04/2017

Written Supervisory Procedures

These Written Supervisory Procedures of Craft Capital Management, LLC referred to as the “Firm” throughout the procedures are hereby preserved pursuant to NASD Conduct Rule 3010 and Notice to Member 99-45 as well as any pertinent FINRA Rule or Rule of the Securities and Exchange Commission.

The Firm strives for excellence in the securities industry including customer satisfaction, compliance with all necessary rules and regulations and maintaining high standards of ethical conduct at all times. Those goals are incorporated within the very fabric of the Firm’s day to day operations.

These written supervisory procedures set forth the supervisory system established by the Firm, and includes the titles, registration status and locations of the required supervisory personnel and the responsibilities of each supervisory person as they relate to the types of business engaged in and all applicable rules and regulations. They furthermore govern the overall supervision and activities of all Firm endeavors.

A copy of these written supervisory procedures will be maintained in each OSJ and at each location where supervisory activities are conducted on behalf of the Firm. The Firm will amend these written supervisory procedures as appropriate within a reasonable time after changes occur in applicable securities laws and regulations and FINRA Rules and as changes occur in its own supervisory system.

These procedures can be properly termed the standard supervisory operating manual controlling all aspects of the Firm’s business. Of course, these procedures cannot address every situation or every eventuality and the appropriate representative and or compliance officer will be responsible for exercising discretion when necessary considering any applicable rules and regulations, the spirit of honorable principles of the securities industry and reasonable judgment after careful review of the necessary facts and any other relevant information. When the appropriate representative and or compliance officer exercises such discretion concerning a particular activity based on the specific facts and circumstances presented, the Firm will not update these procedures relating to any such ad hoc decision or determination.

The Firm may engage in any securities activity as outlined in the membership agreement and may employ any other vendors necessary to help effectuate its business. These may include a clearing firm, electronic storage retention, accounting assistance, insurance and any other appropriate vendor.

The Firm has prepared two additional supervisory procedure documents that are referenced within these procedures and are incorporated herein. These additional procedures include a business continuity plan pursuant to FINRA Rule 4370 that govern the Firm’s operations in the event of an emergency disruption and procedures, rules and regulations governing anti money laundering procedures pursuant to FINRA Rule 3310. The anti-money laundering procedures detail the Firm’s detection and reporting of suspicious activity, maintenance of interaction with federal authorities and various banks and detailed compliance with all necessary rules and regulations.

FINRA 3010(a) (2) Supervision

Among other requirements, the Firm's supervisory system shall provide for the designation, where applicable, of an appropriately registered principal(s) with authority to carry out the supervisory responsibilities of the Firm for each type of business in which it engages for which registration as a broker/dealer is required.

The Firm has designated appropriately registered principals as listed below.

Designees: Throughout these Written Supervisory Procedures, the Firm may elect to have a designee facilitate the execution of duties by the Designated Supervisor(s) listed below. The Firm may do so from time to time, unless a particular supervisory procedure, by its nature or pursuant to SEC or FINRA rules, requires the direct involvement of the Designated Supervisor.

General Securities Principal (Series24 License)
Stephen Kiront
Barry Kiront
Financial and Operations Principal (Series27)
Charlene Wilson
Branch Office Manager (Series24)
Stephen Kiront
Options Principal (Series4)
Andrew Shubert
Municipal Securities Principal (Series53)
Andrew Shubert
Producing Managers Supervisor (Series 24)

Anti-Money Laundering Officer (AML)
Andrew Shubert
Stephen Kiront
Books & Records
Andrew Shubert
Form U-4,U-5,Form BDand related Firm forms
Andrew Shubert
Written Supervisory Procedures
Andrew Shubert
Continuing Education
Andrew Shubert
Business Continuity Plan
Andrew Shubert
Officers:

Chief Executive Officer
Barry Kiront – CRD# 2281871
Chief Compliance Officer
Andrew Shubert – CRD# 1457528
Executive Representative

Chief Operations Officer
Stephen Kiront - CRD#2009609
Chief Financial Officer
Charlene Wilson – CRD# 1935747

Office Locations:

The Firm maintains offices in the following locations:

Office of Supervisory Jurisdiction ("OSJ"): **Non-OSJ Branch:**

377 Oak Street
Suite 402
Garden City, NY 11530

12 East 49th Street
11Th Floor
New York, NY 10017

One East Broward Blvd
Suite 700
Fort Lauderdale, FL 33301

TABLE OF CONTENTS

SECTION 1. GENERAL ADMINISTRATION

Designated Principal:	President or Compliance Officer where applicable.
How Conducted:	File all Forms including amendments as needed and keep forms current. Pay all fees and conduct all fingerprinting necessary.
Frequency of Review:	Upon initial registration and within 30 days of learning of facts or circumstances requiring an amendment
How Documented:	Maintain copies of all Forms. Maintain all documents providing the basis for any amendments.

FORM FILINGS

FORM BD AMENDMENTS

References: NASD By-Laws Art. IV, Section 1

The application for membership was properly signed by the Firm and contains an agreement to comply with all federal securities laws, rules and regulations, the rules of the MSRB, the Treasury Department, the By-Laws of the NASD, the Rules of FINRA, and all rulings, orders, directions, and decisions issued and sanctions imposed under the Rules by FINRA, an agreement to pay all dues, assessments, and other charges that are fixed by FINRA, and other reasonable information with respect to the Firm as FINRA may require.

The Firm will ensure that its membership application is kept current at all times by supplementary amendments via electronic process or any other process as FINRA may allow. Amendments will be filed with FINRA not later than 30 days after learning of the facts or circumstances giving rise to the amendment.

FORM U-4

References: NASD By-Laws Art. V, Section 2 FINRA Rule 4530 NTM 03-65

The application by the Firm with FINRA was delivered to FINRA via electronic process or any other process as FINRA allows, on the form authorized by FINRA and contains the same three requirements noted above.

If any amendment involves a statutory the amendment will be filed not later than ten days after the disqualification occurs.

FORM U-4 FILING REQUIREMENTS

References: SEA Rule 17A-4(e) (1)

Every initial and transfer electronic Form U4 filing and any amendments will be based on a manually signed Form U4 provided to the Firm by the person on whose behalf the Form U4 is being filed. The Firm will retain the person's manually signed Form U4 and make them available promptly upon regulatory

Request. The Firm will also retain every manually signed Form U4 it receives during the application process and make them available promptly upon regulatory request.

The Firm may file amendments electronically to the disclosure information on Form U4 without obtaining the subject associated person's manual signature on the form, provided that the Firm will use reasonable efforts to provide the associated person with a copy of the amended disclosure information prior to filing and obtain the associated person's written acknowledgment (which may be electronic) prior to filing, that the information has been received and reviewed. The Firm will retain this acknowledgment and make it available promptly upon regulatory request.

If the Firm cannot obtain an associated person's manual signature or written acknowledgement of amended disclosure information on Form U4 prior to filing the Firm will file the disclosure information as to which it has.

The Firm will use reasonable efforts to provide the associated person with a copy of the amended disclosure information that was filed.

FORM U-5

References: NASD By-Laws Art. V, Section 3, SEA Rule 17a-4 FINRA Rule4530 NTM 03-65

Following the termination of a person who is registered with the Firm, within thirty days, the Firm will give notice of the termination to FINRA via electronic process or any other process as FINRA allows on a form designated by FINRA, and at the same time will provide to the terminated person a copy of the notice by certified mail or Federal Express or electronically with acknowledgement of receipt. The receipt will be placed in the individuals' personnel file. Termination of registration of the person will not take effect as long as any complaint or action under the Rules of FINRA is pending against the Firm and the complaint or action also names the terminated individual as a respondent, or as long as any complaint or action is pending against that person individually under the Rules of FINRA. FINRA, however, may in its discretion declare the termination effective at anytime.

The Firm will notify FINRA via electronic process or any other process as FINRA allows of any amendment to the notice filed in the event the Firm learns of facts or circumstances causing any information in the notice to become inaccurate or incomplete. Any amendment will be filed with FINRA via electronic process or any other process as FINRA allows and a copy provided to the terminated person not later than 30 days after the Firm learns of the facts or circumstances giving rise to the amendment.

Initial filings and amendments of Form U5 will be submitted electronically. As part of the Firm's recordkeeping requirements, it will retain such records for a period of not less than three years, the first two years in an easily accessible place, and make the records available promptly upon regulatory request.

FINGERPRINT CARDS

References: SEC Rule 17f-2, NTM 83-3, 05-39

Each partner, director, officer and employee of the Firm will be fingerprinted and will submit the fingerprints to the Attorney General of the United States or its designee.

The following individuals may claim one or more of the following exemptions:

1. If an individual is not engaged in the sale of securities, does not regularly have access to the keeping, handling or processing of securities or monies or their original books and records and does not have direct supervisory responsibility over persons engaged in those activities.
2. If an individual is a partner, director, officer or employee of a registered transfer agent and is not engaged in transfer agent or incidental activities, or does not regularly have access to the keeping, handling or processing of securities, monies or their original books and records and does not have direct supervisory responsibility over persons engaged in those activities.
3. If an individual does not regularly have access to the keeping, handling or processing of securities, monies or their original books and records and is engaged exclusively in the sale of shares of registered open-end management investment companies, variable contracts, or interests in limited partnerships, unit investment trusts or real estate investment trusts, provided that those securities ordinarily are not evidenced by certificates, is current in its continuing obligation to disclose the existence of any statutory disqualifications, has insurance or bonding indemnifying it for losses to customers caused by the fraudulent or criminal acts of any of its employees for whom an exemption is being claimed as a Registered broker-dealer engaged in sales of certain securities and is subject to the jurisdiction of a state insurance department with respect to its sale of variable contracts.

If an exemption is secured the Firm will keep a statement entitled ``Notice Pursuant to Rule 17f-2'' containing the names, positions and generic duties of all people claiming the exemption and the basis for the exemption. The Firm will maintain a record in an easily accessible place at the Firm's principal office and at the office employing the persons for whom exemptions are claimed and will be made available upon request.

An exemption may be granted to any individual if FINRA finds that an exemption is consistent with the public interest or the protection of investors.

The Firm will maintain the processed fingerprint card or any substitute record for every person required to be fingerprinted.

DESIGNATION OF SUPERVISORS

ELECTRONIC FILING RULES

References: FINRA Rule 1010, NASD Rule 3010

All forms required to be filed will be filed through an electronic process or any other process FINRA PERMITS to the Central Registration Depository.

The Firm will identify a registered principal who will be responsible for supervising the electronic filing of appropriate forms. The principal will acknowledge, electronically, that the information is being filed on behalf of the Firm. The principals are identified in the introductory materials of this manual.

EXECUTIVE REPRESENTATION

References NASD By-Laws Art. IV, Section 3 NASD Rule 1150, NASD Rule 1160

The Firm will identify, review and, if necessary, update its executive representative designation and contact information.

REGULATORY FEES

References: NASD By-Laws Schedule A, NTM 04-84

The Firm will satisfy all its obligations concerning all regulatory fees. All Trade Activity Fees will confirm with the rules enunciated in NTM 04-84.

DESIGNATION AND CERTIFICATION OF CHIEF EXECUTIVE OFFICERS AND DESIGNATION OF CO OR MULTIPLE CHIEF COMPLIANCE OFFICERS

References: FINRA RULE 3130 NTM 07-32

The Firm designates and specifically identifies to FINRA on Schedule A of Form BD one or more principals to serve as a chief compliance officer.

ANNUAL CERTIFICATION REQUIREMENT

The Firm will have its chief executive officer, or equivalent officer, certify annually, that the Firm has in place processes to establish, maintain, review, test and modify written compliance policies and written supervisory procedures reasonably designed to achieve compliance with applicable FINRA rules, MSRB rules and federal securities laws and regulations, and that the chief executive officers has conducted one or more meetings with the chief compliance officer in the preceding 12 months to discuss such processes.

CERTIFICATION

The certification shall state that the undersigned is the chief executive officer, or equivalent officer, of the Firm. Moreover, the undersigned makes the following certification:

1) The Firm has in place processes to establish, maintain and review policies and procedures reasonably designed to achieve compliance with applicable FINRA rules, MSRB rules and federal securities laws and regulations, modify such policies and procedures as business, regulatory and legislative changes and events dictate and test the effectiveness of such policies and procedures on a periodic basis, the timing and extent of which is reasonably designed to ensure continuing compliance with FINRA rules, MSRB rules and federal securities laws and regulations.
2) The undersigned chief executive officer, or equivalent officer has conducted one or more meetings with the chief compliance officer in the preceding 12 months, the subject of which satisfy the obligations set forth in FINRA Rule 3130.
3) The Firm's processes are evidenced in a report reviewed by the chief executive officer, or equivalent officer, chief compliance officer and such other officers as the Firm may deem necessary to make this

certification. The final report has been submitted to the Firm's board of directors and audit committee or will be submitted to the Firm's board of directors and audit committee at the earlier of their next scheduled meetings or within 45 days of the dateof execution of this certification.

4) The undersigned chief executive officer, or equivalent officer, has consulted with the chief compliance officer and other officers as applicable and such other employees, outside consultants, lawyers and Accountants, to the extent deemed appropriate, in order to attest to the statements made in this certification.

The Firm may designate co-chief executive officers (co-CEOs) and multiple chief compliance officers (co-CCOs) to discharge any compliance requirements. It is true that requisite expertise may reside in more than one individual where the Firm maintains distinct business segments. In those circumstances, the purposes of the compliance rules can be achieved equally effectively by dividing the responsibility to advise the firm on its compliance scheme among those compliance experts within each business unit. Accordingly, the Firm may designate multiple CCOs on Schedule A of Form BD, provided that each designated CCO is a principal the firm precisely defines and documents the areas of primary compliance responsibility assigned to each designated CCO and makes specific provisions for which of the designated CCOs has primary compliance responsibility in areas that can reasonably be expected to overlap, each designated CCO satisfies all of the requirements of FINRA Rule 3130 with respect to his or her defined area of primary compliance responsibility as if that individual was the Firm's only CCO and collectively, the designated CCOs have the responsibilities and expertise that enable them to consult with the CEO on the totality of the subject matters required to be addressed in the certification by the CEO under FINRA Rule 3130.

BUSINESS CONTINUITY PLAN

EMERGENCY PREPARADENESS AND EMERGENCY CONTACT INFORMATION

References: FINRA RULE 4370 NTM 04-37

The Firm maintains distinct procedures that delineate the Firm’s Business Continuity Plan in great detail. The plan includes the following criteria: identifying emergency contract persons, data backup and recovery, mission critical systems, periodic assessment of financial and operational risks, alternate communications during an emergency, alternate physical location during an emergency, impact of disruption on critical counterparts, regulatory reporting and communications with regulators, proving prompt access for customers of funds and securities, disclosure requirements, requirements for updating, annual review and senior management approval positions.

SECTION 2. PERSONNEL

Designated Principal:	President or designated principal where applicable.
How Conducted:	Review representative registrations of relevant personnel to insure their registrations are required and maintained. Conduct all background and qualifications necessary for necessary employees. Conduct all continuing education requirements.
Frequency of Review:	Prior to applicant hire and annually thereafter.
How Documented:	Maintain file listing all registered representatives and their registration status. Maintain file of all continuing education reviews conducted.

HIRING PRACTICES

INVERSTIGATION OF BACKGROUND & QUALIFICATIONS

References: NASD Rule 3010(a) (6), 3010(e) MSRB Rule G-7 NTM 07-55

The Firm will establish and maintain a system to supervise the activities of each registered representative, registered principal, and other associated person that is reasonably designed to achieve compliance with applicable securities laws, regulations and FINRA Rules. The supervisory system will provide reasonable efforts to ensure that all supervisory personnel are qualified by virtue of experience or training to carry out their assigned responsibilities.

The Firm will ascertain the good character, business repute, qualifications, and experience of any person prior to hiring any applicant. Where an applicant has previously been registered, the Firm will review a copy of the Form U-5 filed by the applicant's most recent employer, together with any amendments or demonstrate that it has made reasonable efforts to comply with the requirement. In conducting its review of the Form U-5 and any amendments, the Firm will take action as may be deemed appropriate.

Where an applicant for registration has been previously registered with a registered futures association ("RFA") member, the Firm will review a copy of the Notice of Termination of Associated Person (Form 8-T) filed with the RFA by the person's most recent previous RFA member employer, together with any amendments, or demonstrate that it has made reasonable efforts to comply with the requirement. In conducting its review of a Form 8-T and any amendments, the Firm will take action as may be deemed appropriate.

HIRING PROCEDURES

References: NTM 97-19, 03-49

If the Firm is notified or otherwise has knowledge that any of its associated persons has been subject to three or more customer complaints and arbitrations in the previous five years or has been subject to three or more pending, adjudicated, or settled regulatory actions or investigations by the Commission, the Commodity Futures Trading Commission, a federal, state, or foreign regulatory agency, or a self- regulatory organization in the previous five years, or has been subject to two or more terminations for cause or internal reviews for alleged investment related misconduct in the previous five years, the Firm will establish, maintain, and enforce heightened written procedures for supervising the activities of the associated persons.

The Firm will implement the heightened supervisory procedures required within 30 days of receiving notice or obtaining actual knowledge that it is subject to these provisions. The procedures required will be appropriate for the Firm's business, size, structure, and customers and will be reasonably designed to supervise the types of activities that gave rise to the heightened supervision required.

The Firm will maintain the heightened supervisory procedures until the date that the associated person no longer meets any one of the above mentioned criteria unless the Firm documents reasonable rationale for earlier termination of those procedures. If the Firm determines not to adopt heightened supervisory procedures for an

associated person who meets the above criteria, the Firm will provide a reasonable basis for its determination, which will be documented.

The heightened supervisory procedures established will be approved, in writing, by a person supervising the associated person subject to the heightened supervisory procedures. The approving supervisor will also acknowledge responsibility for implementation and execution of the heightened supervisory procedures. The actual procedures are explained in Section 3.2.10

SCREENING FOR STATUTORILY DISQUALIFIED PERSONS FOR MINISTERIAL POSITIONS

References: FINRA Rule 9522 NTM 05-12

FINRA may grant a written request for relief from the eligibility requirements by a disqualified member or a sponsoring member without the filing of an application by the disqualified member or sponsoring member as it deems consistent with the public interest and the protection of investors if a disqualified member or disqualified person's functions are purely clerical and/or ministerial in nature.

PARKING OF SECURITIES REGULATIONS

References: NASD Rule 1031(a) NASD By Laws Article III, Section 1

All people who will function as representatives will be registered and pass any qualifying examinations.

The Firm will not maintain a representative registration for any person who is no longer active in the Firm's business or who is no longer functioning as a representative. The Firm will not make any application for the registration of any person as representative where there is no intent to employ that person in the business. The Firm may maintain or make an application for the registration as a representative of a person who performs legal, compliance, internal audit, back-office operations, or similar responsibilities for the Firm, or a person who performs administrative support functions for registered personnel, or a person engaged in the investment banking or securities business of a foreign securities affiliate or subsidiary of the Firm.

QUALIFICATION AND REGISTRATION

QUALIFICATIONS OF SUPERVISORY PERSONNEL

References: NASD Rule 3010(a) (6), 3010(b) (3) NTM 99-45

The Firm's supervisory system includes the titles, registration status and locations of the required supervisory personnel and the responsibilities of each supervisory person as these relate to the types of business engaged in and all applicable rules and regulations. The particular titles and registrations are included in the introductory materials of this manual. The Firm will maintain an internal record of the names of all persons who are designated as supervisory personnel and the dates for which the designation was effective. Any record will be preserved by the Firm for a period of not less than three years, the first two years in an easily accessible place.

The designated principal who will establish, maintain, and enforce these written supervisory procedures will test and verify that the procedures are reasonably designed with respect to the activities of the Firm and its registered representatives and associated persons, to achieve compliance with applicable securities laws and regulations, and with applicable NASD rules and will create additional or amend these supervisory procedures where the need is identified by such testing and verification. The designated principal will submit to the Firm's senior management no less than annually, a report detailing the Firm's system of supervisory controls, the summary of the test results and significant identified exceptions, and any additional or amended supervisory procedures created in response to the test results.

REGISTRATION OF TRADING PERSONNEL

References: NASD Rule 1022 NTM 00-46

Every principal associated with the Firm will be required to register as a General Securities Principal and must pass an appropriate Qualification Examination before registration may become effective, unless the person's activities are so limited as to qualify for one or more of the limited categories of principal registration that will be

enumerated. A person whose activities are so limited is not precluded from attempting to become qualified for registration as a General Securities Principal, and if qualified, may become so registered.

Each person seeking to register and qualify as a General Securities Principal will become registered either as a General Securities Representative or a Limited Representative—Corporate Securities.

A person seeking to register and qualify as a General Securities Principal who will have supervisory responsibility over investment banking activities must become registered as a Limited Representative— Investment Banking.

The person designated as a Chief Compliance Officer since at least January 1, 2000, who has not been subject within the last ten years to any statutory disqualification or suspension or any violation must register as a General Securities Principal, but will be exempt from the requirement to pass the appropriate Qualification Examination. If the person has acted as a Chief Compliance Officer for a firm whose business is limited to the solicitation, purchase and/or sale of "government securities," he or she will be exempt from the requirement to pass the appropriate Qualification Examination only if he or she registers as a Government Securities Principal, or a Limited Principal and restricts his or her activities as required by the registration category.

A Limited Representative—Corporate Securities seeking registration as General Securities Principal who will have supervisory responsibility over the conduct of business in investment company and variable contracts products and/or direct participation programs must become registered as a Limited Representative—Investment Company and Variable Contracts Products and/or a Limited Representative—Direct Participation Programs.

Any person registered with FINRA as a Principal, will not be required to pass a Qualification Examination for General Securities Principal and will be qualified as a General Securities Principal.

A person registered solely as a General Securities Principal will not be qualified to function as a Limited Principal—Financial and Operations; Limited Principal—Registered Options and Security Futures; Limited Principal—General Securities Sales Supervisor; Municipal Securities Principal; or Municipal Fund Securities Limited Principal, unless that person is also qualified and registered as such.

A person registered solely as a General Securities Principal will not be qualified to supervise the conduct of a "research analyst" or a supervisory analyst qualified pursuant to Rule 344 of the New York Stock Exchange who approves research reports on equity securities unless that principal has passed a Qualification Examination.

REGISTRATION OF ASSOCIATED PERSONS

References: NASD By Laws Article III, Section 2 NASD Rule 1070, 1021, 1022, 1030, 1032, 1040, 1100 MSRB Rules G-2, G-3 IM-1022-1, 1022-2

All persons engaged in the business of the Firm who are to function as principals must be registered with FINRA in the category of registration appropriate to the function to be performed. Principles include Sole Proprietors, Officers, Partners, Managers of Offices of Supervisory Jurisdiction, and Directors of Corporations who are actively engaged in the management of the Firm's business, including supervision, solicitation, conduct of business or the training of persons associated with the Firm.

The Firm will comply with all Qualification Examinations and Waiver of Requirements, registration requirements pertaining to all associated persons, and satisfy all requirements pertaining to categories of representative registration. Further, the Firm will satisfy all requirements related to any person associated with the Firm seeking to be designated as a Proctor for the purposes of in-firm delivery of the Regulatory Element and registration requirements for assistant representatives.

The Firm will notify FINRA in the event a single Registered Options and Security Futures Principal is terminated, resigns, becomes incapacitated or is otherwise unable to perform the duties of an Options and Security Futures Principal.

The Firm may avail itself of a Limited Principal—General Securities Sales Supervisor as an alternate category of registration designed to lessen the qualification burdens on principals of general securities firms who supervise sales. Any person registered as Limited Principals—General Securities Sales Supervisor may also qualify in any other category of principal registration. Persons who are already qualified in one or more categories of principal registration may supervise sales activities of all securities by also qualifying as Limited Principals—General Securities Sales Supervisor. Limited Principals— General Securities Sales Supervisors may not engage in the

origination and structuring of underwritings, market-making, final approval of advertising, custody of Firm or customer funds and/or securities and overall compliance with financial responsibility rules for broker/dealers.

All persons associated with the Firm who are designated as Foreign Associates will be required to be registered but will be exempt from the requirement to pass a Qualification Examination. Anyone associated with the Firm will be designated as Foreign Associates if they are not citizens, nationals, or residents of the United States and they will conduct all of their securities activities in areas outside the jurisdiction of the United States and they will not engage in any securities activities for any citizen, national or resident of the United States. The Firm will file a "Uniform Application for Securities Industry Registration or Transfer" for each person and will

certify that person meets the criteria above and that the person is not subject to any of the prohibitions to registration with FINRA and that Service of process for any proceeding instituted by FINRA in respect to that person may be sent to an address designated by the Firm. In the event a Foreign Associate is terminated, the Firm will notify FINRA.

OPERATIONAL PROFESSIONALS

References: FINRA Rule 1230, 1250 NTM 11-33

FINRA Rule 1230(b) (6) establishes a new representative registration category and qualification examination for certain operations personnel known as operations professionals. Thus, registration will be required of certain covered persons who are engaged in, responsible for or supervise certain Firm operations termed “covered functions”. Many back office functions including recordkeeping, trade confirmation, transaction settlement, internal auditing and securities lending operations will now require registration, qualification and continuing education requirements. The specific scope of these new rules will now be outlined.

COVERED PERSONS

There are three categories of persons who are subject to the registration, qualification and continuing education requirements as an operations professional. Persons who perform a covered function, but whose responsibilities are below these specified levels, need not register as operations professionals. The Firm will determine, based on a person’s activities and responsibilities, whether the person would be considered a covered person and subject to the requirements for operations professionals. The three categories are: 1. senior management with direct responsibility over the covered functions, 2. any person designated by senior management as a supervisor, manager or other person responsible for approving or authorizing work, including work of other persons, in direct furtherance of each of the covered functions, provided that there is sufficient designation of such persons by senior management to address each of the applicable covered functions and 3. persons with the authority or discretion materially to commit the Firm’s capital in direct furtherance of the covered functions or to commit the Firm to any material contract or agreement in direct furtherance of the covered functions. Whether any decision is material is based on the Firm’s pre-established spending guidelines and risk management policies. Therefore, persons who do not have the authority or discretion to commit the Firm’s capital, or to commit the Firm to any contract or agreement, above any pre-established spending guidelines and risk management policies are not subject to this registration.

COVERED FUNCTIONS

A covered person must engage in one or more of the following covered functions: client on-boarding (customer account data and document maintenance), collection, maintenance, re-investment and disbursement of funds, receipt and delivery of securities and funds, account transfers, bank, custody, depository and firm account management and reconciliation, settlement, fail control, buy ins, segregation, possession and control, trade confirmation and account statements, margin, stock loan or securities lending, prime brokerage, approval of pricing models used for valuations, financial control, including general ledger and treasury, contributing to the process of preparing and filing financial regulatory reports, defining and approving business requirements for sales and trading systems and any other systems related to the covered functions and validation that these systems meet such business requirements, defining and approving business security requirements and policies for information technology, including, but not limited to, systems and data, in connection with the covered functions, defining and approving information entitlement policies in connection with the covered functions and posting entries to the Firm’s books and records in connection with the covered functions to ensure integrity and compliance with all laws and regulations and FINRA rules.

Any person whose activities are limited to performing a function ancillary to a covered function, or whose function is to serve a role that can be viewed as supportive of the performance of a covered function or who engages solely in clerical or ministerial activities in a covered function is not required to register as an Operations Professional.

All operations professionals will be subject to all FINRA rules applicable to associated persons and registered persons. Accordingly, pursuant to NASD Rule 3010(a) (5), each operations' professional will be assigned to an appropriately registered representative who will be responsible for supervising that person's activities.

OPERATIONS PROFESSIONAL QUALIFICATION EXAMINATION (SERIES 99)

Any person who must register as an operations professional to pass a new Operations Professional qualification examination before the registration may become effective. The examination will provide reasonable assurance that the individuals understand their professional responsibilities, including key regulatory and control themes, as well as the importance of identifying and escalating red flags that may harm the Firm, a customer, the integrity of the marketplace or the public.

EXCEPTIONS TO OPERATIONS PROFESSIONAL EXAMINATION REQUIREMENT

There are exceptions to the operations professional qualification examination requirement for persons who currently hold certain registrations or have held one during the two years immediately prior to registering as an operations professional and to persons who do not hold an eligible registration, but prefer an alternative to taking the operations professional examination. Such persons may register in an eligible registration category and use the registration to qualify for operations professional registration.

