecommunications failures, natural disasters, human error, targeted attacks and computer viruses. Any interruption in the third-party services on which we rely could be disruptive to our business and to our ability to continue to operate.

We currently maintain and expect to continue to maintain multiple computer facilities and systems that are designed to provide redundancy and backup. However, such systems and facilities may prove inadequate. The steps we have taken to increase the reliability and redundancy of our systems are expensive, reduce our operating margin and may not be successful in reducing the frequency or duration of unscheduled downtime.

We have programs in place to identify, monitor and minimize our exposure to vulnerabilities that could contribute to system failures, however we cannot guarantee that such failures will not occur in the future.

In recent years, technology-related failures have impacted several prominent securities industry participants. If OTC Link broker-dealer subscribers undergo significant systems failures, they may cease to operate or cease to use our services. Further, systemic failures, or failures in other areas of the U.S. or global trading markets, may erode investor confidence in the securities trading industry, which could adversely affect our business, financial condition and operating results.

The success of our business depends on our ability to keep up with the significant and rapid technological and other changes that affect our industry.

Our future success will depend on our ability to adapt to changing technologies, to conform our products and services to evolving industry and regulatory standards and to improve the performance and reliability of our services. Although our investments in technology are carefully scrutinized for value to the enterprise, there can be no assurance that we will generate an acceptable or any return on such investments. Our business would also be negatively affected by the failure of new products or upgrades to function as expected or at all, or by the failure of new products or upgrades with significant associated cost to generate an appropriate risk adjusted return.

Keeping pace with increasing technological requirements involves significant use of resources, and we cannot be sure that we will succeed in making these improvements in a timely manner or at all. If we are unable to anticipate and respond to the demand for new services and products in a cost-effective way, we may be unable to compete effectively, which could adversely affect our business, financial condition, and operating results.

Our industry is highly competitive.

We face formidable competition in every aspect of our business. We compete in a variety of ways with other market participants, including national securities exchanges, other SEC

registered ATSS, and other financial technology firms providing market data and data analytics products. There is the possibility that new national securities exchanges, ATSS, QIDQSS, other trading platforms or market data providers could emerge that would further increase competition in our industry.

The leading global stock exchanges have highly developed and successful listing products and premium fee structures that can fund substantial advertising, marketing and sales efforts. There is the possibility that national securities exchanges or ATSS could create listing venues, such as specialized venture exchanges, that compete directly with our OTCQX and OTCQB markets (see “Thinly Traded Securities”, under *Recent Regulatory Developments Impacting our Business*, above). If we fail to compete successfully with existing or new market participants, our business, financial condition, and operating results may be adversely affected. For additional information on the competitive environment in which we operate see *Competition*, above.

Challenging economic and geopolitical conditions may impact our business, financial condition and operating results.

Our business performance is impacted by a number of factors, including general economic conditions, financial market activity and other factors that are generally out of our control. A weakening of global or national economic conditions would likely negatively impact the ability of our customers and other counterparties to meet their obligations to us. Poor economic conditions could result in, among other things, declines in trading activity, or a reduction in demand for our market data and corporate services products.

Reduced levels of trading activity in our markets may affect customer demand for our corporate services and market data and may adversely impact transaction-based revenues. It is likely that a general decline in trading volumes would adversely affect our broker-dealer subscribers, which may adversely affect our business, financial condition and operating results. In addition, revenues from our OTC Link and Market Data Licensing businesses may decline due to continued business consolidation and further declines in headcount within the financial services industry.

Changes in tax regulations and policies could also have a material adverse impact on our financial results.

Our failure to attract and retain key personnel may adversely affect our ability to conduct our business.

Our success depends, in large part, upon our ability to attract and retain highly qualified personnel, which is and will be dependent on a number of factors, including market conditions and compensation offered by our competitors. Moreover, there can be no assurance that we will be able to retain our current employees. There is substantial competition for qualified and capable technologists and financial services professionals, which may make it difficult for us to retain qualified employees. We may have to incur costs to retain or replace senior executive officers or other key employees, and our ability to execute our business strategy could be impaired if we are unable to replace such persons in a timely manner. We have entered into Change in Control Agreements with certain senior executive officers, but that may not be sufficient to retain those employees.

We are highly dependent on the continued services of R. Cromwell Coulson, our Chief Executive Officer, and other executive officers and key employees who possess extensive knowledge and technology skills. We maintain a “key person” life insurance policy on Mr. Coulson in the amount of \$5 million, but the loss of the services of Mr. Coulson or other key

employees could have a material adverse effect on our business, financial condition, and operating results.

Many OTCQX and OTCQB companies operate in Canada, are concentrated in specific industries in Canada and may be subject to economic factors in Canada that may cause them to no longer meet the OTCQX Rules or the OTCQB Standards, or choose to withdraw from OTCQX or OTCQB.

A significant number of our OTCQX and OTCQB companies are based in Canada and many of those companies are engaged in the mining and cannabis sectors. A downturn in these sectors or in the general Canadian economy may adversely affect the operating results of those companies, causing them to no longer meet the OTCQX Rules and OTCQB Standards or to choose to withdraw in order to reduce costs. In prior years, downturns in certain industries have adversely affected our OTCQX market. The voluntary or involuntary withdrawal from OTCQX or OTCQB by these companies could adversely affect our OTCQX and OTCQB brands as well as our financial position and results of operations.

Canada, and certain U.S. states and jurisdictions have passed laws permitting the sale and distribution of cannabis-based products and services, however the U.S. federal government has not passed any such laws. Any regulatory or criminal action brought by the U.S. federal government or any U.S. state, or the repeal of any current cannabis legalization in Canada or any U.S. state, could have an adverse effect on our OTCQX and OTCQB markets and our business, financial condition and operating results.

The OTCQX, OTCQB and Pink markets are not national securities exchanges and this may limit the pool of available investors for these securities.

Some investors may only invest in securities listed on a national securities exchange. Our OTCQX market offers many services comparable to a national securities exchange, however, under current regulations, national securities exchanges have the ability to offer certain advantages to listed securities. For example, securities listed on a national securities exchange are exempt from state Blue Sky laws covering the offer or sale of securities within each state. National securities exchange listing status also confers margin eligibility to certain securities and potentially allows for their inclusion in certain exchange-traded funds and indices. Recent regulatory scrutiny has impacted investors' ability to deposit and clear low-priced securities and may discourage participation in the OTC market. While we have made significant progress in achieving state Blue Sky and other recognition for our premium markets, remaining differences between our markets and the national securities exchanges, perceived or actual, may act as a barrier to certain companies electing to have their securities traded on the OTCQX, OTCQB or Pink markets.

We are subject to reliance on a decreasing number of major customers as financial institutions are acquired, merge, restructure, and dissolve.

A majority of our OTC Link and Market Data Licensing subscribers are financial institutions. Over the past decade, including during 2020, the number of financial institutions operating businesses that may consume our services has decreased, causing our subscriber base to shrink. If this trend continues, it could cause our subscriber base to further contract and adversely affect our operating results and financial position. Our relationships with our largest distribution partners or a substantial number of our financial institution customers may terminate, not renew, or be renegotiated on terms less favorable to us, resulting in adverse effects on our business.

The adoption of new technologies, including the automation of trading, may impact our business model.

The automation of trading has resulted in a reduction in the number of broker-dealers and users of our OTC Dealer® application and other services provided by OTC Link ATS as well as in a reduction in the potential pool of users of our market data. Trading automation is expected to continue, and revenue growth in our OTC Link business line may depend on the success of our OTC Link ECN and our ability to innovate in line with new technologies to introduce new services, which may not be successful.

We rely on third party vendors that may cease to provide services or products that we use to run our business.

We rely on third party service providers to operate our business and have incorporated third party hardware, software and services into certain of our systems and offerings. Our operations and financial position could be negatively impacted in the event that these third party vendors fail to perform as expected or otherwise cease providing products or services on which we rely.

We are exposed to credit risk from third parties.

We are exposed to credit risk from third parties, including subscribers and clearing providers. These parties may default on their obligations to us due to bankruptcy, lack of liquidity, or other reasons. Our subscribers are generally financial institutions whose ability to satisfy their contractual obligations may be negatively impacted by, among other things, slow or stagnant financial growth. Credit losses could adversely affect our financial position and results of operations.

If we are not able to maintain and further enhance OTC Markets Group's reputation and brand, our ability to expand our business will be impaired and our business and operating results will be harmed.

We believe that our brand identity has significantly contributed to the success of our business. We also believe that maintaining and enhancing the "OTC Markets Group" brand as an innovative provider of financial information and technology services is critical to expanding our business. Maintaining and enhancing our brands may require us to make substantial investments and these investments may not be successful. If we fail to promote and maintain our brands, or if we incur excessive expenses in this effort, our business, operating results, and financial condition will be materially and adversely affected.

Our reputation could be harmed by, among other things, issues related to technology-related failures, misconduct or fraudulent activity by current or past employees, companies traded on our OTCQX and OTCQB markets, OTCQX Sponsors, any inaccuracy of our financial statements or other public disclosure and any failure to comply with regulatory requirements or negative public statements by regulators, including further regulatory scrutiny of low-priced or thinly traded securities.

Damage to our reputation could harm our business in many ways, including reducing investor demand for OTC securities, causing broker-dealers to discontinue their use of OTC Link, causing companies not to choose to trade their securities on, or to remove their securities from, OTCQX or OTCQB, causing current or potential customers to refrain from purchasing market data and causing regulators to scrutinize or impose additional regulations on our operations. Any of these events could adversely affect our business, financial condition and operating results.

The occurrence or perception of unauthorized disclosure of confidential information could harm our business.

In the course of our business, we receive, process, transmit and store certain confidential information. Our treatment of such information is subject to legal and regulatory restrictions, including the European Union's General Data Protection Regulation (GDPR) and recently adopted privacy laws in the U.S., such as the California Consumer Privacy Act (CCPA) or the New York Stop Hacks and Improve Electronic Data Security Act (SHIELD Act). Compliance with data privacy laws and regulations may require changes to the way we collect, process and protect personal information, which may cause us to incur additional costs. While we take measures to protect against unauthorized access to confidential information, these measures may prove inadequate. Our failure to adequately protect confidential and personal information may subject us to contractual liability and damages, regulatory actions including fines, loss of business and harm to our reputation. The occurrence of these events, or the mere perception of the breach of confidence on our part, could have an adverse effect on our business.

Our intellectual property rights are valuable and any failure to protect our intellectual property rights, or allegations that we have infringed the intellectual property rights of others, could adversely affect our business, financial condition, and operating results.

Our trademarks, trade secrets, copyrights, pending patents and all of our other intellectual property rights are important assets. Our intellectual property rights are subject to a combination of trademark laws, copyright laws, patent laws, trade secret protection, confidentiality agreements, and other contractual arrangements with our affiliates, subscribers, vendors and others. We rely on certain open source software to run our business and there is a risk that such open source licenses could impose unanticipated conditions or restrictions on our ability to commercialize or continue offering our products and services. We also make certain of our market data publicly available on our website, making it vulnerable to improper scraping and redistribution.

Failure to protect our intellectual property adequately could harm our reputation and affect our ability to compete effectively. Further, defending our intellectual property rights, or third-party intellectual property claims against us, may require significant financial and other resources, limit our ability to use certain intellectual property, or require us to purchase licenses from third parties.

We vigorously defend our rights to own and license the use of market data. However, any change in existing law that would place in question our intellectual property rights in our commercialized data products would have a material adverse effect on this aspect of our business.

Any infringement by us on intellectual property rights of others could result in litigation and could have a material adverse effect on our operations.

Our competitors, as well as others, have obtained, or may obtain, patents or may otherwise hold intellectual property rights that are related to our technology or the types of products and services we offer or plan to offer. We may not be aware of all intellectual property that may pose a risk of infringement by our products, services or technologies. In addition, some patent applications in the U.S. are confidential until a patent is issued, and therefore we cannot evaluate the extent to which our products and services may be covered or asserted to be covered in pending patent applications. Thus, we cannot be sure that our products and services do not infringe on the rights of others or that others will not make claims of infringement against us. Claims of infringement are sometimes made in our industry, and even if we believe that such claims are without merit, they can be time-consuming and costly to defend and divert

management resources and attention. If one or more of our products, services or technologies were determined to infringe a patent or other intellectual property right held by another party, we may be required to pay damages, stop using, developing or marketing those products, services or technologies, obtain a license from the holders of the patents or intellectual property right or redesign those products, services or technologies to avoid infringing the patent or intellectual property right. If we were required to stop using, developing or marketing certain products, our business, financial condition and operating results could be materially harmed. Moreover, if we were unable to obtain required licenses, we may not be able to redesign our products, services or technologies to avoid infringement, which could materially adversely affect our business, financial condition and operating results.

Our operating results may fluctuate, which makes our results difficult to predict and could cause our results to fall short of expectations.

Our operating results may fluctuate as a result of a number of factors, many of which are outside of our control, including economic and political market conditions, natural disasters, pandemics, terrorism, war or other catastrophes, broad macro-economic trends, seasonal fluctuations, price performance and volatility in the stock market, the level and volatility of interest rates, changes in government monetary or tax policy or other legislative and regulatory changes. Any of these factors, and others outside our control, could result in a general decline in trading volumes in the equity markets, which could negatively impact our revenues. For these reasons, comparing our operating results on a period-to-period basis may not be meaningful, and our past results should not be relied on as an indication of future performance.

We may need additional funds to maintain and grow our business, which may not be readily available.

We depend on the availability of adequate capital to maintain and develop our business. Although we believe that we can meet our current capital requirements from internally generated funds, cash on hand and available borrowings, there are no assurances that additional capital will not be required in the future. If we do not achieve our expected operating results, we may need to reallocate our cash resources. Our failure to fund our capital or credit requirements could have an adverse effect on our business, financial condition, and operating results.

We have no outstanding borrowings under our \$1.5 million line of credit with JPMorgan Chase Bank, N.A. ("JPMorgan Chase") (see *Liquidity and Capital Resources*, below). In the event that we draw funds on our line of credit, or choose to enter into and draw from additional credit agreements for the purpose of making acquisitions or otherwise, we would be subject to restrictive covenants that could, among other things, restrict our ability to grant liens, incur additional indebtedness, pay dividends, sell assets, and make certain payments. Our failure to meet any of the covenants could result in an event of default. If an event of default were to occur, and we were unable to receive a waiver of default, our lenders could increase our borrowing costs, restrict our ability to obtain additional borrowings, accelerate all amounts outstanding, or enforce their interest against all collateral pledged.

If the capital and credit markets experience volatility, for example, as a result of the planned phase out of the London Interbank Overnight Rate ("LIBOR"), access to additional capital or credit may not be available on terms acceptable to us or at all.

We may not be successful in executing on our strategies to support our growth through acquisitions, other investments or strategic alliances.

As we continue to seek strategic growth opportunities, there can be no assurance that we will be able to identify suitable investments or candidates for acquisition at acceptable prices. There may be integration risks or other risks resulting from acquired businesses.

Our ability to achieve the expected returns from acquisitions and alliances depends on many factors, including our ability to effectively integrate the technology, sales, administrative functions and personnel into our core business lines and the ability to cross-sell new products and services to our existing customers. We cannot guarantee that businesses we acquire will perform at the levels anticipated. Further, many of the other potential acquirers of assets in our industry have far greater financial resources than we have, and we cannot be sure that we will be able to complete any future transactions on terms favorable to us.

Additionally, past and future acquisitions may subject us to unanticipated risks or liabilities, may require significant resources such as the time and attention of our management team and other key employees, or may otherwise disrupt our existing operations. Growth, such as the addition of new clients, technology and personnel, puts demands on our resources, including our internal systems and infrastructure. These needs may result in increased costs that could negatively impact results of operations.

We are not subject to SEC reporting requirements, which may negatively impact our ability to raise capital.

None of our common stock has been registered with the SEC under the Securities Act or the Exchange Act or qualified under any state securities laws. This limits our ability to raise capital under certain circumstances. For example, certain investors will not invest in unregistered securities, including in private offerings of securities issued by public companies that do not provide investors with registration rights.

We avail ourselves of Blue Sky secondary trading exemptions through our inclusion on the OTCQX market, and other applicable exemptions and filings; however, not all states recognize these exemptions and there are states in which we have not qualified for an exemption or filing.

If we were to decide to issue securities in a registered public offering, we would be required to register our securities under the Exchange Act and, among other things, comply with SEC reporting requirements, which would increase our ongoing costs of operations.

Risks Relating to an Investment in OTC Markets Group's Common Stock

If a more active, liquid trading market for our common stock does not develop, stockholders may be unable to sell their shares quickly or at all.

Historically, our shares have been thinly traded. Prices of thinly traded securities tend to be more volatile than those traded more actively because just a few trades may affect the market price substantially. Stockholders may not be able to sell their shares quickly or at all, or obtain an expected price, and it may be especially difficult to sell shares during a slow period in the financial markets.

The market price and trading volume of OTC Markets Group's common stock may be volatile, and stockholders could lose some or all of their investment.

