



## Index Guideline

# Solactive U.S. Founder-Run Companies Index

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This document contains the underlying principles and regulations regarding the structure and the operating of the Solactive U.S. Founder-Run Companies Index. Solactive AG shall make every effort to implement regulations. Solactive AG does not offer any explicit or tacit guarantee or assurance, neither pertaining to the results from the use of the Index nor the Index value at any certain point in time nor in any other respect. The Index is merely calculated and published by Solactive AG and it strives to the best of its ability to ensure the correctness of the calculation. There is no obligation for Solactive AG – irrespective of possible obligations to issuers – to advise third parties, including investors and/or financial intermediaries, of any errors in the Index. The publication of the Index by Solactive AG is no recommendation for capital investment and does not contain any assurance or opinion of Solactive AG regarding a possible investment in a financial instrument based on this Index.

# Introduction

This document is to be used as a guideline with regard to the composition, calculation and management of the Solactive U.S. Founder-Run Companies Index. Any changes made to the guideline are initiated by the Committee specified in section 1.6. The Solactive U.S. Founder-Run Companies Index is calculated and published by Solactive AG. The name “Solactive” is copyrighted.

## 1 Index specifications

The Solactive U.S. Founder-Run Companies Index (the “**Index**”) is an Index of Solactive AG. The Index is designed to provide equal-weighted exposure to U.S. companies in which a founder of the company is serving as the Chief Executive Officer (collectively, “Founder-run Companies”) as of the relevant Selection Day.

The Index is a Gross Total Return index, i.e. distributions will be reinvested without deduction of withholding tax rates.

The Index is calculated and published in USD.

### 1.1 Short name and ISIN

The Solactive U.S. Founder-Run Companies Index is distributed under ISIN DE000SLA21M5; the WKN is SLA21M. The Index is published in Reuters under the code <SOLUSFRC> and in Bloomberg under the code <SOLUSFRC Index>.

### 1.2 Initial value

The Index is based on 1000 at the close of May 14<sup>th</sup> 2010. The index levels until and including close January 11th are the result of a historical simulation of the index performance.

### 1.3 Distribution

The Solactive U.S. Founder-Run Companies Index is published via the price marketing services of Boerse Stuttgart AG and is distributed to all affiliated vendors.

Each vendor decides individually, if he wants to display or distribute the Index. A list of these vendors can be found under the following address:

- <https://www.boerse-stuttgart.de/de/unternehmen/angebote-fuer-geschaeftpartner/informationsprodukte/revendorenliste/revendoren/>
- <https://www.boerse-stuttgart.de/de/unternehmen/angebote-fuer-geschaeftpartner/informationsprodukte/revendorenliste/vendoren/>

### 1.4 Prices and calculation frequency

The price of the Solactive U.S. Founder-Run Companies Index is calculated on each Business Day based on the prices on the respective Exchanges on which the Index Components are listed. The most recent prices of all Index Components are used. Prices of Index Components not listed in the Index Currency are translated using spot foreign exchange rates quoted by Reuters (for example EURUSD=R). Should there be no current price available on Reuters, the most recent price or the Trading Price on Reuters for the preceding Trading Day is used in the calculation. The daily Index Closing Level is calculated using Reuters/WMCO closing spot rates as at 4pm London time for conversion of the stock price into Index Currency.

The Solactive U.S. Founder-Run Companies Index is calculated every Business Day from 9:30am to 4:30pm, EST. In the event that data cannot be provided to Reuters or to the pricing services of Boerse Stuttgart AG the Index cannot be distributed.

Solactive AG makes the greatest possible efforts to accurately calculate and maintain its indices. However, the occurrence of errors in the index determination process cannot be ruled out. In such cases Solactive AG adheres to its publicly available [Correction Policy](#).

## 1.5 Weighting

Each Index Component of the Solactive U.S. Founder-Run Companies Index is weighted equally as of the close of every Selection Day. The weights are converted into number of shares that are implemented at the close of the Adjustment Day. The number of shares are adjusted for corporate actions between Selection Day and Adjustment Day. This only relates to corporate actions that have a direct impact on the price and shares (i.e. stock splits, stock dividends, rights issues).