Persons who hold the following representative-level registration categories, or who have held such registration categories within the two years are qualified to register as an operations professional without passing the operations professional qualification examination: Investment Company Products/Variable Contracts Representative (Series 6), General Securities Representative (Series 7), United Kingdom Securities Representative (Series 17) or Canada Securities Representative (Series 37 or 38).

Also, persons who hold the following principal-level registration categories are qualified to register as an operations professional without passing the operations professional examination: Registered Options Principal (Series 4), General Securities Sales Supervisor (Series 9/10), Compliance Officer (Series 14), Supervisory Analyst (Series 16), General Securities Principal (Series 24), Investment Company Products/Variable Products Principal (Series 26), Financial and Operations Principal (Series 27), Introducing Broker-Dealer Financial and Operations Principal (Series 28), Municipal Fund Securities Limited Principal (Series 51) and Municipal Securities Principal (Series 53).

CONTINUING EDUCATION REQUIREMENTS FOR OPERATIONS PROFESSIONALS

Individuals registered as operations professionals are subject to FINRA's Regulatory Element and Firm Element Continuing Education requirements as set forth in FINRA Rule 1250. The Regulatory Element Program for Operations Professionals, the S901 will include instruction to maintain and improve understanding of the regulatory and ethical aspects associated with the covered functions, identify suspicious activities and/or red flags that could harm a customer, the Firm, issuers of securities or the integrity of the marketplace, maintain and improve knowledge and understanding of the covered functions and assist the operations professional in keeping up with changes in the industry and regulations that impact their work. Operations professionals also are subject to a Firm Element Continuing Education requirement. To implement this change, operations professionals will be added to the "covered registered persons" which requires the Firm to deliver Firm Element training to such persons.

IMPLEMENTATION

Any person that qualifies as an operations professional will register by requesting operations professional registration via Form U4 in the CRD system and by either passing the operations professional qualification examination or opting in to such registration based on their holding an eligible registration or registering with FINRA in an eligible registration category and opting in to operations professional registration based on such eligible registration.

ASSOCIATED PERSON RECORDS

RECORDS FOR ALL ASSOCIATED PERSONS

References: SEC Rule 17a-3(a) (12) NTM 01-80

The Firm will keep current records relating to its associated persons that include a questionnaire or application for employment executed by each associated person which will be approved in writing by an authorized representative of the Firm. The information will include:

- The associated person's name, address, social security number, date of birth and the starting date of employment with the Firm;
- A complete, consecutive statement of all the associated person's business connections for at least the preceding ten years, including whether the employment was part-time or full-time;
- A record of any denial of membership or registration, and of any disciplinary action taken, or sanction imposed, upon the associated person by any federal or state agency, or by any national securities exchange or national securities association, including any finding that the associated person was a cause of any disciplinary action or had violated any law;
- A record of any denial, suspension, expulsion or revocation of membership or registration of any firm, broker or dealer with which the associated person was associated in any capacity when the action was taken;
- A record of any permanent or temporary injunction entered against the associated person or any firm, broker or dealer with which the associated person was associated in any capacity at the time the injunction was entered;
- A record of any arrest or indictment for any felony, or any misdemeanor pertaining to securities, commodities, banking, insurance or real estate, fraud, false statements or omissions, wrongful taking of property or bribery, forgery, counterfeiting or extortion, and the disposition of the foregoing;
- A record of any other name or names by which the associated person has been known or which the associated person has used.

A record listing every associated person of the Firm which shows every office of the Firm where the associated person regularly conducts the business of the handling, purchase or sale of securities and the Central Registration Depository number, if any, and every internal identification number or code assigned to that person by the Firm.

CONTINUING EDUCATION

REQUIRED ATTENDANCE AT ANNUAL COMPLAINCE MEETING

References: NASD Rule 3010(a) (7) NTM 99-45

The Firm's supervisory system will include the participation of each registered representative and registered principal, either individually or collectively, at least annually, in an interview or meeting at which compliance matters relevant to the activities of the representatives and principals are discussed. The meeting may occur in conjunction with the discussion of other matters and may be conducted at a central or regional location or at the representative's or principal's place of business. The Firm will maintain an attendance sheet of all participants at the meeting which will be kept in the Annual Compliance Meeting file.

CONTINUING EDUCATION CONTACT PERSON

References: FINRA Rule 1250 NTM 04-22

The Firm will designate an individual responsible for receiving e-mail notifications provided via the Central Registration Depository regarding when a registered person is approaching the end of his or her Regulatory Element time frame and when a registered person is deemed inactive due to failure to complete the requirements

of the Regulatory Element program. The Firm will identify, review, and, if necessary, update the information regarding its Regulatory Element contact person.

REGULATORY ELEMENT

References: FINRA Rule 1250 NTM 98-59, 02-77 MSRB Rule G-3

The Firm will not permit any registered person to perform duties as a registered person unless the person has complied with the following requirements:

1. Each registered person must complete the Regulatory Element by their second registration anniversary date and every three years thereafter, or as otherwise required by FINRA. The Regulatory Element must be completed within 120 days after the person's registration anniversary date. A person's initial registration date, also known as the "base date," will establish the cycle of anniversary dates for purposes of this Rule. The content of the Regulatory Element will be designed to be appropriate to the person subject to the Rule.

2. Any registered person who has not completed the Regulatory Element within the prescribed time frames will have their registrations deemed inactive until the requirements of the program have been satisfied. Any person whose registration has been deemed inactive must cease all activities as a registered person and is prohibited from performing any duties and functioning in any capacity requiring registration. A registration that is inactive for a period of two years will be administratively terminated. A person whose registration is terminated in this manner may reactivate the registration only by reapplying for registration and meeting the relevant qualification requirements. FINRA may, upon application and a showing of good cause, allow for additional time for a registered person to satisfy the program requirements.

A registered person will be required to retake the Regulatory Element and satisfy all of its requirements in the event the person:

- is subject to any statutory disqualification;
- is subject to suspension or to the imposition of a fine of $5,000 or more for violation of any provision of any securities law or regulation; or
- is ordered as a sanction in a disciplinary action to retake the Regulatory Element by any securities governmental agency or self-regulatory organization.

The retaking of the Regulatory Element must commence within 120 days of the registered person becoming subject to the statutory disqualifications or the disciplinary actions becoming final. The date of the determinations will be treated as the person's new base date.

Any registered person who has terminated association with the Firm and who has become re-associated in a registered capacity with the Firm will participate in the Regulatory Element at intervals that may apply (second anniversary and every three years thereafter) based on the initial registration anniversary date rather than based on the date of re-association in a registered capacity.

The Firm may permit the administration of the continuing education Regulatory Element program to their registered persons by instituting an in-firm program approved by FINRA, provided the following procedures are met:

- The Firm has designated a principal to be responsible for the in-firm delivery of the Regulatory Element.
- The location of all delivery sites will be under the control of the Firm.
- The delivery of Regulatory Element continuing education will take place in an environment conducive to training, such as a training facility, conference room or other area dedicated to this purpose.
- Where multiple delivery terminals are placed in a room, adequate separation between terminals will be maintained.
- The communication links and firm delivery computer hardware must comply with standards defined by FINRA.
- All sessions will be proctored by an authorized person during the entire Regulatory Element session. Proctors must be present in the session room or must be able to view the persons sitting for Regulatory Element continuing education through a window or by video monitor.
- The individual responsible for proctoring at each administration will sign a certification that required procedures have been followed, that no material from Regulatory Element has been reproduced, and that no

candidate received any assistance to complete the session. The certification may be part of the sign-in log required.

- Individuals serving as proctors must be persons registered with an SRO and supervised by the designated principal for purposes of in-firm delivery of the Regulatory Element.
- Proctors will check and verify the identification of all individuals taking Regulatory Element continuing education.
- All appointments will be scheduled in advance using the procedures and software specified by FINRA to communicate with FINRA's system.
- The Firm will conduct each session in accordance with the administrative appointment scheduling procedures established by FINRA.
- A sign-in log will be maintained at the delivery facility. Logs will contain the date of each session, the name and social security number of the individual taking the session, that required identification was checked, the sign-in time, the sign-out time, and the name of the individual proctoring the session. The logs will be retained pursuant to SEC Rules 17a-3 and 17a-4.
- No material will be permitted to be utilized for the session and any session-related material may not be removed.
- Delivery sites will be made available for inspection by the SROs.

Before commencing in-firm delivery of the Regulatory Element continuing education, the Firm will file with their Designated Examining Authority ("DEA"), a letter of attestation signed by a principal executive officer or executive representative, attesting to the establishment of required procedures addressing principal in-charge, supervision, site, technology, proctors, and administrative requirements.

FIRM ELEMENT

References: FINRA Rule 1250 NTM 98-59, 02-77 MSRB Rule G-3

The Firm Element applies to any person registered with the Firm who has direct contact with customers in the conduct of the Firm's securities sales, trading and investment banking activities, any person registered as a research analyst, and to the immediate supervisors of such persons.

The Firm will maintain a continuing and current education program for its covered registered persons to enhance their securities knowledge, skill, and professionalism. The Firm will annually evaluate and prioritize its training needs and develop a written training plan. The plan will take into consideration the Firm's size, organizational structure, and scope of business activities, as well as regulatory developments and the performance of covered registered persons in the Regulatory Element. If the Firm concludes there is a need for supervisory training for persons with supervisory responsibilities, the training will be included in the Firm's training plan.

Any programs used to implement the Firm's training plan will be appropriate for the Firm and, will cover general investment features and associated risk factors, suitability and sales practice considerations, applicable regulatory requirements and with respect to registered research analysts and their immediate supervisors, training in ethics and professional responsibility and the requirements pertaining to research analysts and research reports.

The Firm will administer its continuing education programs in accordance with its annual evaluation and written plan and will maintain records documenting the content of the programs and completion of the programs by covered registered persons.

Covered registered persons included in the Firm's plan will take all appropriate and reasonable steps to participate in continuing education programs as required by the Firm.

SECTION 3. FIRM SUPERVISION AND OVERSIGHT

Designated Individual: Compliance Officer or designated principal where applicable.

How Conducted: Compile a list of all offices, OSJ's and branch offices including the designations and all offices that require inspections paying particular attention to annual or non-annual inspections. Review all oversight and supervision to insure compliance with all rules and regulations.

Frequency of Review: Whenever necessary.

How Documented: Maintain a file which includes a list of all firm offices and the times and manner of inspections. Maintain reports of all inspections.

SUPERVISORY SYSTEM

DESIGNATION OF SUPERVISORS

References: NASD Rule 3010(a)(2), 3010(b)(3) NTM 99-45

The Firm will supervise the activities of each registered representative, registered principal, and other associated person that is reasonably designed to achieve compliance with all applicable securities laws and regulations. Final responsibility for proper supervision will rest with the Firm.

The Firm's supervisory system includes the titles, registration status and locations of the required supervisory personnel and the responsibilities of each supervisory person as these relate to the types of business engaged in and all applicable rules and regulations. The particular titles and registrations are included in the introductory materials of this manual. The Firm will maintain an internal record of the names of all persons who are designated as supervisory personnel and the dates for which the designation was effective. Any record will be preserved by the Firm for a period of not less than three years, the first two years in an easily accessible place.

GENERAL SUPERVISORY OBLIGATIONS

References: NASD Rule 3010(a)(5) NTM 99-45

Each registered person will be assigned to an appropriately registered representative and/or principal who will be responsible for supervising that person's activities.

DESIGNATION OF BRANCH SUPERVISORS

References: NASD Rule 3010(a)(4)

The Firm will provide for the designation of one or more appropriately registered principals in each OSJ, including the main office, and one or more appropriately registered representatives or principals in each non-OSJ branch office with authority to carry out the supervisory responsibilities assigned to that office by the Firm.

DISTRIBUTION OF PROCEDURES AND AMENDMENTS

References: NASD Rule 3010(b) (4)

The Firm will provide that a copy of the Firm's written supervisory procedures will be maintained in each OSJ and at each location where supervisory activities are conducted on behalf of the Firm. The Firm will amend its written supervisory procedures as appropriate within a reasonable time after changes occur in applicable securities laws and regulations and FINRA Rules and as changes occur in its supervisory system.

PERIODIC REVIEW OF BUSINESS AND SUPERVISORY System

References: NASD Rule 3010(c) Rule G-27

The Firm will conduct a review, at least annually, of its business, and the review will be reasonably designed to assist in detecting and preventing violations and achieving compliance with all applicable securities laws, regulations and FINRA Rules. The Firm will review the activities of each office including the periodic examination of customer accounts to detect and prevent irregularities or abuses.

The Firm will, at least annually, inspect every office of supervisory jurisdiction and any branch office that supervises one or more non-branch locations.

The Firm will inspect, every three years, every branch office that does not supervise one or more non- branch locations. If the Firm establishes a more frequent inspection cycle, the Firm will ensure that at least every three years, the inspection requirements enumerated have been met.

The Firm will inspect on a regular periodic schedule every non-branch location. In establishing a schedule, the Firm will consider the nature and complexity of the securities activities for which the location is responsible and the nature and extent of contact with customers. The Firm will retain a written record of the dates upon which each review and inspection is conducted.

A written report of any office inspection and review conducted by the Firm will be kept on file for a minimum of three years, unless the inspection was conducted of a non-branch location and the regular periodic schedule is longer than a three-year cycle, in which case the report will be kept on file at least until the next inspection report has been written. The written inspection report will include the testing and verification of the Firm's policies and procedures, including supervisory policies and procedures in the following areas:

- Safeguarding of customer funds and securities;
- Maintaining books and records;
- Supervision of customer accounts serviced by branch office managers;
- Transmittal of funds between customers and registered representatives and between customers and third parties;
- Validation of customer address changes; and
- Validation of changes in customer account information.

Any office inspection will not be conducted by the branch office manager or any person within that office who has supervisory responsibilities or by any individual who is directly or indirectly supervised by such persons. However, if the Firm is so limited in size and resources that it cannot comply with this limitation (for example, the Firm has only one office or the Firm has a business model where small or single-person offices report directly to an office of supervisory jurisdiction manager who is also considered the offices' branch office manager), the Firm may have a principal who has the requisite knowledge to conduct an office inspection actually perform the inspections. The Firm will document in the office inspection reports the factors it has relied upon in determining that it is so limited in size and resources that it has no other alternative than to comply in this manner.

The Firm will conduct heightened office inspections if the person conducting the inspection reports to the branch office manager's supervisor or works in an office supervised by the branch manager's supervisor and the branch office manager generates 20% or more of the revenue of the business units supervised by the branch office manager's supervisor. The term "heightened inspection" in this context will mean those inspection procedures that are designed to avoid conflicts of interest that serve to undermine complete and effective inspections because of the economic, commercial, or financial interests that the branch manager's supervisor holds in the associated persons and businesses being inspected. In addition, when calculating the 20% threshold, all of the revenue generated by or credited to the branch office or branch office manager will be attributed as revenue generated by the business units supervised by the branch office manager's supervisor irrespective of Firm's internal allocation of such revenue. The Firm will calculate the 20% threshold on a rolling, twelve-month basis.

SUPERVISION OF PRODUCING MANAGERS

References: NASD Rule 3012(a) (2) (A)

The Firm will designate a principal who will supervise the daily activities of any producing manager including where applicable, customer accounts and sales activities. The reviews will be evidenced by maintaining a producing manager's review file.

GENERAL SUPERVISORY OBLIGATIONS

GIFTS AND GRATUITIES

References: FINRA Rule 3220 Rule G-20

The Firm or any associated person will not, directly or indirectly, give anything of value, including gratuities, in excess of one hundred dollars per individual per year to any person, where such payment or gratuity is in relation to the business of the employer of the recipient of the payment or gratuity. A gift of any kind is considered a gratuity.

These restrictions will not apply to contracts of employment or compensation for services provided there is, prior to the time of employment or before the services are rendered, a written agreement between the Firm and the person who is to be employed. Any agreement must include the nature of the proposed employment, the amount of the proposed compensation, and the written consent of such person's employer or principal.

A separate record of all payments or gratuities in any amount known to the Firm, the employment agreement noted and any employment compensation paid as a result will be retained for the period specified by SEA Rule 17a-4.

NON CASH COMPENSATION

References: FINRA Rules 2310, 2320 NTM 95-56, 95-75

In connection with the sale and distribution of direct participation program or REIT securities, the Firm or any person associated with the Firm will not directly or indirectly accept or make payments or offers of payments of any non-cash compensation, except as noted. Non-cash compensation arrangements are limited to the following:

1. Gifts that do not exceed an annual amount per person fixed periodically by the Board of Governors (currently $100) and are not conditioned on achievement of a sales target.
2. An occasional meal, a ticket to a sporting event or the theater, or comparable entertainment which is neither so frequent nor so extensive as to raise any question of propriety and is not preconditioned on achievement of a salestarget.
3. Payment or reimbursement by offerors in connection with meetings held by an offeror or by the Firm for the purpose of training or education of associated persons, provided that:
    a. associated persons obtain the Firm's prior approval to attend the meeting and attendance by a Firm's associated persons is not conditioned by the Firm on the achievement of a sales target or any other incentives pursuant to a permitted non-cash compensation arrangement;
    b. the location is appropriate to the purpose of the meeting, which will mean a United States office of the offeror or the Firm holding the meeting, or a facility located in the vicinity of the office, or a United States regional location with respect to meetings of associated persons who work within that region or, with respect to meetings with direct participation programs or REITs, a United States location at which a significant or representative asset of the program or REIT is located;
    c. the payment or reimbursement is not applied to the expenses of guests of the associated person; and
    d. the payment or reimbursement by the offeror is not conditioned by the offeror on the achievement of a sales target or any other permitted non-cash compensation arrangement.

Non-cash compensation arrangements between the Firm and its associated persons or a company that controls the Firm and the Firm's associated persons, provided that no unaffiliated non-Firm or other unaffiliated firm directly or indirectly participates in the Firm's or non-Firm's organization of a permissible non-cash compensation arrangement; and contributions by a non-Firm company or other firm to a non-cash compensation arrangement between the Firm and its associated persons, provided that the arrangement meets the permissible criteria noted.

The Firm will maintain records of all non-cash compensation received by the Firm or its associated persons in arrangements permitted. The records will include: the names of the offerors, non-firms or other firms making the non-cash compensation contributions; the names of the associated persons participating in the arrangements; the nature and value of non-cash compensation received; the location of training and education meetings; and any other information that proves compliance by the Firm and its associated persons.

OUTSIDE BUSINESS ACTIVITIES

References: FINRA Rule 3270

No registered person may be an employee, independent contractor, sole proprietor, officer, director or partner of another person, or be compensated, or have the reasonable expectation of compensation, from any other person as a result of any business activity outside the scope of the relationship with the Firm, unless he or she has provided prior written notice to the Firm as specified by the Firm. Passive investments and activities subject to the requirements of NASD Rule 3040 will be exempted from this requirement.

Upon receipt of a written notice the Firm will consider whether the proposed activity will interfere or otherwise compromise the registered person's responsibilities to the Firm and/or Firm's customers or be viewed by customers or the public as part of the Firm's business based upon, among other factors, the nature of the proposed activity and the manner in which it will be offered. Based on the Firm's review of these factors, the Firm will evaluate the advisability of imposing specific conditions or limitations on a registered person's outside business activity, including where circumstances warrant, prohibiting the activity. The Firm will also evaluate the proposed activity to determine whether the activity properly is characterized as an outside business activity or whether it should be treated as an outside securities activity subject to the requirements of NASD Rule 3040. The Firm will maintain a record of its compliance with these obligations with respect to each written notice received and will preserve this record for the period of time and accessibility specified in SEA Rule 17a-4(e)(1).

PRIVATE SECURITIES TRANSACTIONS

References: NASD Rule 3040 NTM 85-84, 94-44, 96-33

No person associated with the Firm may participate in any manner in a private securities transaction except in accordance with the rules enumerated.

Prior to participating in any private securities transaction, an associated person must provide written notice to the Firm describing in detail the proposed transaction and the person's proposed role and stating whether he has received or may receive selling compensation in connection with the transaction; provided however that, in the case of a series of related transactions in which no selling compensation has been or will be received, an associated person may provide a single written notice.

If the transaction is such where an associated person has received or may receive selling compensation, the Firm will advise the associated person in writing stating whether the Firm approves the person's participation in the proposed transaction or disapproves such participation.

If the Firm approves a person's participation in a transaction the transaction will be recorded on the books and records of the Firm and the Firm will supervise the person's participation in the transaction as if the transaction were executed on behalf of the Firm.

If the Firm disapproves a person's participation, the person will not participate in the transaction in any manner, directly or indirectly.

In the case of a transaction or a series of related transactions in which an associated person has not and will not receive any selling compensation, if the Firm has received notice, the Firm will provide the associated person prompt written acknowledgment of the notice and may, at its discretion, require the person to adhere to specified conditions in connection with his participation in the transaction.

OBLIGATIONS RELATED TO ASSOCIATED PERSONS WITH ACCOUNTS AT OTHER BROKER/DEALERS

References: FINRA Rule 3210, NTM 91-27, 97-25, 16-22 and MSRB Rule G-28 Effective April 3, 2017

If the Firm ("executing member") knowingly executes a transaction for the purchase or sale of a security for the account of a person associated with another Firm ("employer member"), or for any account over which the associated person has discretionary authority, the Firm will use reasonable diligence to determine that the execution of the transaction will not adversely affect the interests of the employer member.

Where the Firm acting as executing member knows that a person associated with an employer member has or will have a financial interest in, or discretionary authority over, any existing or proposed account carried by the Firm, the Firm will:

1. notify the employer member in writing, prior to the execution of a transaction for that account, of the Firm's intention to open or maintain such an account and determine that the associated person has received prior written consent to open or maintain the account;
2. upon written request by the employer member, transmit duplicate copies of confirmations, statements, or other information with respect to such account; and
3. notify the person associated with the employer member of the Firm's intention to provide the notice and information.

A person associated with the Firm, prior to opening an account or placing an initial order for the purchase or sale of securities with another firm, will receive prior written approval from the employer member and notify in writing the executing member of his or her association with the other firm; provided, however, that if the account was established prior to the association with the employer member, the associated person will within 30 (thirty) calendar days of becoming so associated, must obtain the written consent of the employer member to maintain the account and notify in writing the executing member or financial institution of his or her association with the employer member.

A person associated with the Firm who opens a securities account or places an order for the purchase or sale of securities with a broker/dealer that is registered will:

1. notify his or her employer firm in writing and receive written approval prior to the execution of any initial transactions, of the intention to open the account or place the order; and

2. upon written request by the employer firm, request in writing and assure that the notice-registered broker/dealer provides the employer firm with duplicate copies of confirmations, statements, or other information concerning the account or order; provided, however, the associated person will within 30 (thirty) calendar days of becoming so associated, obtain the written consent of the employer member to maintain the account and notify in writing the executing member or financial institution of his or her association with the employer member.

Accounts at a Financial Institution Other Than a Member -

With respect to an account subject to this Rule at a financial institution other than a member, the employer member shall consider the extent to which it will be able to obtain, upon written request, duplicate copies of confirmations and statements, or the transactional data contained therein, directly from the non-member financial institution in determining whether to provide its written consent to an associated person to open or maintain such account. The terms "other financial institution" and "financial institution other than a member" include, but are not limited to, any broker-dealer that is registered pursuant to Section 15(b)(11) of the Exchange Act, domestic or foreign non-member broker-dealer, investment adviser, bank, insurance company, trust company, credit union and investment company.

These rules only apply to an account or order in which an associated person has a financial interest or where such person has discretionary authority.

The requirements of FINRA Rule 3210 shall not apply to transactions in unit investment trusts, municipal fund securities as defined under MSRB Rule D-12, qualified tuition programs pursuant to Section 529 of the Internal Revenue Code and variable contracts or redeemable securities of companies registered under the Investment Company Act, as amended, or to accounts that are limited to transactions in such securities, or to Monthly Investment Plan type accounts.

The Firm will require each registered representative to submit duplicate account statements and confirmations which will be reviewed by a designated principal, initialed, and placed in their folder.

- The policy applies to employees and their "Related Persons". Including:
    - your spouse/domestic partner;
    - your children and their spouses/domestic partners if they reside with you, or are financially dependent on you;
    - other persons who live with you and to whom you provide material financial support or upon whom you rely for material financial support;
    - any business/entity/account in which you or any of the above–listed persons has a financial interest;
    - any person/entity that has a securities account over which you or any of the above-listed persons has any form of control or influence regarding trading decisions, including, but not limited to: a person/entity for which you hold Power of Attorney; a person/entity for which you are the trustee; a person/entity for which you are the guardian.
- You must disclose any accounts for your spouse and for other "Related Persons" as defined earlier.
- Examples of the most common types of securities accounts you must disclose are:
    - Individual and joint retail brokerage accounts;
    - Futures/Commodity accounts;
    - Mutual Funds; Retirement;
    - Trust accounts / Custodial accounts.
- Generally, accounts are not subject to the rule are only when: the employee/household member does not have the ability to direct or influence investment decisions and/or the timing of investment decisions; the related person works at another broker-dealer and is subject to the account and trading rules of that broker dealer; the security/investment is restricted and may not be able to be held at CRAFT CP;
- or the account is restricted from holding/actively trading securities.
- Examples of accounts that may include:
    - Mutual Fund Only Accounts;
    - Retirement Accounts (e.g., 401(k), 403(b), ISA, preexisting PEP accounts, RRSP pension and superannuation funds);
    - Non-Transferable/Employee Stock Option Purchase Plan Accounts;
    - Discretionary/Managed Accounts;
    - 529 College Savings Plan Accounts;
    - Accounts Held at the U.S. Federal Reserve; o Fixed and Variable Annuity Accounts;
    - Dividend Reinvestment Plans;
    - Retail Futures/Commodities Accounts;
    - Related Person Employed at another Financial Services Firm.
- Exempted accounts or retirement accounts have to be disclosed, this includes any 401(k), ROTH, IRA in the United States, any PEP or ISA in the United Kingdom and other retirement accounts in other countries.
- If you have securities held in certificate form, you are also required to disclose them.

You must disclose all outside securities accounts even if you intend to close them. Once you have closed your account, please provide account closure confirmation to your compliance officer.

SHARING IN CUSTOMERACCOUNTS

References: FINRA Rule 2150 NTM 03-21 MSRB Rule G-28

The Firm or any person associated with the Firm will not make improper use of a customer's securities or funds.The Firm or any person associated with the Firm will not guarantee a customer against loss in connection with any securities transaction or in any securities account of a customer. A "guarantee" that is extended to all holders of a particular security by an issuer as part of that security generally would not be subject to the prohibition against guarantees.

Except regarding an investment advisor detailed below, the Firm or any person associated with the Firm will not share directly or indirectly in the profits or losses in any account of a customer. However, the Firm or any person associated with the Firm may share in the profits or losses in such an account if:

1. a person associated with the Firm obtains prior written authorization from the Firm where he is employed;
2. the Firm or person associated with the Firm obtains prior written authorization from the customer; and
3. the Firm or person associated with the Firm shares in the profits or losses in any account of such customer only in direct proportion to the financial contributions made to the account by either the Firm or a person associated with theFirm.

Accounts of the immediate family of the Firm or person associated with the Firm are exempt from the direct proportionate share limitation. The term "immediate family" includes parents, mother-in-law or father-in-law, husband or wife, children or any relative to whose support the Firm or person associated with the Firm otherwise contributes directly or indirectly.

The Firm or person associated with the Firm that is acting as an investment adviser may receive compensation based on a share in profits or gains in an account if:

1. the person associated with the Firm obtains prior written authorization from the firm where he is employed;
2. the Firm or person associated with the Firm obtains prior written authorization from the customer; and
3. all of the conditions in Rule 205-3 of the Investment Advisers Act are satisfied.

The Firm will preserve the required written authorizations for at least six years after the date the account is closed.

There is nothing precluding the Firm, but not an associated person of the Firm, from determining on an after-the-fact basis, to reimburse a customer for transaction losses; provided, however, that the Firm will comply with all reporting requirements that may be applicable to such payment. In addition, there is nothing precluding the Firm, but not an associated person of the Firm, from correcting a bona fide error. These rules do not apply to an associated person of the Firm because of the concern that any such payment may conceal individual misconduct.