A variety of market and industry factors may affect the market price of our common stock, regardless of our actual operating performance. This market volatility, as well as other factors including, but not limited to, quarterly variations in our financial results, results that fail to meet investor or analyst expectations, departures of key personnel, liquidation by significant

stockholders, our inability to continue to pay quarterly dividends or year-end special dividends, changes to the regulatory environment in which we operate, developments in the competitive landscape, technology failures or changes in the macro economic environment more generally, could adversely affect the market price of our common stock.

Decisions to declare future dividends on our common stock will be at the discretion of our Board of Directors based upon a review of relevant considerations. Accordingly, there can be no guarantee that we will pay future dividends to our stockholders.

The declaration of dividends by OTC Markets Group is subject to the discretion of our Board of Directors. Our Board of Directors will take into account such matters as general business conditions, our financial results, capital requirements, contractual, legal and regulatory restrictions on the payment of dividends and such other factors as our Board of Directors may deem relevant. Based on an evaluation of these factors, the Board of Directors may determine not to declare future dividends at all or to declare future dividends at a reduced amount. Accordingly, there can be no assurance that we will pay future dividends to our stockholders.

Charges to earnings resulting from acquisition, integration and restructuring costs may adversely affect the market value of our common stock.

Our financial results could be adversely affected by the amount of additional amortization or depreciation expense incurred over the useful economic life of assets acquired, by any impairment charges that may be required to be recorded and by the amount of any additional costs from integrating or restructuring the operations of any businesses acquired. This could, in turn, adversely affect the market price of our common stock.

Our Chief Executive Officer holds approximately 30% of our issued and outstanding common stock.

As of December 31, 2020, our Chief Executive Officer, R. Cromwell Coulson, owned approximately 30.0% of the voting power of our outstanding common stock. This gives Mr. Coulson significant influence over all matters requiring stockholder approval, including the election of directors and significant corporate transactions, such as a merger or other sale of the Company or our assets, and he will have such influence for the foreseeable future. This concentrated control may limit the ability of other stockholders to influence corporate matters, and as a result we may take actions that our other stockholders do not view as beneficial. Consequently, the market price of our common stock could be adversely affected.

Provisions of our certificate of incorporation and by-laws, certain agreements with management and provisions of Delaware law could delay or prevent a change in control of the Company and entrench current management.

Our organizational documents contain provisions that may be deemed to have an anti-takeover effect and may delay, deter, or prevent a change of control, such as a takeover proposal that might result in a premium over the market price for our common stock. Additionally, certain of these provisions make it more difficult to bring about a change in the composition of our Board of Directors, which could result in entrenchment of current management.

Our certificate of incorporation and by-laws:

- authorize our Board of Directors to elect directors to fill a vacancy created by the expansion of the Board of Directors or the resignation, death or removal of a director, which prevents stockholders from being able to fill vacancies on our Board of Directors;
- require supermajority stockholder approval to remove directors;
- do not permit stockholders to act by written consent or to call special meetings; and

- authorize the Board of Directors, in the event of a tender or other offer for our shares, to advise stockholders not to accept the offer, to create a preferred stock rights agreement and to obtain a more favorable offer from another individual or entity.

Our certificate of incorporation elects the application of DGCL Section 203, under which a corporation may not engage in a business combination with any holder of 15% or more of its capital stock unless the holder has held the stock for three years or, among other things, the Board of Directors has approved the transaction. Accordingly, our Board of Directors could rely on Delaware law to prevent or delay an acquisition of the Company (see *Share Structure*, above).

We have entered into Change in Control agreements with certain senior executive officers, which may have the effect of discouraging potential acquirers of our business or reduce the price they are willing to pay common stockholders in connection with an acquisition.

2021 Outlook

This section is comprised primarily of forward-looking statements (see Cautionary Note Regarding Forward-Looking Statements, above).

During 2021, the Company expects to focus on:

- (1) Implementing Amended Rule 15c2-11 by the Compliance Date, including seeking exemptive relief for an Expert Market and working with our broker-dealer subscribers and issuers on our markets to further our mission to create better informed and more efficient financial markets;
- (2) Further developing and enhancing our scalable infrastructure that positions us to meet our regulatory obligations and to continue to develop cost-effective, technology-enabled solutions;
- (3) Driving sustainable revenue growth through strategic initiatives, including: continued efforts to grow our OTC Link business and gain market share via our OTC Link ECN; marketing and selling efforts focused on growing the number of issuers on our OTCQX and OTCQB markets and on providing additional services to those issuers; and product development and selling efforts in our Market Data Licensing business to grow and enhance our suite of products and expand the number of users of those products;
- (4) Advocating for further regulatory recognition of our markets to create financial markets that can more efficiently serve the needs of issuers, investors and other participants; and
- (5) Pursuing corporate development efforts to source and evaluate potential acquisitions and other strategic transactions with a view to growing and diversifying our product suite and subscriber base.

We expect that our role as a Qualified IDQS under Amended Rule 15c2-11, including our ability to perform initial and ongoing company information reviews, will allow us to streamline the onboarding of securities onto our markets and engage with additional companies regarding our Corporate Services products. We plan to devote significant commercial, technology, compliance, legal and other resources in advance of the September 2021 Compliance Date. The extent of necessary changes to our system, processes and personnel will depend, in part, on any relief we receive from the SEC. While we expect our financial results will be affected as a result of the Amended Rule 15c2-11, it is not yet possible to determine the scope or extent of such an effect.

In our OTC Link business, we have continued to attract new subscribers to OTC Link ECN and increase OTC Link ECN's market share. We intend to continue to focus our efforts in 2021 on adding subscribers, attracting more order flow from existing and new subscribers and building out enhanced functionality. We may choose to compete on pricing as we look to continue gaining market share. In late 2020, OTC Link filed an initial operation report with the SEC to operate a third ATS, known as OTC Link NQB. We anticipate launching OTC Link NQB in the first half of 2021. It is not yet possible to predict how successful the launch of OTC Link NQB will be or the impact it will have on our financial results.

During 2020, we added 106 issuers to our OTCQX market and 229 issuers to our OTCQB market, including 78 global issuers on OTCQX and 160 global issuers on OTCQB. We intend to continue to focus on growing the number of issuers on our markets, and in particular the number of international issuers and community banks, and intend to devote marketing, PR and sales resources to doing so. We plan to continue enhancing our disclosure and investor engagement tools, including growing our VIC business and the number of companies that use our DNS disclosure tools to comply with Amended Rule 15c2-11.

We intend to continue to develop and enhance our market data offerings in 2021, and, in particular, our market data compliance offerings. We continue to focus resources on our suite of compliance analytics and compliance data products, including our Canari[®] Compliance Tool.

During 2019 and 2020, we devoted significant resources to developing our Blue Sky Secondary Trading Compliance Data Product (see *Recent Business Developments*, above). Launched in September 2020, this new data file allows subscribers to automate their Blue Sky compliance processes for over 96,000 OTC securities. It is not yet possible to predict the impact this new product offering will have on our financial results. We also anticipate that the sales cycle for this product could be long and cannot predict how long it will take to close new sales and onboard users, or how successful we will be in doing so. We will be devoting internal resources to onboarding subscribers to this product and to growing the number of subscribers during 2021.

We will continue to invest in our platform, infrastructure and people in order to ensure we have reliable and compliant systems, policies and procedures, and to allow us to further expand our network. During 2020, we continued to make investments in our core and cloud-based infrastructures and in developing our internal expertise. We expect that future investments with respect to our compliance with Regulation SCI and CAT reporting obligations will be material to our financial results (see *Recent Regulatory Developments Impacting our Business*, above).

We believe that the significant regulatory recognitions achieved to date have marked important milestones in establishing our data-driven market standards as a strong and accepted baseline for corporate governance, investor engagement, disclosure and transparency, as evidenced by our status as a QIDQS under Amended Rule 15c2-11. As of March 1, 2021, our OTCQX and OTCQB markets are exempt from secondary trading regulations in 37 and 33 states, respectively (see *Recent Regulatory Developments Impacting our Business*, above). During 2021, we intend to continue our efforts to gain additional regulatory recognition for our OTCQX and OTCQB markets in respect of state Blue Sky laws. We have made some progress in advancing legislation that would ease restrictions on OTC issuers wishing to offer their employees access to an Employee Stock Option Plan or ESOP (see *Recent Regulatory Developments Impacting our Business*, above), and are also advocating for changes to federal regulations concerning margin eligibility for qualifying OTC equity securities, such as those on our OTCQX market.

During 2021, we will explore strategic capital allocation opportunities including targeted acquisitions and other transactions. We intend to focus our efforts on identifying and executing

on strategic opportunities with a view to expand our technology enabled product suite and provide additional utility to our customers.

PART D. Management Structure and Financial Information

The name of the Chief Executive Officer, members of the Board of Directors, as well as control persons

A. Officers and Directors

R. Cromwell Coulson, President and Chief Executive Officer; Director

R. Cromwell Coulson has been President, CEO and a Director of OTC Markets Group since 1997. Mr. Coulson is responsible for the Company's overall growth and strategic direction and has led the transformation of the company into an operator of regulated financial markets for U.S. and global companies. Prior to OTC Markets Group, he was a trader and portfolio manager at Carr Securities Corporation, an institutional broker-dealer and market maker. He received his BBA from Southern Methodist University in 1989 and holds an OPM from Harvard Business School. Mr. Coulson is 54 years of age.

Matthew Fuchs, Executive Vice President, Market Data

Matthew Fuchs leads the product development, distribution and sales of market data at OTC Markets Group. He is responsible for overseeing the launch of new products and enhancements to existing market data tools that help financial institutions more efficiently trade and analyze a broad array of securities. Prior to joining OTC Markets Group, he served in a number of financial technology roles at the National Research Exchange, Bearing Point and Arthur Andersen. Mr. Fuchs received a BA from Columbia University. Mr. Fuchs is 45 years of age.

Lisabeth Heese, Executive Vice President, Issuer and Information Services

Lisabeth (Liz) Heese joined OTC Markets Group in 2004 as the Director of Issuer and Information Services. Since then, she has built a team responsible for collecting and maintaining corporate and securities data for over 10,000 companies; development, sales and support of company-related products and services; and monitoring company compliance with OTC Markets Group's policies and procedures. Prior to joining OTC Markets Group, Ms. Heese spent 11 years at Nasdaq, serving as a Product Manager in the Trading and Market Services Division for what is currently the FINRA OTC Bulletin Board. Ms. Heese received a BA from American University. Ms. Heese is 51 years of age.

Michael Modeski, President, OTC Link LLC

Michael Modeski joined OTC Markets Group in 2011. Mr. Modeski has over 20 years of experience in the financial markets, with a focus on the OTC markets. Previously, Mr. Modeski served as the Director of Broker-Dealer Execution Services and Sales at Citigroup and the Director of Execution Services at Lava Technology, a division of Citigroup. Before working at Citigroup, he was the Director of OTC Equities at FINRA, and held several management positions at Pershing. Mr. Modeski was President of the Security Traders Association of New York (STANY) from 2016 to 2017. He received a BS in Finance from Lehigh University. He holds various FINRA securities licenses, including the Series 24. Mr. Modeski is 49 years of age.

Antonia Georgieva, Chief Financial Officer

Antonia Georgieva joined OTC Markets Group in January 2021 as Chief Financial Officer. Antonia has more than 17 years of M&A and capital markets experience in fintech and financial

services. Prior to joining OTC Markets Group, Ms. Georgieva was a Partner at Drake Star Partners, a global investment banking firm, where she led Drake Star's fintech coverage practice in the U.S. Previously, Ms. Georgieva was a Managing Director at BMO Capital Markets Corp. where, most recently, she co-led the firm's fintech and information services coverage effort as a senior member of the Technology & Business Services group. Ms. Georgieva holds a bachelor's degree in Finance from the University of National and World Economy in Bulgaria and received her MBA from The Wharton School at the University of Pennsylvania. She holds a FINRA Series 7 and Series 63 licenses. Ms. Georgieva is 46 years of age.

Bruce Ostrover, Chief Technology Officer

Bruce Ostrover joined OTC Markets Group in 2017 as Chief Technology Officer. Mr. Ostrover has over thirty years of experience in the financial services industry with a focus on software development and project management. Prior to joining OTC Markets Group, he served as Managing Director at Convergenx Group, overseeing strategic project and product development. Before joining Convergenx, he was a founding partner in a consulting firm that provided front, middle and back office solutions for the financial industry which was acquired by Convergenx. Mr. Ostrover has held senior management and professional roles in software development, IT operations and systems administration with industry leaders in the financial services space including Brown Brothers Harriman, Dreyfus Corporation and Swiss Bank Corporation Investment Banking. He received a BS in Mathematics and Computer Science from Binghamton University. Mr. Ostrover is 58 years of age.

Jason Paltrowitz, Director, OTC Markets Group International Ltd; Executive Vice President, Corporate Services

In his dual role as Director, OTC Markets Group International Ltd and EVP, Corporate Services, Jason Paltrowitz manages the company's international and domestic Corporate Services business. Prior to joining OTC Markets Group in October 2013, he was Managing Director and Segment Head at JPMorgan Chase responsible for the custody, clearing and collateral management business in the Corporate and Investment Bank division. Mr. Paltrowitz also held multiple senior management positions at BNY Mellon, most notably, as Head of M&A for the Financial Markets and Treasury Services Sector and 11 years as the Head of the Global Capital Markets Group in the Depositary Receipt Division. He served as a member of the Board of Directors at OTC Markets Group from 2008 to 2011. He received his Bachelor's degree in International Relations from Boston University and his MBA from the NYU Stern School of Business. Mr. Paltrowitz is 48 years of age.

Daniel Zinn, General Counsel; Chief of Staff

Daniel (Dan) Zinn is OTC Markets Group's General Counsel, Chief of Staff and Corporate Secretary. He leads the Company's regulatory and policy making efforts and is a frequent speaker on over-the-counter equity markets. As Chief of Staff, Dan also oversees the company's Human Resources and Administrative functions. Prior to joining OTC Markets Group in 2010, he served as outside counsel to OTC Markets Group beginning in 2007, as a partner at The Nelson Law Firm LLC. Previously, Mr. Zinn worked in the corporate office of AIG. He received his JD from the Benjamin N. Cardozo School of Law, where he served as Associate Editor of the Cardozo Law Review and received his BS from Pennsylvania State University. He is a member of the American Bar Association. Mr. Zinn is 43 years of age.

Gary Baddeley, Director

Gary Baddeley holds an executive position with Ginjan Bros, Inc., a soft beverages business. Previously, Mr. Baddeley was CEO of TDC Entertainment, an independent film and video

producer and distributor, and served for two years as Vice President and General Manager of Robbins Entertainment. From 1990 to 1996, Mr. Baddeley was an attorney at Phillips Nizer LLP in New York City, specializing in representation of clients in the music and television industries. Mr. Baddeley received his JD from New York University School of Law and a BS from Kingston University. Mr. Baddeley is 55 years of age.

Louisa Serene Schneider, Director

Louisa Serene Schneider currently serves as founder and CEO of Rowan Inc., a direct-to-consumer jewelry manufacturing company. Louisa Serene Schneider served as the Chief Administrative Officer and Head of Investor Relations at Alder Hill Management LP from 2015 through 2017. Prior to Alder Hill, Ms. Serene Schneider was the Senior Director for the Heilbrunn Center for Graham & Dodd Investing at Columbia Business School, responsible for all operational aspects of the school's value investing activities including maintaining and developing new programs and initiatives surrounding the Graham & Dodd tradition at Columbia. She also served as an Industry Advisor to the Heilbrunn Center and taught a Columbia Executive Education course on Value Investing from 2010 through 2019. Prior to her work at Columbia, from 2000 to 2008 Ms. Serene Schneider was employed by Morgan Stanley and JPMorgan in several departments, including Mergers & Acquisitions, Fixed Income Research, and Trading. Ms. Serene Schneider received a BS from Dartmouth College in Political Science and French and an MBA from Columbia Business School. Ms. Serene Schneider is 44 years of age.

Andrew Wimpfheimer, Director

Andrew Wimpfheimer has been a private investor since 2005. Mr. Wimpfheimer served as Director of AM Capital LLC from 2002 to 2005. From 1995 to 2001, Mr. Wimpfheimer was Managing Director responsible for OTC-Non-Nasdaq Trading at Knight Securities, L.P. From 1988 to 1995 he was an equity trader for Troster Singer Inc., a division of Spear, Leeds & Kellogg, Inc. From 1985 to 1988, Mr. Wimpfheimer was employed by Spear, Leeds & Kellogg Inc., where his duties included work on the NYSE, AMEX, Futures Market and Arbitrage Department, as well as general back office work. From 1980 to 1985, Mr. Wimpfheimer was a New York Stock Exchange floor clerk, trading desk employee and back office trainee for Herzfeld & Stern LLP. Mr. Wimpfheimer received his BA from Macalester College in St. Paul, Minnesota. Mr. Wimpfheimer is 64 years of age.

