



THE
MARIJUANA
INDEX™

METHODOLOGY
September 2018

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Introduction

The Marijuana Index, located at www.marijuanaindex.com, manages customized stock indices that track the top performing marijuana and hemp stocks.

The primary stock index, the North American Marijuana Index, tracks the leading public companies with business activities focused on the marijuana industry in the United States and Canada. The North American Marijuana Index is broken down into separate sub-indices for each country: the U.S. Marijuana Index and the Canadian Marijuana Index. All three indices may be referred to as the “Index” in this report for simplicity.

The Index is intended to represent the broad landscape of North American cannabis stocks. As such, the Index is equally-weighted, giving the same weight, or importance, to each stock in the Index. The indices are rebalanced quarterly, occurring on the last day of March, June, September, and December of each year. Between rebalancing dates, the Index will deviate from an equal weighting.

The Index covers all public companies in North America that meet its listing requirements (“Eligibility Criteria”) as detailed in this report. All companies included in the Index (“Constituents”) are required to have at least 50% of their business activities related to the marijuana or hemp industry. Constituents must also file regular audited financial statements and meet our minimum trading requirements.

The Index is owned and managed by MJIC, Inc. (“MJIC”) in partnership with Quote Media, the data provider. MJIC manages the Index based on a series of guidelines and processes as detailed in this report (the Index “Methodology”) to ensure the Index remains accurate and transparent. MJIC has full authority to make all decisions pertaining to listing approvals and removals. The Index is not a tradable security; it is only for informational purposes. Inclusion in the Index is not an endorsement or recommendation for any company.

The Marijuana Industry

Definition

The Marijuana Index tracks the performance of the legal marijuana industry. This includes companies that directly handle legal marijuana, such as marijuana producers, processors, distributors, and retailers. It also includes companies that don't directly handle plant product, but cater to those who do, as well as to consumers. These "ancillary" businesses operate in a wide range of industries such as consumption devices, product packaging, information technology, equipment, business services, and more.

Our definition of marijuana includes all forms and applications of the marijuana, cannabis and hemp plant, including cannabinoids such as CBD or THC. It does not, however, include activities related to synthetic cannabinoids.

Industry Involvement

Constituents are required to have at least a majority, or 50%, of their business activities related to the marijuana industry. A detailed analysis is performed to ascertain each company's involvement in the marijuana industry, based on a review of each company's SEC filings, press releases, marketing documents, website, and corporate materials. MJIC may contact the company's management to ascertain their business strategy and involvement in the marijuana industry.

There are numerous factors that indicate a company's involvement in the marijuana industry, including:

- Revenue generated from business activities related to the marijuana industry
- Material partnerships with other companies involved in the marijuana industry
- Company statements regarding their involvement in the marijuana industry
- Identifiable assets related to the marijuana industry
- Marketing through marijuana industry conferences, events, and media
- For more mature companies with established operations, we look for a minimum of 50% of a company's revenue or identifiable assets that relate to the marijuana industry

Eligibility Criteria

Companies must meet certain requirements (“Eligibility Criteria”) to be included in the Index:

Sector Focus

Constituents are required to have at least a majority, or 50%, of their business activities related to the marijuana industry. This requirement is detailed further in The Marijuana Industry section on page 4 of this Methodology report.

Applicable Exchanges

The Index covers public companies listed on numerous U.S. and Canadian stock exchanges:

- **North American Marijuana Index:** NYSE/AMEX, NASDAQ, OTCQB, OTCQX, TSX, TSX-V, CSE
- **U.S. Marijuana Index:** NYSE/AMEX, NASDAQ, OTCQB, OTCQX
- **Canadian Marijuana Index:** TSX, TSX-V, CSE

Trading Requirements

Constituents are required to meet minimum trading requirements. We use a weighted point system to track the trading activity of all applicable companies. At the end of each trading day, we assign points to each company based on its market capitalization and daily volume, as detailed in the tables below:

Market Cap (\$USD)	Score	Daily Volume (\$USD)	Score
\$0M - \$50M	0	\$0k - \$1M	0
\$50M - \$100M	10	\$1M - \$2M	10
\$100M - \$150M	20	\$2M - \$3M	20
\$150M - \$200M	30	\$3M - \$4M	30
\$200M +	40	\$4M +	40

* All amounts in U.S. Dollars. USD/CAD exchange rates are taken daily at 6:30pm EST.