Participation in a sharing arrangement permitted here does not affect the applicability of other FINRA rules, including FINRA Rule 3270, NASD Rule 3040 and 3050.

BORROWING AND LENDING BETWEEM ASSOCIATED PERSONS AND CUSTOMERS

References: FINRA Rule 3240 NTM 03-62, 04-14 MSRB Rule G-28

No person associated with the Firm in any registered capacity may borrow money from or lend money to any customer unless the borrowing or lending arrangement meets one of the following conditions:

1. the customer is a member of the person's immediate family;
2. the customer is a financial institution regularly engaged in the business of providing credit, financing, or loans, or that regularly arranges or extends credit in the ordinary course of business and is acting in the course of such business;
3. the customer and the registered person are both registered with the same Firm;
4. the lending arrangement is based on a personal relationship with the customer, such that the loan would not have been solicited, offered, or given had the customer and the registered person not maintained a relationship outside of the broker-customer relationship; or
5. the lending arrangement is based on a business relationship outside of the broker-customer relationship.

The following additional criteria must also be satisfied:

1. The registered person will notify the Firm of the borrowing or lending arrangements described prior to entering into such arrangements and the Firm will pre-approve the arrangements or modifications in writing.

2. With respect to the borrowing or lending arrangements described, registered persons are not required to notify the Firm or receive Firm approval either prior to or subsequent to entering into these arrangements provided that the loan has been made oncommercial terms that the customer generally makes available to members of the general public similarly situated as to need, purpose and creditworthiness. For purposes of this rule, the Firm may rely on the registered person's representation that the terms of the loan meet the above-described standards.

The term "immediate family" means parents, grandparents, mother-in-law or father-in-law, husband or wife, brother or sister, brother-in-law or sister-in-law, son-in law or daughter-in-law, children, grandchildren, cousin, aunt or uncle, or niece or nephew, and any other person whom the registered person supports, directly or indirectly, to a material extent.

The Firm will preserve the written pre-approval for at least three years after the date that the borrowing or lending arrangement has terminated or for at least three years after the registered person's association with the Firm has terminated.

INVESTMENT ADVISOR ACTIVITIES OF ASSOCIATED PERSONS

References: NASD Rule 3040 NTM 91-32, 94-44, 96-33

No person associated with the Firm will participate in any manner in a private securities transaction except in accordance with the following requirements.

Prior to participating in any private securities transaction, an associated person will provide written notice to the Firm describing in detail the proposed transaction and the person's proposed role stating whether he has received or may receive selling compensation in connection with the transaction; provided however that, in the case of a series of related transactions in which no selling compensation has been or will be received, an associated person may provide a single written notice.

TRANSACTIONS FOR COMPENSATION

In a transaction where an associated person has received or may receive selling compensation, the Firm which has received notice will advise the associated person in writing stating whether the Firm approves or disapproves the person's participation in the proposed transaction.

If the Firm approves the transaction it will be recorded on the books and records of the Firm and the Firm will supervise the person's participation in the transaction as if it were executed on behalf of the Firm.

If the Firm disapproves the person's participation, the person will not participate in the transaction in any manner, directly or indirectly.

TRANSACTIONS NOT FOR COMPENSATION

In the case of a transaction or a series of related transactions in which an associated person has not and will not receive any selling compensation, if the Firm has received notice it will provide the associated person prompt written acknowledgment and may, at its discretion, require the person to adhere to specified conditions in connection with his participation in the transaction.

SUPERVISION OF OUTSOURCING ARRANGEMENTS

References: NASD Rule 3010 NTM 05-48

ACCOUNTABILITY AND SUPERVISORY RESPONSIBILITY FOR OUTSOURCED FUNCTIONS

If the Firm, as part of its business structure, outsources covered activities, the Firm will insure that a due diligence analysis of all of its current or prospective third-party service providers to determine whether they are capable of performing the outsourced activities. After the Firm has selected a third-party service provider, the Firm will continuously fulfill its responsibility to oversee, supervise, and monitor the service provider's performance of covered activities. Thus, the Firm will monitor the service providers' compliance with the terms of any agreements and assess the service provider's continued fitness and ability to perform the covered activities being outsourced.

Additionally, the Firm will ensure that FINRA and all other applicable regulators have the same complete access to the service provider's work product for the Firm as would be the case if the covered activities had been

performed directly by the Firm. The Firm will determine whether any covered activities that the Firm is contemplating outsourcing are appropriate for outsourcing. To determine the appropriateness of outsourcing a particular activity, the Firm will consider certain factors, such as the financial, reputational, and operational impact on the Firm if the third-party service provider fails to perform; the potential impact of outsourcing on the Firm's provision of adequate services to its customers; and the impact of outsourcing the activity on the ability and capacity of the Firm to conform with regulatory requirements and changes in requirements.

In addition, the Firm is aware that outsourcing covered activities in no way diminishes the Firm's responsibility for either its performance or its full compliance with all applicable federal securities laws and regulations, and FINRA and MSRB rules.

ACTIVITIES AND FUNCTIONS REQUIRING REGISTRATION AND QUALIFICATION

Pursuant to FINRA protocols, the performance of covered activities, which require qualification and registration, cannot be deemed to have been outsourced because the person performing the activity is an associated person of the Firm irrespective of whether such person is registered with the Firm. An exception exists where a third-party service provider is separately registered as a broker-dealer and the contracted arrangement between the Firm and the service provider is contemplated by FINRA rules, MSRB rules, or applicable federal securities laws or regulations. A clearing agreement executed pursuant to NASD Rule 3230 between the Firm and a clearing broker-dealer is an example of such an exception.

SUPERVISORY AND COMPLIANCE ACTIVITIES

The ultimate responsibility for supervision lies with the Firm. Accordingly, the Firm will not contract its supervisory and compliance activities away from its direct control. The Firm is not precluded from outsourcing certain activities that support the performance of its supervisory and compliance responsibilities. For example, the Firm may implement a supervisory system designed by another party, which could include a computer software program that detects excessive trading in customer accounts. However, if the Firm chooses to implement such a system, it must make its own determination that the system implemented is current and reasonably designed to achieve compliance as required under Rule 3010. The Firm will evaluate and monitor the system to ensure that it functions as designed and that such design is of an adequate nature and breadth.

HEIGHTENED SUPERVISION

References: NASD Rule 3010 NTM 97-19

If the Firm hires a registered representative with a history of customer complaints, disciplinary actions, or arbitrations, or an employee who develops such a record during his or her employment, the Firm has heightened supervisory responsibilities that will require an examination of the circumstances of each such case and make a reasonable determination whether its standard supervisory and educational programs are adequate to address the issues raised by the record of any such registered representative.

DISCIPLINARY HISTORY

The principal means of identifying registered representatives who may require heightened supervision is a review of all relevant customer complaints, disciplinary actions, and arbitrations disclosed on Forms U- 4 and U-5 filed with the CRD.

Heightened supervision is warranted where the registered representative has a history of customer complaints, disciplinary actions, or arbitrations, where the person hired in a non-registered capacity who previously was employed as a registered representative has such a history, where the registered representative develops such a history while associated with the Firm, where the registered representative was terminated from prior employment for what appears to be a significant sales practice or regulatory violation or where the registered representative has had a frequent change of employers within the industry.

DEVELOPMENT AND IMPLEMENTATION OF HEIGHTENED SUPERVISION

Once an individual has been identified as requiring heightened supervision, because of the existence of a history, the Firm will document each heightened supervisory arrangement that it has implemented, including assessing the type of heightened supervision needed, identification of the person who is responsible for providing the supervision, and specification of the frequency and scope of review as determined by the Firm. The Firm will alert the registered representative and the supervisor to the terms of the heightened supervision, including the

period of time the heightened supervisory procedures will be in effect. The Firm will maintain records of any heightened supervision.

DEVELOPING AND IMPLEMENTING HEIGHTENED SUPERVISORY PROCEDURES

The factors that will be considered in establishing a supervisory program include the following criteria:

REGISTERED REPRESENTATIVE ACTIVITIES

The nature of the conduct that resulted in the registered representative's history of customer complaints, disciplinary actions, or arbitrations, and whether the conduct involved a particular securities product, customer type, or activity will be evaluated. The product, customer, or activity type will be examined to identify the level and type of risk it presents. The Firm will then determine what type of supervision might best control and limit this type of risk. This may range from providing the ordinary level of supervision, to restricting a registered representative's activities for a period of time, to assigning a mentor or partner in whom the Firm has confidence to work with the registered representative. The Firm will determine that its standard procedures will be adequate, and operate on the understanding that if there is any sign of a problem detected during some stated period, heightened procedures or sanctions will follow. Additionally, such actions may be positively reinforced if associated with training or education involving the product or activity in question.

TRAINING

As part of the Firm Element of its Continuing Education Program the Firm must conduct a needs analysis and establish a training plan that includes certain minimum standards. When analyzing needs and developing Firm Element programs, a determination will be made as to whether specialized training should be provided to a registered representative who has a history of customer complaints, disciplinary actions, or arbitrations involving a particular securities product or a particular activity. The Firm must make certain that such training focuses upon the areas in which the registered representative has had problems and is tailored to any special needs in these areas. Additionally, the Firm will track customer complaints and, if specific trends are identified, programs will be established to train registered representatives to avoid future complaints.

NEW ACCOUNT PROCEDURES

If warranted after a review of all circumstances, the Firm will consider whether a supervisor should exercise closer than normal control over the establishment of new customer accounts by a registered representative. If the Firm deems it prudent in view of prior activities, it may prohibit any trading until the account information or the order information could be independently verified with the customer. While not prohibited by rule, the Firm will be particularly cautious about allowing individuals who warrant special supervision to handle certain types of accounts, including discretionary accounts, margin, futures, and options accounts, employee, employee-related, and retirement-plan accounts, accounts that contain low-priced, speculative securities, other accounts engaged in high-risk strategies, or any accounts where any of the conduct leading to the previous regulatory problems might be an issue.

SPECIFIC TRANSACTIONS

When reviewing conduct to determine whether heightened supervision is warranted, the Firm will focus on whether a specific type of transaction was involved in prior problems, and will consider prohibiting like transactions, or requiring supervisory approval of all such transactions in advance of execution.

CUSTOMER ACCOUNT ACTIVITY MONITORING

The Firm will consider developing exception reports that are designed to detect transactions that are uncharacteristic in size or volume, any unusual increases or decreases in a broker's commissions, transactions between accounts or excessive or suspicious corrections. The Firm will also consider reviewing the registered representative's customer contacts by, for example, monitoring selected telephone conversations between the registered representative and both existing and potential customers or attending meetings between the representative and his or her clients. The Firm will also consider requiring supervisors to have more frequent and closer contact with customers of registered representatives who are subject to heightened supervision to determine whether potential problems exist and further inquiry is warranted.

The actual procedures include, concerning new account applications and account transfers, review at the time the account is opened and monitored daily. Moreover, all trades will be monitored on a daily basis and any

accounts that are deemed to have excessive activity may be called at the discretion of CCO or his D.esignated Supervisor to verify that the customer has been in contact with the representative and that they are aware of any transactions and that those transactions conform to their investment strategy. In addition, all trade corrections, extensions and liquidations will be monitored and approved on a daily basis and will be investigated to ensure that they are appropriate. All communications with the public, incoming and outgoing correspondence, advertising and sales literature and phone calls will be monitored on a daily basis. Lastly, any complaints that the Firm receives will be immediately investigated and reported to the proper regulatory authorities.

SUPERVISION OF STATUTORILY DISQUALIFIED INDIVIDUALS

References: NASD By-Laws Article III, Sections 3 and 4 Form MC-400 FINRA Rule 4530 MSRB RULES G-4 and G-5

A person is subject to a "disqualification" with respect to membership, or association with the Firm, if such person is subject to any "statutory disqualification". No person will become associated with the Firm or continue to be associated with the Firm if the person fails or ceases to satisfy the qualification requirements, or if the person becomes subject to a disqualification.

If the Firm is ever found ineligible for continuance in membership the Firm may file with the Board an application requesting relief from the ineligibility pursuant to the Rules of FINRA. The Firm may file the application on its own behalf and on behalf of a current or prospective associated person.

SUPERVISION OF TRADERS

References: NASD Rule 3010 NTM 98-96

The Firm will establish and maintain a system to supervise the activities of each registered representative and associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with the rules of FINRA. In furtherance of those requirements the Firm has specified the specific identification of the individuals responsible for supervision - either by name or by title and position, the supervisory steps and reviews to be taken by the appropriate supervisor, the frequency of such reviews and how such reviews are documented.

USE OF EXEPTION REPORTS AND OTHER REPORTS

References: FINRA Rule 4311 NTM 99-57

A clearing Firm, when it enters into a clearing agreement, must immediately, and annually thereafter, provide the introducing firm a list or description of all reports which it offers to the introducing Firm to assist the introducing Firm in supervising its activities, monitoring its customer accounts, and carrying out its functions and responsibilities under the clearing agreement. The introducing Firm must notify the clearing Firm, in writing, promptly of those specific reports offered by the clearing Firm that the introducing Firm requires to supervise and monitor its customer accounts.

REVIEW OF ACCOUNTS AND CORRESPONDENCE

CORRESPONDENCE-INCOMING, OUTGOING

References: NASD Rule 3010(d) SEC Rule 17a-4(b) (4) NTM 98-11, 99-3, 01-80, 03-33

The Firm will review incoming and outgoing written (i.e., non-electronic) and electronic correspondence with the public relating to its investment banking or securities business, as well as incoming, written correspondence directed to registered representatives and related to the Firm's investment banking or securities business to properly identify and handle customer complaints and to ensure that customer funds and securities are handled in accordance with Firm procedures.

The designated principal will review incoming and outgoing correspondence as applicable and will maintain a file evidencing signatory review of such correspondence. A file will be maintained that will contain all necessary information evidencing the review of incoming and outgoing correspondence.

All registered representatives will receive a copy of these procedures and will be required to sign an attestation that they have read and understand the procedures including those related to correspondence.

The designated Principal will appoint an E-Mail Reviewer, who will review a sampling of e-mail transmissions at least on a bi-weekly basis. All incoming and outgoing e-mail messages will be

automatically saved via electronic storage software. The E-Mail Reviewer will periodically access the saved messages and review a sampling of them. Customer correspondence requiring pre-approval will be forwarded to the designated Principal prior to sending. Approval and review of any correspondence will be recorded via the reviewer's initials or by other internal, electronic means. All business-related e-mail correspondence will be retained in accordance with the retention guidelines of the FINRA.

All outgoing e-mail must include the following: name of the Company, name of sender, department or branch address, phone number and e-mail address of the sender. Certain restrictions apply, including the fact that securities licensing requirements necessary for public communications apply to electronic communications. Moreover, recommendations or communications that require an accompanying prospectus may not be sent by e-mail. Furthermore, any requests to not be contacted should be forwarded to the appropriate compliance officer so that the person may be added to the 'Do Not Call List' and similarly pursuant to FINRA Rule 3230(a) (3) any person who has registered his or her telephone number on the Federal Trade Commission's national do-not-call registry should be forwarded to the appropriate compliance officer and procedures will be implemented to insure compliance with the rule. Business-related communication with customers or prospective customers must not be sent from a home computer or non-Company sponsored electronic equipment.

Should the E-Mail Reviewer deem any correspondence inappropriate, he or she will bring it to the attention of the designated Principal. Examples include material that is illegal, harassing, embarrassing, sexually explicit, obscene, intimidating, insulting or defamatory. The E-Mail Reviewer will delete any non-business files or inappropriate correspondence, after forwarding them to the designated Principal. In the event violations of the Company's communications policies occur, the designated Principal will take steps necessary to investigate the violation. Any action taken, including notifying and disciplining the subject employee, will be recorded in the personnel files. Where there is a history of violations, the Firm may conduct an electronic audit to determine content of information being retained.

Correspondence prepared and/or disseminated by a Registered Representative ("RR") to clients or the general public for business purposes cannot contain promises or guarantees of specific results, exaggerated or unwarranted superlatives, or opinions for which there is no reasonable basis.

Correspondence includes any written or electronic communication (notes, letters, memorandums, email messages, facsimile coversheets) by the public addressed to an associated person of Craft, and excludes retail and institutional communications and prospectus materials.

Copies of incoming and outgoing correspondence must be promptly reviewed by the Designated Supervisory Principal, or qualified principal, and evidence of the review is to be made by signature or initial. Correspondence which contains written grievances will be forwarded to the Compliance Department for further review.

Email is reviewed utilizing electronic surveillance programs and focus on specific product recommendations, promissory or misleading statements, and grievances. The electronic surveillance program screens emails utilizing a lexicon or set of "key words." All emails that are flagged based on key word violations are reviewed and will be forwarded to the Compliance Department.

Reviewed items can be stored in electronic and hard copy form. The Compliance Department will do a quarterly check of all email and written correspondence to make sure that procedures are being adhered to and surveillance systems are flagging emails that violate Craft policies.

RRs and employees are prohibited from using correspondence with customers from home computers o through third party systems, unless Craft is capable of monitoring such communications. RRs and employees are prohibited from using business-related electronic correspondence with the public through email addresses not authorized by Craft

At the present time Craft Capital Partners only allows RRs holding a Series 24 license access to internal and external email. Those RRs who are not Series 24 licensed can only send and receive email correspondence within the firm's email domain, and are setup with internal email only.

Impacted Individual(s): Supervisory Principal email reviewer or designee.

ow Conducted: Designated SP will log into the third party system that is currently being used by the firm to archive and monitor all electronic correspondence and will conduct a review of all incoming and outgoing correspondence for those registered representatives assigned to that individual SP. At a minimum the SP or designee will review fifteen percent (15%) of all emails to and from the RRs assigned to their supervision.

FREQUENCY: WEEKLY

How Documented: All incoming/outgoing written and electronic correspondence will be opened and reviewed by a designated SP reviewer appointed by the CCO or branch supervisor. This review includes letters, facsimiles, courier deliveries, and other forms of written communication. Initialed or signed by the designated SP or a qualified supervisor; email reviews are archived under the designated SP's login to the third party email and social media archiving solution.

PERSONS ASSOCIATED WITH OTHER BROKER/DEALERS

References: NASD Rule 3050

Any person associated with the Firm who opens a securities account or places an order for the purchase or sale of securities with a registered broker/dealer, a domestic or foreign investment adviser, bank, or other financial institution will notify the Firm in writing, prior to the execution of any initial transactions, of the intention to open the account or place the order; and upon written request by the Firm, request in writing and assure that the notice-registered entity provides the Firm with duplicate copies of confirmations, statements, or other information concerning the account or order. If an account was established prior to a person's association with the Firm, the person will comply with this notification requirement promptly after becoming so associated.

FINRA RULE 2070

When the Firm has actual notice that a FINRA employee has a financial interest in, or controls trading in, an account, the Firm will promptly obtain and implement an instruction from the employee directing the Firm to provide duplicate account statements to FINRA.

The Firm will not directly or indirectly make any loan of money or securities to any FINRA employee. However, this prohibition does not apply to loans made in the context of disclosed, routine banking and brokerage agreements, or loans that are clearly motivated by a personal or family relationship.

Notwithstanding the annual dollar limitation set forth in Rule 3220(a), the Firm will not directly or indirectly give anything above nominal value to any FINRA employee who has responsibility for a regulatory matter involving the Firm.

FRONT RUNNING

References:IM-2110-3

It is considered conduct inconsistent with just and equitable principles of trade where the Firm maintains an account and exercises investment discretion or for certain customer accounts for the Firm to cause to be executed an order to buy or sell an option or a security future when the Firm or person associated with the Firm has material, non-public market information concerning an imminent block transaction in the underlying security, or when a customer has been provided such material, non-public market information by the Firm or any person associated with the Firm or an order to buy or sell an underlying security when the Firm or person associated with the Firm has material, non-public market information concerning an imminent block transaction in an option or a security future overlying that security, or when a customer has been provided such material, non-public market information by the Firm or any person associated with the Firm prior to the time information concerning the block transaction has been made publicly available.

The volatile practice noted may include transactions which are executed based upon knowledge of less than all of the terms of the block transaction, so long as there is knowledge that all of the material terms of the transaction have been or will be agreed upon imminently.

This front running policy is limited to transactions that are required to be reported on the last sale reporting systems administered by Nasdaq, Consolidated Tape Association (CTA), or Option Price Reporting Authority (OPRA). The policy also applies to security futures transactions regardless of whether the products are reported pursuant to such systems. Information as to a block transaction will be considered to be publicly available when it has been disseminated via the tape or high speed communications line of one of those systems, a similar system of a national securities exchange, an alternative trading system under Regulation ATS, or by a third-party news wire service.

RECORDINGS- "THE TAPING RULE"

References: NASD Rule 3010(b)(2) NTM 05-46, 02-61

The Firm will record the telemarketing activities of its registered persons if the Firm has at least five but fewer than ten registered persons, where 40% or more of its registered persons have been associated with one or more Disciplined Firms in a registered capacity within the last three years or the Firm has at least ten but fewer than twenty registered persons, where four or more of its registered persons have been associated with one or more Disciplined Firms in a registered capacity within the last three years or the Firm has at least twenty registered persons, where 20% or more of its registered persons have been associated with one or more Disciplined Firms in a registered capacity within the last three years.

The Firm will not include registered persons who have been registered for an aggregate total of 90 days or less with one or more Disciplined Firms within the past three years and do not have a disciplinary history.

If the Firm is notified by FINRA or otherwise has actual knowledge that it meets one of the above mentioned criteria the Firm will record the telemarketing activities of all of its registered persons. The Firm will establish and implement such recordings within 60 days of receiving notice from FINRA or obtaining actual knowledge that it is subject to the provisions of this rule.

Upon learning of these criteria for the first time the Firm may reduce its staffing levels to fall below the threshold levels within 30 days provided the Firm promptly notifies FINRA in writing of its becoming subject to the Rule. Once the Firm has reduced its staffing levels it will not rehire a person terminated to accomplish the staff reduction for a period of 180 days. Prior to reducing staffing levels, the Firm will provide FINRA with written notice, identifying the terminated persons.

The Firm's recording procedures required include tape-recording all telephone conversations between the Firm's registered persons and both existing and potential customers.

The Firm will review a sampling of the tape recordings made pursuant to these requirements to ensure compliance with applicable securities laws and regulations and applicable rules of FINRA. All tape recordings made will be retained for a period of at least three years from the date the tape was created, the first two years in an easily accessible place. The Firm will catalog the retained tapes by registered person and date.

Pursuant to the Rule 9600 Series, FINRA may exempt the Firm unconditionally or on specified terms and conditions from the requirements of these rules. If the Firm seeks an exemption it will file a written application pursuant to the Rule 9600 Series within 30 days after receiving notice or obtaining actual knowledge that it meets one of the criteria enumerated.

OFFICES

This chapter describes the types of offices defined by regulators and requirements for inspections and supervision of offices. Compliance must be notified:

Before a new branch office or other business office is opened (including all types of offices defined in this chapter)

1. When an office address changes
2. Prior to a change in the types of business conducted in an office
3. When an RR changes offices
4. Prior to an RR commencing work from a second location, such as a primary residence
5. Prior to establishing an office-sharing arrangement with an outside person or entity

Office Designations

References: FINRA Rule 3110

Responsibility	Compliance
Resources	Information regarding offices including new offices, address changes, office sharing arrangements
Frequency	As required
Action	1. Identify each office as to type to determine regulatory requirements, maintain list of offices and types 2. Establish and document supervision for non-branch locations 3. Make required regulatory filings 4. Review requests for a principal to supervise more than one OSJ considering the following: o whether the on-site principal is qualified by virtue of experience and training to supervise the activities and associated persons in each location; o whether the on-site principal has the capacity and time to supervise the activities and associated persons in each location; o whether the on-site principal is a producing registered representative; o whether the OSJ locations are in sufficiently close proximity to ensure that the on-site principal is physically present at each location on a regular and routine basis; and o the nature of activities at each location, including size and number of associated persons, scope of business activities, nature and complexity of products and services offered, volume of business done, the disciplinary history of persons assigned to such locations, and any other indicators of irregularities or misconduct.
Record	1. List of offices including types of offices 2. Regulatory filings 3. Approval for one principal to supervise more than one OSJ and document why such a supervisory structure is reasonable

Branch Office

References: FINRA Rule 3110(a)(3), 3110(a)(4) and 3110(f)(2)

A branch office is any location where one or more associated persons (*e.g.,* employees, independent contractors) regularly conduct the business of effecting any transactions in, or inducing or attempting to induce the purchase or sale of any security or any location held out as such. Branch offices are required to be registered, and if the "main office" meets the definition of "branch office" (or OSJ) it is required to be registered.

Any office that is responsible for supervising associated persons at one or more non-branch locations is considered to be a branch office.

Non-Branch Locations

References: FINRA Rule 3110(f)(2)

There are seven exceptions from the branch office registration requirement. To qualify for an exception, all conditions must be met for the office location. All non-branch offices and their associated persons are assigned to a designated branch office for supervision.

Non-sales locations: Locations established solely for customer service and/or back office functions, not to be held out to the public as a branch office, and no sales activities are conducted from the location.

Primary residences: Any location that is the associated person's primary residence. Only one associated person, or multiple associated persons who reside at the location and are members of the same immediate family, may conduct business from the location. Requirements for primary residence offices include:

1. Only one associated person, or multiple associated persons who reside at that location and are members of the same immediate family, conduct business at the location;
2. The location is not held out to the public as an office and the associated person does not meet with customers at the location;
3. Neither customer funds nor securities are handled at that location;
4. The associated person is assigned to a designated branch office, and such designated branch office is reflected on all business cards, stationery, retail communications and other communications to the public by such associated person;
5. The associated person's correspondence and communications with the public are subject to Craft Capital Management 's supervision in accordance with this Rule;
6. Electronic communications (*e.g.,* e-mail) are made through Craft Capital Management 's electronic system;
7. All orders are entered through the designated branch office or an electronic system established by the member that is reviewable at the branch office;
8. Written supervisory procedures pertaining to supervision of sales activities conducted at the residence are maintained by Craft Capital Management ; and
9. A list of the residence locations is maintained by Compliance.

Locations other than primary residences: Other locations used for securities-related activities less than 30 business days in any calendar year that meets the requirements of a primary residence office, above. This would generally include vacation or second homes and other non-primary residences. An RR operating from this type of location will be required to maintain a record of the dates when business is conducted from such a location and submit this information monthly to Compliance. When the "30-business day" exemption is exhausted, the RR is required to cease conducting business from that location or immediately submitting a request to Compliance to register the location as a branch office.

Offices of convenience: This is a location where an associated person occasionally and exclusively by appointment meets with customers, provided the location is not held out to the public as a branch office. An associated person may not establish business hours at the location or hold out the location in any way (except for signage required at bank locations). Final approval and execution of transactions must be done through the designated supervisory branch office.

Location used primarily to engage in non-securities transactions: Locations where associated persons are primarily engaged in non-securities activities (*e.g.,* insurance sales) and where the associated person effects no more than 25 securities transactions in a calendar year. Retail communications identifying the non-securities location must include the location of the supervising branch office. Compliance is responsible for monitoring the 25-transaction limit.

Floor of a registered national securities exchange: Any location on the floor of a registered national securities exchange where Craft Capital Management conducts a direct access business with public customers is exempt from the definition of "branch office."

Temporary location: Any temporary location established in response to the implementation of a business continuity plan is exempt from branch office registration.

Regardless of the above exceptions to the definition of "branch office," any location that is responsible for supervising activities of RRs at one or more non-branch locations is considered to be a branch office.

Offices Of Supervisory Jurisdiction (OSJ)

References: FINRA Rule 3110(a)(3), 3110(a)(4), 3110(f), 3110.02 and 3110.03

An office that includes any of the following activities will be designated as an Office of Supervisory Jurisdiction (OSJ) with a resident principal responsible for supervision:

1. Order execution and/or market making
2. Structuring of public offerings or private placements
3. Maintaining custody of customers' funds and/or securities
4. Final acceptance (approval) of new accounts
5. Review and approval of customer orders
6. Final approval of retail communications
7. Supervision of RRs at one or more other branch offices

In addition, the following factors will be considered on determining whether an office is an OSJ:

1. whether registered persons at the location engage in retail sales or other activities involving regular contact with public customers;
2. whether a substantial number of registered persons conduct securities activities at, or are otherwise supervised from, such location;
3. whether the location is geographically distant from another OSJ of Craft Capital Management ;
4. whether the member's registered persons are geographically dispersed; and
5. whether the securities activities at such location are diverse or complex.