Neal Wolkoff, Chairman of the Board of Directors

Neal Wolkoff is the Chairman of OTC Markets Group's Board of Directors. Mr. Wolkoff is a former executive of three exchanges and is currently a principal in Health Care Financial Services Inc., which is developing financial products for the healthcare industry. He is also a consultant and attorney focusing on futures and securities markets, exchanges, market regulation, operations and clearinghouses. From 2008 to February 2012, Mr. Wolkoff was the Chief Executive Officer of ELX Futures, L.P. From 2005 to 2008, he served as Chairman and Chief Executive Officer of the American Stock Exchange (AMEX). Prior to the AMEX, Mr. Wolkoff was an executive officer at the New York Mercantile Exchange (NYMEX) from 1981 to 2003, over time serving as Acting President, Chief Operating Officer, and Senior Vice President for Regulation and Clearing. From 1980 to 1981, Mr. Wolkoff was employed as an Honors Program Trial Attorney in the Division of Enforcement of the Commodity Futures Trading Commission. In addition to his role as a non-executive Chairman of OTC Markets Group, Mr. Wolkoff is a non-executive director of World Gold Trust Services, the sponsor of the Exchange Traded Fund "GLD," and WGC USA Asset Management Company, LLC, the sponsor of the Exchange Traded Fund "GLDM." Mr. Wolkoff received a BA from Columbia University and a JD

from Boston University School of Law and is a member (retired status) of the Bar of the State of New York. Mr. Wolkoff is 64 years of age.

Board Memberships and Other Affiliations

Mr. Baddeley is an officer and director of a New York cooperative corporation and a director of Downtown United Soccer Club, Inc., a New York not-for-profit corporation.

Mr. Coulson is an officer of a small New York cooperative corporation.

Mr. Wolkoff is a non-executive director of World Gold Trust Services and WGC USA Asset Management Company, LLC.

Compensation of Officers and Directors

Beneficial share ownership of Officers and Directors as of March 1, 2021:

Name and Business Address*	Position	Shares Beneficially Owned**	Options Outstanding	Vested Options Outstanding	Note
R. Cromwell Coulson	President, Chief Executive Officer, and Director	3,466,156 Class A	-	-	(1)
Matthew Fuchs	Executive Vice President, Market Data	100,475 Class A	-	-	
Lisabeth Heese	Executive Vice President, Issuer and Information Services	76,349 Class A	-	-	
Michael Modeski	President, OTC Link LLC	123,876 Class A	-	-	
Antonia Georgieva	Chief Financial Officer	- Class A	30,500	-	(2)
Bruce Ostrover	Chief Technology Officer	14,123 Class A	9,600	-	(3)
Jason Paltrowitz	Executive Vice President, Corporate Services	32,433 Class A	-	-	
Dan Zinn	General Counsel	66,760 Class A	-	-	
Gary Baddeley	Director and Audit Committee Member	143,164 Class A	-	-	
Louisa Serene Schneider	Director and Audit Committee Member	30,454 Class A	-	-	
Andrew Wimpfheimer	Director and Audit Committee Chairman	242,281 Class A	-	-	(4)
Neal Wolkoff	Director and Chairman of the Board	30,454 Class A	-	-	
Officers and Directors as a Group		4,326,525 Class A	40,100	-	

* All officers and directors may be contacted at OTC Markets Group's address.

** Beneficial share ownership includes vested options, options scheduled to vest within 60 days of March 1, 2021 and stock owned subject to an RS Agreement.

- (1) Includes 370,000 Class A shares held by Mr. Coulson's wife and 24,800 total Class A shares held equally by two trusts for the benefit of Mr. Coulson's children. Mr. Coulson disclaims beneficial ownership of these securities and this Annual Report shall not be deemed an admission that Mr. Coulson is the beneficial owner of these securities for any purpose. Mr. Coulson's wife and children are beneficiaries of the Cromwell Coulson Family 2012 DE Trust, which owns 687,000 Class A shares of the Company. These shares are not included in the number of shares Mr. Coulson beneficially owns, and Mr. Coulson disclaims beneficial ownership of

these securities. This Annual Report shall not be deemed an admission that Mr. Coulson is the beneficial owner of these securities for any purpose.

- (2) Ms. Georgieva's outstanding options consist of 30,500 awarded in January 2021, at an exercise price of \$33.99, none of which are vested.
- (3) Mr. Ostrover's outstanding options consist of 9,600 awarded in November 2017, at an exercise price of \$25.00, none of which are vested.
- (4) Includes 209,498 Class A shares held by the Melinda Wimpfheimer 2012 Irrevocable Trust, of which Mr. Wimpfheimer is a beneficiary.

The following tables set forth the aggregate compensation paid by OTC Markets Group for services rendered by its Executive Officers, during the periods indicated:

OFFICERS

Name and Position	Year Ended	Salary	Cash Bonus	Restricted Stock Awards ⁽¹⁾⁽²⁾	Option Awards	Restricted Stock Dollar	Option Dollar Value
R. Cromwell Coulson President, Chief Executive Officer, and Director	2020	\$ 564,940	\$ 190,008	5,588		\$ 189,992	
	2019	\$ 564,940	\$ 180,005	5,263		\$ 179,995	
Matthew Fuchs Executive Vice President, Market Data	2020	\$ 292,000	\$ 180,004	5,294		\$ 179,996	
	2019	\$ 292,000	\$ 152,502	4,459		\$ 152,498	
Lisabeth Heese Executive Vice President, Issuer and Information Services	2020	\$ 290,000	\$ 165,032	4,852		\$ 164,968	
	2019	\$ 290,000	\$ 142,001	4,152		\$ 141,999	
Michael Modeski President, OTC Link LLC	2020	\$ 446,000	\$ 260,002	7,647		\$ 259,998	
	2019	\$ 446,000	\$ 200,032	5,847		\$ 199,968	
Antonia Georgieva ⁽³⁾ Chief Financial Officer	2020	\$ -	\$ -	-		\$ -	
	2019	\$ -	\$ -	-		\$ -	
Bruce Ostrover Chief Technology Officer	2020	\$ 260,000	\$ 140,022	4,117		\$ 139,978	
	2019	\$ 260,000	\$ 117,001	3,421		\$ 116,999	
Jason Paltrowitz Executive Vice President, Corporate Services	2020	\$ 335,000	\$ 225,022	6,617		\$ 224,978	
	2019	\$ 335,000	\$ 210,011	6,140		\$ 209,989	
Dan Zinn General Counsel	2020	\$ 305,000	\$ 240,028	7,058		\$ 239,972	
	2019	\$ 305,000	\$ 160,012	4,678		\$ 159,988	

Notes:

- (1) All restricted stock awards are Class A Common Stock. The 2020 and 2019 restricted stock awards consisted of shares of unvested stock, which vest equally over five years.
- (2) The fair market value of the Class A Common Stock was \$34.00 at grant date for shares related to the year 2020, and \$34.20 at grant date for shares awarded related to the year 2019.
- (3) Ms. Georgieva joined OTC Markets Group in January 2021.

DIRECTORS

Name	Year Ended	Director's Fees ⁽¹⁾	Share Awards ⁽²⁾	Share Value ⁽³⁾
Gary Baddeley	2020	\$ 45,028	1,275	\$ 37,472
	2019	\$ 45,027	1,006	\$ 37,474
Louisa Serene Schneider	2020	\$ 45,028	1,275	\$ 37,472
	2019	\$ 45,027	1,006	\$ 37,474
Andrew Wimpfheimer	2020	\$ 52,528	1,275	\$ 37,472
	2019	\$ 52,527	1,006	\$ 37,474
Neal Wolkoff	2020	\$ 77,528	1,275	\$ 37,472
	2019	\$ 77,527	1,006	\$ 37,474

Notes:

- (1) Represents fees of \$9,375 for each of the four regularly scheduled meetings of the Board of Directors during 2020 and 2019. In each of 2020 and 2019, an additional \$7,500 was paid to Mr. Baddeley and Ms. Serene Schneider as members of the audit committee. An additional \$15,000 was paid to Mr. Wimpfheimer as chairman of the audit committee in 2020 and 2019. An additional \$40,000 was paid to Mr. Wolkoff as chairman of the Board of Directors in 2020 and 2019.
- (2) All share awards are of Class A Common Stock that vests in equal quarterly installments over the 12 months immediately subsequent to the date of grant.
- (3) The fair market value of the Class A Common Stock was \$29.39 per share for the 2020 share award and \$37.25 per share for the 2019 share award.

B. Legal/Disciplinary History

None of the officers, directors, promoters, or control persons of OTC Markets Group has, in the past five years, been the subject of any of the following:

- A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);
- Any bankruptcy petition filed by or against any business of which such person was a general partner, or executive officer either at the time of the bankruptcy or within two years prior to that time;
- The entry of an order, judgment or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended, or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;
- A finding or judgment by a court of competent jurisdiction (in a civil action), the SEC or the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or
- The entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended or otherwise limited such person's involvement in any type of business or securities activities.

C. Disclosure of Family Relationship

None.

D. Disclosure of Related Party Transactions

None.

E. Disclosure of Conflicts of Interest

None.

Beneficial Owners

As of December 31, 2020, the following stockholders beneficially own 5% or more of OTC Markets Group's Common Stock:

Name and Address of Shareholder	Membership Class	Shares Beneficially Owned	Ownership Percentage of Class Outstanding	Note
R. Cromwell Coulson 300 Vesey, 12th Floor	Class A	3,500,893	29.9%	(1)
Cromwell Coulson Family 2012 DE Trust	Class A	687,000	5.9%	

- (1) Includes 370,000 Class A shares held by Mr. Coulson's wife and 24,800 total Class A shares held equally by two trusts for the benefit of Mr. Coulson's children. Mr. Coulson disclaims beneficial ownership of these securities and this Annual Report shall not be deemed an admission that Mr. Coulson is the beneficial owner of these securities for any purpose. Mr. Coulson's wife and children are beneficiaries of the Cromwell Coulson Family 2012 DE Trust, which owns 687,000 Class A shares of the Company. These shares are not included in the number of shares Mr. Coulson beneficially owns, and Mr. Coulson disclaims beneficial ownership of these securities. This Annual Report shall not be deemed an admission that Mr. Coulson is the beneficial owner of these securities for any purpose.

OTC Markets Group is not aware of any additional beneficial stockholders owning 5% or more of our Common Stock. It is possible that there are one or more additional beneficial holders of a significant percentage of our Common Stock, however the federal securities laws do not require a beneficial stockholder of 5% or more of our Common Stock to disclose that information publicly or to the Company. The table above is based on the best information available to the Company.

The name, address, telephone number, and email address of each of the following outside providers that advise the issuer on matters relating to operations, business development and disclosure

- Investment Banker: None
- Promoters: None
- Disclosure Counsel: The Nelson Law Firm, LLC
445 Hamilton Avenue, Suite 1102
White Plains, NY 10601
Tel: (914) 220-1900
Fax: (914) 610-7456
www.thenelsonlawfirm.com
Email: sjnelson@nelsonlf.com
- Auditor: Deloitte & Touche LLP
30 Rockefeller Plaza
New York, NY 10112
Tel: (212) 492-4000
Fax: (212) 489-1687
www.deloitte.com

Preparation of OTC Markets Group's consolidated financial statements is the responsibility of OTC Markets Group management. Deloitte & Touche LLP is responsible for expressing an opinion on the consolidated financial statements for the year ended December 31, 2020, based on their audit. During 2020 and 2019, we incurred audit fees from Deloitte & Touche LLP of \$306 thousand and \$308 thousand, respectively, related to the audits of the financial statements of OTC Markets Group Inc. and OTC Link LLC. During 2020 and 2019, we did not incur any other audit-related or other fees from Deloitte & Touche LLP.

Deloitte & Touche LLP has confirmed to us that the firm is licensed to practice public accounting in the states in which we conduct our business. Deloitte & Touche LLP is registered with the PCAOB.

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|----|--------------------------------|------------------------------|
| 5. | Public Relations Consultant: | None |
| 6. | Investor Relations Consultant: | None |
| 7. | Corporate Secretary: | Daniel Zinn, General Counsel |
| 8. | Any Other Advisor: | None |

Selected Financial Data

The selected financial data set forth below should be read in conjunction with our consolidated financial statements, the notes to financial statements, and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*,” included in this Annual Report.

The statement of income data for the years ended December 31, 2020, 2019, 2018, 2017 and 2016 as well as the balance sheet data as of December 31, 2020, 2019, 2018, 2017 and 2016 are derived from our audited consolidated financial statements.

	Year Ended December 31,				
(in thousands, except per share data)	2020	2019	2018	2017	2016
OTC Link	\$ 15,890	\$ 11,676	\$ 11,175	\$ 10,075	\$ 10,573
Market data licensing	28,133	24,447	23,383	21,922	21,054
Corporate services	27,206	26,716	24,720	22,659	19,254
Gross revenues	71,229	62,839	59,278	54,656	50,881
Net revenues	68,419	60,350	56,830	52,176	48,565
Revenues less transaction-based expenses	65,397	59,604	56,455	52,176	48,565
Total operating expenses	43,963	41,722	36,810	33,872	31,638
Income from operations	21,434	17,882	19,645	18,304	16,927
Net income	\$ 18,274	\$ 14,942	\$ 16,237	\$ 12,559	\$ 10,528

Earnings per share					
Basic	\$ 1.56	\$ 1.28	\$ 1.41	\$ 1.10	\$ 0.92
Diluted	\$ 1.53	\$ 1.25	\$ 1.36	\$ 1.06	\$ 0.90

Weighted-average shares outstanding					
Basic	11,402,703	11,364,217	11,250,984	11,141,161	11,092,097
Diluted	11,630,685	11,702,863	11,622,770	11,566,086	11,339,603

	December 31,				
(in thousands)	2020	2019	2018	2017	2016
Cash and cash equivalents	\$ 33,733	\$ 28,217	\$ 28,813	\$ 23,683	\$ 25,034
Working capital	12,108	9,641	13,972	11,274	12,941
Total long-term liabilities	15,267	17,293	2,459	1,351	1,101
Total stockholders' equity	\$ 19,546	\$ 17,673	\$ 16,409	\$ 13,791	\$ 15,506

Management's Discussion and Analysis of Financial Condition and Results of Operations

Trends in Our Business

The *2021 Outlook* section, above, outlines our five key areas of focus for 2021. Information related to trends in these areas, and other trends we saw during 2020, are discussed below.

Considerable uncertainty still surrounds the continuing trajectory of the COVID-19 pandemic and its potential long-term effects on the global economy. The full scope and extent of the potential impact on our business in future quarters is dependent on a number of factors that are highly uncertain and cannot be predicted.

Our framework for managing through this environment is grounded in four key principles: (1) supporting our colleagues and prioritizing their safety and well-being; (2) continuing to serve our subscribers and customers; (3) ensuring that we take the measures necessary to protect our current operations and remain financially strong; and (4) remaining focused on the critical long-term strategic initiatives that position our business for future growth.

The COVID-19 pandemic did not adversely affect our financial results or trading systems during 2020, and each of our three business lines grew revenue. Our OTC Link business experienced unprecedented volumes on OTC Link ATS and OTC Link ECN, which led to strong growth in transaction-based revenue. The OTC Link results, along with the impact of price increases and user growth in our Market Data Licensing business, helped to offset weaker growth in our Corporate Services business (see *Financial Results*, below). While transaction-based revenue grew substantially, our business remains primarily subscription based. For the year ended December 31, 2020, 82% of our revenues were derived from subscription-based arrangements that are recurring in nature.

With respect to the impact of increased trading volume, for the year ended December 31, 2020, we executed an average of approximately 11,500 transactions per day on our OTC Link ECN, as compared to an average of approximately 3,400 transactions per day during 2019. The average transactions per day executed on OTC Link ECN increased to approximately 20,100 in the fourth quarter of 2020. This contributed to significant revenue growth from our OTC Link ECN and was the primary driver of the 36% year over year increase in revenues from OTC Link. During 2020, we grew the number of OTC Link ECN subscribers to 73, a net increase of 20 from 53 subscribers as of December 31, 2019, and generated \$5.0 million in revenues from OTC Link ECN, up from \$1.5 million for the prior fiscal year. While trading volume has remained elevated through the early portion of 2021, there can be no assurance this increased trading activity will continue.

In our Market Data Licensing business, we saw a 5% increase in professional users, from 22,426 professional users as of December 31, 2019 to 23,463 professional users as of December 31, 2020. Effective January 1, 2020, we raised the monthly subscription price for Level 1 and Level 2 professional users of our market data from \$30 and \$75 per month, respectively, to \$35 and \$85 per month, respectively. This, together with year over year growth in the number of users, helped drive a 17% increase in year over year revenues derived from professional users.

Following the outset of the COVID-19 pandemic, we saw a significant increase in the number of non-professional users of our market data, with 20,673 users as of December 31, 2020. This represents a 60% increase over the 12,882 users of our data as of December 31, 2019, and a 77% increase over the number of users as of March 31, 2020. Historically, and in the normal course of business operations, we have seen fluctuations in the number of non-professional users, in particular, in response to volatility in the market and increased retail trading interest in

“hot sectors”. The marked increase in the number of non-professional users since March 31, 2020 is likely related to increased retail participation in U.S. equity markets generally.