In case a company is removed at the quarterly Review Day (paragraph 2.2), the replacement company will be added with the same weight as of the close of the Review Adjustment Day. In case there is more than one change at the Review Adjustment Day, the aggregate weight of the stocks to be excluded will be allocated equally to the replacement companies.

If the sum of company weights belonging to one Sector in the Solactive U.S. Founder-Run Companies Index exceeds the respective Sector weight in the Solactive U.S. Broad Market Index by more than 10 percentage points as of the Index Selection Day, the smallest Market Capitalization company in this Sector is replaced by the next largest stock of another Sector from the Selection Pool whose sector weight does not exceed its weight in the Solactive U.S. Broad Market Index by more than 10 percentage points.

## 1.6 Decision-making bodies

A Committee composed of staff from Solactive AG is responsible for decisions regarding the composition of the Solactive U.S. Founder-Run Companies Index as well as any amendments to the rules (in this document referred to as the "**Committee**" or the "**Index Committee**"). The future composition of the Solactive U.S. Founder-Run Companies Index is determined by the Committee on the Index Selection Days according to the procedure outlined in 2.1 of this document. The Committee shall also decide about the future composition of the Solactive U.S. Founder-Run Companies Index, if any Extraordinary Events should occur and the implementation of any necessary adjustments.

Members of the Committee can recommend changes to the guideline and submit them to the Committee for approval.

## 1.7 Publication

All specifications and information relevant for calculating the Index are made available on the <http://www.solactive.de> web page and sub-pages.

## 1.8 Historical data

Historical data will be maintained from the launch of the Index on January 12<sup>th</sup> 2017. The historical simulation consists of companies that have been identified as Founder-run Companies according to this index methodology in August 2016.

## **1.9 Licensing**

Licences to use the Index as the underlying value for derivative instruments are issued to stock exchanges, banks, financial services providers and investment houses by Solactive AG.

## **2 Composition of the Index**

### **2.1 Selection of the Index Components**

The starting composition effective May 17<sup>th</sup> 2010 was selected according to the following rules.

From the Selection Pool (see Chapter 4) the Index Calculator selects the 100 largest Founder-run Companies according to Market Capitalization.

For any following Selection Day, the following buffer rules apply: a company currently in the index is only excluded if the Market Capitalization of the company is lower than the Market Capitalization of the company ranked 130 at the close of any Selection Day.

If fewer than 100 companies meet the criteria for inclusion in the index, the maximum number of eligible companies will be included in the index. The minimum number of components in the index is 40. If fewer than 40 companies meet the eligibility criteria for inclusion in the index, the minimum liquidity threshold will be reduced until the minimum number of components is reached.

### **2.2 Ordinary adjustment**

The composition of the Index is ordinarily adjusted annually based on the official close prices on the Adjustment Day. The composition of the Solactive U.S. Founder-Run Companies Index is reviewed on the Selection Day according to paragraph 2.1 and the changes are announced.

Solactive AG shall publish any changes made to the Index composition with sufficient notice before the Adjustment Day.

In addition to the annual Adjustment Day, there is a quarterly Index Review Day, where companies will be reviewed with regard to their Founder-run status. In case a company has ceased to be Founder-run as of the Review Day, the index will be adjusted ten trading days after the Review Day. For every company that will be removed, the index committee determines a successor. The companies from the Selection Pool of the most recent annual index adjustment in May that are still Founder-run as of the Index Review Day are selected as successors.

Solactive AG shall publish any changes made to the Index composition with sufficient notice before the Review Adjustment Day.

### **2.3 Extraordinary adjustment**

The following table provides guidance on the treatment that will be applied following M&A activity. The changes will be effective with two days' notice if possible. For all extraordinary corporate actions not covered within this document, the Index Committee will announce the specific treatment on the Solactive webpage. An extraordinary adjustment that results in a change of CEO does not directly trigger an index adjustment. A company ceasing to be Founder-run would be removed from the index at the quarterly Review Date or the upcoming ordinary Adjustment Day, depending on what is next.

