

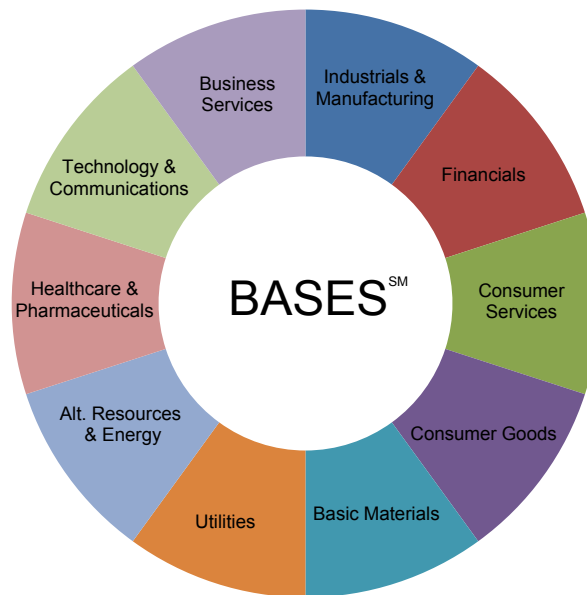


## BATS 1000<sup>SM</sup> Index Methodology

### Sector Classification

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The BATS 1000<sup>SM</sup> Index is comprised of 10 sectors with 100 U.S. equities in each sector. The 10 sectors were weighted equally at inception. The sectors are re-weighted annually at reconstitution. Equities are classified into sectors using the Better Alternative Sector Exposure Standard (BASES<sup>SM</sup>). The inception date was July 1, 2009, and the base value was 10,000.



Below are the types of companies included in each of the BASES<sup>SM</sup> sectors:

**Industrials & Manufacturing** – Manufacturers of non-consumer goods (aerospace, defense, waste management, etc.)

**Financials** – Investment services, banks, REITS, insurance providers, credit card issuers

**Consumer Services** – Media & entertainment, non-branded retail, travel, education

**Consumer Goods** – Branded retail, branded products, homebuilders

**Basic Materials** – Agriculture, chemicals, forest products, minerals & mining, metals

**Utilities** – Power plants, electricity, gas, water

**Alternative Resources & Energy** – Renewable energy, exploration, energy services & energy transportation

**Healthcare & Pharmaceuticals** – Healthcare equipment & supplies, healthcare providers, healthcare benefits & services, pharmaceuticals

**Technology & Communications** – Hardware, software, telephone, internet

**Business Services** – Transportation of goods, marketing & advertising, consulting, outsourcing

## Eligible Equities

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Eligible	Ineligible
Common Stocks Tracking Stocks REITs	American Depository Receipts Limited Partnerships Exchange-traded Funds Closed-end Funds Preferred Stocks Convertible Debentures Royalty Trusts Rights Warrants Derivatives Investment Company Securities Bulletin Board, Pink Sheet, OTC Other

Companies with multiple share classes are eligible for membership. The market capitalization of each share class is aggregated for purposes of ranking. If the combined market capitalization of the company is in the top 100 of its sector, the symbol of the class with the higher 100-day average volume will be used to represent that company in the index.

## Equity Criteria

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Eligible equities must meet the following criteria tests:

- **Trade primarily on a U.S. exchange.**
- **Incorporated in the U.S. or in a territory designated as an Approved Foreign Entity (AFE).** Currently, AFEs include Bermuda and Antilles. Index members that are reincorporated to a non-approved country will be removed from the index when the action is final or as soon as possible.
- **Minimum stock price of \$1.00** at index inception. At reconstitution, any index member with a stock price of less than \$1.00, will be evaluated for continued index membership. Any non-index member that was below \$1.00 at inception will become eligible at reconstitution provided the share price is \$1.00 or greater.
- **Accounting standard of U.S. GAAP or International Financial Reporting Standards.**
- **Float shares must be >1% of outstanding shares.**