Excluded from the definition of OSJ is an office that solely provides final approval of research reports.

An OSJ principal will supervise only one OSJ; exceptions must be approved by Compliance.

Branch Offices Assigned To OSJs

Each branch office that is not an OSJ will be assigned to the supervision of an OSJ. The designated supervisor is required to visit non-OSJ branch offices on a periodic basis and record the visit in a memorandum or other record to be retained by the designated supervisor for the branch location. All business transacted by non-OSJ branch offices must be processed through the supervising OSJ. The designated supervisor is responsible for supervision of the branch office's activities and maintaining files for complaints, communications, new accounts, option accounts, advertising, and transactions originating from the branch office.

A branch office may be a "supervisory branch office" that has responsibility to supervise one or more other offices or a "non-supervisory branch office" that has no supervision over other offices.

Approval Of Persons To Operate In Non-Branch Locations

Responsibility	Designated Supervisor
Resources	Requests for RRs to conduct business at non-branch locations
Frequency	As required

Action	• Review the request considering:
	  • Business to be conducted
	  • RR disciplinary or complaint history
	  • Requirements to supervise, including the need for heightened supervision
	  • RR engagement in outside activities that may conflict with Firm business
	  • Technology requirement
	  • Approve or disapprove request and notify RR's supervisor

Record	• Records of request reviews, action taken, notices to RR and supervisor

Because of the remote nature of some non-branch locations, approval is required prior to allowing an RR to operate from a non-branch location. Requests must be submitted on the form "Office Locations - Request For Approval."

Primary Residence Offices

References: FINRA Rule 3110(f)

On a case by case basis, an RR's request to conduct business from their primary residence may be considered provided that, at a minimum, the RR is currently employed by Craft Capital Management and is in good standing with both Craft Capital Management and supervising regulatory authorities. Compliance must approve any such arrangement. The form "Office Locations - Request For Approval" must be submitted to Compliance. The RR must submit a signed acknowledgment that he/she has read and understands this policy.

RRs approved for working from their primary residences may do so as long as the residence is not held out to the public as a branch office, and that they adhere to all relevant policies and procedures of Craft Capital Management . The following requirements must also be met:

1. only one Firm RR may conduct business from the location (unless otherwise approved by Compliance)
2. the RR does not meet with customers at the location
3. customer funds and securities are not handled at the location
4. the RR is assigned to a designated branch office, and such office is reflected on all business cards, stationery, advertisements, and other communications to the public
5. the RR's outgoing customer communications sent from the primary residence are pre-approved by his/her designated supervisor
6. all electronic business communications (*i.e.,* e-mails, faxes) are transmitted through Firm systems
7. all customer orders are entered through the designated branch office or, if approved, via a Firm-approved system
8. all required branch records are maintained at the designated branch office location

Other requirements:

1. the RR may not use his/her personal e-mail accounts (*i.e.,* yahoo, gmail, *etc.*) to communicate with existing or potential clients; only Firm electronic systems may be used for customer communications
2. all Firm system installations must be supervised by the Information Officer or IT department and in accordance with all Firm policies

Supervision Of Non-Branch Locations

Each non-registered location will be assigned for supervision to a designated supervisor in a registered branch office. Compliance will determine the scope of supervision and notify the designated supervisor considering factors including the number of RRs, types of business conducted, volume of business, qualification and history of on-site personnel (*e.g.,* whether there is a registered supervisor at the location, whether RRs have disciplinary or complaint histories), and the nature and extent of RRs' outside business activities.

The designated supervisor will conduct ongoing reviews and retain records of the reviews at the designated branch location, which is subject to inspection, including records of non-branch office supervision.

Supervision Of Producing Managers

References: FINRA Rule 3110(b)(6)(c) and 3110.10

The customer account activities of managers and other supervisors are subject to supervision. Procedures are included in the chapter *SUPERVISORY SYSTEM, PROCEDURES, AND CONTROLS* in the section *Supervision Of Producing Managers' Customer Account Activity*.

Office Records

References: SEC Securities Exchange Act of 1934 Rule 17a-3 and Rule 17a-4

Each office is required to maintain or have access to certain records relating to the business conducted in the office. "Office," for records purposes, means any location where an associated person conducts business (not including a home office or the office of a customer that a RR visits regularly). "Conducting business" includes handling funds or securities or soliciting/accepting orders. Each office is required to designate someone who can explain the office records to regulators.

There are two aspects to records requirements: *retention* and *access*. Documents (paper or electronic) regarding Craft Capital Management 's business ("books and records") must be retained for periods of time specified by regulators. Where Craft Capital Management 's required books and records (such as order tickets, communications, *etc.*) are not retained at the office that created the records, there is a requirement that the records must be produced within a reasonable period of time upon request from a regulator that visits the office.

This section describes both types of requirements. All questions regarding books and records should be referred to Compliance.

Retention Of Records At The Office

Offices are required to retain the following records:

1. Order records (3 years, 2 recent years in an accessible location)
2. New account records (6 years after account closing, in an accessible location)
3. Communications, incoming and outgoing (3 years, 2 recent years in an accessible location)
4. Advertising (3 years, 2 recent years in an accessible location)
5. Operations records including records of receipt/delivery of securities or funds (3 years, 2 recent years in an accessible location)
6. Complaints (3 years, 2 recent years in an accessible location)

Forwarding Records To Home Office

The following records must be forwarded to home office for retention:

1. Order records
2. New account records
3. Operations records including records of receipt/delivery of securities or funds
4. Copies of complaints

Access To Records

For records that are not maintained at the office location, the following records for the most recent two-year period will be produced at the office location promptly upon request of a regulator. Regulators' requests should immediately be referred to Compliance for response. "Promptly" is generally understood to mean within 24 hours of the request.

1. Order records (daily trade blotters, order tickets/memoranda, including for the firm account)
2. Receipts/deliveries of securities, receipts/disbursements of cash, all other debits/credits
3. Employee records (U4, employment application, compensation agreements, CRD numbers, internal identifying numbers, offices where RR conducts business)
4. Customer account records
5. Complaints
6. Transactions, by RR, including compensation earned, commission schedules, method by which compensation is determined
7. Communications with the public: originals of communications received, copies of communications sent; approval of outgoing communications including correspondence, retail communications, and (if applicable) institutional communications
8. Record naming the person in the office who can explain records
9. Record listing the person responsible for policies and procedures
10. Compliance and supervisory manuals, including updates and revisions, until three years after termination of use of the manual

Regulatory Requests For Records

If a regulator (SEC, SRO, state regulator, or other) requests office records (in person or by another means), Compliance should be contacted immediately. Craft Capital Management is obligated to provide prompt response to regulators' requests for information, therefore it is important the record retrieval process begin immediately or as soon as possible after receipt of the request.

Changes In Branch Offices

References: FINRA By-Laws, Article IV Section 8

Compliance is responsible for filing the uniform branch office registration form (Form BR) with the CRD to reflect changes to existing offices or to register new offices. Compliance retains records of branch registration filings. In addition, Compliance will verify state requirements before an office is opened and will file any necessary application or documents with state authorities which may include the secretary of state, taxing authorities, and/or broker-dealer licensing authorities.

Closing Offices

When an office is closed (and not just moved to another location), the designated supervisor is responsible for the following:

1. Obtain all access cards or keys from branch personnel and change locks until the office is completely closed.
2. Secure computers and other office equipment and arrange for removal and preservation of data.
3. Secure branch files and transfer to Compliance or another department for record preservation.
4. Secure and transfer operations records to appropriate operations area.
5. Notify customers affected by the closing.
6. Finalize real estate issues such as leases.
7. Maintain a record of the above closing procedures for the branch and notice to customers.

When an office is relocated, the supervisor must secure all property and records and oversee transfer to the new location. Keys/access cards for the closed office will be collected from employees and new keys/access cards issued for the new office location.

Use Of Office Space By Others

Form BR

Responsibility	• Compliance
Resources	• Requests for office-sharing arrangements involving outsiders
Frequency	• As required
Action	1. Review the potential arrangement to determine that it will be clear to the public which entity they are dealing with, considering the following: o Amount of customer traffic in the office o Physical separation o Clearance with the fidelity insurance carrier o Posting the name of each entity on the door to their working place o The entities' names are not listed under the same telephone number o Craft Capital Management 's phone number is not used on the letterhead, business cards, or on any advertising of the outside entity o Employees of each organization will wear a badge identifying their employer o Any other considerations 2. When space-sharing involves the dual employment of Craft Capital Management personnel, include policies and procedures that clearly identify the duties/functions to be performed for Craft Capital Management and the supervisory reporting lines 3. File an amendment to Form BR for approved arrangements
Record	1. Record of review and considerations that allow or disallow the arrangement 2. Approval/disapproval of the arrangement 3. If dual employment is involved, policies and procedures to address duties and supervisory structure 4. Form BRs filed

Persons not affiliated with Craft Capital Management are generally not permitted to conduct business or maintain offices on Craft Capital Management premises. Office-sharing arrangements require the prior approval of Compliance.

Office Inspections

References: FINRA Rule 3110(c)(1), 3110(c)(2), 3110(c)(3), 3110.13 and 3110.14

Responsibility	• Compliance
Resources	• Various reports/information regarding office activities
Frequency	1. Annual: inspect OSJs and any branch office supervising one or more non-branch locations 2. Annual: conduct risk-based review to determine inspection cycle of other offices (no less than every 3 years for branch offices) 3. Annual: prepare inspection schedule 4. Annual: assign responsibility for conducting inspections 5. Per inspection schedule: conduct inspections
Action	1. Conduct risk-based review to determine inspection cycle for non-supervisory offices 2. Prepare schedule including an explanation of the factors used in determining inspection cycles for non-supervisory offices 3. Assign inspection responsibility considering any potential conflicts of interest including economic, commercial, or financial interests in the associated persons or business being inspected and ensuring the person assigned is not assigned to the business unit and is not directly or indirectly supervised by, or otherwise reporting to, an associated person assigned to the unit or location. Where compliance is not possible due to Craft Capital Management 's size or business model (only one office; business model where small or single-person offices report directly to an OSJ-manager who is also considered the office's branch office manager), document in the report both the factors used to make this determination and how the inspection otherwise complies with the requirements of Rule 3110(c)(1) 4. Conduct inspections 5. Prepare draft and final reports and provide final report to office supervisor and senior management 6. Obtain response from office supervisor and follow up regarding corrective action (no later than next inspection) 7. For an office with significant risk profile changes or regulatory/complaint issues, review the need for an immediate "for cause" inspection or acceleration of the inspection cycle 8. Maintain inspection program (and revise, as needed)
Record	1. The inspection program, schedule of inspections, reports, review of those conducting inspections, reports 2. Determinations of whether a branch's inspection cycle should be accelerated or a "for cause" inspection should be conducted

All OSJs, branch offices, and non-branch offices are inspected in accordance with FINRA Rule 3110(c). "Non-supervisory office" in this section refers to branch offices that do not supervise other offices and non-branch offices.

Risk-Based Inspection Cycle

Craft Capital Management will inspect non-supervisory offices based on a risk-based inspection cycle. The frequency of inspections will be determined as follows.

1. Branches will be evaluated using the Branch Office Inspection Risk-Based Evaluation form to determine whether any factors require the branch to be inspected annually.
2. Consistent with FINRA rules, any office designated as an Office of Supervisory Jurisdiction will be inspected annually.
3. Any branches with YES answers on the Risk-Based Evaluation form will be inspected at least annually.
4. For those branches that qualify for inspection less frequently than annually, the Review Of Branch Office Risk Factors/Inspection Cycle form will be completed to consider various risk factors and to determine how frequently the branch will be inspected. (The minimum inspection cycle is every three years.)
5. Some offices will be inspected on an unannounced basis.

"For Cause" Inspections

At any time, a branch office may be identified for an immediate "for cause" inspection, as determined by Compliance. A "for cause" inspection may be initiated considering serious regulatory or disciplinary actions against branch personnel; serious or a pattern of complaints; thefts; fraud; suspected money laundering activities; or other malfeasance by branch personnel.

Change Of Risk Profile For Offices Inspected Less Frequently Than Annually

Compliance will consider whether a significant change to an office's risk profile triggers a review of the inspection schedule for that branch. Events that may trigger this review include:

1. A branch RR comes under SRO/state/Firm heightened supervision requirements.
2. A branch that previously did not supervise other offices now supervises another office (requiring annual inspection).
3. A branch or branch employee becomes the subject of a pattern of complaints.
4. A branch's level of errors or changes in accounts on orders becomes high compared to other branches.
5. Branch personnel become the subject of regulatory action.
6. The branch is assigned a new branch manager.
7. An existing or newly-hired RR becomes or is subject to a statutory disqualification.

Conducting Inspections

References: FINRA Rule 3110(c)(3)(B) and 3110.14

Inspections must be conducted by someone independent of supervisors of the office being inspected. Inspections may not be conducted by anyone who:

1. supervises the office being inspected (branch manager, *etc.*);
2. is another supervisor in that office; or
3. is directly or indirectly supervised by either of the prior-listed supervisors or someone who directly supervises those office supervisors.

Inspections generally include the following:

1. Assignment of inspection responsibilities to a qualified person
2. Pre-inspection document/information review including review of prior report(s) for the office
3. Scheduling a visit on either an announced or unannounced basis
4. For branch offices, scheduling reviews at the supervising office to examine records of supervision
5. During a physical inspection, reviewing records and interviewing personnel in accordance with the inspection program
6. Preparing a draft report of findings
7. Submitting the draft to the appropriate supervisor for comment and response
8. Preparing a final report incorporating the supervisor's responses
9. Submission of the final report to management

Compliance, at its discretion, initiates unscheduled inspections (when potential significant problems are identified, a change in office management warrants a special review, at the request of senior management, *etc.*).

Reports

References: FINRA Rule 3110(c)(2)

Written reports of inspections will include:

1. the name of the person who conducted the inspection and prepared the report
2. the date(s) of the inspection
3. areas reviewed which will include, at minimum (depending on types of business conducted in the office)
    - safeguarding customer funds and securities;
    - maintaining books and records;
    - supervision of supervisory personnel;
    - transmittals of funds (*e.g.,* wires or checks, *etc.*) or securities from customers to third party accounts; from customer accounts to outside entities (*e.g.,* banks, investment companies, *etc.*); from customer accounts to locations other than a customer's primary residence (*e.g.,* post office box, "in care of" accounts, alternate address, *etc.*); and between customers and registered representatives, including the hand-delivery of checks; and
    - changes of customer account information, including address and investment objectives changes and validation of such changes.
4. for any of the above areas not included in the report, an explanation of why they were not included (*i.e.,* the office does not accept funds or securities, the office does not have a producing manager, *etc.*) and a statement that the office may not engage in these activities until policies and procedures for these activities are in place at that location
5. observations and exceptions regarding compliance with policies and procedures
6. the office supervisor's response regarding exceptions and corrective action

Final reports will be distributed to senior management and the audit committee, if a committee has been appointed.

Display Of Certificates

References: SIPC By-Laws, Article 10 Section 3

Branch offices are required to display certificates on their premises, including:

- SIPC symbol

Availability Of Rules

Each office that deals with public customers will maintain copies of rules for regulators where Craft Capital Management is a member. Where Internet access is available, this requirement is satisfied by providing access to the rules published on the regulators' web sites.

ACTIVITIES ON THE PREMISES OF A FINANCIAL INSTITUTION

References: FINRA Rule 3160 NTM 94-47, 95-49, 97-26, 97-89

If the Firm is a party to a networking arrangement under which the Firm conducts broker-dealer services on or off the premises of a financial institution, the Firm is subject to the following requirements:

1. The Firm will be clearly identified as the one providing broker-dealer services and will distinguish its broker-dealer services from the services of the financial institution;
2. The Firm will conduct its broker-dealer services in an area that displays clearly the Firm's name; and
3. to the extent practicable, the Firm will maintain its broker-dealer services in a location physically separate from the routine retail deposit-taking activities of the financial institution.

NETWORKING AGREEMENTS

Networking arrangements between the Firm and a financial institution will be governed by a written agreement that sets forth the responsibilities of the parties and the compensation arrangements and include all broker-dealer obligations set forth in Rule 701 of SEC Regulation R. Independent of their contractual obligations, the Firm will comply with all broker-dealer obligations under Rule 701 of SEC Regulation R.

The Firm will ensure that the written agreement stipulates that supervisory personnel of the Firm and representatives of the SEC and FINRA will be permitted access to the financial institution's premises in order to inspect the books and records and other relevant information maintained by the Firm with respect to its broker- dealer services

CUSTOMER DISCLOSURE

Prior to the time that a customer account is opened by the Firm that is a party to a networking arrangement, the Firm will disclose in writing to each customer that the broker-dealer services are being provided by the Firm and not by the financial institution, and that the securities products purchased or sold in a transaction are not insured by the Federal Deposit Insurance Corporation ("FDIC"), not deposits or other obligations of the financial institution and are not guaranteed by the financial institution and subject to investment risks, including possible loss of the principal invested.

The disclosures required also will be made orally by the Firm that is a party to a networking arrangement for any customer account opened on the premises of a financial institution.

COMMUNICATIONS WITH THE PUBLIC

All confirmations and account statements will indicate clearly that the broker-dealer services are being provided by the Firm.

Advertisements and sales literature, including material published, or designed for use, in radio or television broadcasts, Automated Teller Machine ("ATM") screens, billboards, signs, posters and brochures, that announce the location of a financial institution where broker-dealer services are provided by the Firm or promote the name or services of the financial institution or that are distributed by the Firm on the premises of a financial institution or at such other location where the financial institution is present or represented will include the disclosures required by these rules. The following legend may be used to provide these disclosures in advertisements and sales literature, provided that the disclosures are displayed in a conspicuous manner indicating 'Not FDIC Insured', 'No Bank Guarantee' and 'May Lose Value'.

As long as the omission of the disclosures required would not cause the advertisement or sales literature to be misleading the disclosures are not required with respect to messages contained in radio broadcasts of 30 seconds or less, electronic signs, including billboard-type signs that are electronic, time and temperature signs and ticker tape signs, but excluding messages contained in media such as television, online services or ATMs and signs, such as banners and posters, when used only as location indicators.

NOTIFICATIONS OF TERMINATIONS

The Firm will promptly notify the financial institution if any associated person of the Firm who is employed by the financial institution is terminated for cause by the Firm.

LIMITED SIZE AND RESOURCE EXCEPTION EXEMPTION FROM INSPECTION AND HEIGHTENED OFFICE INSPECTIONS OF BRANCH AND NON-BRANCH LOCATIONS

References: FINRA Rule 3110(b)(6)(C)(ii)

An office inspection by the Firm will not be conducted by the branch office manager or any person within that office who has supervisory responsibilities or by any individual who is directly or indirectly supervised by such persons. However, if the Firm is so limited in size and resources that it cannot comply with this limitation, the Firm may have a principal who has the requisite knowledge to conduct an office inspection perform the inspections. The Firm will document in the office inspection reports the factors it relied upon in determining that it is so limited in size and resources that it has no other alternative than to comply in this manner.

The establishment, maintenance, and enforcement of written supervisory control policies and procedures will include procedures that are reasonably designed to review and supervise the customer account activity conducted by the Firm's branch office managers, sales managers, regional or district sales managers, or any person performing a similar supervisory function.

As noted, if the Firm is so limited in size and resources that there is no qualified person senior to, or otherwise independent of, the producing manager to conduct the reviews the reviews may be conducted by a principal who is sufficiently knowledgeable of the Firm's supervisory control procedures, provided that the reviews are in compliance with the independence requirements to the extent practicable.

INSIDER TRADING

PERIODIC REVIEW OF EMPLOYEE AND FIRM TRADING

References: FINRA Rule 2010, NASD Rule 3010, IM-2110-4 SEC Rule 10b-5 NTM 89-05

A sampling of all transactions will be reviewed by the Compliance Officer in order to detect and investigate any suspect trades. Any suspect trades will be promptly investigated.

REQUIRE EMPLOYEE TO SIGN ATTESTATION

References: NTM 91-45

The Firm requires each employee, at least once during the course of employment (e.g., upon hiring for new employees or upon initiation of this requirement for existing employees), to sign an attestation of his or her knowledge and understanding of Chinese Wall policies and procedures. Such attestation will be retained in the Firm's files. Employees in sensitive departments such as investment banking will be required to sign an attestation annually. Moreover, the Firm requires an update to employees as to new or revised requirements, and to continue their education and compliance in this area. Policy or education memos may be used for this purpose in conjunction with the "annual compliance review" for registered employees.

INSIDER TRADING DEFINITIONS AND RELEVANT TERMS

References: NTM 91-45, 91-27 IM 2110-4

It will be unlawful for any person, directly or indirectly, by the use of any means, to employ any device, scheme, or artifice to defraud, to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, or to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person, in connection with the purchase or sale of any security.

CHINESE WALL PROCEDURES

References: FINRA Rule 2010, NASD Rule 3010 SEC Rule 10b-5 NTM 89-05

The Firm will maintain a separation which is reasonably designed to limit or contain the necessary flow of material, non-public information to employees who have a "need to know." They include policy statements, the physical separation of the trading and sales departments from departments which regularly receive confidential information, other restrictions to access, such as separate record-keeping and support systems for sensitive departments and supervision of inter-departmental communications involving material, non-public information.

These restrictions are designed primarily to isolate the Firm's investment banking department from other departments. Occasions arise when the investment banking department requires information from the research or sales departments. Such occasions necessitate procedures that allow an investment banking employee to obtain the needed information without disclosing the purpose of the request and tipping the research or sales department. The scope and form of an information request itself may, in certain circumstances, tip the employee. In these instances, it may be necessary to bring a research or sales employee "over the wall" before making a request. Prompt notification will be made to the Compliance Officer of any "wall crossing."

An employee who is brought over the wall is treated as a temporary member of the investment banking department possessing material, non-public information for Chinese Wall surveillance purposes.

In instances where employees are brought over the wall, the Firm will document and maintain written records of the name of the employee brought over the wall, the employee's department, the date, the name of the issuers involved and the name of the person requesting that the wall be crossed.

The firm will not record the reasons for bringing a particular employee over the wall if it is apparent from the employee's department affiliation.

The firm's method for determining whether proprietary trading should be restricted or prohibited once a department of the Firm comes into possession of material, non-public information will not be addressed.

A restricted list is a current list of securities in which proprietary, employee and certain solicited customer transactions are restricted or prohibited. A watch list is a current list of securities that generally do not carry trading restrictions, but whose trading is subject to close scrutiny by the Firm's compliance and legal department. Although the dissemination of a watch list generally is limited, a restricted list is usually distributed periodically throughout the broker-dealer to make employees aware of those securities that the Firm is restricted or prohibited from recommending and/or trading.

The documentation for the use of restricted and watch lists is as follows:

1. Written standards or criteria based upon reasonableness for placing a security on and deleting a security from such lists will be established.
2. Restricted list documentation will include the date and time the security was added to and deleted from the list. It will also include the name of each contact person who was responsible for the addition or deletion and can answer specific questions concerning the timing and circumstances of the addition or deletion.
3. Watch list records will include the date the security was added to and deleted from the list. They will also include the name of each contact person who was responsible for the addition or deletion and can answer specific questions concerning the timing and circumstances of the addition or deletion.
4. The Firm's rationale for additions to and deletions from the watch and restricted lists will not be recorded as long as the name of the contact person is recorded. This person should know the rationale if questioned by FINRA.

The Firm monitors employee trading outside the Firm for transactions in a watch list or restricted list security. If an employee maintains a securities account with another broker-dealer, it will require the employee to have duplicate confirmations and account statements sent to it as the employing member with supervisory responsibility.

The Firm will require specificity concerning the time period covered and frequency of any review of proprietary and employee trading and the department or person responsible for the review. The reviewer will initial or sign a record or form reflecting the completion of the review.

Documentation is a required element in evidencing routine reviews of employee and proprietary trading. The Firm will also establish a manual or automated exception report, or procedure, to at least record the pertinent details of any transaction by an employee or proprietary account in a restricted list or watch list security. Additionally, the Firm will maintain a sample of any exception report and will be able to provide to FINRA examiners data concerning proprietary or employee transactions in restricted list or watch list securities. Both lists will be maintained in accordance with SEC record-keeping requirements.

The Firm will reasonably inquire into or investigate for possible misuse of material, non-public information transactions by any employee or the Firm's proprietary accounts, particularly those transactions in restricted list or watch list securities. The need for or extent of such an inquiry or investigation of an employee transaction will be determined by reasonable criteria, including consideration of the timing or unusual nature of the transaction, such as whether the employee traded on a short-term basis or in a size or dollar amount larger than his normal trading pattern. However, a failure to investigate merely because the employee worked in a "non-sensitive" department may be insufficient.

Any investigations initiated will be documented. At a minimum, an investigation record will include the name of the security, the date the investigation commenced, an identification of the accounts involved and a summary of the investigation disposition.

The underlying investigative records, including any analyses, inter-office memoranda and employee statements, will also be made available to FINRA staff upon request.

Although the maintenance of a so-called "rumor" list is not a required element for an adequate Chinese Wall, the Firm employs such lists as part of the Chinese Wall monitoring systems.

SECTION 4. SALES PRACTICES

Designated Principal: President or designated principal where applicable.

How Conducted: Review all sales practices including communications, suitability and disclosure requirements to insure they are proper and issue approval after such review. Comply with all FINRA time guidelines and regulations.

Frequency of Review: As needed.

How Documented: Maintain a file where all approvals and necessary documentation are kept.

COMMUNICATIONS WITH THE PUBLIC

ADVERTISING AND SALES LITERATURE

References: NASD Rule 2210, IM-2210-1 NTM 93-73, 93-85, 95-74, 96-50, 98-3, 98-107, 00-15, 00-21, 02-39 MSRB Rule G-21 SEC Rule 17a-3(a) (20) IM-2210-1 Guidelines to Ensure That Communications with the Public Are Not Misleading

The Firm is responsible for determining whether any communication with the public, including material that has been filed with FINRA, complies with all applicable standards, including the requirement that the communication not be misleading. In order to meet this responsibility, Firm communications with the public will conform with the following guidelines.

1. The Firm will ensure that statements are not misleading within the context in which they are made. Firm communications will be consistent with the risks of fluctuating prices and the uncertainty of dividends, rates of return and yield inherent to investments.
2. The Firm will consider the nature of the audience to which the communication will be directed. The Firm will keep in mind that it is not always possible to restrict the audience that may have access to a particular communication with the public. Additional information or a different presentation of information may be required depending upon the medium used for a particular communication and the possibility that the communication will reach a larger or different audience than the one initially targeted.
3. Firm communications will beclear.
4. In communications with the public, income or investment returns will not be characterized as tax-free or exempt from income tax when tax liability is merely postponed or deferred, such as when taxes are payable uponredemption.
5. In advertisements and sales literature, references to tax-free or tax-exempt income will indicate which income taxes apply, or which do not, unless income is free from all applicable taxes.
6. ConcerningRecommendations:
    a. In making a recommendation in advertisements and sales literature, whether or not labeled as such, the Firm will have a reasonable basis for the recommendation and will disclose that at the time the advertisement or sales literature was published, the Firm was making a market in the securities being recommended, or in the underlying security if the recommended security is an option or security future, or that the Firm or associated persons will sell to or buy from customers on a principal basis, that the Firm and/or its officers or partners have a financial interest in any of the securities of the issuer whose securities are recommended, and the nature of the financial interest, unless the extent of the financial interest is nominal and that the Firm was manager or co-manager of a public offering of any securities of the recommended issuer within the past 12 months.
    b. The Firm will also provide, or offer to furnish upon request, available investment information supporting the recommendation. Recommendations on behalf of corporate equities must provide the price at the time the recommendation is made.
    c. The Firm may use material referring to past recommendations if it sets forth all recommendations as to the same type, kind, grade or classification of securities made by a Firm within the last year. Longer periods of years may be covered if they are consecutive and include the most recent year.