Event	Adjustment	Treatment
Acquisition (only Target Company is in the Index)	Yes	If the acquired constituent is delisted, the stock is removed and the proceeds are reinvested proportionally (based on the current weight) among the other constituents. This is independent as to whether the transaction has been paid for using cash, stock or a combination of both.
Acquisition or Merger (both Acquirer and Target Company are in the Index)	Yes	If the acquired constituent is delisted, the stock is removed and the cash received in the transaction is proportionally distributed to the remaining index components. In case the transaction is financed entirely or partly with new shares, then the shares of the acquirer in the index are increased accordingly, leading to an increased Market Capitalization and weight within the index.
Spin Off	Yes	The spun off company is added to the index on the ex-date according to the terms of the spin off. At the next ordinary rebalancing, the eligibility of the company is reviewed according to the criteria outlined in this methodology.

## 3 Calculation of the Index

### 3.1 Index formula

The Solactive U.S. Founder-Run Companies Index is an index whose value on a Business Day is equivalent to the sum over all Index Components of the products of (a) the Number of Shares of the Index Component and (b) the price of the Index Component at the respective Exchange.

As a formula:

$$Index_t = \sum_{i=1}^n x_{i,t} * p_{i,t}$$

with:

$x_{i,t}$  = Number of Shares of the Index Component i on Trading Day t  
 $p_{i,t}$  = Price of Index Component i on Trading Day t in Index Currency

### 3.2 Accuracy

The value of the Index will be rounded to two decimal places.

The Number of Shares of the Index Components will be rounded to six decimal places.

### 3.3 Adjustments

Indices need to be adjusted for systematic changes in prices once these become effective. This requires the new Number of Shares of the affected Index Component to be calculated on an ex-ante basis.

The Solactive U.S. Founder-Run Companies Index is adjusted for distributions, capital increases, rights issues, splits, par value conversions and capital reductions.

This procedure ensures that the first ex quote can be properly reflected in the calculation of the Index. This ex-ante procedure assumes the general acceptance of the Index calculation formula as well as open access to the parameter values used. The calculation parameters are provided by Solactive AG.

### 3.4 Dividends and other distributions

Dividend payments and other distributions are included in the Index. They cause an adjustment of the Number of Shares of the corresponding Index Component. The new Number of Shares is calculated as follows:

$$x_{it} = x_{i,t-1} * \frac{p_{i,t-1}}{p_{i,t-1} - D_{i,t}}$$

with

$x_{i,t}$  = Number of Shares of the Index Component i on Trading Day t

$D_{i,t}$  = Payment on Trading Day t multiplied by the Dividend Correction Factor of the respective country

### 3.5 Corporate actions

#### 3.5.1 Principles

Following the announcement by a company included in the Index of the terms and conditions of a corporate action the Index Calculator determines whether such corporate action has a dilution, concentration or other effect on the price of the Index Component.

If this should be the case, the Index Calculator shall make the necessary adjustments to the affected Index Component and/or the formula for calculating the Index and/or to other terms and conditions of this document that he deems appropriate in order to take into account the dilution, concentration or other effect and shall determine the date on which this adjustment shall come into effect.

Amongst other things the Index Calculator can take into account the adjustment made by an Affiliated Exchange as a result of the corporate action with regard to option and futures contracts on the respective share traded on this Affiliated Exchange.

#### 3.5.2 Capital increases

In the case of capital increases (from the company's own resources or through cash contributions) the new Numbers of Shares are calculated as follows:

$$x_{i,t} = x_{i,t-1} * \frac{p_{i,t-1}}{p_{i,t-1} - rB_{i,t-1}} \quad \text{with:} \quad rB_{i,t-1} = \frac{p_{i,t-1} - B - N}{BV + 1}$$

$x_{i,t}$  = Number of Shares of Index Component i on the day of the distribution

$x_{i,t-1}$  = Number of Shares of Index Component i on the day prior to the distribution

$p_{i,t-1}$  = Closing price on the day prior to ex date

$rB_{i,t-1}$  = Calculated value of rights issue

$B$  = Price of rights issue

$N$  = Dividend disadvantage

BV = Subscription ratio

B=0 if capital is increased from the company's own resources.

The last dividend paid or the announced dividend proposal is applied as the dividend disadvantage.