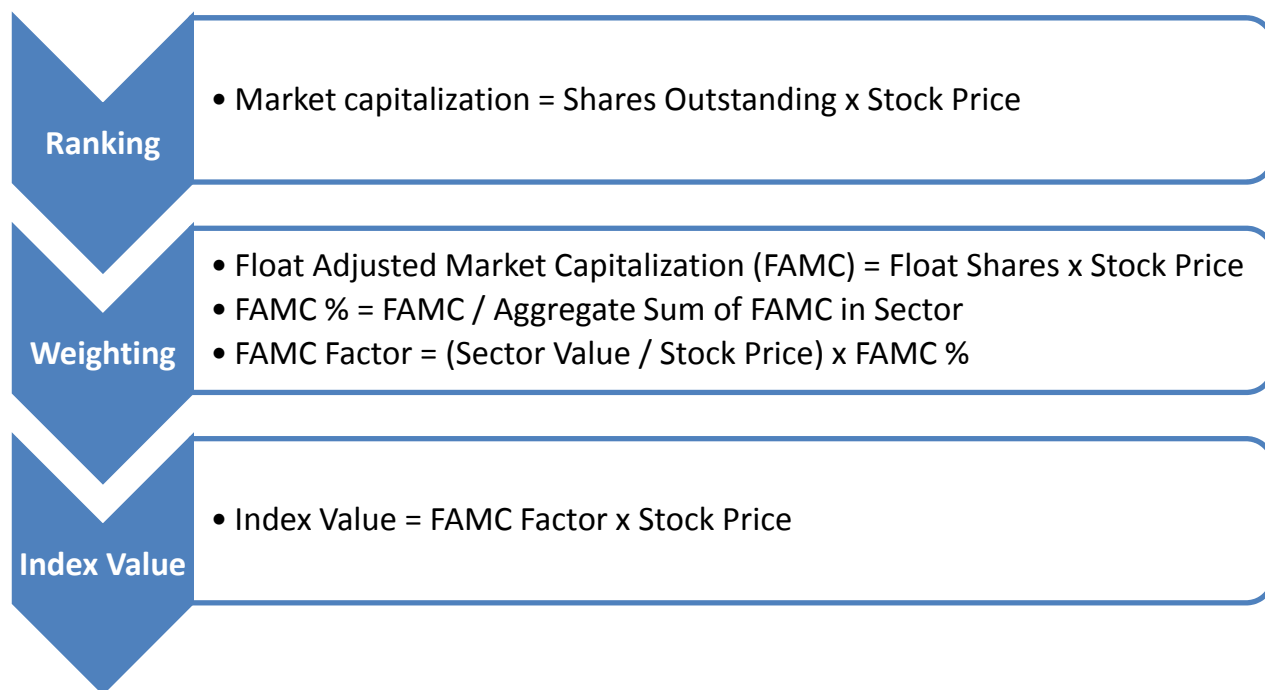
## Index Mathematics

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All eligible equities that meet the criteria tests are ranked by market capitalization within their respective sectors. The top 100 in each sector initially formed the BATS 1000<sup>SM</sup>.

After the top 100 equities in each sector are determined, outstanding shares are adjusted for float so that only liquid shares are included in market capitalization. Shares held by insiders, restricted shares, and other stagnant shareholders such as the government and employee stock ownership programs are not included.

The index value maintains its continuity by adjusting the FAMC Factor. This allows the index to adjust for stock splits, dividends, mergers and acquisitions, share buybacks, initial public offerings, spin-offs, and other corporate actions without a change to the index value. Below is an illustration of the mathematics:



## Reconstitution

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Reconstitution will be performed annually. Equities will be re-ranked by market capitalization on June 1<sup>st</sup> or the next business day. An index member will be eliminated if its market capitalization falls below a ranking of 125 in its respective sector. An index member ranked 101 to 125 will be retained unless a removal determination is made by the BATS 1000<sup>SM</sup> Index Committee. Index membership changes will be reflected on July 1<sup>st</sup> or the next business day. Each sector is then re-weighted to 10% of the total value of the index.

## Maintenance

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### Share Updates

Outstanding shares are maintained to ensure an accurate balance of equities within each sector. Changes in outstanding shares affect the equity's weighting within each sector. Shares for mergers and acquisitions, stock splits, and spin-offs are updated on the effective date of the transaction or as soon as possible. Shares for secondary offerings, buy-backs, stock dividends, special dividends and other updates are re-weighted monthly.

## **Member Removal and Replacement**

Equities that significantly fall below the minimum stock price (\$1.00) may be removed from the index at any time. During reconstitution, an index member may be removed if its ranking falls between 101 and 125. An index member will be removed if its ranking falls below 125. An index member may also be removed for other reasons, such as bankruptcy and exchange delisting. These actions are determined by the BATS 1000<sup>SM</sup> Index Committee.

Equities that are removed due to such events as bankruptcy and acquisition will be replaced on the effective date. The equity with the next highest market capitalization ranking within that sector will be inserted into the index.

## **Initial Public Offerings and Spin-offs**

IPOs and companies that are spun-off become index member-eligible at the end of each quarter. IPOs must trade at least one month from their initial trading day to be eligible for membership.

*The index methodology is consistently reviewed for best practices by the BATS 1000<sup>SM</sup> Index Committee.*