It is possible that the existing conditions impacting trading volumes could change and could adversely affect our OTC Link subscriber base, and therefore our OTC Link and Market Data Licensing revenues. Our OTC Link broker-dealer subscribers, as well as enterprise level and other users of our Market Data Licensing products, could delay or defer purchasing decisions and product implementations, curtail their spending or cancel their services entirely.

In our Market Data Licensing business, we continue to focus resources on developing and enhancing the relevance of our compliance analytics and compliance data products for our market data subscribers. Our Canari® compliance tool is designed to provide users with a comprehensive view of quantitative compliance data for a wide spectrum of securities. As of December 31, 2020, a total of 45 firms subscribe to our Compliance Data or Compliance Analytics products, representing most of the largest banks, custodians and clearing firms in the U.S. equities space. Our compliance data offering also includes our Blue Sky Secondary Trading Compliance Data Product (see *Recent Business Development* and *2021 Outlook*, above). We will be devoting internal resources to onboarding subscribers to this product and to growing the number of subscribers during 2021.

As of December 31, 2020, 461 companies were traded on the OTCQX Best Market, up versus the 442 companies as of December 31, 2019. We saw weaker sales during the first quarter of 2020, with a rebound throughout the remainder of the year more than offsetting the slow start. With downgrades and other service cancellations remaining largely consistent, this sales growth was the primary driver of the increase in companies on the OTCQX market.

International companies have historically been a significant driver of the growth in the number of companies on our OTCQX market. For the year ended December 31, 2020, we added 78 international issuers to our OTCQX market. We opened a sales office in London in early 2019 and continue to devote resources to our international sales efforts. Companies engaged in cannabis-related sectors, both international and domestic, have also been a growth driver. As of December 31, 2020, there were roughly 64 such companies on the OTCQX market.

In September 2020, we announced that we will be raising annual fees for our OTCQX market from \$20 thousand to \$23 thousand, effective for companies joining the OTCQX market or renewing their services on or after January 1, 2021. This represents the first raise in our annual fees for the OTCQX market since 2016. Companies on our OTCQX market choose to renew their services at the end of each calendar year, effective for the following calendar year. For the annual OTCQX subscription period beginning January 1, 2021, we achieved a 94% retention rate, up versus the 92% retention rate achieved for the annual subscription period beginning January 1, 2020.

As of December 31, 2020, there were 902 companies on the OTCQB Venture Market, relatively unchanged from 907 companies as of December 31, 2019. For the year ended December 31, 2020, we saw an increase in new sales, with 229 companies added versus 202 joins in 2019. New sales in 2020 were impacted by a combination of factors, including the COVID-19 pandemic and the strengthening of OTCQB eligibility requirements, the latter of which had the effect of reducing the overall addressable market. Similar to OTCQX, sales for OTCQB began slowly in the first quarter and accelerated throughout the year. We finished the year with 94 new companies added in the fourth quarter ended December 31, 2020, an increase of more than two times versus the 43 new companies added in the fourth quarter ended December 31, 2019. OTCQB companies renew on an annual or semi-annual basis, based on the date they joined the market.

In September 2020, we announced that we will be raising annual fees for our OTCQB market from \$12 to \$14 thousand for those paying annually, and from \$13 to \$15 thousand for those paying semi-annually. These increases are effective for companies joining the OTCQB market or renewing for service periods that begin on or after January 1, 2021 and represent the first such increase in fees since 2018. Historically, we have seen the vast majority, more than 90%, of OTCQB companies that remain in compliance with our OTCQB Standards choose to renew their services at the end of their service terms.

While we have seen a strong rebound in sales for both our OTCQX and OTCQB markets, deterioration in macroeconomic conditions, especially if prolonged, could result in a dampening of demand for our Corporate Services products. Given our subscription-based revenue model – and in particular in relation to our Corporate Services business, where subscription periods range from six months to fifteen months – any prolonged decline in sales, particularly if combined with a decline in our renewal rates, would drive a decline in the number of companies on our premium markets, which would negatively impact our financial results both in the periods in which those declines occur as well as in future periods.

For the year ended December 31, 2020, the total dollar volume traded in OTCQX, OTCQB and Pink companies was \$445.0 billion, an increase of 34% when compared to the prior year. The total dollar volume traded in OTCQX, OTCQB and Pink companies that provide current information to investors was \$439.5 billion, representing 99% of total dollar volume across all of our markets. Our OTC Link ATS had 84 broker-dealer subscribers quoting 11,758 securities as of December 31, 2020, as compared to 87 subscribers quoting 10,755 securities as of December 31, 2019.

Over the past several years, we have made significant progress in our goal of gaining regulatory recognition for our OTCQX and OTCQB markets. We are continuing to work towards full nationwide Blue Sky recognition for secondary trading activities on our OTCQX and OTCQB markets.

We intend to continue our efforts to gain federal regulatory recognition for our data driven market standards and compliance processes and to advocate for changes that provide issuers with a more efficient public market. Recognition of our market standards by federal, state and international regulators provides investors with a benchmark against which to measure the quality of information available to them, while providing corporate issuers with a more efficient public market.

For additional disclosure related to our regulatory initiatives, including Amended Rule 15c2-11, see *Recent Regulatory Developments Impacting Our Business*, above.

We continue to evaluate both the current and future period impact of increasing costs related to our personnel, IT infrastructure and expense base more generally. Consistent with other companies in the financial technology sector, compensation and information technology costs comprise a very significant proportion of our overall expenses, representing approximately 80% of our total operating expenses in each of the years ended December 31, 2020 and 2019. We recognize the importance of attracting and retaining the talent required to develop our service offerings and manage our infrastructure.

We have added headcount where we believe those additional resources can drive future earnings growth or are necessary to provide reliable services to our clients or to comply with our regulatory obligations including our obligations under Regulation SCI, Amended Rule 15c2-11 and our CAT reporting responsibilities. We expect that future investments with respect to our compliance will be material to our financial results. Our headcount as of December 31, 2020 was 102, an increase versus our headcount of 99 employees as of December 31, 2019.

How OTC Markets Group Generates Revenues

OTC Markets Group generates a majority of its revenues through a subscription model. As a result, a significant proportion of our revenues are subscription-based and recurring in nature. For example, once a broker-dealer decides to trade using OTC Link ATS, that broker-dealer typically continues to subscribe to our services, with variable monthly user and usage levels, until it ceases to be active in trading securities on the OTCQX, OTCQB and Pink markets.

OTC Link

Our trading services business is operated by our wholly owned subsidiary, OTC Link LLC. OTC Link LLC operates OTC Link ATS and OTC Link ECN.

Broker-dealers pay monthly subscription and connectivity fees to use OTC Link ATS. Our OTC Dealer application provides broker-dealers a user interface into OTC Link ATS. Fees for use of the OTC Dealer application are based on the number of authorized users per subscriber and are discounted in graduated amounts in relation to total users per subscriber.

OTC Link ATS's FINRA member broker-dealer subscribers pay per security usage fees to (i) publish quotes and (ii) communicate and negotiate with counterparties on OTC Link ATS. Monthly OTC Link ATS position fees are based on the number of daily quote positions in Pink securities, with tiered pricing arrangements based on volume. Monthly OTC Link ATS message fees are based on the daily number of securities on OTC Link ATS for which trade messages are sent or received, with tiered pricing arrangements based on volume. The daily quoting and messaging fees allow subscribers to make unlimited quote updates in a single security and to send and receive an unlimited number of trade messages in a security on a given day.

OTC Link ECN generates transactional revenues based on share volume executed on the ECN matching platform. Broker-dealer subscribers pay a fixed fee per share executed where their orders remove posted liquidity on the ECN, while receiving a rebate on shares executed against their own posted liquidity. To the extent that OTC Link ECN routes orders to OTC Link ATS, OTC Link ECN may earn fees for those orders which provide liquidity, while paying a fee for those orders that remove liquidity. Fees earned are recognized as transaction-based revenues, while fees paid are recognized as transaction-based expenses.

Market Data Licensing

We generate Market Data Licensing revenues by providing our subscribers with access to the extensive market data, compliance data, company data and security information collected through our OTC Link and Corporate Services business lines.

Investors, traders, institutions, accountants, and regulators pay us monthly license fees to access this information. We offer a suite of market data licenses, priced at per enterprise or per subscriber rates, through direct connectivity, extranet connectivity, third-party market data redistributors and OMS providers. Depending on the license type, subscribers may distribute the market data on an internal-only basis, to clients, or to the public. We generate a majority of our Market Data Licensing revenues from sales through market data redistributors.

Certain of our market data license agreements include redistribution fees and rebates, which represented 10% of Market Data Licensing gross revenue in each of the years ended December 31, 2020 and 2019.

Pricing information for each of our market data licenses is publicly available on our website.

We also charge for the right to display advertisements on www.otcmarkets.com. Website advertising revenue is included in our Market Data Licensing business line.

Corporate Services

We operate the OTCQX Best Market, the OTCQB Venture Market, and offer a suite of services to companies trading on all of our markets. These services include the OTC Disclosure & News Service for posting financial reports, disclosure documents and news releases; Real-Time Level 2 Quote Display, a service that companies sponsor to provide their investors with access to free real-time level 2 quotes on www.otcmarkets.com and the company's website; the Blue Sky Monitoring Service for analysis, review, and guidance about a company's compliance with each U.S. state's securities laws; and our Virtual Investor Conferences product, which allows issuers to communicate and engage with investors and potential investors.

Companies that choose to have their securities designated as OTCQX securities do so annually, on a calendar year basis, while companies on the OTCQB market renew their services annually or semi-annually on the anniversary of the date on which they joined the market. All companies traded on the OTCQX or OTCQB markets pay a one-time application fee and annual or semi-annual fees. These fees are fixed and do not vary based on outstanding shares, market capitalization, market segment or otherwise. Companies on both markets also receive access to DNS, Real-Time Level 2 Quote Display, the Blue Sky Monitoring Service, and the VIC product.

Pink companies may subscribe separately to these services and pay fees on an annual or semi-annual basis.

Each of these services may be accessed through www.otciq.com.

Financial Highlights

For the year ended December 31, 2020, OTC Markets Group reported gross revenues and income from operations of \$71.2 million and \$21.4 million, respectively. This compares to gross revenues and income from operations of \$62.8 million and \$17.9 million, respectively, for the year ended December 31, 2019.

Gross revenues increased \$8.4 million, or 13%, driven by 36% growth in revenues from our OTC Link business, 15% growth from our Market Data Licensing business and a 2% growth in revenues from our Corporate Services business.

Income from operations increased \$3.6 million, or 20%, and operating profit margin expanded to 31.3% from 29.6%.

Financial Results

Consolidated Results From Operations

Year Ended December 31, 2020 Versus Year Ended December 31, 2019

The table below presents comparative information from the Company's consolidated income statements for the years ended December 31, 2020 and 2019.

(in thousands, except shares and per share data)	Year Ended December 31,		% change
	2020	2019	
Gross Revenues	\$ 71,229	\$ 62,839	13%
Net revenues	68,419	60,350	13%
Revenues less transaction-based expenses	65,397	59,604	10%
Operating expenses	43,963	41,722	5%
Income from operations	21,434	17,882	20%
Operating profit margin	31.3%	29.6%	
Income before provision for income taxes	21,407	17,985	19%
Net income	\$ 18,274	\$ 14,942	22%
Diluted earnings per share	\$ 1.53	\$ 1.25	22%
Weighted-average shares outstanding, diluted	11,630,685	11,702,863	(1%)

Revenues

The following table presents OTC Markets Group's gross revenue by business line and consolidated revenues less transaction-based expenses for the years ended December 31, 2020 and 2019.

(in thousands)	Year Ended December 31,		% change
	2020	2019	
OTC Link	\$ 15,890	\$ 11,676	36%
Market data licensing	28,133	24,447	15%
Corporate services	27,206	26,716	2%
Gross revenues	71,229	62,839	13%
Redistribution fees and rebates	(2,810)	(2,489)	13%
Net revenues	68,419	60,350	13%
Transaction-based expenses	(3,022)	(746)	305%
Revenues less transaction-based expenses	\$ 65,397	\$ 59,604	10%

Gross revenues increased \$8.4 million, or 13%, to \$71.2 million during 2020, compared to the same prior year period.

- OTC Link revenues increased \$4.2 million, or 36%, to \$15.9 million, primarily driven by growth in revenues from our OTC Link ECN, which increased \$3.6 million, or 239%, with an active U.S. equities market environment and new subscribers driving a significant increase in trading volume on the platform. Growth in revenues from messages on our OTC Link ATS and QAP One Statement fees, contributed to a \$538 thousand, or 16%, and \$249 thousand, or 55%, increase in revenues, respectively, as a result of heightened market activity and trading volumes. Partially offsetting the increase was a \$77 thousand decrease in revenues from subscriber licenses to quote and message on

OTC Link ATS and a \$57 thousand decrease in OTC Dealer revenues, each driven by a contraction in the active number of broker-dealers on the OTC Link ATS platform.

- Market Data Licensing revenues increased \$3.7 million, or 15%, to \$28.1 million during 2020. The increase in revenues was largely a result of a \$2.1 million, or 17%, increase in revenues from professional user licenses, driven by growth in users and fee increases. Revenues from non-professional user licenses increased \$583 thousand, or 35%, primarily as a result of elevated retail participation in the U.S. equities markets. Market Data Licensing revenues further increased by \$603 thousand, or 26%, due to an increase in broker-dealer license revenues, primarily as a result of price increases effective January 1, 2020, partially offset by a decrease in revenues from advertising and end-of-day pricing services of \$160.
- Corporate Services revenues increased \$490 thousand, or 2%, to \$27.2 million during 2020. Revenues from the VIC business increased by \$468 thousand, or 160%, driven by an increased demand for virtual investor events. Revenues from DNS increased by \$259 thousand, or 7%, due to price increases effective January 1, 2020. Revenues from our OTCQX market increased \$91 thousand, or 1%, to \$9.5 million, driven by strong sales during the latter half of the year, partially offset by a slight reduction in the retention rate for the annual subscription period beginning January 1, 2020 and a significant reduction in new sales during the first quarter of 2020. The increase in Corporate Services revenues was partially offset by a \$447 thousand decrease in revenue from the OTCQB market, resulting from a decline in the number of companies on the market due to a slowdown in sales during the first half of the year.
- Transaction-based expenses consist of rebates paid to subscribers providing liquidity on our OTC Link ECN and increased \$2.3 million, or 305%, primarily due to an increase in volumes traded on our ECN platform.

Operating Expenses

The following table presents OTC Markets Group's consolidated operating expenses for 2020 and 2019.

(in thousands)	Year Ended December 31,		% change
	2020	2019	
Compensation and benefits	\$ 28,896	\$ 26,994	7%
IT Infrastructure and information services	6,452	6,383	1%
Professional and consulting fees	2,704	1,982	36%
Marketing and advertising	807	1,117	(28%)
Occupancy costs	2,303	2,548	(10%)
Depreciation and amortization	1,761	1,492	18%
General, administrative and other	1,040	1,206	(14%)
Total operating expenses	<u>\$ 43,963</u>	<u>\$ 41,722</u>	5%

Operating expenses increased \$2.2 million, or 5%, to \$44.0 million during 2020, compared to the same prior year period.

- Compensation and benefits costs increased \$1.9 million, or 7%, to \$28.9 million, primarily due to a \$686 thousand, or 4%, increase in base salaries and a \$572 thousand, or 13%, increase in cash bonus awards, driven by higher headcount and improvement in earnings performance. The increase was further impacted by a 14% increase in share-based compensation expenses, in line with the increasing value of cash bonus awards

granted. The overall increases were partially offset by lower spending on fringe benefits due to fewer employees working from our office locations. As a percentage of gross revenues, compensation and benefits costs decreased from 43% for the year ended December 31, 2019 to 41% for the year ended December 31, 2020.

- IT Infrastructure and information services costs increased \$69 thousand, or 1%, to \$6.5 million, primarily due to an increase in spend related to system security enhancements, development and support for our OTC Link ECN, as well as additional data licensing costs related to the launch of our Blue Sky Secondary Trading Compliance Data product. Those increases were largely offset by a reduction in data center costs, which we incurred in 2019 as part of a one-time spend to upgrade the infrastructure at our primary and secondary data centers. The decreases were further driven by a reduction in hardware maintenance costs related to assets disposed of during our 2019 office move and data center upgrades.
- Professional and consulting fees increased \$722 thousand, or 36%, to \$2.7 million, primarily due to higher OTC Link ECN clearing costs, resulting from the larger number of transactions executed, and an increase in VIC support costs related to an increase in the number of VIC events and participating companies. Further contributing to the overall increase were legal fees incurred related to certain non-material litigation matters and legal fees related to CAT compliance, as well as overlapping payroll provider fees incurred in the fourth quarter of 2020 in relation to a change in providers.
- Marketing and advertising expenses decreased \$310 thousand, or 28%, to \$807 thousand during 2020, primarily due to lower travel and sponsorship spend as a result of the COVID-19 pandemic.
- Occupancy costs decreased \$245 thousand, or 10%, to \$2.3 million during 2020, a result of overlapping rent expense incurred during the first quarter of 2019 in connection with the move of our New York headquarters. We did not incur these expenses in 2020.
- Depreciation and amortization expense increased \$269 thousand, or 18%, to \$1.8 million during 2020, primarily related to depreciation for our 2019 acquisition of Qaravan Inc., our data center equipment refresh, as well as depreciation expense related to capital investments made at the Company's corporate headquarters.
- General, administrative and other costs decreased \$166 thousand, or 14%, to \$1.0 million during 2020, primarily related to one-time project management costs incurred during 2019 in connection with our office move and data center refresh project.