### 3.5.4 Share splits and par value conversions

In the case of share splits and par value conversions it is assumed that the prices change in ratio to the number of shares or to the par values. The new Number of Shares is calculated as follows:

$$x_{i,t} = x_{i,t-1} * \frac{N_{i,t-1}}{N_{i,t}}$$

$N_{i,t-1}$  = Former par value of security class i (or new number of shares)

$N_{i,t}$  = New par value of security class i (or former number of shares)

$x_{i,t}$  = Number of Shares of the affected Index Component on the day of the distribution

$x_{i,t-1}$  = Number of Shares of the affected Index Component on the day prior to the distribution

### 3.6 Market Disruption Event

In periods of market stress Solactive AG calculates its indices following predefined and exhaustive arrangements set out in its publicly available [Disruption Policy](#).

## 4. Definitions

**“Selection Pool”** in respect of a Selection Day are those companies that fulfill the following criteria:

- (a) Index component of the Solactive U.S. Broad Market Index (DE000SLA1GB6). That includes scheduled membership changes to the Solactive U.S. Broad Market Index as of the Index Selection Day.
- (b) Average daily value traded on the primary stock exchange in the last six months of at least \$5 million USD. Existing index components remain in the Selection Pool if their average daily value traded is at least \$4 million USD.
- (c) Founder-run company. A company is considered *founder-run* if the founder (or one of the founders) is also the CEO of the company.

**“Index Component”** is each share currently included in the Index.

**“Number of Shares”** is in respect of an Index Component and any given Business Day the number or fraction of shares included in the Index. It is calculated for any Index Component as the ratio of (A) the Percentage Weight of an Index Component multiplied by the Index value and (B) its Trading Price.

**“Percentage Weight”** of an Index Component is the ratio of its Trading Price multiplied by its Number of Shares divided by the Index value.

**“Dividend Correction Factor”** is calculated as 1 minus the applicable withholding tax rate and/or other applicable tax rate currently prevalent in the respective country.

An **“Extraordinary Event”** is

- a Merger
- a Takeover bid
- a delisting
- the Nationalisation of a company
- Insolvency.

The Trading Price for this Index Component on the day the event came into effect is the last available market price for this Index Component quoted on the Exchange on the day the event came into effect (or, if a market price is not available for the day the event came into effect, the last available market price quoted on the Exchange on a day specified as appropriate by the Index Calculator), as determined by the Index Calculator, and this price is used as the Trading Price of the particular Index Component until the end of the day on which the composition of the Index is next set.

In the event of the Insolvency of an issuer of an Index Component the Index Component shall remain in the Index until the next Adjustment Day. As long as a market price for the affected Index Component is available on a Business Day, this shall be applied as the Trading Price for this Index Component on the relevant Business Day, as determined in each case by the Index Calculator. If a market price is not available on a Business Day the Trading Price for this Index Component is set to zero. The Committee may also decide to eliminate the respective Index Component at an earlier point in time prior to the next Adjustment Day. The procedure in this case is identical to an elimination due to and Extraordinary Event.

An Index Component is **“delisted”** if the Exchange announces pursuant to the Exchange regulations that the listing of, the trading in or the issuing of public quotes on the Index Component at the Exchange has ceased immediately or will cease at a later date, for whatever reason (provided delisting is not because of a Merger or a Takeover bid), and the Index Component is not immediately listed, traded or quoted again on an exchange, trading or listing system, acceptable to the Index Calculator,

**“Insolvency”** occurs with regard to an Index Component if (A) all shares of the respective issuer must be transferred to a trustee, liquidator, insolvency administrator or a similar public officer as result of a voluntary or compulsory liquidation, insolvency or winding-up proceedings or comparable proceedings affecting the issuer of the Index Components or (B) the holders of the shares of this issuer are legally enjoined from transferring the shares.

A **“Takeover bid”** is a bid to acquire, an exchange offer or any other offer or act of a legal person that results in the related legal person acquiring as part of an exchange or otherwise more than 10% and less than 100% of the voting shares in circulation from the issuer of the Index Component or the right to acquire these shares, as determined by the Index Calculator based on notices submitted to public or self-regulatory authorities or other information considered by the Index Calculator to be relevant.