Such material will also name each security recommended and give the date and nature of each recommendation, the price at the time of the recommendation, the price at which or the price range within which the recommendation was to be acted upon, and indicate the general market conditions during the period covered.

Also permitted is material that does not make any specific recommendation but which offers to furnish a list of all recommendations made by the Firm within the past year or over longer periods of consecutive years, including the most recent year, if this list contains all the information noted above. Neither the list of recommendations, nor material offering such list, will imply comparable future performance. Reference to the results of a previous specific recommendation, including a reference in a follow-up research report or market letter, is prohibited if the intent or the effect is to show the success of a past recommendation, unless all of the foregoing requirements with respect to past recommendations are met.

A registered principal of the Firm must approve by signature or initial and date each advertisement, item of sales literature and independently prepared reprint before its use or filing with FINRA's Advertising Regulation Department whichever is earlier.

With respect to debt and equity securities that are the subject of research reports the above requirements may be met by the signature or initial of a supervisory analyst.

A registered principal qualified to supervise security futures activities must approve by signature or initial and date each advertisement or item of sales literature concerning security futures.

These requirements will not apply with regard to any advertisement, item of sales literature, or independently prepared reprint if, at the time the Firm intends to publish or distribute it, another firm has filed it with the Department and has received a letter from the Department stating that it appears to be consistent with applicable standards and the firm using it in reliance upon that approval has not materially altered it and will not use it in a manner that is inconsistent with the conditions of the Department's letter.

RECORD-KEEPING

The Firm will maintain all advertisements, sales literature, and independently prepared reprints in a separate file for a period beginning on the date of first use and ending three years from the date of last use. The file will include a copy of the advertisement and the dates of first and last use of such material, the name of the registered principal who approved it and the date that approval was given, unless such approval is not required and if principal approval is not required, the name of the member that filed the advertisement with the Department and a copy of the corresponding review letter from the Department.

The Firm will maintain a file with information concerning the source of any statistical table, chart, graph or other illustration used by the Firm in communications with the public.

FILING REQUIREMENTS AND REVIEW PROCEDURES

The Firm will provide with each filing the actual or anticipated date of first use, the name and title of the registered principal who approved the advertisement or sales literature, and the date that the approval was given.

REQUIREMENT TO FILE CERTAIN MATERIAL

Within 10 business days of first use or publication, the Firm will file the following communications with the Department:

- Advertisements and sales literature concerning registered investment companies. The filing of any advertisement or sales literature that includes or incorporates a performance ranking or performance comparison of the investment company with other investment companies must include a copy of the ranking or comparison used in the advertisement or salesliterature.
- Advertisements and sales literature concerning public direct participation programs.
- Advertisements concerning government securities.
- any template for written reports produced by, or advertisements and sales literature concerning, an investment analysistool.

SALES LITERATURE CONTAINING BOND FUND VOLATILITY RATINGS

Sales literature concerning bond mutual funds that include or incorporate bond mutual fund volatility ratings will be filed with the Department for review at least 10 business days prior to use for approval and, if changed by

FINRA, will be withheld from publication or circulation until any changes specified by FINRA have been made or, if expressly disapproved, until the sales literature has been re-filed and has received FINRA approval. The Firm will not be required to file advertising and sales literature which have been previously been filed and which are used without change. The Firm will provide with each filing the actual or anticipated date of first use. Any filing of sales literature will include any supplemental information requested by the Department pertaining to the rating that is possessed by the Firm.

REQUIREMENT TO FILE CERTAIN MATERIAL PRIOR TO USE

At least 10 business days prior to first use or publication, the Firm will file the following communications with the Department and withhold them from publication or circulation until any changes specified by the Department have been made:

- Advertisements and sales literature concerning registered investment companies that include or incorporate performance rankings or performance comparisons of the investment company with other investment companies when the ranking or comparison category is not generally published or is the creation, either directly or indirectly, of the investment company, its underwriter or an affiliate. Such filings will include a copy of the data on which the ranking or comparison is based.
- Advertisements concerning collateralized mortgage obligations.
- Advertisements concerning security futures.

REQUIREMENT FOR CERTAIN MEMBERS TO FILE MATERIAL PRIOR TO USE

If the Firm has not previously filed advertisements with the Department, it will file its initial advertisement with the Department at least 10 business days prior to use and will continue to file its advertisements at least 10 business days prior to use for a period of one year.

FILING OF TELEVISION OR VIDEO ADVERTISEMENTS

If the Firm has filed a draft version or "story board" of a television or video advertisement pursuant to a filing requirement, then the Firm will also file the final filmed version within 10 business days of first use or broadcast.

SPOT-CHECK PROCEDURES

In addition, the Firm's written and electronic communications with the public may be subject to a spot- check procedure. Upon written request from the Department, the Firm will submit the material requested in a spot-check procedure within the time frame specified by the Department.

EXCLUSIONS FROM FILING REQUIREMENTS

The following types of material are excluded from the filing requirements and the spot-check procedures:

- Advertisements and sales literature that previously have been filed and that are to be used without material change.
- Advertisements and sales literature solely related to recruitment or changes in the Firm's name, personnel, electronic or postal address, ownership, offices, business structure, officers or partners, telephone or teletype numbers, or concerning a merger with, or acquisition by, another firm.
- Advertisements and sales literature that do no more than identify a national securities exchange symbol of the Firm or identify a security for which the Firm is a registered market maker.
- Advertisements and sales literature that do no more than identify the Firm or offer a specific security at a stated price.
- Prospectuses, preliminary prospectuses, fund profiles, offering circulars and similar documents that have been filed with the SEC or any state, or that is exempt from such registration.
- Advertisements prepared in accordance with Section 2(10)(b) of the Securities Act and announcements as a matter of record that the Firm has participated in a private placement, unless the advertisements are related to direct participation programs or securities issued by registered investment companies.
- Press releases that are made available only to members of the media.
- Independently prepared reprints.
- Correspondence.
- Institutional sales material.

CONTENT STANDARDS

All Firm communications with the public will be based on principles of fair dealing and good faith, will be fair and balanced, and will provide a sound basis for evaluating the facts in regard to any particular security or type of

security, industry, or service. The Firm will not omit any material fact or qualification if the omission, in the light of the context of the material presented, would cause the communications to be misleading.

The Firm will not make any false, exaggerated, unwarranted or misleading statement or claim in any communication with the public. The Firm will not publish, circulate or distribute any public communication that the Firm knows or has reason to know contains any untrue statement of a material fact or is otherwise false or misleading.

Information may be placed in a legend or footnote only in the event that such placement would not inhibit an investor's understanding of the communication.

Communications with the public may not predict or project performance, imply that past performance will recur or make any exaggerated or unwarranted claim, opinion or forecast. A hypothetical illustration of mathematical principles is permitted, provided that it does not predict or project the performance of an investment or investment strategy.

If any testimonial in a communication with the public concerns a technical aspect of investing, the person making the testimonial must have the knowledge and experience to form a valid opinion.

STANDARDS APPLICABLE TO ADVERTISEMENTS AND SALES LITERATURE

Advertisements or sales literature providing any testimonial concerning the investment advice or investment performance of the Firm or its products must prominently disclose the fact that the testimonial may not be representative of the experience of other clients, the fact that the testimonial is no guarantee of future performance or success and if more than a nominal sum is paid, the fact that it is a paid testimonial.

Any comparison in advertisements or sales literature between investments or services must disclose all material differences between them, including investment objectives, costs and expenses, liquidity, safety, guarantees or insurance, fluctuation of principal or return, and tax features.

All advertisements and sales literature must prominently disclose the name of the Firm and may also include a fictional name by which the Firm is commonly recognized or which is required by any state or jurisdiction, reflect any relationship between the Firm and any non-member or individual who is also named and if it includes other names, reflect which products or services are being offered by the Firm.

DISCLOSURE OF FEES, EXPENSES AND STANDARDIZED PERFORMANCE

Communications with the public, other than institutional sales material and public appearances, that present non-money market fund open-end management investment company performance data must disclose the standardized performance information mandated by Rule 482 and Rule 34b-1and to the extent applicable the maximum sales charge imposed on purchases or the maximum deferred sales charge, as stated in the investment company's prospectus current as of the date of submission of an advertisement for publication, or as of the date of distribution of other communications with the public and the total annual fund operating expense ratio, gross of any fee waivers or expense reimbursements, as stated in the fee table of the investment company's prospectus described.

All of the information required must be set forth prominently, and in any print advertisement, in a prominent text box that contains only the required information and, if the Firm chooses, comparative performance and fee data and disclosures required by Rule 482 and Rule 34b-1.

COLD CALLING AND SCRIPTS

References: FINRA Rule 2210,3230NASD Rule 2210, 3010(B) (2), 3110(g) NTM 95- 54, 96-44, 97-1, 03-38, 04-15

If the Firm permits, cold calling by its registered personnel may be done in accordance with the following guidelines.

FINRA has issued Rule 2210 of the Code of Conduct, based on the FTC “cold calling” rules. The Rule reiterates FINRA’s position that it is contrary to high standards of commercial honor and just and equitable principles of trade for members and their associated persons to engage in communications with customers that constitute threats, intimidation, the use of profane or obscene language or calling the person repeatedly on the telephone to annoy, abuse or harass the called party, or:

1) Make outbound telephone calls to the residence of any person for the purpose of soliciting the purchase of securities or related services at any time other than between 8 a.m. and 9p.m. local time at the called person's location, without the consent of the person; or
2) Make an outbound telephone call to any person for the purpose of soliciting the purchase of securities or related services without disclosing promptly and in a clear and conspicuous manner to the called person the identity of the caller and the member firm, the telephone number or address at which the caller may be contacted and that the purpose of the call is to solicit the purchase of securities or related services.

The Rule provides an exception for calls by a Representative to the following for the purpose of maintaining and servicing the accounts of an existing customer of the Firm under the control the Representative:

1) An existing customer who has effected securities transactions or made a deposit of securities or funds within the last 12 months into an account that was assigned to or under control of the associated person;
2) An existing customer who has effected securities transactions or made a deposit of securities or funds into an account that, at the time of the transaction or deposit, was under the control the associated person, provided that the account earned interest or dividend income during the preceding twelve months; or
3) A broker or dealer.

The Firm and its registered representatives endeavor to only contact prospective customers through a listed business telephone number. When leads are purchased from a provider the leads requested are for business telephone numbers obtained by the providers from such sources such as Info USA and Dunn and Bradstreet for example.

When cold calling, Registered Representatives must include the identity of the person making the solicitation, the name of the person or entity on whose behalf the call is being made and the phone number and address from which the call is being placed. In addition, the Registered Representative and the Company must maintain a "Do Not Call" list. This list consists of persons and their telephone numbers who do not wish to receive telephone solicitations. All personnel engaged in telephone solicitation must be trained concerning the "Cold Calling" rules and the existence and maintenance of the "Do Not Call" list. The penalties for violating these rules include treble damages and FCC action against the violator.

Registered Representatives who engage in "cold calling" should be prepared to discuss their disciplinary history. FINRA public disclosure program now makes available to anyone who calls the FINRA "hotline" (800-289-9999) the full history of any judgments, federal or state securities actions, convictions and arbitrations available to any person who calls. In the light of this fact, it is appropriate for a Registered Representative to be open with any potential customer about his or her disciplinary history.

The Registered Representative understands Conduct Rule 2010 which prohibits Representatives from engaging in communications which constitute threats, intimidation or the use of profane or obscene language or calling a person repeatedly on the telephone to annoy, abuse or harass the called party.

FINRA has expressed its concern about "boiler room" operations with unregistered persons engaging in pre-scripted "hard sell" cold-calling programs. FINRA has emphasized that unregistered persons must never contact anyone concerning the purchase of securities or related services or for the purpose of identifying prospective customers.

The Firm absolutely prohibits the use of unregistered cold-callers, whether full or part time personnel or independent "third party" contractors or services, without proper registration of the persons doing the contacting and without prior review and approval by the Compliance Department. Unregistered persons are prohibited from discussing general or specific investment products or services offered by the Firm, pre-qualifying customers as to financial status or investment history or objectives, or soliciting new accounts or orders.

In general, the Compliance Department will not approve any calling by unregistered persons, with the narrow exception of contacts with existing customers to offer invitations to Firm-sponsored events or inquiries as to whether the customer wishes to discuss investments with a Registered Representative or to receive investment literature.

The foregoing restrictions do not extend to customer contacts of a routine and administrative nature, such as verifying mailing addresses and acknowledging receipt of communications.

The Firm expects that all unregistered personnel engaged in the foregoing approved activities will be provided with appropriate orientation to familiarize themselves with Firm policies in this respect, including the limitations of such person's activities, the regulatory consequences of exceeding such limitations and the fact that such persons are associated persons of the Firm and subject to the FINRA and its disciplinary procedures.

SALES SCRIPTS

The use of sales scripts is prohibited unless a sales script has been pre-approved prior to use by a Firm principal.

COLD CALLING RULES - "DO NOT CALL" LIST AND AUTHORIZATIONS

Pursuant to Rule 3230 of the FINRA Conduct Rules, the Firm and its Registered Representatives are required to maintain a centralized "do not call" list of persons who do not wish to receive telephone solicitations from the Firm or its associated persons in the event the Firm chooses to conduct cold calling. The designated Principal will ensure maintenance of these required records.

The availability of inexpensive overseas calling services and customer lists has fueled an increase in "cold calling" by registered representatives in foreign jurisdictions. FINRA and certain foreign jurisdictions have rules that prohibit persons unlicensed in these jurisdictions from "cold calling" or otherwise conducting securities business. In many cases foreign jurisdictions will bring any unlicensed activities directly to the attention of the Firm or FINRA, leading to swift disciplinary penalties.

The Firm strictly prohibits "cold calling" in foreign jurisdictions by its Registered Representatives without proper licensing. Registered Representatives desiring to engage in such activities should contact their designated Principals in order to secure proper clearances. In any case the Firm will refuse to process any transactions proposed to be undertaken where the Firm or Representative has not complied with applicable licensing requirements.

In addition, the firm maintains for a period of three years after receipt the express signed authorization of each customer to submit for payment a check, draft or any other form of negotiable paper drawn on a customer's checking, savings, share or similar account.

INSTITUTIONAL SALES LITERATURE AND CORRESPONDENCE

References: FINRA Rule 2210 NTM 03-38

Correspondence need not be approved by a registered principal prior to use, unless the correspondence is distributed to twenty-five or more existing retail customers within any thirty-day period and makes any financial or investment recommendation or otherwise promotes a product or service of the Firm.

There will be a periodic review by a registered principal of institutional sales materials used by the Firm. This review will be appropriate considering the business, size, and structure of the Firm. Evidence that these supervisory procedures have been implemented and carried out will be maintained and made available to FINRA upon request.

The Firm's correspondence and institutional sales literature may be subject to a spot-check procedures. Upon written request from the Advertising Regulation Department the Firm will submit the material requested in a spot-check procedure within the time frame specified by the Department.

All correspondence including business cards and letterhead must prominently disclose the name of the Firm and may also include a fictional name by which the Firm is commonly recognized or which is required by any state or jurisdiction, reflect any relationship between the Firm and any non-firm or individual who is also named and if it includes other names, reflect which products or services are being offered by the Firm.

The Firm will not use investment company rankings in any correspondence other than rankings based on a category or subcategory created and published by a Ranking Entity or a category or subcategory created by an investment company or an investment company affiliate but based on the performance measurements of a Ranking Entity.

SPEAKING ENGAGEMENTS, SCRIPTS, OUTLINES, MEDIA PARTICIPATION, CHAT ROOMS, SOCIAL NETWORKING WEBSITES AND BLOGS

References: NASD Rule 2210

A communication with the public includes participation in a seminar, forum (including an interactive electronic forum), radio or television interview, or other public appearance or public speaking activity.

Social Networking Websites and Blogs

References: NTM 10-06, 11-39

All communications of the Firm or any of its registered representatives that are made by using any social networking web sites, including blogs etc., that relate to the Firm's investment banking or securities business will be retained pursuant to the record retention rules of SEA 17a-3 and 17a-4.

THE FOLLOWING APPLY TO THE FIRM'S INVESTMENT BANKING OR SECURITIES BUSINESS:

Any security that is recommended by the Firm or its registered representatives on any web sites must conform to all suitability requirements. Therefore, the Firm will require that any communications made on such web sites are suitable and not misleading and provide sufficient disclosure of all the risks and apprise any potential customer of the necessary information to be able to make an informed decision.

Blogs that consist of static content posted by a blogger are considered to constitute "advertisements" under Rule 2210. If the Firm or its registered representative sponsors such a blog, it must obtain prior principal approval of any such posting. Any blog used to engage in real-time interactive communications is an interactive electronic forum that does not require prior principal approval, however, such communications must be supervised.

Social networking sites such as Twitter, Facebook and LinkedIn contain both static and interactive content. Static content is treated as other Web-based communications such as banner advertisements and all such content must be forwarded to a registered representative before being posted. If the registered representative does not indicate otherwise the content may be posted. Non-static content and real time communications posted on interactive sites such as Twitter and Facebook are considered interactive electronic forums and there is no requirement that a registered principal approve communications prior to use. The communications, however, must be supervised.

Supervision of content posted on blogs or social networking websites will be maintained by the Firm pursuant to NASD Rule 3010 in a manner reasonably designed to insure the communications do not violate the content requirements of FINRA communication rules. The Firm will utilize the same standards regarding e-mails in order to comply with these supervision requirements.

The Firm will require that those individuals who participate in social media websites on behalf of the Firm are properly supervised, have the necessary training and will not present undue risks to investors. The Firm will prohibit any associated person from engaging in business communications in a social media site that is not subject to the Firm's supervision. The Firm will also require that only those associated persons who have received appropriate prior approval regarding interactive electronic communications may engage in such communications. In its supervision of social networking sites, the Firm will monitor the extent to which associated persons are complying with the Firm's policies and procedures governing the use of these sites.

A post or blog by a Third Party is not considered a 'firm communication with the public' and consequently prior approval and filing requirements do not apply to such third party posts. However, a third party post may be attributable to the Firm if the Firm involved itself in the preparation of the content or explicitly or implicitly endorsed or approved the content. A sufficiently prominent disclaimer from the Firm that third party posts do not reflect the position of the Firm and were not reviewed for completeness and accuracy will significantly demonstrate the third party posts were not endorsed or adopted by the firm.

SALES LITERATURE REVIEW

References: NASD Rule 2210

Advertisements or sales literature providing any testimonial concerning the investment advice or investment performance of the Firm or its products will prominently disclose the fact that the testimonial may not be representative of the experience of other clients, the fact that the testimonial is no guarantee of future performance or success, if more than a nominal sum is paid, the fact that it is a paid testimonial.

Any comparison in advertisements or sales literature between investments or services must disclose all material differences between them, including, as applicable, investment objectives, costs and expenses, liquidity, safety, guarantees or insurance, fluctuation of principal or return, and tax features.

All advertisements and sales literature will prominently disclose the name of the Firm and may also include a fictional name by which the Firm is commonly recognized or which is required by any state or jurisdiction, reflect any relationship between the Firm and any non-firm or individual who is also named and if it includes other names, reflect which products or services are being offered by the Firm.

DISCLOSURES TO CUSTOMERS

CUSTOMER DISCLOSURE AND WRITTEN ACKNOWLEDGMENT

References: FINRA Rule 3160

Prior to the time that a customer account is opened by the Firm that is a party to a networking arrangement, the Firm will disclose in writing to each customer that the broker-dealer services are being provided by the Firm and not by the financial institution, and that the securities products purchased or sold in a transaction are not insured by the Federal Deposit Insurance Corporation ("FDIC"), not deposits or other obligations of the financial institution and are not guaranteed by the financial institution and subject to investment risks, including possible loss of the principal invested.

These disclosures requirements also will be made orally by the Firm that is a party to a networking arrangement for any customer account opened on the premises of a financial institution.

COMMUNICATIONS RELATED TO SIPCCOVERAGE

References: SIPC BY LAWS ARTICLE 11, SECTION 4

The Firm will display in a prominent place the official SIPC symbol at its principal place of business and at each branch office. Moreover, the Firm will include a reproduction of the symbol or advertising statement or explanatory statement in all advertising.

There are a number of exemptions.

1) The Firm will not be required to display the official symbol until thirty days after its first day of operation.
2) The Firm will not be required to display the official symbol at any office where the display would be misleading to the public in that none of the business transacted in that office appears likely to give rise to claims of public customers which might be protected with SIPC funds in the event the Firm should be liquidated.
3) The Firm may exhaust supplies of advertising materials which do not include the official symbol, advertising statement or explanatory statement so long as such materials were on hand or on order on the date these rules were adopted (January 1, 1979). Likewise, radio, telephone or television advertisements which were produced, recorded or contracted for on the date these rules were adopted may be used even if they do not contain the official symbol, advertising statement or explanatory statement.
4) Upon written application by the Firm, FINRA may grant an exemption if it finds that compliance with the requirement may be misleading to the public or result in undue hardship to the Firm and an exemption from the requirement is consistent with the purposes of these rules.

The following types of advertising may, but need not, include the official symbol, advertising statement or explanatory statement:

1) Signs or plates in the office or attached to the building or buildings in which the Firm's offices are located, listings in directories, classified or display advertisements relating to the recruitment of personnel, advertisements not setting forth the name of the Firm, printed advertisements which do not exceed 10 square inches in space, advertisements by radio or telephone recording which do not exceed 30 seconds in time, advertisements by television which do not exceed 15 seconds in time, advertisements relating to underwriting offerings, investment banking activities, mergers and acquisitions, and personnel announcements and internal news wires.

2) The official symbol, advertising statement, or explanatory statement may also, but need not, be included in supplies, such as trade confirmations, stationery, envelopes, checks, statements, customers' statements, promotional items, such as calendars, matchbooks, pens, paperweights, telephone market reports, research reports, annual reports and direct mail brochures, market letters, and similar communications.
3) The Firm will not display any sign or symbol, or include any symbol, statement, or explanation relating to SIPC or membership in any advertising, promotional or other material other than the official brochure, symbol and statements.
4) Advertisements or other material relating primarily to services or types of investments which might, if the official symbol, the official advertising statement, or the official explanatory statement were included, reasonably be deemed misleading to public customers, may not include any reference to SIPC except, where applicable rules or regulations of any self-regulatory organization require, a forthright disclaimer of SIPC protection.

MATERIAL EVENT AND CUSTOMERCOMPLAINT REPORTING

References: FINRA Rule 4530

The Firm will promptly report to FINRA, but in any event not later than 30 days, after the Firm knows or should have known of the existence of any of the following:

1) That the Firm or an associated person of the Firm:
2) has been found to have violated any securities, insurance, commodities, financial or investment related laws, rules, regulations or standards of conduct of any domestic or foreign regulatory body, self-regulatory organization or business or professional organization;
3) is the subject of any written customer complaint involving allegations of theft or misappropriation of funds or securities or forgery;
4) is named as a defendant or respondent in any proceeding brought by a domestic or foreign regulatory body or self-regulatory organization alleging the violation of any provision of the Exchange Act, or of any other federal, state or foreign securities, insurance or commodities statute, or of any rule or regulation, or of any provision of the by-laws, rules or similar governing instruments of any securities, insurance or commodities domestic or foreign regulatory body or self-regulatoryorganization;
5) is denied registration or is expelled, enjoined, directed to cease and desist, suspended or otherwise disciplined by any securities, insurance or commodities industry domestic or foreign regulatory body or self-regulatory organization or is denied membership in any such self-regulatory organization; or is barred from becoming associated with any firm of any such self-regulatoryorganization;
6) is indicted, or convicted of, or pleads guilty to, or pleads no contest to, any felony, or any misdemeanor that involves the purchase or sale of any security, the taking of a false oath, the making of a false report, bribery, perjury, burglary, larceny, theft, robbery, extortion, forgery, counterfeiting, fraudulent concealment, embezzlement, fraudulent conversion, or misappropriation of funds, or securities, or a conspiracy to commit any of these offenses, or substantially equivalent activity in a domestic, military or foreign court;
7) is a director, controlling stockholder, partner, officer or sole proprietor of, or an associated person with, a broker, dealer, investment company, investment advisor, underwriter or insurance company that was suspended, expelled or had its registration denied or revoked by any domestic or foreign regulatory body, jurisdiction or organization or is associated in that capacity with a bank, trust company or other financial institution that was convicted of or pleaded no contest to, any felony or misdemeanor in a domestic or foreign court;
8) is a defendant or respondent in any securities or commodities related civil litigation or arbitration, is a defendant or respondent in any financial-related insurance civil litigation or arbitration, or is the subject of any claim for damages by a customer, broker or dealer that relates to the provision of financial services or relates to a financial transaction, and such litigation has been disposed of by judgment, award or
9) settlement for an amount exceeding $15,000. However, when the Firm is the defendant or respondent then the reporting to FINRA will be required only when such judgment, award or settlement is for an amount exceeding $25,000; or
10) is, or is involved in the sale of any financial instrument, the provision of any investment advice or the financing of any such activities with any person who is, subject to a "statutory disqualification" as that term is defined in the Exchange Act. The report will include the name of the person subject to the statutory disqualification and details concerning the disqualification.

The Firm will also report any instance where an associated person of the Firm is the subject of any disciplinary action taken by the Firm involving suspension, termination, the withholding of compensation or of any other remuneration in excess of $2,500, the imposition of fines in excess of $2,500 or is otherwise disciplined in any manner that would have a significant limitation on the individual's activities on a temporary or permanent basis.

The Firm will promptly report to FINRA, but in any event not later than 30 days, after the Firm has concluded or reasonably should have concluded that an associated person of the Firm or the Firm itself has violated any securities, insurance, commodities, financial or investment-related laws, rules, regulations or standards of conduct of any domestic or foreign regulatory body or self-regulatory organization. The Firm need only report conduct that has widespread or potential widespread impact to the Firm, its customers or the markets, or conduct that arises from a material failure of the Firm's systems, policies or practices involving numerous customers, multiple errors or significant dollar amounts. With respect to violative conduct by an associated person, the Firm will only report conduct that has widespread or potential widespread impact to the Firm, its customers or the markets, conduct that has a significant monetary result with respect to the Firm's customers or markets, or multiple instances of any violative conduct.

Each person associated with a Firm will promptly report to the Firm the existence of any of the events set above.

The Firm will report to FINRA statistical and summary information regarding written customer complaints in such detail as FINRA will specify by the 15th day of the month following the calendar quarter in which customer complaints are received by the Firm.

The Firm will promptly disclose required information on the Forms BD, U4 or U5, as applicable, to make any other required filings or to respond to FINRA with respect to any customer complaint, examination or inquiry. In addition, the Firm will comply with these reporting obligations regardless of whether the information is reported or disclosed pursuant to any other rule or requirement, including the requirements of the Forms BD or U4. However, the Firm will not report an event otherwise required to be reported if the Firm discloses the event on the Form U5, consistent with the requirements of that form.

The Firm will promptly file with FINRA copies of:

1) any indictment, information or other criminal complaint or plea agreement for conduct that must be reported;
2) any complaint in which the Firm is named as a defendant or respondent in any securities or commodities related private civil litigation, or is named as a defendant or respondent in any financial related insurance private civil litigation;
3) any securities or commodities related arbitration claim, or financial-related insurance arbitration claim, filed against the Firm in any forum other than the FINRA Dispute Resolution forum;
4) any indictment, information or other criminal complaint, any plea agreement, or any private civil complaint or arbitration claim against a person associated with the Firm that is reportable under question 14 on Form U4, irrespective of any dollar thresholds Form U4 imposes for notification, unless, in the case of an arbitration claim, the claim has been filed in the FINRA Dispute Resolution forum.

REGULATION S-P REFERENCES: REGULATION SP

Regulation SP governs the treatment of nonpublic personal information about consumers by the Firm. The Firm will provide notice to customers upon opening of an account and annually thereafter about its privacy policies and practices, describe the conditions under which the Firm may disclose nonpublic personal information about consumers to nonaffiliated third parties and provide a method for consumers to prevent the Firm from disclosing that information to most nonaffiliated third parties by "opting out" of that disclosure. The notice will be provided either by regular mail, in person or electronically. The Firm will document such delivery by making such notation in the customer file.

INVESTOREDUCATION

References: FINRA Rule 2267

Once every year the Firm will provide in writing (which may be electronic) to each customer the FINRA BrokerCheck Hotline Number, the FINRA Web site address and a statement as to the availability to the customer of an investor brochure that includes information describing FINRA BrokerCheck.