Income from Operations

(in thousands)	Year Ended December 31,		% change
	2020	2019	
Income from operations	\$ 21,434	\$ 17,882	20%
Operating profit margin	31.3%	29.6%	6%

Income from operations increased \$3.6 million, or 20%, to \$21.4 million during 2020, and operating profit margin expanded to 31.3%, reflecting revenue growth combined with decreases in marketing and general and administrative expenses, partially offset by higher compensation expenses and an increase in consulting fees and depreciation expenses.

Net Income

(in thousands, except shares and per share data)	Year Ended December 31,		% change
	2020	2019	
Income before provision for income taxes	\$ 21,407	\$ 17,985	19%
Provision for income taxes	3,133	3,043	3%
<i>Effective income tax rate</i>	<i>14.6%</i>	<i>16.9%</i>	<i>(14%)</i>
Net income	<u>\$ 18,274</u>	<u>\$ 14,942</u>	22%

Net income increased \$3.3 million, or 22%, to \$18.3 million during 2020, primarily due to the increase in income from operations, combined with a decrease in the Company's effective tax rate. The Company's effective tax rate for 2020 decreased to 14.6%, as compared to 16.9% for 2019, primarily a result of the reversal of previously recorded uncertain state tax expenses. These reversals were premised on the Company being accepted into the Voluntary Disclosure Agreement ("VDA") programs of certain U.S. states, which limited the amount of funds required to be held in reserve (see Note 15, *Income Taxes*).

Liquidity and Capital Resources

Our liquidity is primarily derived from our working capital and cash flows from operations. We require cash to support our current operating levels, fund strategic growth initiatives, develop new services and enhance existing services, make capital expenditures, fund dividends, and pay federal, state and local corporate taxes. We expect that our operations will provide sufficient cash to fund our strategic initiatives. We have no outstanding debt and, as described further below, \$1.5 million available under our Line of Credit.

Cash Available for Operations

The following table summarizes our cash available for operations, which consists of cash, as of December 31, 2020 and 2019.

(in thousands)	December 31,		% change
	2020	2019	
Cash available for operations	\$ 33,733	\$ 28,217	20%

Cash available for operations increased by \$5.5 million to \$33.7 million as of December 31, 2020. The Company generated \$26.0 million of cash from operations during the year ended December 31, 2020. During 2020, the Company used operating cash flows and cash on hand to fund \$1.0 million investments in IT infrastructure enhancements, \$14.6 million to pay quarterly dividends and a special dividend, and \$3.5 million in respect of repurchases of our Class A Common Stock.

Cash Flow

The following table presents sources and uses of cash flows during 2020 and 2019.

	Year Ended December 31,		% change
	2020	2019	
Net Cash provided by operating activities	\$ 26,014	\$ 21,413	21%
Net Cash used in investing activities	(1,034)	(5,516)	(81%)
Net Cash used in financing activities	(19,461)	(16,653)	17%
Net Increase (decrease) in cash and restricted cash	\$ 5,519	\$ (756)	830%

Net Cash Provided by Operating Activities

Net cash provided by operating activities during 2020 was \$26.0 million, as compared to \$21.4 million during 2019. Net cash provided by operating activities for 2020 consisted of net income of 18.3 million, adjusted for non-cash items of \$4.3 million and changes in assets and liabilities of \$3.5 million. Adjustments for noncash items to net income primarily consisted of depreciation and amortization expense of \$1.8 million and stock-based compensation expenses of \$3.1 million. The increase in cash provided by operating activities was primarily a result of the \$3.3 million increase in net income and a \$548 thousand increase in non-cash items, as well as a \$3.2 million increase in deferred revenue. This was partially offset by payments made to settle with certain states pursuant to our entering into the relevant VDA programs of those states as well as the timing of prepaid expenses.

Net Cash Used in Investing Activities

Cash used in investing activities for the year ended December 31, 2020 was \$1.0 million, as compared to \$5.5 million for the year ended December 31, 2019. The cash used in investing activities for 2020 primarily consisted of purchases of IT equipment for our data centers, while cash used in the prior year period consisted of spend related to significant leasehold improvements and IT infrastructure investment for our new corporate headquarters, the acquisition of Qaravan Inc., as well as spend related to upgrades of the infrastructure at our primary and secondary data centers.

Net Cash Used in Financing Activities

Net cash used in financing activities during 2020 was \$19.5 million, as compared to \$16.7 million during 2019. The cash used in both fiscal years was for dividends paid to holders of our Class A Common Stock, repurchases of our Class A Common Stock via our stock buyback program and federal and state withholding taxes paid related to cashless exercises of options by employees. Cash used for dividends increased \$50 thousand. Repurchases of our common stock amounted to \$3.5 million, an increase of \$2.1 million over 2019. Cash used in respect of withholding taxes related to cashless exercises amounted to \$1.4 million, an increase of \$586 thousand over 2019.

Capital Resources and Working Capital

OTC Markets Group's working capital at December 31, 2020 was \$12.1 million, an increase of \$2.5 million, or 25%, from \$9.6 million at December 31, 2019. Working capital includes certain non-operating assets and liabilities, such as prepaid income taxes and income taxes payable. The improvement in working capital during the year ended December 31, 2020 was primarily attributable to a \$5.5 million increase in cash and restricted cash balance, and a \$1.5 million increase in net accounts receivable balance, partially offset by a \$3.0 million increase in deferred revenue and a \$930 thousand increase in accounts payable.

Line of Credit

On July 7, 2012, the Company entered into a line of credit with JPMorgan Chase (the “Line of Credit”) that made up to \$1.5 million available for business operations. The effective interest rate of the Line of Credit is benchmarked to the LIBOR. The Line of Credit has been extended through June 25, 2021. We have not drawn funds on the Line of Credit. Under the terms of the Line of Credit, we agreed to fulfill certain affirmative and negative covenants and other specified terms. At December 31, 2020, the Company was in compliance with all of the covenants and other terms of the Line of Credit.

Operating Leases

We have entered into operating lease agreements for our offices and recognize rent expense on a straight-line basis over the term of the lease (see *Nature and Extent of the Issuer’s Facilities*, above).

Off-Balance Sheet Arrangements

None.

Part E. Issuance History and Financial Information

List of securities offerings and shares issued for services in the past two years

The following tables set forth information concerning Class A Common Stock and options issued during the fiscal years 2020 and 2019:

Month of Issuance	Issuance Type	Shares Issued	Price at Issuance	Issuance Class
2019				
January	Restricted Stock	100,772	\$29.75	Employee
January	Option Grant	60,300	\$29.95	Employee
February	Option Grant	9,000	\$37.30	Employee
February	Restricted Stock	8,213	\$33.06	Transaction Proceeds ⁽⁵⁾
May	Option Grant	22,300	\$30.50	Employee
June	Option Grant	11,000	\$31.90	Employee
July	Option Grant	20,500	\$34.00	Employee
August	Restricted Stock	4,024	\$37.25	Director
August	Option Grant	7,000	\$34.25	Employee
September	Option Grant	21,000	\$35.55	Employee
2020				
January	Restricted Stock	92,113	\$34.20	Employee
January	Option Grant	29,500	\$34.50	Employee
February	Option Grant	5,200	\$32.98	Employee
April	Option Grant	9,500	\$27.48	Employee
July	Option Grant	17,500	\$30.00	Employee
August	Restricted Stock	5,100	\$29.39	Director
November	Option Grant	5,300	\$34.73	Employee

Notes:

- (1) All awards are of Class A Common Stock.
- (2) All option grants are issued pursuant to the Company's 2019 Equity Incentive Plan, as applicable. Grants vest 20% each year the employee remains employed with OTC Markets Group.
- (3) Shares issued pursuant to RS Agreements contain a legend stating that the shares have not been registered under the Securities Act or any state securities laws and setting forth or referring to the restrictions on transferability and sale of the shares under the Securities Act.
- (4) Shares issued to Directors are part of each Director's annual compensation.
- (5) On February 5, 2019, in connection with the Company's acquisition of Qaravan Inc., and as partial consideration for same, the Company issued 8,213 shares of Class A common stock to the seller, Anthony S. Hodson. The shares were issued in a private placement pursuant to Rule 506(b) of the Securities Act. The shares are "restricted securities" within the meaning of Rule 144 and were issued with a restrictive legend indicating that they have not been registered under the Securities Act or any state securities laws.

Financial information for the issuer's most recent fiscal period and for such part of the two preceding fiscal years as the issuer or its predecessor has been in existence

Copies of the audited Consolidated Financial Statements of OTC Markets Group as of December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018, including the Consolidated Balance Sheets, Consolidated Statements of Income, Consolidated Statements of Stockholders' Equity, Consolidated Statements of Cash Flows, and Notes to the Consolidated Financial Statements, are attached hereto as Exhibit 1.1. The attached Consolidated Financial Statements and the notes thereto are hereby incorporated by reference into this Annual Report.

Part F. Exhibits

1 Consolidated Financial Statements

- 1.1 Financial information for the years ended December 31, 2020, December 31, 2019 and December 31, 2018

2 Issuer's Certifications

- 2.1 Certification of principal executive officer
- 2.2 Certification of principal financial officer

3 Material Contracts

- 3.3 Lease Agreement by and between OTC Markets Group Inc. and NW 100 M Street LLC for space at NW 100 M Street, Washington, D.C. (incorporated by reference to Exhibit 3.5 to the 2010 Annual Report filed on March 31, 2011)
- 3.4 Employment Agreement dated as of May 1, 2011, and amended as of May 5, 2014 and May 5, 2015, May 2, 2017, and August 6, 2019 by and between OTC Markets Group Inc. and R. Cromwell Coulson (Chief Executive Officer)
- 3.5 "Key Man" Life Insurance Policy for R. Cromwell Coulson (incorporated herein by reference to Exhibit 3.5 to the Initial Disclosure Statement filed on September 15, 2009)
- 3.9 Sublease Agreement for offices at 300 Vesey Street, New York, NY (incorporated herein by reference to Exhibit 3.9 to the Quarterly Report filed on November 11, 2018)

- 3.10 Form of Senior Management Employment and Change in Control Agreement, by and between OTC Markets Group Inc. and each of Matthew Fuchs, Antonia Georgieva, Kristie Harkins, Lisabeth Heese, Michael Modeski, Bruce Ostrover, Jason Paltrowitz and Dan Zinn (incorporated herein by reference to Exhibit 3.10 to the Annual Report filed on March 6, 2019)
- 3.11 Advised Line of Credit Note by and between JPMorgan Chase Bank, N.A. and OTC Markets Group Inc. (incorporated by reference to Exhibit 3.11 to the Quarterly Report filed on August 12, 2020)

4 Customer Contracts

The following documents may be found on our website at www.otcmarkets.com:

- 4.1 OTC Link Broker-Dealer Subscriber Agreement
- 4.2 OTC Link ECN Subscription Agreement
- 4.3 Market Data Distribution Agreement
- 4.4 Market Data File Subscription Agreement
- 4.5 OTCQX Application for U.S. Companies
- 4.6 OTCQX Company Agreement
- 4.7 OTCQX Application for U.S. Banks
- 4.8 OTCQX Application for International Companies
- 4.9 OTCQB Application and Agreement
- 4.10 OTCIQ Order Form
- 4.11 OTCIQ Agreement
- 4.12 Application to Serve as an OTCQX Sponsor
- 4.13 Agreement to Serve as an OTCQX Sponsor
- 4.14 Virtual Investor Conferences Agreement

5 Certificate of Incorporation and By-laws

- 5.1 Certificate of Incorporation (incorporated herein by reference to Exhibit 5.1 to the Initial Disclosure Statement filed on September 15, 2009)
- 5.2 By-laws (incorporated herein by reference to Exhibit 5.1 to the Initial Disclosure Statement filed on September 15, 2009)

6 Equity Incentive Plans

- 6.1 2019 Equity Incentive Plan, adopted by the Board of Directors on May 7, 2019 and approved by stockholder vote on December 19, 2019 (incorporated herein by reference to Exhibit 6.1 to the Annual Report filed March 4, 2020)

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of OTC Markets Group Inc.

We have audited the accompanying consolidated balance sheets of OTC Markets Group Inc. and its subsidiaries (the "Company") as of December 31, 2020 and 2019, the related consolidated statements of income, changes in stockholders' equity, and cash flows, for each of the three years then ended, and the related notes (collectively referred to as the "consolidated financial statements").

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2020 and 2019, and the results of their operations and their cash flows for the three years then ended in accordance with accounting principles generally accepted in the United States of America.



March 17, 2021

EXHIBIT 1.1

OTC MARKETS GROUP INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share information)

	December 31,	
	2020	2019
Assets		
Current assets		
Cash and cash equivalents	\$ 33,733	\$ 28,217
Short-term restricted cash	32	-
Accounts receivable, net of allowance for credit losses of \$194 and \$168	6,609	5,157
Prepaid income taxes	356	318
Prepaid expenses and other current assets	1,375	1,338
Total current assets	42,105	35,030
Property and equipment, net	5,367	6,418
Operating lease right-of-use assets	14,844	16,018
Deferred tax assets, net	343	771
Goodwill	251	251
Intangible assets, net	40	40
Long-term restricted cash	1,532	1,561
Other assets	328	266
Total Assets	\$ 64,810	\$ 60,355
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	\$ 1,251	\$ 321
Income taxes payable	16	99
Accrued expenses and other current liabilities	9,965	9,154
Deferred revenue	18,765	15,815
Total current liabilities	29,997	25,389
Income tax reserve	801	1,764
Operating lease liabilities	14,466	15,529
Total Liabilities	45,264	42,682
Commitments and contingencies		
Stockholders' equity		
Common stock - par value \$0.01 per share		
Class A - 14,000,000 authorized, 12,346,491 issued, 11,709,857 outstanding at		
December 31, 2020; 12,189,022 issued, 11,655,326 outstanding at December 31, 2019	123	122
Additional paid-in capital	19,770	18,042
Retained earnings	11,770	8,106
Treasury stock - 636,634 shares at December 31, 2020 and 533,696 shares at December 31, 2019	(12,117)	(8,597)
Total Stockholders' Equity	19,546	17,673
Total Liabilities and Stockholders' Equity	\$ 64,810	\$ 60,355

See accompanying notes to consolidated financial statements

OTC MARKETS GROUP INC.
CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except earnings per share)

	Year Ended December 31,		
	2020	2019	2018
Gross Revenues	\$ 71,229	\$ 62,839	\$ 59,278
Redistribution fees and rebates	(2,810)	(2,489)	(2,448)
Net revenues	68,419	60,350	56,830
Transaction-based expenses	(3,022)	(746)	(375)
Revenues less transaction-based expenses	65,397	59,604	56,455
Operating expenses			
Compensation and benefits	28,896	26,994	23,820
IT Infrastructure and information services	6,452	6,383	5,554
Professional and consulting fees	2,704	1,982	2,110
Marketing and advertising	807	1,117	1,148
Occupancy costs	2,303	2,548	2,107
Depreciation and amortization	1,761	1,492	1,042
General, administrative and other	1,040	1,206	1,029
Total operating expenses	43,963	41,722	36,810
Income from operations	21,434	17,882	19,645
Other income (expense)			
Interest income	19	109	76
Other (expense) income	(46)	(6)	40
Income before provision for income taxes	21,407	17,985	19,761
Provision for income taxes	3,133	3,043	3,524
Net Income	\$ 18,274	\$ 14,942	\$ 16,237
Earnings per share			
Basic	\$ 1.56	\$ 1.28	\$ 1.41
Diluted	\$ 1.53	\$ 1.25	\$ 1.36

See accompanying notes to consolidated financial statements

OTC MARKETS GROUP INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(in thousands)