With regard to an Index Component a **“Merger”** is

- (i) a change in the security class or a conversion of this share class that results in a transfer or an ultimate definite obligation to transfer all the shares in circulation to another legal person,
- (ii) a merger (either by acquisition or through forming a new structure) or a binding obligation on the part of the issuer to exchange shares with another legal person (except in a merger or share exchange under which the issuer of this Index Component is the acquiring or remaining company and which does not involve a change in security class or a conversion of all the shares in circulation),
- (iii) a takeover offer, exchange offer, other offer or another act of a legal person for the purposes of acquiring or otherwise obtaining from the issuer 100% of the shares issued that entails a transfer or the irrevocable obligation to transfer all shares (with the exception of shares which are held and controlled by the legal person), or
- (iv) a merger (either by acquisition or through forming a new structure) or a binding obligation on the part of the issuer of the share or its subsidiaries to exchange shares with another legal person, whereby the issuer of the share is the acquiring or remaining company and it does not involve a change in the class or a conversion of the all shares issued, but the shares in circulation directly prior to such an event (except for shares held and controlled by the legal person) represent in total less than 50% of the shares in circulation directly subsequent to such an event.

The **“Merger Date”** is the date on which a Merger is concluded or the date specified by the Index Calculator if such a date cannot be determined under the law applicable to the Merger.

**“Nationalisation”** is a process whereby all shares or the majority of the assets of the issuer of the shares are nationalised or are expropriated or otherwise must be transferred to public bodies, authorities or institutions.

**“Exchange”** is, in respect of Solactive U.S. Founder-Run Companies Index and every Index Component, the respective primary exchange where the Index Component has its primary listing. The Committee may decide to declare a different stock exchange the “Exchange” for trading reasons, even if the company is only listed there via a Stock Substitute.

With regard to an Index component (subject to the provisions given above under “Extraordinary Events”) the **“Trading Price”** in respect of a Trading Day is the closing price on this Trading Day determined in accordance with the Exchange regulations. If the Exchange has no closing price for an Index Component, the Index Calculator shall determine the Trading Price and the time of the quote for the share in question in a manner that appears reasonable to him.

A **“Trading Day”** is in relation to the Index or an Index Component a Trading Day on the Exchange (or a day that would have been such a day if a market disruption had not occurred), excluding days on which trading may be ceased prior to the normal Exchange closing time. The Index Calculator is ultimately responsible as to whether a certain day is a Trading Day with regard to the Index or an Index Component or in any other connection relating to this document.

**“Sector”** means the industry classification as provided by FactSet under the field “FG\_FACTSET\_ECONOMY”. For the Finance Sector the relative weighting is conducted according to “FG\_FACTSET\_IND”.

A **“Business Day”** is any day where the New York Stock Exchange and/or NASDAQ are open for trading.

The **“Index Calculator”** is Solactive AG or any other appropriately appointed successor in this function.

The **“Index Currency”** is USD.

**“Market Capitalization”** is on every Selection Day calculated by multiplication of the Shares Outstanding (as sourced from data vendors) multiplied with the closing price of the share class as of the respective Selection Day.

**“Adjustment Day”** is the close of the 2<sup>nd</sup> Friday (that is also a Business Day) in May.

**“Selection Day”** is the close of the Business Day 10 Business Days before the Adjustment Day.

**“Review Adjustment Day”** is the close of the 2<sup>nd</sup> Friday in August, November, and February.

**“Review Day”** is the close of the Business Day 10 Business Days before the Review Adjustment Day.

An **“Affiliated Exchange”** is with regard to an Index Component an exchange, a trading or quotation system on which options and futures contracts on the Index Component in question are traded, as specified by the Index Calculator.

## **5 Appendix**

### **5.1 Contact data**

#### **Information regarding the Solactive U.S. Founder-Run Companies Index concept**

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### **5.2 Calculation of the Index – change in calculation method**

The application by the Index Calculator of the method described in this document is final and binding. The Index Calculator shall apply the method described above for the composition and calculation of the Index. However, it cannot be excluded that the market environment, supervisory, legal, financial or tax reasons may require changes to be made to this method. The Index Calculator may also make changes to the terms and conditions of the Index and the method applied to calculate the Index, which he deems to be necessary and desirable in order to prevent obvious or demonstrable error or to remedy, correct or supplement incorrect terms and conditions. The Index Calculator is not obliged to provide information on any such modifications or changes. Despite the modifications and changes the Index Calculator will take the appropriate steps to ensure a calculation method is applied that is consistent with the method described above.