If the Firm's contact with customers is limited to introducing customer accounts to be held directly at an entity other than a FINRA member and does not carry customer accounts or hold customer funds and securities, the Firm may furnish a customer with the information prior to the time of the customer's initial purchase, in lieu of once every year and if the Firm does not have customers or is a party to a carrying agreement where the carrying firm member complies with these requirements, then the Firm will be exempt from these requirements.

MORTGAGE BACKEDSECURITIES: RISK DISCLOSURES

References: REGULATION AB

Regulation AB concerns requirements for the registration, disclosure and reporting for all publicly registered asset-backed securities including mortgage-backed securities. Residential mortgage-backed securities issued or guaranteed by SEC exempt entities such as Fannie Mae, Freddie Mac and Ginnie Mac, are not subject to Regulation AB. Private placement transactions also are not covered by Regulation AB. Most publicly issued, non-agency residential mortgage-backed securities are subject to Regulation AB.

COLLATERALIZED MORTGAGE DISCLOSURES

References: IM- 2210-1, 2210-8 NTM 93-85, 93-73

All advertisements, sales literature and correspondence concerning CMOs must include within the name of the product the term "Collateralized Mortgage Obligation", may not compare CMOs to any other investment vehicle, including a bank certificate of deposit, must disclose, as applicable, that a government agency backing applies only to the face value of the CMO and not to any premium paid and must disclose that a CMO's yield and average life will fluctuate depending on the actual rate at which mortgage holders prepay the mortgages underlying the CMO and changes in current interest rates.

Before the sale of a CMO to any person other than an institutional investor, the Firm will offer to the customer educational material that includes a discussion of characteristics and risks of CMOs including credit quality, prepayment rates and average lives, interest rates, tax considerations, minimum investments, transaction costs and liquidity, the structure of a CMO, including the various types of tranches that may be issued and the rights and risks pertaining to each, and the relationship between mortgage loans and mortgage securities, questions an investor should ask before investing and a glossary of terms.

In addition to the standards set forth above, advertisements, sales literature and correspondence that promote a specific security or contain yield information will conform to the standards set forth below.

The advertisement, sales literature or correspondence must present the following disclosure sections with equal prominence. The information in Section 3 is optional; therefore, the Firm may elect to include any, all or none of this information.

SECTION 1 TITLE — COLLATERALIZED MORTGAGE OBLIGATIONS:

Coupon Rate

Anticipated Yield/Average Life Specific Tranche — Number & Class Final Maturity Date

Underlying Collateral

SECTION 2 DISCLOSURE STATEMENT:

"The yield and average life shown above consider prepayment assumptions that may or may not be met. Changes in payments may significantly affect yield and average life. Please contact your representative for information on CMOs and how they react to different market conditions."

SECTION 3 PRODUCT FEATURES (OPTIONAL):

Minimum Denominations Rating Disclosure Agency/Government Backing Income Payment Structure

Generic Description of Tranche (e.g., PAC, Companion) Yield to Maturity of CMOs Offered at Par

SECTION 4 COMPANY INFORMATION:

Name, Memberships Address

Telephone Number / Representative's Name

The following conditions will also be met:

1) All figures in Section 1 will be in equal type size.
2) The disclosure language in Section 2 will not be altered and will be given equal prominence with the information in Section 1.
3) The prepayment assumption used to determine the yield and average life must either be obtained from a nationally recognized service or the Firm will justify the assumption used. A copy of either the service's listing for the CMO or the Firm's justification will be attached to the copy of the communication that is maintained in the Firm's advertising files in order to verify that the prepayment scenario is reasonable.
4) Any sales charge that the Firm intends to impose will be reflected in the anticipated yield.
5) The communication will include language stating that the security is "offered subject to prior sale and price change." This language may be included in any one of the four sections.
6) If the security is an accrual bond that does not currently distribute principal and interest payments, then Section 1 will include this information.

RADIO/TELEVISION ADVERTISEMENTS

The following oral disclaimer will precede any radio or television advertisement in lieu of the Title information set forth in Section 1:

"The following is an advertisement for Collateralized Mortgage Obligations. Contact your representative for information on CMOs and how they react to different market conditions."

Radio or television advertisements will contain the following oral disclosure statement in lieu of the legend set forth in Section 2:

"The yield and average life reflect prepayment assumptions that may or may not be met. Changes in payments may significantly affect yield and average life."

DISCLOSURES

References: SEC RULE 10b-9

It will constitute a manipulative or deception action, for any person, directly or indirectly, in connection with the offer or sale of any security, to make any representation to the effect that the security is being offered or sold on an “all-or-none” basis, unless the security is part of an offering or distribution being made on the condition that all or a specified amount of the consideration paid for such security will be promptly refunded to the purchaser unless all of the securities being offered are sold at a specified price within a specified time, and the total amount due to the seller is received by him by a specified date or to the effect that the security is being offered or sold on any other basis where all or part of the consideration paid for any such security will be refunded to the purchaser if all or some of the securities are not sold, unless the security is part of an offering or distribution being made on the condition that all or a specified part of the consideration paid for such security will be promptly refunded to the purchaser unless a specified number of units of the security are sold at a specified price within a specified time, and the total amount due to the seller is received by him by a specified date.

DESIGNATED SECURITIES: PENNY STOCKS

References: SEC Rule 15(g) 1-9 NTM 92-38

TRANSACTION EXEMPTIONS FROM THE DISCLOSURE RULES

The following penny-stock transactions are exempt from disclosure requirements:

1) Transactions by the Firm that derive less than 5 percent of its revenues from penny-stock purchases and sales during a specified period. However, no such limited-activity exemption is available when the Firm is a market maker in the penny stock that is the subject of the transaction.
2) Transactions in which the customer is an institutional accredited investor.
3) Transactions by issuers in limited offerings that satisfy the requirements of Regulation D, or transactions by an issuer not involving any public offering.
4) Transactions in which the customer is the issuer or a director, officer, general partner or a direct or indirect beneficial owner of more than 5 per cent of any class of equity security of the issuer of the penny stock involved in the transaction.
5) Transactions not recommended by the Firm, or

6) Any other transaction or class of transactions or persons or classes of persons that, upon prior written request or upon its own motion, the Commission exempts by order as consistent with the public interest and protection of investors.

RISK DISCLOSURE DOCUMENT

The Firm will provide to customers before the transactions, a standard risk disclosure document as set forth in Schedule 15G. The disclosure document will describe the customer's right to disclosures of the current bid and ask quotation, if any, compensation of the Firm and the salesperson in the transaction and monthly account statements showing the market value of each penny stock held in the customer's account.

BID AND OFFER QUOTATIONS

The Firm will not affect a transaction in any penny stock with or for the account of a customer unless the Firm discloses to the customer, within the time periods required, the inside bid quotation and the inside offer quotation for the penny stock.

If that rule does not apply because of the absence of an inside bid quotation and an inside offer quotation with respect to a transaction effected with or for a customer on a principal basis the Firm will disclose its offer price for the security if during the previous five days the Firm has effected no fewer than three bona fide sales to other dealers consistently at its offer price for the security current at the time of those sales, and if the Firm reasonably believes in good faith at the time of the transaction with the customer that its offer price accurately reflects the price at which it is willing to sell one or more round lots to another dealer.

The Firm will disclose its bid price for the security if during the previous five days the Firm has effected no fewer than three bona fide purchases from other dealers consistently at its bid price for the security current at the time of those purchases, and if the Firm reasonably believes in good faith at the time of the transaction with the customer that its bid price accurately reflects the price at which it is willing to buy one or more round lots from another dealer.

If the Firm's bid or offer prices to the customer do not satisfy the above criteria the Firm will disclose to the customer that it has not affected inter-dealer purchases or sales of the pennystock consistently at its bid or offer price, and the price at which it last purchased the penny stock from, or sold the penny stock to, respectively, another dealer in a bona fide transaction.

With respect to transactions effected by the Firm with or for the account of the customer on an agency basis or on a basis other than as a market maker in the security, where, after having received an order from the customer to purchase a penny stock, the Firm effects the purchase from another person to offset a contemporaneous sale of the penny stock to a customer, or, after having received an order from the customer to sell the penny stock, the Firm effects the sale to another person to offset a contemporaneous purchase from that customer, the Firm will disclose the best independent interdealer bid and offer prices for the penny stock that the Firm obtains through reasonable diligence. The Firm will be deemed to have exercised reasonable diligence if it obtains quotations from three market makers in the security.

With respect to bid or offer prices and transaction prices disclosed, the Firm will disclose the number of shares to which the bid and offer prices apply.

The information described above will be provided to the customer orally or in writing prior to effecting any transaction with or for the customer for the purchase or sale of such penny stock; and shall be given or sent to the customer in writing, at or prior to the time that any written confirmation of the transaction is given or sent to the customer.

The Firm, at the time of making the disclosure will make and preserve as part of its records, a record of such disclosure for the period specified in Rule 17a-4(b).

BROKER/DEALERCOMPENSATION

The Firm will disclose to customers with whom they effect penny-stock transactions, both prior to and when confirming the transaction, the amount of any compensation the Firm received from the transactions.

A market may be deemed to be "active and competitive" in determining the prevailing market price with respect to a transaction by a market maker in a penny stock if the aggregate number of transactions effected by the market maker in the penny stock in the five business days preceding such transaction is less than twenty percent

of the aggregate number of all transactions in the penny stock reported on a Qualifying Electronic Quotation System during such five-day period. No presumption shall arise that a market is not "active and competitive" solely by reason of a market maker not meeting the conditions specified.

ASSOCIATED PERSONS'COMPENSATION

In effecting transactions in penny stocks for customers the Firm will disclose certain associated persons' compensation information to those customers (orally or in writing) before effecting a transaction and (in writing) when confirming each transaction before sending a confirmation to the customer.

Where a portion or all of the cash or other compensation that the associated person may receive in connection with the transaction may be determined and paid following the transaction based on aggregate sales volume levels or other contingencies, the written disclosure required shall state that fact and describe the basis upon which such compensation is determined.

MONTHLY ACCOUNTSTATEMENTS

If the Firm has sold penny stocks to customers in transactions not exempt the Firm will send those customers monthly account statements containing the) the issuer's name, the number of shares, and the estimated market value within 10 days after the end of the month.

The Firm will be exempted from the account statement requirement under the following circumstances:

If the Firm does not affect any transactions in penny stocks for or with the account of the customer during a period of six consecutive calendar months, then the Firm will not be required to provide monthly statements for each quarterly period that is immediately subsequent to such six-month period and in which the Firm does not affect any transaction in penny stocks for or with the account of the customer, provided that the

Firm gives or sends to the customer written statements containing the information on a quarterly basis, within ten days following the end of each such quarterly period.

If, on all but five or fewer trading days of any quarterly period, a security has a price of five dollars or more, the Firm will not be required to provide a monthly statement covering the security for subsequent quarterly periods, until the end of any such subsequent quarterly period on the last trading day of which the price of the security is less than five dollars.

For purposes of these rules, the price of a security on any trading day shall be determined at the close of business.

The statement required will contain at least the following information with respect to each penny stock as of the last trading day of the period to which the statement relates: The identity and number of shares or units of each such security held for the customer's account and the estimated market value of the security, to the extent that such estimated market value can be determined in accordance with the highest inside bid quotation for the security on the last trading day of the period to which the statement relates, multiplied by the number of shares or units of the security held for the customer's account; or in the absence of an inside bid quotation, and if the Firm furnishing the statement has effected at least ten separate Qualifying Purchases in the security during the last five trading days of the period to which the statement relates, the weighted average price per share paid by the Firm in all Qualifying Purchases effected during such five- day period, multiplied by the number of shares or units of the security held for the customer's account; or

In addition to the information required, the written statement will include a conspicuous legend that is identified with the penny stocks described in the statement and that contains the following language:

If this statement contains an estimated value, you should be aware that this value may be based on a limited number of trades or quotes. Therefore, you may not be able to sell these securities at a price equal or near to the value shown. However, the broker-dealer furnishing this statement may not refuse to accept your order to sell these securities. Also, the amount you receive from a sale generally will be reduced by the amount of any commissions or similar charges. If an estimated value is not shown for a security, a value could not be determined because of a lack of information.

SALES OF ESCROWED SECURITIES OF BLANK CHECK COMPANIES

As a means reasonably designed to prevent fraudulent, deceptive, or manipulative acts or practices, it is unlawful for any person to sell or offer to sell any security that is deposited and held in an escrow or trust account, or any

interest in or related to such security, other than pursuant to a qualified domestic relations order as defined by the Internal Revenue Code of 1986, as amended, or Title I of the Employee Retirement Income Security Act.

PAYMENT FOR ORDER FLOW- POLICIES, PROCEDURES AND DISCLOSURES

References: FINRA Rule 2232 SEC RULE 10b-10

The Firm will, before the completion of any transaction in any security effected for or with an account of a customer, send to such customer written notification ("confirmation") in conformity with the requirements of SEA Rule 10b-10.

The confirmation will further disclose, with respect to any transaction in any NMS stock, or any security subject to the reporting requirements of the FINRA Rule 6600 Series, other than direct participation programs, the settlement date of the transaction and with respect to any transaction in a callable equity security, that the security is a callable equity security and a customer may contact the Firm for more information concerning the security.

DISCLOSURES FOR BANK AFFILIATED BROKER/DEALERS

References: FINRA Rule 3160

If the Firm is a party to a networking arrangement under which the Firm conducts broker-dealer services on or off the premises of a financial institution, then the Firm is subject to the following requirements:

SETTING

If the Firm conducts broker-dealer services on the premises of a financial institution the Firm will be clearly identified as the person providing broker-dealer services and will distinguish its broker-dealer services from the services of the financial institution, conduct its broker-dealer services in an area that displays clearly the Firm's name and to the extent practicable, maintain its broker-dealer services in a location physically separate from the routine retail deposit-taking activities of the financial institution.

NETWORKING AGREEMENTS

Any networking arrangements between the Firm and a financial institution will be governed by a written agreement that sets forth the responsibilities of the parties and the compensation arrangements and include all broker-dealer obligations, as applicable. Independent of any contractual obligations, the Firm will comply with all broker-dealer obligations.

The Firm will ensure that the written agreement stipulates that supervisory personnel of the Firm and representatives of the SEC and FINRA will be permitted access to the financial institution's premises where the Firm conducts broker-dealer services in order to inspect the books and records and other relevant information maintained by the Firm with respect to its broker-dealer services.

CUSTOMER DISCLOSURE

Prior to the time that a customer account is opened by the Firm that is a party to a networking arrangement, the Firm will disclose in writing to each customer that the broker-dealer services are being provided by the Firm and not by the financial institution, and that the securities products purchased or sold in a transaction are not insured by the Federal Deposit Insurance Corporation ("FDIC"), not deposits or other obligations of the financial institution and are not guaranteed by the financial institution and subject to investment risks, including possible loss of the principal invested.

The disclosures required also will be made orally by the Firm for any customer account opened on the premises of a financial institution.

COMMUNICATIONS WITH THE PUBLIC

All Firm confirmations and account statements will indicate clearly that the broker-dealer services are being provided by the Firm.

Advertisements and sales literature, including material published, or designed for use, in radio or television broadcasts, Automated Teller Machine screens, billboards, signs, posters and brochures, that announce the location of a financial institution where broker-dealer services are provided by the Firm or promote the name or services of the financial institution or that are distributed by the Firm on the premises of a financial institution or at such other location where the financial institution is present or represented will include the disclosures required.

The following legend may be used to provide these disclosures in advertisements and sales literature, provided that such disclosures are displayed in a conspicuous manner: “Not FDIC Insured”, “No Bank Guarantee”, and “May Lose Value”.

As long as the omission of the disclosures required would not cause the advertisement or sales literature to be misleading in light of the context in which the material is presented, the disclosures are not required with respect to messages contained in radio broadcasts of 30 seconds or less, electronic signs, including billboard-type signs that are electronic, time and temperature signs and ticker tape signs, but excluding messages contained in such media as television, online services or ATMs, and signs, such as banners and posters, when used only as location indicators.

NOTIFICATIONS OF TERMINATIONS

The Firm will promptly notify the financial institution if any associated person of the Firm who is employed by the financial institution is terminated for cause by the Firm.

PROHIBITION AGAINSTGUARANTEES

References: FINRA Rule 2150

The Firm or any person associated with the Firm will not guarantee a customer against loss in connection with any securities transaction or in any securities account of such customer.

CONDUCT AND FAIR DEALING: FRAUD

References: MSRB Rule G-17 SEC RULE 15C1-2

In the conduct of its municipal securities or municipal advisory activities, the Firm will deal fairly with all persons and will not engage in any deceptive, dishonest, or unfair practice.

IMPROPERCOORDINATION

References: FINRA Rule 5240 NTM 09-20

The Firm will not coordinate the prices, including quotations, trades or trade reports of the Firm with any other firm or person associated with a Firm, or any other person. The Firm will not direct or request another firm to alter a price, including a quotation, or engage, directly or indirectly, in any conduct that threatens, harasses, coerces, intimidates or otherwise attempts improperly to influence another firm, a person associated with the Firm, or any other person. This includes, but is not limited to, any attempt to influence another firm or person associated with a firm to adjust or maintain a price or quotation, whether displayed on any facility operated by FINRA or otherwise, or refusals to trade or other conduct that retaliates against or discourages the competitive activities of another market maker or market participant.

CUSTOMER INFORMATION CONTROLS

NEW ACCOUNT REVIEW ANDAPPROVAL

References: SEC RULE 17A-3 MSRB RULE G-8

Each new account form will be signed by a designated principal evidencing review and approval of the new account form. The new account form will be maintained in the customer’s file.

KNOW YOUR CUSTOMER

The firm will use reasonable diligence, in regard to the opening and maintenance of every account. The firm will retain the essential facts concerning every customer including effectively servicing the account, acting in accordance with any special handling instructions for the account, understanding the authority of each person acting on behalf of the customer, and complying with applicable laws, regulations, and rules.

CUSTOMER ACCOUNT INFORMATION

The Firm will maintain for each account the customer's name and residence, whether customer is of legal age, a signature of the registered representative introducing the account and signature of the Firm or individual who

accepts the account and if the customer is a corporation, partnership, or other legal entity, the names of any persons authorized to transact business on behalf of the entity.

Other than an institutional account in which investments are limited to transactions in open-end investment company shares that are not recommended by the Firm or its associated persons, the Firm will also make reasonable efforts to obtain, prior to the settlement of the initial transaction in the account, the customer's tax identification or Social Security number, occupation of customer and name and address of employer and whether the customer is an associated person of another Firm.

The Firm will review all transmittals of funds such as wires or checks or securities from customers to third party accounts, for example, a transmittal that would result in a change of beneficial ownership, or from customer accounts to outside entities, for example, banks, investment companies, etc., or from customer accounts to locations other than a customer's primary residence for example, a post office box, "in care of" accounts, alternate addresses, etc., and between customers and registered representatives, including the hand-delivery of checks, customer changes of address and the validation of changes of address and customer changes of investment objectives and the validation of changes of investment objectives.

The Firm will contact the customer concerning confirmation, notification, or follow-up that will be documented in the customer's file.

Concerning discretionary accounts, the Firm will also obtain the signature of each person authorized to exercise discretion in the account, record the date the discretion is granted and in connection with exempted securities other than municipals, the age or approximate age of the customer.

SUITABILITY

SUITABILITY References:

FINRA Rules 2010, 5121, 2310(b) (2), 2353 NTM 96-86, 03-07, 05-26, 12-03, 12-25 MSRB RULE G-17, G-19

The Firm must have a reasonable basis to believe that a recommended transaction or investment strategy involving a security or securities is suitable for the customer, based on the information obtained through the reasonable diligence of the Firm or associated person to ascertain the customer's investment profile.

Although FINRA does not define the term "recommendation," it has offered several guiding principles that the Firm will consider when determining whether particular communications could be viewed as recommendations. FINRA has extensively addressed those guiding principles in past Regulatory Notices and cases have applied them to specific facts. Thus, some SEC releases and FINRA cases and interpretive letters have explained that a Firm's use or distribution of marketing or offering materials ordinarily would not, by itself, constitute a "recommendation" for purposes of the suitability rule. The prior guidance and interpretations generally remain applicable, and the Firm will review those existing resources for assistance in understanding the breadth of the term "recommendation."

The investment strategy involving a security or securities is a broad requirement and includes, among other things, an explicit recommendation to hold a security or securities. However, the following communications are excluded from these rules as long as they do not include (standing alone or in combination with other communications) a recommendation of a particular security or securities:

- General financial and investment information, including basic investment concepts, such as risk and return, diversification, dollar cost averaging, compounded return, and tax deferred investment, historic differences in the return of asset classes based on standard market indices, effects of inflation, estimates of future retirement income needs, and assessment of a customer's investment profile,
- Descriptive information about an employer-sponsored retirement or benefit plan, participation in the plan, the benefits of plan participation, and the investment options available under the plan,
- Asset allocation models that are based on generally accepted investment theory, accompanied by disclosures of all material facts and assumptions that may affect a reasonable investor's assessment of the asset allocation model or any report generated by such model, and in compliance with NASD IM-

2210-6 (Requirements for the Use of Investment Analysis Tools) if the asset allocation model is an "investment analysis tool" covered by NASD IM-2210-6 and

- Interactive investment materials that incorporate the above.

A customer's investment profile includes, but is not limited to, the customer's age, other investments, financial situation and needs, tax status, investment objectives, investment experience, investment time horizon, liquidity needs, risk tolerance, and any other information the customer may disclose to the Firm or associated person in connection with such recommendation.

Reasonable diligence in attempting to obtain the customer's specific information will depend on the facts and circumstances of each case, however, asking a customer for the information ordinarily will suffice. Moreover, absent "red flags" indicating that such information is inaccurate or that the customer is unclear about the information, the Firm generally may rely on the customer's responses. The Firm will not be able to rely exclusively on a customer's responses in situations such as the following: where the broker poses questions that are confusing or misleading to a degree that the information-gathering process is tainted, the customer exhibits clear signs of diminished capacity, or other "red flags" exist indicating that the customer information may be inaccurate.

Some customers may be reluctant to provide certain types of information to the Firm. A customer, for example, may not want to divulge information about "other investments" held away from the Firm. The suitability rule generally requires the Firm to use reasonable diligence to seek to obtain and analyze the customer-specific factors listed. The Firm will not make assumptions about customer-specific factors for which the customer declines to provide information. Furthermore, when customer information is unavailable despite the Firm's reasonable diligence, the Firm will carefully consider whether it has a sufficient understanding of the customer to properly evaluate the suitability of a recommendation. However, the Firm is not prohibited from making a recommendation in the absence of certain customer- specific factors as long as the Firm has enough information about the customer to have a reasonable basis to believe the recommendation is suitable. The significance of specific types of customer information will depend on the facts and circumstances of the particular case.

The Firm or associated person fulfills the customer-specific suitability obligation for an institutional account, as defined in FINRA Rule 4512 (c), if the Firm or associated person has a reasonable basis to believe that the institutional customer is capable of evaluating investment risks independently, both in general and with regard to particular transactions and investment strategies involving a security or securities and the institutional customer affirmatively indicates that it is exercising independent judgment in evaluating the Firm's or associated person's recommendations. An institutional customer may indicate that it is exercising independent judgment on a trade-by-trade basis, on an asset-class-by-asset-class basis, or in terms of all potential transactions for its account. Where an institutional customer has delegated decision making authority to an agent, such as an investment adviser or a bank trust department, these factors shall be applied to the agent.

Implicit in all Firm and associated person relationships with customers and others is the fundamental responsibility for fair dealing. Sales efforts must therefore be undertaken only on a basis that can be judged as being within the ethical standards of FINRA's rules, with particular emphasis on the requirement to deal fairly with the public. These rules are fundamental to fair dealing and are intended to promote ethical sales practices and high standards of professional conduct.

The Firm or associated person will not disclaim any responsibilities under the suitability rule.

The Firm or associated person will make a recommendation only if, among other things, the Firm or associated person has sufficient information about the customer to have a reasonable basis to believe that the recommendation is suitable for that customer. The factors delineated regarding a customer's investment profile generally are relevant to a determination regarding whether a recommendation is suitable for a particular customer, although the level of importance of each factor may vary depending on the facts and circumstances of the particular case. The Firm or associated person will use reasonable diligence to obtain and analyze all of the factors delineated unless the Firm or associated person has a reasonable basis to believe, documented with specificity, that one or more of the factors are not relevant components of a customer's investment profile in light of the facts and circumstances of the particular case.

Suitability consists of three main obligations: reasonable-basis suitability, customer-specific suitability, and quantitative suitability.

The reasonable-basis obligation requires the Firm or associated person to have a reasonable basis to believe, based on reasonable diligence, that the recommendation is suitable for at least some investors. In general, what constitutes reasonable diligence will vary depending on, among other things, the complexity of and risks associated with the security or investment strategy and the Firm's or associated person's familiarity with the security or investment strategy. The Firm's or associated person's reasonable diligence must provide the Firm or associated person with an understanding of the potential risks and rewards associated with the recommended security or strategy. The lack of such an understanding when recommending a security or strategy violates the suitability rule.

The customer-specific obligation requires that the Firm or associated person have a reasonable basis to believe that the recommendation is suitable for a particular customer based on that customer's investment profile, as delineated.

Quantitative suitability requires the Firm or associated person who has actual or de facto control over a customer account to have a reasonable basis for believing that a series of recommended transactions, even if suitable when viewed in isolation, are not excessive and unsuitable for the customer when taken together in light of the customer's investment profile, as delineated. No single test defines excessive activity, but factors such as the turnover rate, the cost-equity ratio, and the use of in-and-out trading in a customer's account may provide a basis for a finding that the Firm or associated person has violated the quantitative suitability obligation.

The Firm or any associated person may not recommend a transaction or investment strategy involving a security or securities or the continuing purchase of a security or securities or use of an investment strategy involving a security or securities unless the Firm or associated person has a reasonable basis to believe that the customer has the financial ability to meet such a commitment.

Where a customer discloses information to the Firm in connection with the recommendation, the Firm will consider that information as part of the suitability analysis. What customer-specific information a Firm will seek to obtain from a customer in addition to the factors listed will depend on the facts and circumstances of the particular case. Although the Firm is not required to affirmatively ask customers if there is anything else it should know about them, the Firm will endeavor to attempt to gain as much relevant information as possible before making recommendations.

If a customer chooses multiple investment objectives that appear inconsistent, the Firm will conduct appropriate supervision and meaningful suitability determinations, as applicable, in light of such differences. For example, the firm will, among other things, clarify the customer's intent and, if necessary, reconcile and/or determine how it will handle the customer's differing investment objectives.

The Firm will make and preserve books, accounts, records, memoranda, and correspondence in conformity with all applicable laws, rules, regulations and statements of policy as prescribed by SEC Rule 17a-3. The record keeping format, medium, and retention period will comply with Rule 17a-4.

PUBLIC OFFERINGS OF SECURITIES WITH CONFLICTS OF INTEREST

If the Firm has a conflict of interest it will not participate in a public offering unless there is prominent disclosure of the nature of the conflict of interest in the prospectus, offering circular or similar document for the public offering, and either the Firm's primarily responsible for managing the public offering does not have a conflict of interest, is not an affiliate of any firm that does have a conflict of interest, the securities offered have a bona fide public market, or the securities offered are investment grade rated or are securities in the same series that have equal rights and obligations as investment grade rated securities.

The Firm with a conflict may participate if there is a qualified independent underwriter who has participated in the preparation of the registration statement and the prospectus, offering circular, or similar document and has exercised the usual standards of "due diligence" and there must be prominent disclosure in the prospectus, offering circular or similar document for the offering of the nature of the conflict of interest, the name of the Firm acting as qualified independent underwriter and a brief statement regarding the role and responsibilities of the qualified independent underwriter.

DISCRETIONARY ACCOUNTS

If the Firm has a conflict of interest it will not sell to a discretionary account any security with respect to which the conflict exists, unless the Firm has received specific written approval of the transaction from the account holder and retains documentation of the approval in its records.

SUITABILITY OF DIRECT PARTICIPATION PROGRAMS

The Firm or person associated with a Firm will not underwrite or participate in a public offering of a direct participation program unless standards of suitability have been established by the program for participants and the standards are fully disclosed in the prospectus and are consistent with the following provisions.