		<u>Par Value - \$0.01</u>		<u>Additional</u>	<u>Retained</u>	<u>Treasury</u>
	<u>Total</u>	<u>Class A</u>	<u>Class C</u>	<u>paid-in</u>	<u>Earnings</u>	<u>Stock</u>
				<u>capital</u>		
Balance, January 1, 2018	<u>\$ 13,791</u>	<u>\$ 119</u>	<u>\$ -</u>	<u>\$ 14,150</u>	<u>\$ 5,682</u>	<u>\$ (6,160)</u>
Comprehensive income:						
Net income	16,237	-	-	-	16,237	-
Total comprehensive income	<u>16,237</u>					
Stock-based compensation	2,263	-	-	2,263	-	-
Issuance of restricted and common shares, net	(640)	1	-	(641)	-	-
Dividends	(14,195)	-	-	-	(14,195)	-
Repurchase of common stock for treasury stock	(1,047)	-	-	-	-	(1,047)
Balance, December 31, 2018	<u>16,409</u>	<u>120</u>	<u>-</u>	<u>15,772</u>	<u>7,724</u>	<u>(7,207)</u>
Comprehensive income:						
Net income	14,942	-	-	-	14,942	-
Total comprehensive income	<u>14,942</u>					
Stock-based compensation	2,703	-	-	2,703	-	-
Issuance of restricted and common shares, net	(703)	2	-	(705)	-	-
Issuance of common stock for the acquisition of Qaravan	272			272		
Dividends	(14,560)	-	-	-	(14,560)	-
Repurchase of common stock for treasury stock	(1,390)	-	-	-	-	(1,390)
Balance, December 31, 2019	<u>17,673</u>	<u>122</u>	<u>-</u>	<u>18,042</u>	<u>8,106</u>	<u>(8,597)</u>
Comprehensive income:						
Net income	18,274	-	-	-	18,274	-
Total comprehensive income	<u>18,274</u>					
Stock-based compensation	3,059	-	-	3,059	-	-
Issuance of restricted and common shares, net	(1,330)	1	-	(1,331)	-	-
Dividends	(14,610)	-	-	-	(14,610)	-
Repurchase of common stock for treasury stock	(3,520)	-	-	-	-	(3,520)
Balance, December 31, 2020	<u>\$ 19,546</u>	<u>\$ 123</u>	<u>\$ -</u>	<u>\$ 19,770</u>	<u>\$ 11,770</u>	<u>\$ (12,117)</u>

See accompanying notes to consolidated financial statements

OTC MARKETS GROUP INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31,		
	2020	2019	2018
Cash flows from operating activities			
Net income	\$ 18,274	\$ 14,942	\$ 16,237
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	1,761	1,492	1,042
Provision for credit losses	30	108	126
Stock-based compensation	3,059	2,703	2,263
Excess tax benefits related to stock-based compensation	(950)	(744)	(668)
Deferred income taxes	361	129	(247)
Loss (Gain) on disposal of fixed assets	(10)	15	11
Changes in assets and liabilities:			
Accounts receivable	(1,482)	(323)	1,382
Prepaid expenses and other current assets	(37)	1,022	(1,057)
Prepaid income taxes	(38)	160	535
Accounts payable	917	(372)	(83)
Accrued expenses and other current liabilities	1,336	1,204	814
Income tax payable	867	843	668
Income tax reserve	(963)	306	353
Deferred revenue	2,950	(255)	539
Net change in other assets and liabilities	(62)	183	675
Net Cash provided by operating activities	26,013	21,413	22,590
Cash flows from investing activities			
Purchases of property and equipment	(1,034)	(4,852)	(549)
Acquisition of Qaravan assets	-	(664)	-
Net Cash used in investing activities	(1,034)	(5,516)	(549)
Cash flows from financing activities			
Dividends paid	(14,610)	(14,560)	(14,195)
Proceeds from the exercise of stock options	43	85	54
Withholding taxes paid related to cashless exercise of stock options	(1,373)	(788)	(694)
Purchase of treasury stock	(3,520)	(1,390)	(1,047)
Net Cash used in financing activities	(19,460)	(16,653)	(15,882)
Net (decrease) increase in cash, cash equivalents and restricted cash	5,519	(756)	6,159
Cash, cash equivalents and restricted cash at beginning of year	29,778	30,534	24,375
Cash, cash equivalents and restricted cash at end of year	<u>\$ 35,297</u>	<u>\$ 29,778</u>	<u>\$ 30,534</u>
Reconciliation of cash and restricted cash:			
Cash and cash equivalents	\$ 33,733	\$ 28,217	\$ 28,813
Short-term restricted cash	32	-	160
Long-term restricted cash	1,532	1,561	1,561
Total cash, cash equivalents and restricted cash	<u>\$ 35,297</u>	<u>\$ 29,778</u>	<u>\$ 30,534</u>
Supplemental Disclosure of Cash Flow Information:			
Income taxes, net of refunds	\$ 3,857	\$ 2,344	\$ 2,883
Non-cash investing and financing activities:			
Property and equipment included in accounts payable and accrued expenses	25	427	434
Common stock issued for the acquisition of Qaravan	-	272	-

See accompanying notes to consolidated financial statements

OTC MARKETS GROUP INC.
Notes to Consolidated Financial Statements
(in thousands, except per share information)

Note 1. Description of Business

Overview

OTC Markets Group Inc. (“OTC Markets Group” or the “Company”) (OTCQX: OTCM) operates the OTCQX® Best Market, the OTCQB® Venture Market and the Pink® Open Market for approximately 11,000 U.S. and global securities. Through OTC Link® ATS and OTC Link ECN, each a Securities and Exchange Commission (“SEC”) registered Alternative Trading System (“ATS”) operated by the Company’s wholly owned subsidiary OTC Link LLC, a Financial Industry Regulatory Authority, Inc. (“FINRA”) and SEC registered broker-dealer, the Company connects a diverse network of broker-dealers that provide liquidity and execution services. OTC Markets Group enables investors to easily trade through the broker of their choice and empowers companies to improve the quality of information available for their investors.

The Company has three business lines: OTC Link, Market Data Licensing and Corporate Services.

- OTC Link – OTC Link LLC operates two ATSS, OTC Link ATS and OTC Link ECN, which provide trading services to FINRA member broker-dealer subscribers.
- Market Data Licensing – OTC Markets Group provides market data and compliance data for a wide spectrum of securities and companies. The Market Data Licensing business line provides investors, traders, institutions and regulators with a suite of enterprise and user market data licenses, offered via direct or extranet connectivity, through third party market data redistributors or Order Management Systems (“OMS”).
- Corporate Services – OTC Markets Group operates the OTCQX Best Market and the OTCQB Venture Market and offers companies access to a suite of services that are designed to facilitate public disclosure and communication with investors, promote greater transparency and allow companies to demonstrate regulatory compliance and mitigate market risk. These services include the OTC Disclosure & News Service® (“DNS”), Real-Time Level 2 Quote Display, Blue Sky Monitoring Service and our Virtual Investor Conferences® (“VIC”) product.

Corporate Form

OTC Markets Group Inc. is a Delaware corporation. The Company is a “C” Corporation for federal, state, and local income tax purposes.

OTC MARKETS GROUP INC.
Notes to Consolidated Financial Statements (continued)
(in thousands, except per share information)

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP") and include the accounts of the Company and its wholly owned subsidiaries, OTC Link LLC, OTC Markets Group International Ltd and Qaravan® Inc. ("Qaravan"). All intercompany transactions have been eliminated in consolidation. Management assessed the segment reporting standards, analyzed how the chief operating decision maker (the Chief Executive Officer) manages the businesses and the availability of discrete financial information, and concluded that the Company's three business lines aggregate to one reportable segment.

Use of Estimates

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting periods. Estimates included in the consolidated financial statements include allowance for credit losses, certain accrued expenses, stock-based compensation expense, the incremental borrowing rate used to calculate the present value of the operating lease liabilities, income tax reserve and provision for income taxes. Actual results could differ from those estimates. As the impact of the COVID-19 pandemic continues to unfold and additional information becomes available, some of our estimates and assumptions may change in future periods.

Revenue Recognition

We recognize revenues when we transfer control of promised goods or services to our customers in an amount that reflects the consideration to which we expect to be entitled to in exchange for those goods or services (see Note 3, *Revenue Recognition*).

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents, the carrying amount of which approximates fair value. The Company maintains cash in bank deposit accounts which, at times, may exceed federally insured limits.

Short-Term and Long-Term Restricted Cash

The Company considers all cash deposits that are held for a specific purpose and therefore not available for general business use as restricted cash. Restricted cash is comprised of cash set aside as security deposits on the Company's office leases and cash held at clearing organizations as collateral against obligations of the Company arising from clearing agreements in place to support the Company's OTC Link business.

Allowance for Credit Losses

The allowance for credit losses is maintained at a level that management believes to be sufficient to absorb expected losses among all subscribers across all business lines. The allowance is based on several factors, including management's continuous assessment of the collectability of subscriber accounts using an aging schedule. Management applies loss rates based on historical loss information and adjusted for differences in nature and our estimates of

OTC MARKETS GROUP INC.
Notes to Consolidated Financial Statements (continued)
(in thousands, except per share information)

current and future economic conditions of the receivables. When it is known that a specific customer will not meet its financial obligations, management will reduce the receivable balance to the amount that is expected to be collected.

Property and Equipment, net

Property and equipment are stated at cost and depreciated over the estimated useful lives of the assets (generally ranging from two to eleven years) utilizing the straight-line method. Leasehold improvements are amortized using the straight-line method over the term of the lease or the estimated useful lives of the assets, whichever is shorter. Computer software is included in property and equipment and consist of purchased software and capitalized website development costs. Capitalized website development costs consist primarily of external direct costs in developing the Company's website.

Expenditures for maintenance, repairs, and renewals are expensed as incurred, unless they add to the value of the property or appreciably extend its useful life. Gains or losses are recorded from a sale or retirement of property and equipment at the time of disposal.

Long-lived Asset Impairments

The Company reviews long-lived assets, including property, plant and equipment and amortizable intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the asset may not be fully recoverable. An impairment loss is recognized when the estimated discounted future cash flows expected to be generated from the use of the asset, including disposition, is less than the carrying amount of the asset.

Goodwill and Indefinite-Lived Intangible Asset Impairment

The Company reviews the carrying amounts of both goodwill and indefinite-lived intangible assets for impairment annually and more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. When testing for impairment, the Company first assesses qualitative factors, such as operating results, business plans, anticipated future cash flows, industry data, and other potential risks to the projected financial results, to determine whether it is more likely than not that the fair value of the asset is less than the carrying amount. The more-likely-than-not threshold is defined as having a likelihood of more than 50 percent. Quantitative testing, consisting of a determination of implied fair value of the goodwill, is only performed if the qualitative assessment concludes it is more likely than not that the fair value of the asset is less than its carrying amount. If the implied fair value of the goodwill is less than the carrying amount, an impairment is recorded in the amount of the difference.

For indefinite-lived intangible assets an impairment is recorded for any excess of carrying amount over the estimated fair value.

There are inherent uncertainties related to these impairment tests which require management's judgment in applying them including the evaluation of qualitative factors and estimates of future business results.

OTC MARKETS GROUP INC.
Notes to Consolidated Financial Statements (continued)
(in thousands, except per share information)

Leases

The Company determines if an arrangement is a lease at inception, and records operating lease right-of-use ("ROU") assets and liabilities on the commencement date based on the present value of future lease payments over the lease term. The Company has operating leases in respect of its office space. ROU assets include an adjustment for any prepaid rent and lease incentives. When the rate implicit in the operating lease is not readily determinable, the Company uses its incremental borrowing rate as the discount rate to determine its lease assets and the present value of its lease liabilities. The incremental borrowing rate approximates the rate the Company would pay to borrow on a collateralized basis for the weighted-average life of the lease. ROU assets and liabilities are included on our Consolidated Balance Sheet beginning January 1, 2019. The current portion of our operating lease liabilities is included in accrued expenses and other current liabilities and the long-term portion is included in operating lease liabilities.

The Company's lease agreements generally contain lease and non-lease components. Payments under lease arrangements are primarily fixed. Non-lease components are primarily comprised of payments due for maintenance and utilities. The Company has elected to account for fixed lease payments and non-lease components as a single lease component that increases the amount of our operating lease assets and liabilities. Any changes in payments due to changes in inflation rates are recognized as variable lease expenses as they are incurred.

Operating lease expense is recognized on a straight-line basis over the lease term (see Note 10, *Leases*).

Stock-based Compensation

The Company measures share-based awards given to employees at the grant-day fair value of the equity award and records stock-based compensation expense over the related service period. OTC Markets Group estimates an expected forfeiture rate while recognizing the expense associated with these awards (see Note 8, *Stock-based Compensation*).

Fair Value Measurement

The Company accounts for certain financial instruments at fair value, in accordance with the provisions of the standard for fair value measurement, which utilizes a three-tier hierarchy to determine the fair value of financial assets and liabilities based on the quality of observable inputs and enhances disclosure requirements for fair value measurement. The three tiers are:

- Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in an active market;
- Level 2 – Other inputs that are directly or indirectly observable in the market; and
- Level 3 – Unobservable inputs that are supported by little or no market activity.

The fair value of a financial instrument is the amount that would be received to sell the asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability.

Assets and liabilities on the Consolidated Balance Sheets that are measured at carrying value, which approximates fair value due to the short-term nature of these balances, include prepaid

OTC MARKETS GROUP INC.
Notes to Consolidated Financial Statements (continued)
(in thousands, except per share information)

expenses, accrued expenses and other current liabilities and deferred revenue. These balances are classified as Level 1 and Level 2 in the fair value hierarchy.

Income Taxes

The Company accounts for income taxes under the provisions of Accounting Standards Codification (“ASC”) Topic 740, *Income Taxes*, which generally requires the recognition of deferred tax assets and liabilities for the expected future tax benefits or consequences of events that have been included in the consolidated financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on differences between the financial reporting carrying values and the tax basis of assets and liabilities and are measured by applying enacted tax rates and laws for the taxable years in which those differences are expected to reverse.

The Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the consolidated financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon settlement with the relevant tax authority, and is net of a valuation allowance to the extent that the Company determines that it is more likely than not that some portion or all of the recorded deferred tax assets will not be realized in future periods.

Recently Adopted Accounting Standards

In June 2016, the Financial Accounting Standards Board (“FASB”) issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*, which amends previously issued guidance regarding the impairment of financial instruments by creating an impairment model that is based on expected losses rather than incurred losses. ASU 2016-13 is effective for annual periods beginning after December 15, 2019. On January 1, 2020, the Company adopted the standard using the modified retrospective approach permitted by the standard. The adoption had no material impact on our Consolidated Statements of Income.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*, which amends Topic 820 to modify, remove, and add certain fair value measurement disclosure requirements. ASU 2018-13 is effective for interim and annual periods beginning after December 15, 2019, with early adoption permitted. The Company adopted the standard effective January 1, 2020. The adoption did not have a material impact on the consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*, which clarifies the accounting for implementation costs in cloud computing arrangements. ASU 2018-15 requires a customer in a cloud computing arrangement that is a service contract to follow the internal-use software guidance under Subtopic 350-40 to determine which implementation costs to capitalize as assets. ASU 2018-15 is effective for interim and annual periods beginning after December 15, 2019, with early adoption permitted. On January 1, 2020, the Company adopted the standard

OTC MARKETS GROUP INC.
Notes to Consolidated Financial Statements (continued)
(in thousands, except per share information)

using the prospective approach to all implementation costs incurred after its adoption. The adoption did not have a material impact on the consolidated financial statements.

Recently Issued Accounting Standards Not Yet Adopted

There are no applicable material accounting pronouncements that have been issued but are not yet adopted.

Note 3. Revenue Recognition

Substantially all of our revenues are derived from contracts with customers. Revenues are recognized when control of the promised goods or services is transferred to our customers in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. In accordance with Topic 606, we evaluate our contracts with customers based on a five-step methodology. We: (1) identify the contract with the customer; (2) identify the performance obligations under the contract; (3) determine the transaction price; (4) allocate the transaction price to the separate performance obligations; and (5) recognize revenue when each performance obligation is satisfied. Certain of our ancillary Market Data Licensing and Corporate Services offerings, including VIC, news release and advertising services, are usage-based and are delivered at a point in time. Accordingly, we recognize revenue upon delivery of the service in line with the contractual agreement. Neither represent a material source of revenues.

OTC Link

OTC Link LLC operates two ATSS, OTC Link ATS and OTC Link ECN. Broker-dealers pay monthly subscription fees that permit access to the trading system, including the OTC Dealer[®] application and related support and updates, if applicable, during the contract term. Fees for such access are based on the number of authorized users per subscriber and are calculated based on a tiered pricing arrangement. These fees are invoiced monthly and in advance of the monthly service period. The Company satisfies its performance obligations over the contract term and records revenue from these fees ratably over the month, with the unrealized portion recorded as deferred revenue on the Company's Balance Sheet. The Company pays rebates to certain resellers of OTC Link ATS services. These are invoiced monthly based on the fixed rate specified in the applicable contract and recorded as a reduction of gross revenues.

In addition to the aforementioned monthly access fees, broker-dealer subscribers to OTC Link ATS pay usage-based fees to publish quotes and deliver trade messages electronically to counterparties. Those fees are recognized at the point in time when the performance obligation, the publication of the quote or delivery of the message, is satisfied. OTC Link ECN generates revenues based on share volume executed on the ECN matching platform. Broker-dealer counterparties pay a fixed fee per share executed where their orders remove posted liquidity on the ECN, while receiving a rebate on shares executed against their own posted liquidity. To the extent that OTC Link ECN routes orders to OTC Link ATS, OTC Link ECN may earn fees for those orders which provide liquidity, while paying a fee for those orders that remove liquidity. Fees earned are recognized as transaction-based revenues, while fees paid are recognized as transaction-based expenses. These fees are invoiced monthly, in arrears and are due upon receipt. The Company recognizes transactional based revenue earned upon the execution of a

OTC MARKETS GROUP INC.
Notes to Consolidated Financial Statements (continued)
(in thousands, except per share information)

trade, when the Company's obligations are substantially met. Similarly, payments made to subscribers providing liquidity are recognized upon execution and are recorded as transaction-based expenses within the Consolidated Statements of Income.