We then compute a weighted average daily **Trading Score** for each company based on that day's trading activity:

$$\text{Trading Score} = (50\% * \text{Market Cap Score}) + (50\% * \text{Volume Score})$$

Companies must achieve an average Trading Score of at least 20 points over the prior quarter to be eligible for the Index. Companies with more than \$10 million of revenue over the prior year are exempt from the above trading requirements.

Qualitative Standards

In evaluating a company's eligibility for the Index, MJIC may also consider qualitative factors including the nature and strength of the company's business, its corporate governance and integrity to its shareholders.

Index Construction & Maintenance

Index History

All three indices have an inception date of January 2, 2015 and an inception value of 100.00.

Equal Weighting

The Index is intended to represent the broad landscape of North American cannabis stocks. As such, the Index is equally-weighted, giving the same weight, or importance, to each Constituent in the Index. At each rebalancing date, the Index is re-weighted so that each Constituent has an equal weight. Between rebalancing dates, the weight of the securities will deviate from an equal weighting.

Total Return Methodology

The Index utilizes a Total Return Methodology which assumes that ordinary cash dividends are re-invested into the Index at the market close on the ex-dividend date.

Rebalancing

MJIC conducts a quarterly rebalancing of the Index, occurring on the last day of March, June, September, and December. On the 20th day of each rebalancing month, the daily trading history of all applicable companies is pulled for the previous quarter and analyzed based on our trading criteria.

All applicable companies are analyzed based on our Eligibility Criteria, and those that meet our requirements are selected to be included in the Index. On the rebalancing date, each index is re-weighted so that each Constituent is assigned an equal weight.

Country Sub-index

The North American Marijuana Index is broken down into separate sub-indices for each country: the U.S. Marijuana Index and the Canadian Marijuana Index. Constituents are assigned to either the United States Marijuana Index or the Canadian Marijuana Index based on where their business operations are primarily focused.

Cross-Listed Companies

For companies with securities listed in the United States and Canada, only a company's primary/domestic listing is eligible for the Index.

Index Currency

The North American Marijuana Index and the U.S. Marijuana Index are based in U.S. Dollars (\$USD). The Canadian Marijuana Index is based in Canadian dollars (\$CAD).

The Canadian Constituents on the North American Marijuana Index are converted from \$CAD to \$USD based on the daily foreign exchange rate. USD/CAD exchange rates are pulled daily at 6:30 PM Pacific Standard Time (PST).

As the North American Index includes Canadian Constituents converted to U.S. currency, the index includes the effects of changes in the USD/CAD exchange rate.

Index Governance

MJIC, Inc. is the owner and distributor of The Marijuana Index and all associated data.

MJIC manages the Index to ensure it meets its stated criteria, including ensuring that all Constituents meet the Eligibility Criteria. MJIC is responsible for creating and enforcing the rules that oversee the Marijuana Index, including determining the composition of the Index and administering the Methodology. In fulfilling its responsibilities, MJIC has full and complete discretion to amend this Methodology and other Index policies. MJIC has the authority to make all decisions pertaining to listing approvals and removals. MJIC reserves the right to recalculate the Index and make historical adjustments to it at any time.

MJIC may rely on any public information or documentation it gathers. MJIC reserves the right to reinterpret publicly available information and to make changes to the index based on a new interpretation of that information at its sole and absolute discretion.

For questions or comments about the Index, please contact info@marjuanaindex.com.

Disclaimer

Inclusion in The Marijuana Index does not imply that due diligence or evaluation on any level has been conducted on Constituents. Neither The Marijuana Index, MJIC, QuoteMedia, nor any of their respective affiliates, officers, directors, employees, agents or licensors: (a) has passed on the merit of any of the securities referred to on or through the Index websites or any linked site; or (b) has endorsed or sponsored any of these securities; or (c) makes or has made any recommendation regarding any securities issued by any of the companies identified on or through or linked to the Index website, nor the advisability of investing in securities generally for any particular individual.