In recommending to a participant the purchase, sale or exchange of an interest in a direct participation program, the Firm or person associated with the Firm will have reasonable grounds to believe, on the basis of information obtained from the participant concerning his investment objectives, other investments, financial situation and needs, and any other information known by the Firm or associated person, that the participant will be in a financial position appropriate to enable him to realize to a significant extent the benefits described in the prospectus, including the tax benefits where they are a significant aspect of the program, the participant has a fair market net worth sufficient to sustain the risks inherent in the program, including loss of investment and lack of liquidity and the program is otherwise suitable for the participant.

The Firm will maintain in its files documents disclosing the basis upon which the determination of suitability was reached as to each participant.

The Firm will not execute any transaction in direct participation program in a discretionary account without prior written approval of the transaction by the customer.

The above rules do not apply to a secondary public offering of a secondary market transaction in a unit, depositary receipt, or other interest in a direct participation program that is listed on a national securities exchange or an initial public offering of a unit, depositary receipt or other interest in a direct participation program for which an application for listing on a national securities exchange has been approved by the exchange and the applicant makes a good faith representation that it believes the listing on an exchange will occur within a reasonable period of time following the formation of the program.

Complex Products

References: NTM 12-03

If the Firm deals with a product that is a complex product as explained within NTM 12-03 then the following heightened supervisory procedures will be followed.

First, as with all recommendations the Firm will endeavor to insure a product is suitable for the particular investor. The suitability standard applied to a complex product requires the Firm to perform reasonable diligence to understand the nature of the transaction or investment strategy, as well as the potential risks and rewards. Registered representatives will not recommend a complex product to a retail investor before

it has been thoroughly vetted. The registered representative will insure that the right questions are answered before a complex product is recommended to retail investors. NTM 12-03 enumerates many of the questions that must be addressed all concerning assurances that the registered representative is familiar with the product and has adequately explained the product to the investor.

Second, the Firm will periodically reassess the complex products it offers to determine whether their performance and risk profile remain consistent with the manner in which the Firm is selling them. Moreover, the Firm will monitor how the products performed after the Firm approved them. The principal will conduct annual reviews as necessary. The Firm will also should conduct periodic reviews to ensure that only associated persons who are authorized to recommend complex products to retail customers are doing so.

Third, registered representatives who recommend complex products will fully understand the features and risks associated with those products. The registered representative will be adequately trained to understand not only the manner in which a complex product is expected to perform in normal market conditions, but the risks associated with the product.

Fourth, the Firm will adopt the approach mandated for options trading accounts, which requires that a registered representative have "a reasonable basis for believing, at the time of making the recommendation, that the customer has such knowledge and experience in financial matters that he may reasonably be expected to be capable of evaluating the risks of the recommended transaction, and is financially able to bear the risks of the recommended position in the" complex product. Moreover, annually the Principal will review the procedures and recommend the approval of complex products only contingent upon specific limitations or conditions, such as investment concentration limitations or limitations on the type of investors to whom the product maybe sold or to prequalify retail investors through specialized investor qualification agreements that may explain the product features and risk in plain English, or an attestation that the customer has read the materials provided, understands the risks and wants to invest in the product, depending on the particular needs of the Firm. Moreover, the Firm may consider prohibiting recommending the purchase of some complex products to retail investors whose accounts have not been approved for options trading.

Fifth, the registered representative recommending a complex product will discuss with the retail customer the features of the product, how it is expected to perform under different market conditions, the risks and the possible benefits, and the costs of the product. The registered representative also will discuss the scenarios in which the product may perform poorly. The registered representative will do so in a manner reasonably likely to facilitate the customer's understanding. The registered representative will consider whether, after this discussion, the retail customer seems to understand the basic features of the product, such as the fundamental payout structure and the nature of underlying collateral or a reference index or asset and recommend the product accordingly..

DISCRETIONARY ACCOUNTS

References: MSRB RULE G-19

EXCESSIVE TRANSACTIONS

The Firm will not affect any customer's account where the Firm or agent or employee is vested with any discretionary power concerning any transactions of purchase or sale which are excessive in size or frequency in view of the financial resources and character of the account.

AUTHORIZATION AND ACCEPTANCE OF ACCOUNT

The Firm or registered representative will not exercise any discretionary power in a customer's account unless the customer has given prior written authorization to a stated individual and the account has been accepted by the Firm, as evidenced in writing by the Firm or person duly designated by the Firm.

APPROVAL AND REVIEW OF TRANSACTIONS

The Firm or the person duly designated will approve promptly in writing each discretionary order entered and will review all discretionary accounts at frequent intervals in order to detect and prevent transactions which are excessive in size or frequency in view of the financial resources and character of the account.

These rules do not apply to:

- discretion as to the price when an order given by a customer for the purchase or sale of a definite amount of a specified security will be executed, except that the authority to exercise time and price discretion will be considered to be in effect only until the end of the business day on which the customer granted such discretion, absent a specific, written contrary indication signed and dated by the customer. Any exercise of time and price discretion must be reflected on the order ticket;

- bulk exchanges at net asset value of money market mutual funds utilizing negative response letters provided the bulk exchange is limited to situations involving mergers and acquisitions of funds, changes of clearing firms and exchanges of funds used in sweep accounts, the negative response letter contains a tabular comparison of the nature and amount of the fees charged by each fund, a comparative description of the investment objectives of each fund and a prospectus of the fund to be purchased and the negative response feature will not be activated until at least 30 days after the date on which the letter was mailed.

Moreover, the Firm will obtain the signature of each person authorized to exercise discretion in the account, record the date such discretion is granted and in connection with exempted securities other than municipals, record the age or approximate age of the customer.

SALE OF DESIGNATED SECURITIES/PENNYSTOCKS

References: SEC Rule 15(g) 1-9, 15c2-6 NTM 92-38, 92-42, 93-55

The Firm will establish that it has approved the purchaser's account for transactions in designated securities through the following four steps:

1) obtain information concerning the customer's financial situation, investment experience, and investment objectives;
2) reasonably determine that transactions in designated securities are suitable for the customer and that the customer has sufficient knowledge and experience in financial matters that the customer reasonably may be expected to be capable of evaluating the risks of transactions in designated securities;
3) deliver to the customer a written suitability statement setting forth the basis of the Firm's suitability determination, stating in highlighted format that it is unlawful for the Firm to effect a transaction in a designated security unless the Firm has received, prior to the transaction, a written agreement to the transaction from the customer and stating in highlighted format immediately preceding the customer signature line that the Firm is required to provide the customer with the Suitability Statement and that the customer should not sign and return the Suitability Statement to the Firm if it does not accurately reflect the customer's financial situation, investment experience, and investment objectives;
4) obtain from the customer a manually signed and dated copy of the Suitability Statement and proof it received the customer's written agreement to the transaction setting forth the identity and quantity of the designated security to be purchased.

The following exemptions apply:

1) transactions in which the price of the security is five dollars or more, transactions in which the purchaser is an "accredited investor" or an "established customer" of the broker-dealer, transactions that are not recommended by the broker-dealer and transactions by a broker-dealer whose commissions, commission equivalents and mark-ups from transactions in designated securities have not exceeded 5 percent of its total commissions, commission equivalents, and mark-ups from all transactions in securities during each of the immediately preceding three months and during eleven or more of the preceding twelve months and which has not been a market maker in the particular designated security that is the subject of the transaction in the immediately preceding twelve months.

REVIEW OF SUBSCRIPTION AGREEMENTS

References: NASD Rule 2310 [ONLY UNTIL JULY 9, 2012]

In recommending to a customer the purchase, sale or exchange of any security, the Firm will have reasonable grounds for believing that the recommendation is suitable for such customer upon the basis of the facts, if any, disclosed by the customer as to his other security holdings and as to his financial situation and needs.

Prior to the execution of a transaction recommended to a non-institutional customer, other than transactions with customers where investments are limited to money market mutual funds, the Firm will make reasonable efforts to obtain information concerning the customer's financial status, tax status, investment objectives and any other information used or considered to be reasonable by the Firm or registered representative in making recommendations to the customer.

HEDGE FUNDS-DUEDILIGENCE

References: NTM 03-07, 05-26

When dealing with Hedge Funds the Firm will insure that it is providing balanced disclosure in promotional efforts, performing a reasonable-basis suitability determination, performing a customer- specific suitability determination, supervising associated persons selling hedge funds and funds of hedge funds and training associated persons regarding the features, risks, and suitability of hedge funds.

REASONABLE-BASIS SUITABILITY

Under reasonable-basis suitability, the Firm when recommending hedge funds, directly or indirectly, must have a belief that the product is suitable for any investor. The Firm will discharge this requirement by conducting due diligence with respect to the hedge fund, or in the case of a fund of hedge funds, with respect to the underlying hedge funds. The Firm will investigate the hedge funds and funds of hedge funds that it recommends to

customers. The Firm will perform substantial due diligence into a hedge fund before making any recommendation to a customer, including, investigation of the background of the hedge fund manager, reviewing the offering memorandum, reviewing the subscription agreements, examining references, and examining the relative performance of the fund.

CUSTOMER-SPECIFIC SUITABILITY

To satisfy the requirement of customer specific suitability, the Firm will determine that its recommendation to invest in a hedge fund or a fund of hedge funds is suitable for that particular investor. The Firm will ensure that a recommendation is suitable for a specific customer by examining the customer's financial status, the customer's tax status, the customer's investment objectives, and

any other information used or considered to be reasonable by the Firm in making recommendations to the customer.

INTERNAL CONTROLS AND TRAINING

The Firm's internal controls will include supervision and compliance making sure that sales of hedge funds and funds of hedge funds comply with all relevant FINRA and SEC rules.

The Firm will train associated persons about the characteristics of and risks associated with hedge funds before it allows associated persons to recommend hedge funds or funds of hedge funds. Educational pamphlets, videos, intranet systems, in-person lectures, and explanatory memos are all appropriate vehicles for training. The training will vary based on the type of firm and the firm's size, customer base, and resources.

PROSPECTIVE OFFERINGS-DUE DILIGENCE

References: SEC Rule 10b-5

The Firm will not participate in a public offering of a direct participation program, a limited partnership rollup transaction or, where expressly provided below, a real estate investment trust unless the following guidelines are satisfied.

SUITABILITY

The Firm or person associated with the Firm will not underwrite or participate in a public offering of a direct participation program unless standards of suitability have been established by the program for participants and such standards are fully disclosed in the prospectus.

In recommending to a participant the purchase, sale or exchange of an interest in a direct participation program, the Firm or person associated with the Firm will, have reasonable grounds to believe, on the basis of information obtained from the participant concerning his investment objectives, other investments, financial situation and needs, and any other information known by the Firm or associated person, that the participant will be in a financial position appropriate to enable him to realize to a significant extent the benefits described in the prospectus, including the tax benefits where they are a significant aspect of the program, the participant has a fair market net worth sufficient to sustain the risks inherent in the program, including loss of investment and lack of liquidity and the program is otherwise suitable for the participant and maintain in the files of the Firm documents disclosing the basis upon which the determination of suitability was reached as to each participant.

The Firm will not execute any transaction in direct participation program in a discretionary account without prior written approval by the customer. The prior approval will not be necessary where the offering is a secondary public offering or a secondary market transaction in a unit, depositary receipt, or other interest in a direct participation program that is listed on a national securities exchange; or an initial public offering of a unit, depositary receipt or other interest in a direct participation program for which an application for listing on a national securities exchange has been approved by such exchange and the applicant makes a good faith representation that it believes such listing on an exchange will occur within a reasonable period of time following the formation of the program.

DISCLOSURE

Prior to participating in a public offering of a direct participation program or REIT, the Firm or person associated with the Firm will have reasonable grounds to believe, based on information made available to him by the sponsor through a prospectus or other materials, that all material facts are adequately and accurately disclosed and provide a basis for evaluating the program.

In determining the adequacy of disclosed facts the Firm or person associated with the Firm will obtain information on material facts relating to the following, if relevant, items of compensation, physical properties, tax aspects, financial stability and experience of the sponsor, the program's conflict and risk factors and appraisals and other pertinent reports.

The Firm or person associated with the Firm may rely upon the results of an inquiry conducted by another firm, provided that the Firm or person associated with the Firm has reasonable grounds to believe that an inquiry was conducted with due care, the results of the inquiry were provided to the Firm or person associated with the Firm with the consent of the firm conducting or directing the inquiry and no firm that participated in the inquiry is a sponsor of the program or an affiliate of the sponsor.

Prior to executing a purchase transaction in a direct participation program or a REIT, the Firm or person associated with the Firm will inform the prospective participant of all pertinent facts relating to the liquidity and marketability of the program or REIT during the term of the investment. Included in the pertinent facts will be information regarding whether the sponsor has offered prior programs or REITs in which disclosed in the offering materials was a date or time period at which the program or REIT might be liquidated, and whether the prior program or REIT in fact liquidated on or around that date or during the time period; provided however, this rule will not apply to an initial or secondary public offering or a secondary market transaction in a unit, depositary receipt or other interest in a direct participation program.

POWERS OF ATTORNEY

References: SEC Rule 17a-4(b) (6)

The Firm will preserve for a period of at least 3 years, the first two years in an accessible place all guarantees of accounts and all powers of attorney and other evidence of the granting of any discretionary authority given regarding any account, and copies of resolutions empowering an agent to act on behalf of a corporation.

SHORT SALE RECOMMENDATIONS

References: FINRA Rule 6182

The Firm will indicate on trade reports submitted to FINRA whether a transaction is a short sale or a short sale exempt transaction. The short sale reporting requirements apply to transactions in all NMS stocks. Thus, all short sale transactions in these securities reported to FINRA must carry a "short sale" indicator.

ONLINE TRANSACTIONS

References: NTM 01-23

The suitability rules apply to all "recommendations" made by the Firm to customers, including those made electronically, to purchase, sell, or exchange a security. Electronic communications to a customer clearly can constitute "recommendations." The suitability rules, therefore, remains fully applicable to online activities in those cases where the Firm "recommends" securities to its customers.

The test for determining whether any electronic or traditional communication constitutes a "recommendation" remains a "facts and circumstances" inquiry to be conducted on a case-by-case basis. This requires an analysis of the content, context, and presentation of the particular communication. The determination of whether a "recommendation" has been made, is an objective. An important factor in this regard is whether, given its content, context, and manner of presentation, a particular communication from the Firm to a customer reasonably would be viewed as a "call to action," or suggestion that the customer engage in a securities transaction. The Firm is aware that an analysis of the content, context, and manner of presentation of a communication requires examination of the underlying substantive information transmitted to the customer and consideration of any other facts and circumstances, such as any accompanying explanatory message from the Firm. Furthermore, the more individually tailored the communication to a specific customer or a targeted group of customers about a security, the greater likelihood that the communication may be viewed as a "recommendation."

EXCHANGE TRADED FUNDS

References: NTM 09-31

Exchange traded funds (ETFs) are typically registered unit investment trusts (UITs) or open-end investment companies whose shares represent an interest in a portfolio of securities that track an underlying benchmark or

index. However, some ETFs that invest in commodities, currencies, or commodity- or currency-based instruments are not registered as investment companies. Unlike traditional UITs or mutual funds, shares of ETFs typically trade throughout the day on an exchange at prices established by the market.

Leveraged ETFs seek to deliver multiples of the performance of the index or benchmark

they track. Some leveraged ETFs are “inverse” or “short” funds, meaning that they seek to deliver the opposite of the performance of the index or benchmark they track. Like traditional ETFs, some inverse ETFs track broad indices, some are sector-specific, and still others are linked to commodities or currencies. Inverse ETFs are often marketed as a way for investors to profit from, or at least hedge their exposure to, downward moving markets. Some funds are both short and leveraged, meaning that they seek to achieve a return that is a multiple of the inverse performance of the underlying index.

An inverse ETF that tracks the S&P 500, for example, seeks to deliver the inverse of the performance of the S&P 500, while a 2x leveraged inverse S&P 500 ETF seeks to deliver twice the opposite of that index’s performance. To accomplish their objectives, leveraged and inverse ETFs pursue a range of investment strategies through the use of swaps, futures contracts and other derivative instruments.

Most leveraged and inverse ETFs “reset” daily, meaning that they are designed to achieve their stated objectives on a daily basis. Due to the effect of compounding, their performance over longer periods of time can differ significantly from the performance (or inverse of the performance) of their underlying index or benchmark during the same period of time. This effect can be magnified in volatile markets.

Sales practice obligations in connection with leveraged and inverse ETFs must meet the same standards as with all products. In particular, recommendations to customers must be suitable and based on a full understanding of the terms and features of the product recommended; sales materials related to leveraged and inverse ETFs must be fair and accurate. The designated principal will insure these obligations are met.

EXCHANGE TRADED FUNDSPROHIBITION ON TRANSACTIONS, PUBLICATION OF QUOTATIONS, OR PUBLICATION OF INDICATIONS OF INTEREST DURING TRADING HALTS

References: FINRA Rule 5260

The Firm will not, directly or indirectly, effect any transaction or publish a quotation, a priced bid and/or offer, an unpriced indication of interest or a bid or offer accompanied by a modifier to reflect unsolicited customer interest, in any security as to which a trading halt is currently in effect. If FINRA closes trading in a security pursuant to its authority the Firm would not be prohibited from trading through other markets for which trading is not halted.

The Firm will not, directly or indirectly, effect any transaction or publish a quotation, a priced bid and/or offer, an unpriced indication of interest or a bid or offer, accompanied by a modifier to reflect unsolicited customer interest, in a future for a single security when the underlying security has a regulatory trading halt that is currently in effect and a future on a narrow-based securities index when one or more underlying securities that constitute 50% or more of the market capitalization of the index has a regulatory trading halt that is currently in effect.

FEES CHARGED TO CUSTOMERS

FAIR PRICING, COMISSIONS,FEES AND MARKUPS

References: NASD Rule 2430, 2440, IM-2440-1 NTM 92-16, 93-81, 97-8 MSRB Rule G-18, G-30

Charges, if any, for services performed, including miscellaneous services such as collection of moneys due for principal, dividends, or interest; exchange or transfer of securities; appraisals, safe-keeping or custody of securities, and other services, will be reasonable and not unfairly discriminatory between customers.

In securities transactions, whether in "listed" or "unlisted" securities, if the Firm buys or sells for its own account from or to a customer, the Firm will buy or sell at a price which is fair, taking into consideration all relevant circumstances, including market conditions with respect to such security at the time of the transaction, the expense involved, and the fact that the Firm is entitled to a profit; and if the Firm acts as agent for the customer in any transaction, the Firm will not charge the customer more than a fair commission or service charge, taking

into consideration all relevant circumstances, including market conditions with respect to the security at the time of the transaction, the expense of executing the order and the value of any service the Firm may have rendered by reason of experience in and knowledge of such security and the markets.

MARK-UP POLICY

The Firm will not enter into any transaction with a customer in any security at any price not reasonably related to the current market price of the security or to charge a commission which is not reasonable.

The "5% Policy" is a guide, not a rule and the Firm will not justify mark-ups on the basis of expenses which are excessive.

The mark-up over the prevailing market price is the significant spread from the point of view of fairness of dealings with customers in principal transactions. In the absence of other bona fide evidence of the prevailing market, the Firm's own contemporaneous cost is the best indication of the prevailing market price of a security.

A mark-up pattern of 5% or even less may be considered unfair or unreasonable under the "5% Policy." The determination of the fairness of mark-ups will be based on a consideration of all the relevant factors, of which the percentage of mark-up is only one.

Some of the factors which the Firm will take into consideration in determining the fairness of a mark-up are the Type of security involved, the availability of the security in the market, the price of the security, the amount of money involved in a transaction, disclosure, the pattern of mark-ups and the nature of the Firm's business.

TRANSACTIONS TO WHICH THE POLICY IS APPLICABLE

The policy applies to all securities, whether oil royalties or any other security, in the following types of transactions:

1) A transaction in which the Firm buys a security to fill an order for the same security previously received from a customer. This transaction would include the so-called "riskless" or "simultaneous" transaction.
2) A transaction in which the Firm sells a security to a customer from inventory. In such a case the amount of the mark-up would be determined on the basis of the mark-up over the bona fide representative current market. The amount of profit or loss to the Firm from market appreciation or depreciation before, or after, the date of the transaction with the customer would not ordinarily enter into the determination of the amount or fairness of the mark-up.
3) A transaction in which the Firm purchases a security from a customer. The price paid to the customer or the mark-down applied by the Firm must be reasonably related to the prevailing market price of the security.
4) A transaction in which the Firm acts as agent. In such a case, the commission charged the customer must be fair in light of all relevant circumstances.
5) Transactions where a customer sells securities through a broker/dealer, the proceeds from which are utilized to pay for other securities purchased through the broker/dealer at about the same time. In such instances, the mark-up will be computed in the same way as if the customer had purchased for cash and in computing the mark-up there will be included any profit or commission realized by the dealer on the securities being liquidated, the proceeds of which are used to pay for securities being purchased.

The Mark-Up Policy is not applicable to the sale of securities where a prospectus or offering circular is required to be delivered and the securities are sold at the specific public offering price.

FEE BASED ACCOUNTS

References: FINRA Rule 2010 NTM 03-68

The Firm will observe high standards of commercial honor and just and equitable principles of trade.

The Firm will not place a customer in an account with a fee structure that reasonably can be expected to result in a greater cost than an alternative account offered by the Firm that provides the same services and benefits to the customer. Accordingly, before opening a fee-based account for a customer, the Firm will have reasonable grounds to believe that such an account is appropriate for that particular customer. To that end, the Firm will make reasonable efforts to obtain information about the customer's financial status, investment objectives, trading history, size of portfolio, nature of securities held, and account diversification. With that and any other relevant information in hand, the Firm will then consider whether the type of account is appropriate in light of the services provided, the projected cost to the customer, alternative fee structures that are available, and the customer's fee

structure preferences. In addition, the Firm will disclose to the customer all material components of the fee-based program, including the fee schedule, services provided, and the fact that the program may cost more than paying for the services separately.

Of course, factors other than cost may properly be considered to determine whether an account is appropriate for a customer. Thus, for example, a customer may place a premium on the positive characteristics of fee-based programs such as having his or her interests aligned with that of the Firm and the certainty and consistency of cost that many fee-based programs provide. These non-price factors may constitute significant benefits to a particular customer; therefore, the Firm may give them corresponding weight in determining the appropriateness of a fee-based account for that customer. Even where a fee- based account is determined to be appropriate, the Firm still must comply with all longstanding obligations.

Absent inducement by the Firm, no liability will attach to the Firm where it is disclosed to a customer that a potentially lower cost account is available, but the Firm can demonstrate that the customer nevertheless opted for a fee-based account for reasons other than pricing. In such circumstances, the Firm will document the fact that the customer chose a fee-based account for reasons other than cost.

SUPERVISORY PROCEDURES

The Firm will require a periodic review of fee-based accounts to determine whether they remain appropriate for their respective customers. Thus, the Firm will consider whether reasonable assumptions about market conditions upon which the Firm based its initial determination of appropriateness have changed, as well as any changes in customer objectives or financial circumstances.

TRANSACTION REVIEW & CUSTOMERCOMPLAINTS

CUSTOMER COMPLAINTS

References: 3110 MSRB Rule G-8(a) (xii), G-10

The Firm will keep and preserve in each office of supervisory jurisdiction, either a separate file or record of all written complaints of customers and action taken by the Firm, if any, and a clear reference to the files containing the correspondence connected with any complaint as maintained in that office.

A "complaint" means any written statement of a customer or any person acting on behalf of a customer alleging a grievance involving the activities of those persons under the control of the Firm in connection with the solicitation or execution of any transaction or the disposition of securities or funds of that customer.

The Firm will maintain a record of all written complaints of customers, and persons acting on behalf of customers, and what action, if any, has been taken by the Firm in connection with each complaint.

TRADE REVIEW

References: FINRA Rule 2010, 2020, 2310, 3010, IM 2110-1 MSRB Rule G-27© SEC Rules 10b-5, 15c1-7

The Firm, in the conduct of its business, will observe high standards of commercial honor and just and equitable principles of trade.

The Firm will not affect any transaction in, or induce the purchase or sale of any security by means of any manipulative, deceptive or other fraudulent device or contrivance.

Guidelines to Ensure That Communications with the Public Are Not Misleading

The Firm is responsible for determining whether any communication with the public, including material that has been filed with FINRA, complies with all applicable standards, including the requirement that the communication not be misleading. In order to meet this responsibility, Firm communications with the public will conform with the following guidelines.

1) The Firm will ensure that statements are not misleading within the context in which they are made.
2) The Firm will consider the nature of the audience to which the communication will be directed.
3) Firm communications will beclear.

4) In communications with the public, income or investment returns will not be characterized as tax-free or exempt from income tax when tax liability is merely postponed or deferred, such as when taxes are payable uponredemption.
5) In advertisements and sales literature, references to tax-free or tax-exempt income will indicate which income taxes apply, or which do not, unless income is free from all applicable taxes.
6) Inmaking a recommendation in advertisements and sales literature, whether or not labeled as such, the Firm will have a reasonable basis for the recommendation and will disclose any of the following: that at the time the advertisement or sales literature was published, the Firm was making a market in the securities being recommended, or in the underlying security if the recommended security is an option or security future, or that the Firm or associated persons will sell or buy from customers on a principal basis, that the Firm and/or its officers or partners have a financial interest in any of the securities of the issuer whose securities are recommended and the nature of the financial interest, unless the extent of the financial interest is nominal and that the Firm was manager or co-manager of a public offering of any securities of the recommended issuer within the past 12 months.

The Firm will also provide available investment information supporting the recommendation. Recommendations on behalf of corporate equities will provide the price at the time the recommendation is made.

The Firm may use material referring to past recommendations if it sets forth all recommendations as to the same type, kind, grade or classification of securities made by the Firm within the last year. Longer periods may be covered if they are consecutive and include the most recent year. The material will also name each security recommended and give the date and nature of each recommendation, the price at the time of the recommendation, the price at which the recommendation was to be acted upon, and indicate the general market conditions during the period covered.

Moreover, material that does not make any specific recommendation but which offers to furnish a list of all recommendations made by the Firm within the past year or over longer periods including the most recent year is permitted. Neither the list of recommendations, nor material offering such list, will imply comparable future performance. Reference to the results of a previous specific recommendation, including any reference in a follow-up research report or market letter will be prohibited if the intent or the effect is to show the success of a past recommendation, unless all of the foregoing requirements with respect to past recommendations are met.

ORDER AUDIT TRAIL SYSTEMS (OATS)

ORDER AUDIT TRAIL SYSTEM REGULATIONS

References: FINRA Rules 7410-7470 NTM 05-78, 09-21

SYNCHRONIZATION OF FIRM BUSINESS CLOCKS

The Firm will synchronize its business clocks that are used for purposes of recording the date and time of any event that must be recorded pursuant to the FINRA By-Laws or other FINRA rules, with reference to a time source as designated by FINRA, and will maintain the synchronization of such business clocks in conformity with such procedures as are prescribed by FINRA.

RECORDING OF ORDER INFORMATION

The Firm will immediately following receipt or origination of an order, record each item of information that applies to the order, and record any additional information that applies immediately after the information is received or becomes available and immediately following the transmission of an order to another Firm, or from one department to another within the Firm, record each item of information that applies with respect to such transmission and immediately following the modification, cancellation, or execution of an order, record each item of information that applies with respect to such modification, cancellation, or execution.

Each required record of the time of an event will be expressed in terms of hours, minutes, and seconds.

The Firm will, by the end of each business day, record each item of information required to be recorded under this Rule in the electronic form as is prescribed by FINRA.

With respect to each order that is received or executed at its trading department, the Firm will record an identification of each registered person who receives the order directly from a customer, each registered person who executes the order and the department that originated the order if the order is originated by the Firm and transmitted manually to another department.

The Firm will maintain and preserve records of the information required to be recorded for the period of time and accessibility specified in SEA Rule 17a-4(b).

The records required to be maintained and preserved under this Rule may be immediately produced or reproduced on "micrographic media" or by means of "electronic storage media" that meet the conditions set forth in SEA Rule 17a-4(f) and be maintained and preserved for the required time in that form.