Market Data Licensing

Market Data Licensing generates revenues by providing our subscribers with continuous access to the market data, compliance data, company data and security information collected through our OTC Link and Corporate Services business lines. Subscribers pay monthly fees to access this information priced at per enterprise or per subscriber rates. Market data revenues are recognized ratably over the term of the contract period, beginning on the date on which the data is made available to the customer, as our continuing performance obligations are met.

The majority of Market Data Licensing revenues result from sales through redistributors, some of whom earn redistribution fees based on a contractual fixed rate. These fees are invoiced monthly based on the contractual period and are recognized as a reduction of gross revenues. The vast majority of our redistribution fees and rebates are related to these arrangements with market data redistributors.

Corporate Services

Corporate Services generates revenues from the OTCQX Best Market and OTCQB Venture Market and from a suite of other services. Issuers pay annual or semi-annual subscription fees upfront to have their securities traded on the OTCQX or OTCQB markets and to subscribe to our various other services. We recognize these revenues ratably over time based on the subscription period as the performance obligations are met and the transfer of services occurs. Issuers pay one-time non-refundable application fees. These fees are not related to distinct performance obligations and are recognized ratably over the contractual service period, which is one year or shorter. The Company also charges for the right to host webcast presentation and online event on our VIC platform. VIC presentation fees are recognized at the point in time when the services are rendered, which corresponds to the date of the webcast and the point in time that the performance obligation is satisfied.

OTC MARKETS GROUP INC.
Notes to Consolidated Financial Statements (continued)
(in thousands, except per share information)

The following tables present our revenues disaggregated by timing of revenue recognition:

Year Ended December 31, 2020			
	Point in Time	Over Time	Total
OTC Link	\$ 12,077	\$ 3,813	\$ 15,890
Market data licensing	155	27,978	28,133
Corporate services	1,053	26,153	27,206
Gross revenues	13,285	57,944	71,229
Redistribution fees and rebates	(53)	(2,757)	(2,810)
Net revenues	13,232	55,187	68,419
Transaction-based expenses	(3,022)	-	(3,022)
Revenues less transaction-based expenses	<u>\$ 10,210</u>	<u>\$ 55,187</u>	<u>\$ 65,397</u>

Year Ended December 31, 2019			
	Point in Time	Over Time	Total
OTC Link	\$ 7,674	\$ 4,002	\$ 11,676
Market data licensing	207	24,240	24,447
Corporate services	216	26,500	26,716
Gross revenues	8,097	54,742	62,839
Redistribution fees and rebates	(80)	(2,409)	(2,489)
Net revenues	8,017	52,333	60,350
Transaction-based expenses	(746)	-	(746)
Revenues less transaction-based expenses	<u>\$ 7,271</u>	<u>\$ 52,333</u>	<u>\$ 59,604</u>

Year Ended December 31, 2018			
	Point in Time	Over Time	Total
OTC Link	\$ 7,119	\$ 4,056	\$ 11,175
Market data licensing	321	23,062	23,383
Corporate services	235	24,485	24,720
Gross revenues	7,675	51,603	59,278
Redistribution fees and rebates	(82)	(2,366)	(2,448)
Net revenues	7,593	49,237	56,830
Transaction-based expenses	(375)	-	(375)
Revenues less transaction-based expenses	<u>\$ 7,218</u>	<u>\$ 49,237</u>	<u>\$ 56,455</u>

OTC MARKETS GROUP INC.
Notes to Consolidated Financial Statements (continued)
(in thousands, except per share information)

The following tables present our revenues disaggregated by geography:

	Year Ended December 31, 2020		
	U.S	International	Total
OTC Link	\$ 15,890	\$ -	\$ 15,890
Market data licensing	22,884	5,249	28,133
Corporate services	14,695	12,511	27,206
Gross revenues	53,469	17,760	71,229
Redistribution fees and rebates	(2,536)	(274)	(2,810)
Net revenues	50,933	17,486	68,419
Transaction-based expenses	(3,022)	-	(3,022)
Revenues less transaction-based expenses	<u>\$ 47,911</u>	<u>\$ 17,486</u>	<u>\$ 65,397</u>

	Year Ended December 31, 2019		
	U.S	International	Total
OTC Link	\$ 11,676	\$ -	\$ 11,676
Market data licensing	20,281	4,166	24,447
Corporate services	14,829	11,887	26,716
Gross revenues	46,786	16,053	62,839
Redistribution fees and rebates	(2,286)	(203)	(2,489)
Net revenues	44,500	15,850	60,350
Transaction-based expenses	(746)	-	(746)
Revenues less transaction-based expenses	<u>\$ 43,754</u>	<u>\$ 15,850</u>	<u>\$ 59,604</u>

	Year Ended December 31, 2018		
	U.S	International	Total
OTC Link	\$ 11,175	\$ -	\$ 11,175
Market data licensing	19,439	3,944	23,383
Corporate services	14,274	10,446	24,720
Gross revenues	44,888	14,390	59,278
Redistribution fees and rebates	(2,309)	(139)	(2,448)
Net revenues	42,579	14,251	56,830
Transaction-based expenses	(375)	-	(375)
Revenues less transaction-based expenses	<u>\$ 42,204</u>	<u>\$ 14,251</u>	<u>\$ 56,455</u>

OTC MARKETS GROUP INC.
Notes to Consolidated Financial Statements (continued)
(in thousands, except per share information)

Accounts Receivable, net

As of December 31, 2020 and 2019, accounts receivable net of allowance for doubtful accounts, were \$6.6 million and \$5.2 million, respectively. The allowance for credit losses reflects our best estimate of expected losses inherent in the accounts receivable balance. The Company determines the allowance based on historical experience, the age of the accounts receivable balances, specific account information, and our estimates of current and future economic conditions that may affect our customers' ability to pay.

Deferred Revenue

Deferred revenue primarily represents our contractual performance obligations related to annual and semi-annual Corporate Services subscription fees, as well as monthly Market Data Licensing and OTC Link license subscription fees. The following table presents the changes in deferred revenue during the year ended December 31, 2020 and 2019:

	Year Ended December 31,	
	2020	2019
Balance at beginning of period	\$ 15,815	\$ 16,070
Net changes	2,950	(255)
Balance at end of period	<u>\$ 18,765</u>	<u>\$ 15,815</u>

During the year ended December 31, 2020 and 2019, we recognized \$15.8 million and \$16.0 million of revenue, respectively, that were included in the balance of our deferred revenue at the beginning of each year.

Payment Terms

Our payment terms vary by business line and the products or services offered and range from due upon receipt to net 45 days. For certain products and services, we require payment before services are rendered.

Note 4. Concentrations and Uncertainties

During each of the years ended December 31, 2020, 2019 and 2018, Market Data Licensing revenues earned through one market data distributor amounted to approximately 10% of the Company's gross revenues. Additionally, at December 31, 2020 and 2019, accounts receivable from that same distributor amounted to 22% and 24%, respectively, of the Company's accounts receivable.

OTC MARKETS GROUP INC.
Notes to Consolidated Financial Statements (continued)
(in thousands, except per share information)

Note 5. Property and Equipment, net

Property and equipment consisted of the following:

(in thousands)	December 31,		Estimated useful life (years)
	2020	2019	
Computer software	\$ 2,704	\$ 2,499	2 - 3
Computer equipment	5,092	5,309	3 - 5
Furniture and fixtures	691	691	5 - 7
Leasehold improvements	2,804	2,804	Term of lease
Total property and equipment	11,291	11,303	
Accumulated depreciation and amortization	(5,924)	(4,885)	
Total property and equipment, net	\$ 5,367	\$ 6,418	

Depreciation and amortization on property and equipment, included in the Consolidated Statements of Income, amounted to \$1,761, \$1,471 and \$992 for the years ended December 31, 2020, 2019 and 2018, respectively.

Computer software includes approximately \$34, \$236 and \$439 in unamortized website development costs, as of December 31, 2020, 2019 and 2018, respectively.

Note 6. Goodwill and Intangible Assets

Intangible assets consisted of the following:

(in thousands)	December 31,		Estimated useful life (years)
	2020	2019	
Goodwill	\$ 251	\$ 251	Indefinite
Intangible assets:			
Website	100	100	2
Subscription services	150	150	8-15
Distributor relations	27	27	15
Intellectual property	40	40	Indefinite
Total intangible assets	317	317	
Accumulated amortization	(277)	(277)	
Intangible assets, net	\$ 40	\$ 40	

Amortization expense for finite-lived intangible assets was \$0, \$21 and \$50 for years ended December 2020, 2019 and 2018, respectively. The decrease in amortization expense in 2020 compared with prior years was due to certain intangible assets being fully amortized. No impairment charges were recorded to goodwill or intangible assets for the years ended December 31, 2020, 2019 and 2018.

OTC MARKETS GROUP INC.
Notes to Consolidated Financial Statements (continued)
(in thousands, except per share information)

Note 7. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following:

(in thousands)	December 31,	
	2020	2019
Payroll and employee withholdings	\$ 6,740	\$ 5,506
Accrued operating expenses	1,397	1,709
Current operating lease liabilities	1,828	1,939
Total accrued expenses and other	\$ 9,965	\$ 9,154

Payroll and employee withholdings primarily consisted of accrued discretionary bonus, discretionary employer 401(k) contribution, vacation and sales commission.

Note 8. Stock-Based Compensation

OTC Markets Group grants stock options to employees and restricted stock awards (“RSAs”) to employees and directors. The grant date fair value of each stock option is estimated using the Black-Scholes option pricing model and is then amortized into compensation expense on a straight-line basis over the requisite service period, which is generally the vesting period. The grant date fair value of each RSA is based on the closing stock price on the day prior to the grant date. These charges are included in compensation and benefits expense and, in respect of compensation for our Board of Directors, professional and consulting fees on the Consolidated Statements of Income.

A summary of the Company’s option activity for the year ended December 31, 2020 is as follows:

(in thousands, except W/A exercise price)	Stock options	Weighted-average exercise price	Aggregate intrinsic value	Remaining contractual term (years)
Outstanding, January 1, 2020	662	\$ 21.17	\$ 9,186	6.56
Granted	67	32.23	24	
Exercised	(160)	11.97	3,327	
Outstanding, December 31, 2020	569	\$ 25.06	\$ 5,164	6.82
Exercisable, December 31, 2020	265	\$ 19.75	\$ 3,793	5.40

The Company recognized compensation expense related to stock options, net of estimated forfeitures, of \$612, \$628 and \$549 for the years ended December 31, 2020, 2019 and 2018, respectively. During 2020, management estimated forfeiture rates of 5% for stock options granted to management and 23% for stock options granted to other employees. Such charges are included in compensation and benefits expense on the Consolidated Statements of Income.

At December 31, 2020, unrecognized compensation cost related to non-vested options awards totaled \$1,235, which will be recognized over approximately 3.2 years.

OTC MARKETS GROUP INC.
Notes to Consolidated Financial Statements (continued)
(in thousands, except per share information)

The weighted-average assumptions used in the Black-Scholes option pricing model for 2020, 2019 and 2018 are as follows:

	Year ended December 31,		
	2020	2019	2018
Risk free interest rate	0.89%	2.11%	2.79%
Expected life in years	6.50	6.50	6.50
Expected volatility	25%	23%	23%
Expected annual dividend per share	1.85%	1.85%	2.06%
Weighted average fair value of options granted	\$ 6.45	\$ 6.73	\$ 6.11

A summary of the Company's non-vested stock option activity for the year ended December 31, 2020 is as follows:

(in thousands, except W/A fair value)	Number of options	Weighted-average fair value
Non-vested balance at January 1, 2020	352	\$ 5.89
Granted	67	6.45
Vested	(116)	5.38
Non-vested options at December 31, 2020	303	\$ 6.20

A summary of the Company's RSA activity for the year ended December 31, 2020 is as follows:

(in thousands, except W/A fair value)	Restricted stock	Weighted-average fair value	Aggregate intrinsic value
Outstanding, January 1, 2020	276	\$ 24.57	\$ 9,669
Granted	97	33.95	3,322
Vested	(94)	22.45	3,214
Outstanding, December 31, 2020	279	\$ 28.55	\$ 9,475

The Company recognized compensation expense related to RSAs, net of estimated forfeitures, of \$2,297, \$1,925 and \$1,563 for the years ended December 31, 2020, 2019 and 2018, respectively. During 2020, management estimated forfeiture rates of 8% for RSAs granted to management and 13% for RSAs granted to other employees. In addition, the Company also recognized professional fees of \$150, \$150 and \$151 for the years ended December 31, 2020, 2019 and 2018, respectively, related to the issuance of RSAs to the Board of Directors.

A summary of the Company's non-vested RSA activity for the year ended December 31, 2020 is as follows:

(in thousands, except W/A fair value)	Number of RSAs	Weighted-average fair value
Non-vested balance at January 1, 2020	276	\$ 24.57
Granted	97	33.95
Vested	(94)	22.45
Non-vested RSAs at December 31, 2020	279	\$ 28.55

At December 31, 2020, unrecognized compensation cost related to non-vested awards totaled \$5,155, which will be recognized over approximately 3.1 years.

OTC MARKETS GROUP INC.
Notes to Consolidated Financial Statements (continued)
(in thousands, except per share information)

Note 9. Debt

OTC Markets Group maintains a commercial banking relationship with JPMorgan Chase. On July 7, 2012, the Company entered into a line of credit agreement with JPMorgan Chase (the "Line of Credit"). Pursuant to various extensions, the Line of Credit makes up to \$1.5 million available for business operations through June 25, 2021. Since inception, we have not drawn funds on the Line of Credit. Under the terms of the Line of Credit, we agreed to fulfill certain affirmative and negative covenants and other specified terms.

Note 10. Leases

The Company has two non-cancelable operating leases. One is for office space at 300 Vesey Street, New York, NY that was executed in October 2018 and expires on December 30, 2031. The other is for office space at 100 M Street SE, Washington, D.C. that was amended in May 2016 and expires on June 30, 2021. These operating leases are recorded as operating lease right-of-use assets on the Company's Consolidated Balance Sheet as of December 31, 2020 and represent the Company's right to use of the underlying asset during the lease term. The Company's obligation in respect of future payments due under the leases is included in accrued expenses and other current liabilities and in the operating lease liabilities section on the Company's Consolidated Balance Sheet as of December 31, 2020.

The Company recognized right-of-use assets and lease liabilities, based on the present value of lease payments over the lease terms at commencement date. When the rate implicit in the operating lease is not readily determinable, the Company uses its incremental borrowing rate as the discount rate to determine its right-of-use assets and the present value of its lease liabilities. The incremental borrowing rates approximate the rate the Company would pay to borrow on a collateralized basis for the weighted-average life of the lease. Operating right-of-use assets include prepaid lease payments and lease incentives. The Company elected not to record short-term operating leases with an initial term of twelve months or less on its Consolidated Balance Sheet. The Company also elected to account for the fixed payments for the lease and non-lease components (such as common-area maintenance and utility charges) as a single lease component that increases the amount of our lease assets and liabilities.

All operating lease expense is recognized on a straight-line basis over the lease term. Any change in payments due to changes in inflation rates are recognized as variable lease expenses as they are incurred.

The components of lease expenses were as follows:

	December 31, 2019,	
	2020	2019
Operating Lease cost	\$ 1,988	\$ 1,988
Short-term Lease cost	18	277
Total lease cost	\$ 2,006	\$ 2,265

OTC MARKETS GROUP INC.
Notes to Consolidated Financial Statements (continued)
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Supplemental cash flow information related to leases was as follows:

	December 31,	
	2020	2019
Cash Paid for operating lease liabilities	\$ 1,988	\$ 1,308
Right-of-use assets obtained in exchange for operating lease obligations	-	-

Supplemental balance sheet information related to leases was as follows:

	December 31,	
	2020	2019
Operating lease right-of use assets	\$ 14,844	\$ 16,018
Other current liabilities	1,829	1,939
Operating lease liabilities	14,466	15,529
Total operating lease liabilities	16,295	17,468
Weighted-average remaining lease term	11 Years	12 Years
Weighted-average discount rate	4.8%	4.8%

Maturities of lease liabilities were as follows:

2021	\$ 1,875
2022	1,759
2023	1,759
2024	1,875
2025	1,925
Thereafter	11,995
Total lease payments	21,188
Less imputed interest	(4,893)
Total	\$ 16,295

Occupancy expense included in the Consolidated Statements of Income was \$2,303, \$2,548 and \$2,107 for the years ended December 31, 2020, 2019 and 2018, respectively.

Note 11. Commitments and Contingencies

Partial Self-Insurance Reserves

Effective January 1, 2018, the Company switched from a fully insured employee health insurance policy to a partially self-insured plan. Under the new plan, the Company contracted a third-party administrator (“TPA”) to access healthcare carriers, process claims, and facilitate the provision of specific and aggregate stop-loss coverage to limit our total exposure under the program. Accordingly, we record the TPA’s administrative fees, insurance carrier fees, and stop-loss coverage premiums, as well as expected claims costs, on a straight-line basis over the annual coverage period. The Company’s cost of claims recorded represents 90% of the Company’s maximum liability for claims based on coverage provided under our specific and aggregate stop-loss policies. As claims are reported and paid, the liability is relieved. As of December 31, 2020, the estimated claims, fees and premiums accrued were higher than the premiums and fees paid to the TPA by \$104. This amount was recorded as a current liability in the accrued operating expenses section on our Consolidated Balance Sheet. As of December

OTC MARKETS GROUP INC.
Notes to Consolidated Financial Statements (continued)
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31, 2019, the estimated claims, fees and premiums accrued were lower than the premiums and fees paid to the TPA by \$62. These amounts were recorded as a current asset in the prepaid expenses and other current assets section on our Consolidated Balance Sheet.

Legal Matters

There are no current, past, pending or threatened legal proceedings or administrative actions either by or against OTC Markets Group that could have a material effect on its business, financial condition or operations. OTC Markets Group is not a party to any past or pending trading suspensions by a securities regulator.

Letters of Credit

As of December 31, 2020, the Company had two open letters of credit of approximately \$1,059 which secure its lease obligations in connection with its New York City and Washington D.C. office space operating leases. The letters of credit are collateralized by a money market balance.

Note 12. Acquisitions

In February 2019, the Company acquired 100% of the outstanding equity of Qaravan, a provider of software, and risk and performance analytics for the banking and finance industry. Our acquisition of Qaravan has enhanced the breadth and depth of our market data product offerings and allows us to further strengthen our relationships with the private and public banking industry.

The purchase price was \$851, comprised of \$579 in cash, \$272 in the form of 8,213 shares of Class A common stock, plus contingent consideration. The Company determined that substantially all of the fair value of the gross assets acquired is concentrated in a group of similar, identifiable assets and based on this determination, and in accordance with ASC 805, accounted for the acquisition as an asset purchase. The purchase price of \$851, \$85 of transaction-related expenses, and \$137 of acquisition tax basis difference have been allocated to Computer Software. The amount of any contingent consideration payable will be based on the Qaravan suite of products generating annual recurring revenues above certain defined targets as of the end of the second anniversary of the acquisition.

Note 13. Employee Benefit Plan

The Company has a 401(k) Plan for all eligible employees. Subject to federal contribution limits, the 401(k) Plan permits each participant to contribute up to 15% of the participant's annual compensation and allows the Company to make discretionary contributions. In 2008, the Company established an "Employer Non-Elective Discretionary Contribution" feature for its 401(k) Plan. The Company elected to contribute \$467, \$429 and \$390 for the annual periods ended December 31, 2020, 2019 and 2018, respectively.

Note 14. Stockholders' Equity

Common Stock

The Company has one class of shares, Class A common stock, outstanding. Holders of Class A Common Stock, which include holders of unvested RSAs, are entitled to receive such

OTC MARKETS GROUP INC.
Notes to Consolidated Financial Statements (continued)
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dividends and other distributions in cash, stock of any corporation or property of the Company as may be authorized and declared by the Board of Directors from time to time out of the assets or funds of the Company legally available for the payment of dividends. Upon the voluntary or involuntary liquidation, dissolution or winding up of the Company, holders of Class A Common Stock are entitled to a pro rata share of the net assets of the Company available for distribution in proportion to the number of shares of Class A Common Stock held by each.

The Company is authorized to issue 14,000,000 shares of Common Stock at \$0.01 par value. As of December 31, 2020 there were a total of 12,346,491 shares issued and 11,709,857 shares outstanding. As of December 31, 2019 there were a total of 12,189,022 shares issued and 11,655,326 shares outstanding.

Treasury Stock

In March 2020 and 2019, the Board of Directors authorized the Company to repurchase up to 300,000 shares of Class A Common Stock in compliance with Rule 10b-18 under the Securities Exchange Act of 1934 (the “Exchange Act”).

During the year ended December 31, 2020, the Company repurchased 102,938 shares of Class A Common Stock at average price of \$34.20 per share for a total of \$3,520. During the year ended December 31, 2019, the Company repurchased 46,711 shares of Class A Common Stock at an average price of \$29.75 per share for a total of \$1,390. All repurchased shares are held in treasury.

Dividends

The Company paid quarterly cash dividends on its Class A Common Stock of \$0.15 per share during 2020 and 2019. The Company also paid special dividends of \$0.65 per share of Class A Common Stock during the fourth quarter of 2020 and 2019.

Equity Incentive Plan

The Company’s Equity Incentive Plan (the “Plan”), as adopted by the Board of Directors on May 7, 2019 and approved by a vote of the Company’s stockholders on December 19, 2019, provides for the grant of incentive stock options, non-statutory stock options, restricted stock, restricted stock units, stock appreciation rights, performance units and performance shares, and governs options awarded (see Note 8, *Stock-Based Compensation*). In each of November 2020 and 2019, the Board of Directors authorized the increase in the number of shares available for issuance under the Plan by 200,000 shares.

OTC MARKETS GROUP INC.
Notes to Consolidated Financial Statements (continued)
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Note 15. Income Taxes

The components of the provision for income taxes consist of the following:

(in thousands)	Year Ended December 31,		
	2020	2019	2018
Current:			
Federal	\$ 2,199	\$ 1,794	\$ 2,512
State and local	564	1,114	1,259
Foreign	10	-	-
Total current	\$ 2,773	\$ 2,908	\$ 3,771
Deferred:			
Federal	374	176	(227)
State and local	(12)	(41)	(20)
Foreign	(2)	-	-
Total deferred	\$ 360	\$ 135	\$ (247)
Provision for income taxes	\$ 3,133	\$ 3,043	\$ 3,524

The reconciliation of federal statutory income tax rate to our effective income tax rate is as follows:

	Year Ended December 31,		
	2020	2019	2018
Federal Statutory rate	21.0%	21.0%	21.0%
State and local income taxes, net	3.9%	3.4%	3.5%
R&D tax credits	(2.7%)	(3.4%)	(3.3%)
Stock-based compensation	(3.6%)	(3.4%)	(2.8%)
Foreign derived intangible income	(2.3%)	(2.1%)	(1.7%)
Other	(1.7%)	1.5%	1.1%
	14.6%	16.9%	17.8%

The Company's effective income tax rates for fiscal years 2020, 2019 and 2018 were 14.6%, 16.9% and 17.8%, respectively.

The decrease in the Company's effective tax rate for 2020 was primarily a result of the reversal of previously recorded uncertain state tax expenses. These reversals were premised on the Company being accepted into the Voluntary Disclosure Agreement ("VDA") programs of certain U.S. states. The release of tax expense reserves in respect of years prior to the VDA period had the effect of decreasing the Company's effective tax rate for 2020 by approximately 3%. The reduction in our tax expense that resulted from the release of these reserves, was partially offset by a reduction in the amount of U.S. federal research and development credit claimed.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was enacted. The CARES Act included modifications for net operating loss carryovers and carrybacks, provisions allowing for the immediate refund of alternative minimum tax credits, and a technical correction to the treatment of qualified improvement property under the Tax Cuts

OTC MARKETS GROUP INC.
Notes to Consolidated Financial Statements (continued)
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and Jobs Act. In March 2020, the Company completed its initial evaluation of the CARES Act and concluded that the provisions would not have an impact on our effective tax rate. Pursuant to the technical correction referenced above, the Company claimed bonus depreciation on its 2019 federal return related to qualified improvement property brought into service in 2019. The CARES Act did not have a material impact on our effective income tax rate for 2020.

The significant components of the Company's deferred tax assets and liabilities are as follows:

(in thousands)	Year Ended December 31,	
	2020	2019
Deferred tax assets:		
Allowance for credit losses	\$ 54	\$ 46
Operating leases liability	3,733	4,409
Share-based compensation	715	623
Deferred tax asset on income tax reserve	156	353
Net operating loss carryforward	53	58
Other reserves	84	3
Deferred tax assets	4,795	5,492
Deferred tax liabilities:		
Right-of-use assets	(3,359)	(4,044)
Property and equipment	(983)	(518)
Basis difference in acquisition of Qaravan	(110)	(143)
Other reserves	-	(16)
Deferred tax liabilities	(4,452)	(4,721)
Net deferred tax assets	\$ 343	\$ 771

The Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon settlement with the relevant tax authority. During 2020, the Company was accepted into VDA programs with state tax jurisdictions for which the Company had previously recorded a liability for an uncertain tax position. By participating in the VDA programs, the Company limited the look back period, which allowed the Company to reduce its recorded liabilities relating to uncertain tax positions by approximately \$623, or \$501 net of federal benefit. Pursuant to the VDA terms, the Company filed tax returns for the VDA period, resulting in a reclass of approximately \$508, or \$399 net of federal benefit from uncertain tax liabilities to income tax payable. In connection with the assessment of certain tax positions, a reconciliation of the gross unrecognized tax liabilities for the years ended December 31, 2020 and 2019 is as follows:

(in thousands)	Year Ended December 31,	
	2020	2019
Beginning balance	\$ 1,382	\$ 1,169
Increase for tax positions taken during the current period	112	211
Increase(Decrease) for tax positions taken during a prior period	(893)	2
Ending balance	\$ 601	\$ 1,382

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Notes to Consolidated Financial Statements (continued)
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It is not reasonably possible that any unrecognized tax benefits related to state nexus will reverse within the next twelve months due to expected settlements with taxing authorities. The total amount of uncertain tax positions that, if recognized, would impact the Company's effective tax rate as of December 31, 2020 and 2019, is \$601 and \$1,382, respectively.

The Company recognizes interest and penalties related to unrecognized tax benefits as a component of tax expense. The Company recorded a reduction of interest and penalties of \$182 during the year ended December 31, 2020 and increased the amount of interest and penalties due on income tax reserves by \$92 and \$68 during the years ended December 31, 2019 and 2018, respectively. As of December 31, 2020 and 2019, the Company had \$200 and \$382 of interest and penalties accrued, respectively.

The Company is subject to income taxes in the U.S. federal jurisdiction and various state jurisdictions. Tax regulations within each jurisdiction are subject to interpretation of the related tax laws and regulations and require significant judgment to apply. Tax years from 2014 through 2019 remain subject to examination by the U.S. federal and various state taxing authorities. The Company is not currently under audit in any tax jurisdictions and does not believe that the outcome of any examination will have a material impact on its consolidated financial statements.

Note 16. Earnings Per Share

The Company calculates earnings per share using the two-class method, which is an earnings allocation formula that determines earnings per share for common stock and participating securities according to dividends declared and participation rights in undistributed earnings. Under this method, all earnings (distributed and undistributed) are allocated to common shares and participating securities based on their respective rights to receive dividends. RSAs granted to employees (see Note 8, *Stock-Based Compensation*) participate in dividends on the same basis as common shares and such dividends are nonforfeitable by the holder. As a result, these RSAs meet the definition of a participating security.

The tables below present the calculations of earnings per share using the two-class method:

Basic Earnings per common share

(in thousands, except shares and per share data)	Year Ended December 31,		
	2020	2019	2018
Net income available to common shareholders	\$ 18,274	\$ 14,942	\$ 16,237
Less: Undistributed earnings allocated to unvested RSAs	(87)	(9)	(50)
Less: Dividend equivalents on unvested RSAs	(348)	(345)	(347)
Net income allocated to common shareholders	<u>\$ 17,839</u>	<u>\$ 14,588</u>	<u>\$ 15,840</u>
Shares of common stock and common stock equivalents			
Weighted-average common shares outstanding	<u>11,402,703</u>	<u>11,364,217</u>	<u>11,250,984</u>
Basic earnings per share	\$ 1.56	\$ 1.28	\$ 1.41

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Notes to Consolidated Financial Statements (continued)
(in thousands, except per share information)

Diluted Earnings per common share

(in thousands, except shares and per share data)	Year Ended December 31,		
	2020	2019	2018
Net income available to common shareholders	\$ 18,274	\$ 14,942	\$ 16,237
Less: Undistributed earnings allocated to unvested RSAs	(86)	(9)	(48)
Less: Dividend equivalents on unvested RSAs	(348)	(345)	(347)
Net Income allocated to common shareholders	<u>\$ 17,840</u>	<u>\$ 14,588</u>	<u>\$ 15,842</u>
Shares of common stock and common stock equivalents			
Weighted-average common shares outstanding	11,402,703	11,364,217	11,250,984
Dilutive effect of employee stock options and restricted stock units	<u>227,982</u>	<u>338,646</u>	<u>371,786</u>
Weighted-average shares used in diluted computation	<u>11,630,685</u>	<u>11,702,863</u>	<u>11,622,770</u>
Diluted earnings per share	\$ 1.53	\$ 1.25	\$ 1.36

As of December 31, 2020, 2019 and 2018, the Company had 279, 276 and 282 RSAs outstanding, respectively, and stock options to purchase 569, 662 and 681 shares of Class A Common Stock outstanding, respectively. For the years ended December 31, 2020, 2019 and 2018, 32, 15 and 11 awards, respectively, were excluded from the diluted earnings per share computation because their effect would have been anti-dilutive.

Note 17. Quarterly Financial Data (unaudited)

The following represents OTC Markets Group's unaudited quarterly results for the years ended December 31, 2020 and 2019. These quarterly results were prepared in accordance with U.S. GAAP and reflect all adjustments that are, in the opinion of management, necessary for a fair statement of the results. These adjustments are of a normal recurring nature.

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2020				
Revenues less transaction-based expenses	\$ 15,465	\$ 15,786	\$ 16,444	\$ 17,702
Operating Income	4,483	4,792	5,478	6,681
Net Income	3,855	4,231	4,459	5,728
Basic earnings per share	\$ 0.33	\$ 0.36	\$ 0.38	\$ 0.49
Diluted earnings per share	\$ 0.32	\$ 0.36	\$ 0.37	\$ 0.48
2019				
Revenues less transaction-based expenses	\$ 14,590	\$ 14,861	\$ 14,935	\$ 15,218
Operating Income	4,022	4,427	4,724	4,709
Net Income	3,547	3,567	4,020	3,808
Basic earnings per share	\$ 0.30	\$ 0.31	\$ 0.35	\$ 0.33
Diluted earnings per share	\$ 0.30	\$ 0.30	\$ 0.33	\$ 0.32

Note 18. Regulatory Authorities

OTC Link LLC is a U.S. registered broker-dealer and is subject to the net capital requirements of Rule 15c3-1 under the Exchange Act. Rule 15c3-1 requires the maintenance of net capital,

OTC MARKETS GROUP INC.
Notes to Consolidated Financial Statements (continued)
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as defined, which shall be the greater of \$5 or 6⅔% of aggregate indebtedness, as defined. OTC Link LLC's regulatory net capital as of December 31, 2020 and 2019 was \$2,871 and \$3,095, respectively, which exceeded the minimum net capital requirement by \$2,659 and \$2,944, respectively.

Note 19. Subsequent Events

For purposes of disclosure in the consolidated financial statements, the Company has evaluated subsequent events through March 16, 2021, the date the consolidated financial statements were available to be issued.

On January 29, 2021, the Company granted approximately 105,483 RSAs to certain employees subject to the terms of Restricted Stock Agreements between the Company and each employee.

On February 04, 2021 and March 03, 2021, the Company repurchased a total of 44,733 shares of Class A Common Stock at an average price of \$34.01 per share, which will be held in treasury.

On March 12, 2021, the Board of Directors authorized and approved a quarterly cash dividend of \$0.15 per share of Class A Common Stock. The quarterly cash dividend is payable on March 31, 2021 to stockholders of record on March 23, 2021. The ex-dividend date is March 22, 2021.

On March 12, 2021, the Board of Directors refreshed the Company's stock repurchase program, giving the Company authorization to repurchase up to 300,000 shares of the Company's Class A Common Stock.

EXHIBIT 2.1

CERTIFICATION OF PRINCIPAL EXECUTIVE

I, R. Cromwell Coulson, Chief Executive Officer of OTC Markets Group Inc., certify that:

1. I have reviewed this Annual Report of OTC Markets Group Inc.;
2. Based on my knowledge, this Annual Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Annual Report; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this Annual Report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this Annual Report.

/s/ R. Cromwell Coulson
R. Cromwell Coulson
Chief Executive Officer

March 17, 2021
Date

EXHIBIT 2.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Antonia Georgieva, Chief Financial Officer of OTC Markets Group Inc., certify that:

1. I have reviewed this Annual Report of OTC Markets Group Inc.;
2. Based on my knowledge, this Annual Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Annual Report; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this Annual Report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this Annual Report.

/s/ Antonia Georgieva
Antonia Georgieva
Chief Financial Officer

March 17, 2021
Date