ORDER ORIGINATION AND RECEIPT

The following order information must be recorded under this Rule when an order is received or originated: an order identifier meeting the parameters as may be prescribed by FINRA assigned to the order by the Firm that uniquely identifies the order for the date it was received, the identification symbol assigned by FINRA to the security to which the order applies, the market participant symbol assigned by FINRA to the Firm, the identification of any department or the identification number of any terminal where an order is received directly from a customer, where the order is originated by the Firm, the identification of the department of the Firm that originates the order, where the Firm is a party to an agreement the identification of the Reporting Agent, the number of shares to which the order applies, the designation of the order as a buy or sell order, the designation of the order as a short sale or a short sale exempt order, the designation of the order as a market order, limit order, stop order or stop limit order, any limit or stop price prescribed in the order, the date on which the order expires, and, if the time in force is less than one day, the time when the order expires, the time limit during which the order is in force, any request by a customer that an order not be displayed, or that a block size order be displayed, special handling requests, specified by FINRA, the date and time the order is originated or received by the Firm, an identification of the order as related to a Program Trade or an Index Arbitrage Trade and the type of account for which the order is submitted.

ORDER TRANSMITTAL

Order information required to be recorded under this Rule when an order is transmitted includes when the Firm transmits an order to a department within the Firm, the Firm will record: the order identifier assigned to the order by the Firm, the market participant symbol assigned by FINRA to the Firm, the date the order was first originated or received by the Firm, an identification of the department and nature of the department to which the order was transmitted, the date and time the order was received by that department, the number of shares to which the transmission applies and any special handling requests.

When the Firm electronically transmits an order to another firm, other than an order transmitted electronically for execution on an Electronic Communications Network the transmitting Firm will record the order identifier assigned to the order by the Firm and the routed order identifier, if different, which the transmitting Firm also must provide to the receiving Firm, the market participant symbol assigned by FINRA to the Reporting Firm, the market participant symbol assigned by FINRA to the Firm to which the order is transmitted, the date the order was first originated or received by the Reporting Firm, the date and time the order is transmitted, the number of shares to which the transmission applies, whether the order is an intermarket sweep order, the price at which the order is transmitted and the designation of the order as short exempt, if applicable.

The receiving Reporting Firm will record, in addition to all other information items: the routed order identifier assigned to the order by the Firm that transmits the order and the market participant symbol assigned by FINRA to the Firm that transmits the order.

When the Firm electronically transmits an order for execution on an Electronic Communications Network the transmitting Reporting Firm will record: the fact that the order was transmitted to an Electronic Communications Network, the order identifier assigned to the order by the Reporting Firm and the routed order identifier, if different, which the transmitting Reporting Firm also must provide to the receiving Reporting Firm, the market participant symbol assigned by FINRA to the Reporting Firm, the market participant symbol assigned by FINRA to the Firm to which the order is transmitted, the date the order was first originated or received by the Reporting Firm, the date and time the order is transmitted, the number of shares to which the transmission applies, whether the order is an intermarket sweep order, the price at which the order is transmitted and the designation of the order as short exempt, if applicable.

The receiving Reporting Firm operating the Electronic Communications Network will record: the fact that the order was received by an Electronic Communications Network, the routed order identifier assigned to the order by the Firm that transmits the order, the market participant symbol assigned by FINRA to the transmitting Reporting Firm and other information items that apply with respect to the order.

When the Firm manually transmits an order to another Firm, other than to an Electronic Communications Network the transmitting Reporting Firm will record: the fact that the order was transmitted manually, the order identifier assigned to the order by the Reporting Firm, the market participant symbol assigned

by FINRA to the Reporting Firm, the market participant symbol assigned by FINRA to the Firm to which the order is transmitted, the date the order was first originated or received by the Reporting Firm, the date and time the order is transmitted, the number of shares to which the transmission applies, for each order to be included in a bunched order, the bunched order route indicator assigned to the bunched order by the Reporting Firm, whether the order is an intermarket sweep order, the price at which the order is transmitted and the designation of the order as short exempt, if applicable.

The receiving Reporting Firm will record, in addition to all other information that apply with respect to the order: the fact that the order was received manually and the market participant symbol assigned by FINRA to the Firm that transmits the order.

When the Firm manually transmits an order to an Electronic Communications Network the transmitting Reporting Firm will record: the fact that the order was transmitted manually, the order identifier assigned to the order by the Reporting Firm, the market participant symbol assigned by FINRA to the Reporting Firm, the market participant symbol assigned by FINRA to the Firm to which the order is transmitted, the date the order was first originated or received by the Reporting Firm, the date and time the order is transmitted, the number of shares to which the transmission applies, for each order to be included in a bunched order, the bunched order route indicator assigned to the bunched order by the Reporting Firm, whether the order is an intermarket sweep order, the price at which the order is transmitted and the designation of the order as short exempt, if applicable.

The receiving Reporting Firm will record: the fact that the order was received manually, the market participant symbol assigned by FINRA to the transmitting Reporting Firm and other information that apply with respect to the order.

When the Firm transmits an order to a non-firm, including but not limited to a national securities exchange, the Reporting Firm will record the fact that the order was transmitted to a non-firm, the order identifier assigned to the order by the Reporting Firm, the market participant symbol assigned by FINRA to the Reporting Firm, the date the order was first originated or received by the Reporting Firm, the date and time the order is transmitted, the number of shares to which the transmission applies, for each manual order to be included in a bunched order, the bunched order route indicator assigned to the bunched order by the Reporting Firm, the routed order identifier or other unique identifier required by the non-firm receiving the order, as applicable, identification of the non-firm where the trade was transmitted, whether the order is an intermarket sweep order, the price at which the order is transmitted and the designation of the order as short exempt, if applicable.

ORDER MODIFICATIONS, CANCELLATIONS, AND EXECUTIONS

Order information required to be recorded under this Rule when an order is modified, canceled, or executed includes the following.

When the Reporting Firm modifies or receives a modification to the terms of the order, the Reporting Firm will record, in addition to all other applicable information items that would apply as if the modified order were originated or received at the time of the modification, the order identifier assigned to the order by the Reporting Firm prior to the modification, the date and time the modification was originated or received and the date the order was first originated or received by the Reporting Firm.

When the Reporting Firm cancels or receives a cancellation of an order, in whole or part, the Reporting Firm will record the order identifier assigned to the order by the Reporting Firm, the market participant symbol assigned by FINRA to the Reporting Firm, the date the order was first originated or received by the Reporting Firm, the date and time the cancellation was originated or received, if the open balance of an order is canceled after a partial execution, the number of shares canceled and whether the order was canceled on the instruction of a customer or the Reporting Firm.

When the Reporting Firm executes an order, in whole or in part, the Reporting Firm will record the order identifier assigned to the order by the Reporting Firm, the market participant symbol assigned by FINRA to the Reporting Firm, the date the order was first originated or received by the Reporting Firm, the Reporting Firm's number assigned for purposes of identifying transaction data in the Nasdaq Market Center, ADF, Trade Reporting Facility or other system or service as may be designated by FINRA, the designation of the order as fully or partially executed, the number of shares to which a partial execution applies and the number of unexecuted shares remaining, the identification number of the terminal where the order was executed, the date and time of execution, the execution price, the capacity in which the Firm executed the transaction and the national securities exchange or facility operated by a registered securities association where the trade was reported.

ORDER DATA TRANSMISSION REQUIREMENTS

General Requirement

All applicable order information required to be recorded will be transmitted to the Order Audit Trail System by the Reporting Firm or by a Reporting Agent pursuant to an agreement.

METHOD OF TRANSMITTING DATA

Order information will be transmitted in electronic form, as required by FINRA, to a receiving location designated by FINRA.

The Reporting Firm will transmit to the Order Audit Trail System a report containing each applicable item of order information whenever an order is originated, received, transmitted to another department within the Firm or to another firm, modified, canceled, or executed. Each report will be transmitted on the day the event occurred, provided, however, that if any item of information identified is not available, then the report will be transmitted on the day that all such items of information become available. Order information reports may be aggregated into one or more transmissions, during business hours as may be prescribed by FINRA.

REPORTING AGENT AGREEMENTS

The Reporting Firm may enter into an agreement with a Reporting Agent pursuant to which the Reporting Agent agrees to fulfill the obligations of the Reporting Firm. Any agreement will be evidenced in writing, which will specify the respective functions and responsibilities of each party to the agreement that are required to effect full compliance with the requirements of this Rule.

All written documents evidencing an agreement will be maintained by each party to the agreement. The Reporting Firm remains primarily responsible for compliance with the requirements of this rule, notwithstanding the existence of an agreement.

VIOLATION OF ORDER AUDIT TRAIL SYSTEM RULES

Failure of the Firm or person associated with the Firm to comply with any of these requirements may be considered conduct that is inconsistent with high standards of commercial honor and just and equitable principles of trade, in violation of FINRA Rule 2010.

EXEMPTION TO THE ORDER RECORDING AND DATA TRANSMISSION REQUIREMENTS

Pursuant to the Rule 9600 Series, the staff, for good cause shown after taking into consideration all relevant factors, may exempt, subject to specified terms and conditions, the Firm from the recording and order data transmission requirements, for manual orders, if the exemption is consistent with the protection of investors and the public interest, and the Firm meets the following criteria:

1) the Firm and current control affiliates and associated persons of the Firm have not been subject within the last five years to any final disciplinary action, and within the last ten years to any disciplinary action involving fraud;
2) the Firm has annual revenues of less than $2 million;
3) the Firm does not conduct any market making activities in NMS stocks or OTC equity securities;
4) the Firm does not execute principal transactions with its customers and the Firm does not conduct clearing or carrying activities for other firms.

An exemption provided pursuant to this Rule will not exceed a period of two years. At or prior to the expiration of a grant of exemptive relief under this Rule, the Firm meeting the criteria set forth may request, pursuant to the Rule 9600 Series, a subsequent exemption, which will be considered at the time of the request, consistent with the protection of investors and the public interest. This Rule will be in effect until July 10, 2015.

SECTION 5. FINANCIAL AND OPERATIONAL ISSUES

Designated Principal:	President or designated principal where applicable.
How Conducted:	Designate a FINOP. Insure the FINOP conducts visits and reviews the books and records. Insure all operational and financial matters are in full compliance with all rules and regulations. Review all Net Capital computations.
Frequency of Review:	Whenever necessary.
How Documented:	Maintain a file where all decisions and necessary documentation are kept.

FINANCIAL REPORTING

FINOP RESPONSIBILITIES

References: NASD Rule 1022(b), (c), NTM 06-23

The Firm will designate as Limited Principal—Financial and Operations at least one of whom will be its chief financial officer, who performs the duties described below. Each person associated with the Firm who performs these duties will be required to register as a Limited Principal—Financial and Operations and must pass an appropriate Qualification Examination before the registration becomes effective.

1) The duties of the principal include:
2) final approval and responsibility for the accuracy of financial reports submitted to any duly established securities industry regulatory body;
3) final preparation of such reports;
4) supervision of individuals who assist in the preparation of those reports;
5) supervision and responsibility for individuals who are involved in the actual maintenance of the Firm's books and records from which any reports are derived;
6) supervision and performance of the Firm's responsibilities under all financial responsibility rules promulgated;
7) overall supervision and responsibility for the individuals who are involved in the administration and maintenance of the Firm's back office operations; or
8) any other matter involving the financial and operational management of the Firm.

A person registered solely as a Limited Principal—Financial and Operations need not be qualified to function in a principal capacity with responsibility over any area of business activity not described above.

The principal will also be responsible for the reconciliation of Firm bank accounts. The reconciliations will be performed on a monthly basis. The records that will be maintained include bank statements, ledgers and balance sheets. The principal will maintain a file evidencing the monthly reconciliations.

LIMITED PRINCIPAL—INTRODUCING BROKER/DEALER FINANCIAL AND OPERATIONS

If the Firm is an introducing broker/dealer it will designate as at least one of whom will be its chief financial officer, who performs the duties described above. Each person associated with the Firm who performs such duties will register as a Limited Principal—Introducing Broker/Dealer Financial and Operations and will pass an appropriate Qualification Examination before the registration becomes effective.

The duties of the principal include those same duties enumerated.

GUIDANCE APPLICABLE TO PART-TIME, OFF-SITE OR MULTIPLY REGISTERED FINOPS

ON-SITE VISITS

Registered FINOPs working part-time, off-site or holding multiple registrations will conduct a minimum number of on-site firm visits each year to review the Firm's books and records; that minimum number will be set by the

FINOP in consultation with the Firm. Some of these visits will be on a surprise basis. In addition to a review of the financial accounts and relevant supporting documentation, the FINOP will inquire about and review the following when conducting examinations on site: contracts entered into by the Firm, contracts entered into by an affiliate or parent of the Firm that may impact the Firm, any ongoing liabilities that may impact the Firm's balance sheet, including for example settlements or arbitration awards, any contingent liabilities that may impact the Firm's aggregate indebtedness calculation, the nature and timing of capital contributions and capital withdrawals, the proper treatment of Expense Sharing Agreements and the Firm's activities to ensure that the proper net capital requirement, based on those activities, is being reported accurately on the Firm's financial reports.

ON-SITE VISIT DOCUMENTATION

The FINOP will evidence each on-site review by initialing the books and records reviewed or, if impractical, creating a detailed log as to which records were reviewed. In addition, the FINOP will reduce the review to a written report to be submitted to the Firm's senior management.

ACCESS TO BOOKS AND RECORDS

If the Firm uses a part-time, off-site or multiple registered FINOP it will provide that person complete access to all of the Firm's books and records. The Firm may not provide less access to a part-time, off-site or multiply registered FINOP than it would to a full-time, on-siteFINOP.

FINANCIAL REPORTING - NET CAPITAL COMPUTATION

References: SEC Rule 17a-5, 17a-11 NASD By-Laws, Schedule A NASD Rule 3110

If the Firm clears or carries customer accounts it will file Part I of Form X-17A-5 within 10 business days after the end of each month and Part II of Form X-17A-5 within 17 business days after the end of the calendar quarter and within 17 business days after the date selected for the annual audit of financial statements if other than a calendar quarter. If the Firm does not carry or clear transactions or carry customer accounts, the Firm will file Part IIA of Form X-17A-5 within the same time frame as Part II.

If the Firm receives written notice from the Commission or the examining authority the Firm will file Part II or Part IIA of Form X-17A-5 monthly, or at times that will be specified and other financial or operational information required.

The reports will be considered filed when received at the Commission's principal office in Washington, DC, and the regional office of the Commission for the region or district in which the Firm has its principal place of business. All reports filed will be deemed to be confidential.

These provisions do not apply to the Firm if it is part of a national securities exchange or a registered national securities association if those associations maintain records containing the information required by Part I, Part II or Part IIA of Form X-17A-5 as to the Firm and transmits them to the Commission pursuant to a plan whose procedures and provisions have been submitted and declared effective by the Commission.

If the Firm computes certain of its capital charges in accordance with SEC Rule 15c3-1e, it will file the following additional reports within 17 business days after the end of each month that is not a quarter, as of month-end:

- For each product for which the Firm calculates a deduction for market risk other than in accordance with SEC Rule 15c3-1e(b)(1) or (b)(3), the product category and the amount of the deduction for market risk;
- A graph reflecting, for each business line, the daily intra-month VaR; The aggregate value at risk for the broker or dealer;
- For each product for which the Firm uses scenario analysis, the product category and the deduction for market risk;
- Credit risk information on derivatives exposures, including overall current exposure, current exposure listed by counterparty for the 15 largest exposures, the 10 largest commitments listed by counterparty, the Firm's maximum potential exposure listed by counterparty for the 15 largest exposures, the Firm's aggregate maximum potential exposure, a summary report reflecting the Firm's current and maximum potential exposures by credit rating category and a summary report reflecting the Firm's current exposure for each of the top ten countries to which the Firm is exposed; and
- Regular risk reports supplied to the Firm's senior management in the format described in the application.

Moreover, within 17 business days after the end of each quarter the Firm will file each of the reports required, a report identifying the number of business days for which the actual daily net trading loss exceeded the corresponding daily VaR and the results of back testing of all internal models used to compute allowable capital, including VaR and credit risk models, indicating the number of back testing exceptions.

Upon written application by the Firm the designated examining authority may extend the time for filing the information required. The designated examining authority will maintain a record of each extension granted.

EXPENSES

Expenses incurred in a given month will either be paid and expensed in that month or to the extent they are not paid by the last calendar day of the month, incurred expenses regardless of whether they have been billed or not will be accrued and expensed in that month.

NOTIFICATIONS

If the Firm's net capital declines below the minimum amount required, the Firm will give notice of the deficiency the same day, specifying the Firm's net capital requirement and its current amount of net capital.

If the Firm acts as OTC derivatives dealer or broker and is permitted to compute net capital pursuant to the alternative method of SEC Rule 15c3-1e it must still provide notice if its tentative net capital falls below the minimum amount required. The notice will specify the tentative net capital requirements, and current amount of net capital and tentative net capital permitted.

The Firm will send notice within 24 hours after the occurrence of the following events:

If a computation made by the Firm subject to the aggregate indebtedness standard shows that its aggregate indebtedness is in excess of 1,200 percent of its net capital; or

If a computation made by the Firm which has elected the alternative standard of Rule 15c3-1, shows that its net capital is less than 5 percent of aggregate debit items computed; or

If a computation made by the Firm pursuant to Rule 15c3-1 shows that its total net capital is less than 120 percent of the Firm's required minimum net capital, or if a computation made by the Firm acting as an OTC derivatives dealer shows that its total tentative net capital is less than 120 percent of the Firm's required minimum tentative net capital.

If the Firm fails to keep current its books and records the Firm will give notice of this fact the same day, specifying the books and records which have not been kept current. The Firm will also transmit a report within 48 hours of the notice stating what the Firm has done or is doing to correct the situation.

If the Firm discovers, or is notified by an independent public accountant, of the existence of any material inadequacy the Firm will give notice within 24 hours of the discovery and transmit a report within 48 hours of the notice stating what the Firm has done or is doing to correct the situation.

Every notice or report required to be given or transmitted will be given or transmitted to the principal office of the Commission in Washington, D.C., the regional office of the Commission for the region in

Which the Firm has its principal place of business, the designated examining authority of which the Firm is a member, and the Commodity Futures Trading Commission if the Firm is registered as a futures commission merchant.

FIDELITY BOND COVERAGE

References: NASD Rule 3020 [EFFECTIVE UNTIL JANUARY 1, 2012]

COVERAGE REQUIRED

The Firm will maintain a blanket fidelity bond, in a form substantially similar to the standard form of Brokers Blanket Bond promulgated by the Surety Association of America, covering officers and employees which provides against loss and has agreements covering at least, fidelity, on premises, in transit, misplacement, forgery and alteration (including check forgery), securities loss (including securities forgery), fraudulent trading, cancellation rider providing that the insurance carrier will use its best efforts to promptly notify FINRA in the event the bond is cancelled, terminated or substantially modified.

The Firm will maintain minimum coverage for all insuring agreements required of not less than $25,000 and will maintain required minimum coverage for fidelity, on premises, in transit, misplacement and forgery and alteration insuring agreements of not less than 120% of its required net capital under SEC Rule 15c3-1 up to $600,000. Minimum coverage for required net capital in excess of $600,000 shall be determined by reference to the table contained within the Rule.

The Firm will also maintain fraudulent trading coverage of not less than $25,000 or 50% of the coverage required above whichever is greater, up to $500,000 and will further maintain securities forgery coverage of not less than $25,000 or 25% of the coverage required above whichever is greater, up to $250,000.

DEDUCTIBLE PROVISION

A deductible provision may be included in the bond of up to $5,000 or 10% of the minimum insurance requirement established whichever is greater.

If the Firm maintains coverage in excess of the minimum insurance requirement then a deductible provision may be included in the bond of up to $5,000 or 10% of the amount of blanket coverage provided in the bond purchased, whichever is greater. The excess of any deductible amount over the maximum permissible deductible amount described above must be deducted from the Firm's net worth in the calculation of the Firm's net capital for purposes of SEC Rule 15c3-1. Where the Firm is a subsidiary of another member the excess may be deducted from the parent's rather than the subsidiary's net worth, but only if the parent guarantees the subsidiary's net capital in writing.

ANNUAL REVIEW OF COVERAGE

The Firm will annually review, as of the anniversary date of the issuance of the bond, the adequacy thereof by reference to the highest required net capital during the immediately preceding twelve-month period, which amount shall be used to determine minimum required coverage for the succeeding twelve- month period.

The Firm which has been in business for one year shall, as of the first anniversary date of the issuance of its original bond, review the adequacy thereof by reference to an amount calculated by dividing the highest aggregate indebtedness it experienced during its first year by 15. Such amount shall be used in lieu of required net capital under SEC Rule 15c3-1 in determining the minimum required coverage to be carried in the Firm’s second year. Notwithstanding the above, the Firm will not carry less minimum bonding coverage in its second year than it carried in its first year.

The Firm will make required adjustments not more than sixty days after the anniversary date of the issuance of such bond.

The Firm subject to the requirements of annual review may apply for an exemption from those requirements. The application will be made pursuant to Rule 9610 of the Code of Procedure. The exemption may be granted upon a showing of good cause, including a substantial change in the circumstances or nature of the Firm's business that results in a lower net capital requirement. FINRA may issue an exemption subject to any condition or limitation upon the Firm’s bonding coverage that is deemed necessary to protect the public and serve the purposes of these rules.

NOTIFICATION OF CHANGE

The Firm will report the cancellation, termination or substantial modification of the bond to FINRA within ten business days of such occurrence.

HANDLING OF CUSTOMER FUNDS ANDSECURITIES

NET CAPITAL RULE- CUSTOMER FUNDS

References: SEC Rule 15c3-1, 17a-11 NTM 92-72, 93-30, 99-44

The Firm will at all times have and maintain net capital no less than the greater of the highest minimum requirement applicable to its ratio requirement, or to any of its activities. Alternatively, an OTC derivatives dealer will maintain net capital using a different method as outlined in the Rule. The Firm will also comply with any

supplemental requirements applicable to its activities. In addition, the Firm will maintain net capital of not less than its own net capital requirement plus the sum of each Firm's subsidiary or affiliate minimum net capital requirements. The specific requirements, which must be met are outlined in great detail within the Rule and are incorporated within these procedures.

CUSTOMER PROTECTION RULE- RESERVE COMPUTATIONS

References: SEC Rule 15c3-3, 17a-13, 8c-1, 15c2-1 NASD Rule 3140 FINRA Rule 2150 NTM 99-44

PHYSICAL POSSESSION OR CONTROL OF SECURITIES.

The Firm will maintain the physical possession or control of all fully-paid securities and excess margin securities for the account of customers.

The Firm will not be in violation of the physical possession rules if, solely as the result of normal business operations, temporary lags occur between the time when a security is required to be in the possession or control of the Firm and the time that it is placed in physical possession or under control, provided that the Firm takes timely steps in good faith to establish prompt physical possession or control.

The Firm will not be in violation of the physical possession rules of fully-paid or excess margin securities borrowed from any person, provided the Firm and the lender enter into a written agreement that sets forth in a separate schedule the basis of compensation for any loan and generally the rights and liabilities of the parties as to the borrowed securities, provides that the lender will be given a schedule of the securities actually borrowed at the time of the borrowing of the securities and specifies that the Firm must provide the lender, upon the execution of the agreement, collateral, which fully secures the loan of securities, consisting exclusively of cash or United States Treasury bills and Treasury notes or an irrevocable letter of credit issued by a bank or any other collateral as the Commission designates as permissible and must mark the loan to the market daily and in the event that the market value of all the outstanding securities loaned at the close of trading at the end of the business day exceeds 100 percent of the collateral held by the lender, the borrowing Firm must provide additional collateral to the lender by the close of the next business day as necessary to equal, together with the collateral then held by the lender, not less than 100 percent of the market value of the securities loaned and contains a prominent notice that the provisions of the Securities Investor Protection Act of 1970 may not protect the lender with respect to the securities loan transaction and that, therefore, the collateral delivered to the lender may constitute the only source of satisfaction of the Firm's obligation in the event the Firm fails to return the securities.

HYPOTHECATION OF CUSTOMERS' SECURITIES

The Firm will not hypothecate, i.e., pledge as a security for a debt, any securities carried for the account of any customer under circumstances that will permit the commingling of securities of one customer with those of another, without first obtaining the written consent of each customer to the hypothecation that will permit the securities to be commingled with securities carried for the account of any person other than a bona fide customer of the Firm under a lien for a loan made to the Firm, or that will permit securities carried for the account of customers to be hypothecated or subjected to any liens or claims of the pledges, for a sum which exceeds the aggregate indebtedness of all customers in respect of securities carried for their accounts.

APPROVAL OF CHANGE IN EXEMPT STATUS UNDER SEC RULE 15C3-3

If the Firm is operating pursuant to any exemptive provision as contained SEC Rule 15c3-3 it will not change its method of doing business in a manner which will change its exemptive status or commence operations that will disqualify it for continued exemption without first having obtained the prior written approval.

IMPROPER USE OF CUSTOMER FUNDS

References: FINRA Rule 2150 MSRB Rule G-25

The Firm or any person associated with the Firm will not make improper use of a customer's securities or funds or make improper use of municipal securities or funds held on behalf of another person.

The Firm will not guarantee or offer to guarantee a customer against loss in an account carried or introduced by the Firm in which municipal securities are held or for which municipal securities are purchased, sold or exchanged or a transaction in municipal securities for a customer.

The Firm will not share, directly or indirectly, in the profits or losses of an account of a customer carried or introduced by the Firm in which municipal securities are held or for which municipal securities are purchased or sold or a transaction in municipal securities for a customer.

ESCROW ACCOUNT MAINTENANCE

References: SEC Rule 15c2-4

The Firm will not accept any part of the sale price of any security being distributed unless the money or other consideration received is promptly transmitted to the persons entitled or if the distribution is being made on an "all-or-none" basis, or on any other basis which contemplates that payment is not to be made to the person on whose behalf the distribution is being made until some further event or contingency occurs, the money or other consideration received is promptly deposited in a separate bank account, as agent or trustee for the persons who have the beneficial interests, until the appropriate event or contingency has occurred, and then the funds are promptly transmitted or returned to the persons entitled or all such funds are promptly transmitted to a bank which has agreed in writing to hold all such funds in escrow for the persons who have the beneficial interests and to transmit or return the funds directly to the persons entitled when the appropriate event or contingency has occurred.

CASH RECEIPTS

References: SEC Rule 15c3-3

1) Securities under the control of the Firm will deemed to be securities which:
2) Are represented by one or more certificates in the custody or control of a clearing corporation or other subsidiary organization or of a custodian bank in accordance with a system for the central handling of securities; or
3) Are carried for the account of any customer by the Firm and are carried in a special omnibus account in the name of the Firm with another broker or dealer.; or
4) Are the subject of bona fide items of transfer; or
5) Are in the custody of a foreign depository, foreign clearing agency or foreign custodian bank; or
6) Are in the custody or control of a bank; or
7) Are held in or are in transit between offices of the Firm; or are held by a corporate subsidiary if the Firm owns and exercises a majority of the voting rights of all of the voting securities of such subsidiary; or
8) Are held in any other locations as the Commission finds adequate for the protection of customer securities.

RECEIPT AND DISBURSEMENT OF CUSTOMER FUNDS

References: SEC Rule 15c3-3

The Firm does not maintain any securities or customer funds. All customers are instructed to make checks payable to the product sponsor, escrow agent or clearing agent as applicable. If the Firm receives a customer check made payable to the Firm in error the check will be returned to the customer with a letter stating that the check must be made payable to the proper party. A record of this occurrence will be documented and maintained in the customer file.

CAPITAL AND CREDICT REGULATION

BUY IN PROCEDURES

References: UPC Rule 11810(a)-(m)

A securities contract that has not been completed by the seller according to its terms may be closed by the buyer not sooner than the third business day following the date delivery was due.

However, this Rule shall not apply:

1) where the contract is subject to the “buy-in” requirements of a national securities exchange or a registered clearing agency, in which case, the requirements of the national securities exchange or registered clearing agency, as applicable, would apply;
2) to transactions in securities exempted under Section 3(a)(12) of the Exchange Act;
3) to transactions in municipal securities as defined in Section 3(a)(29) of the Exchange Act;
4) to transactions in redeemable securities issued by companies registered under the Investment Company Act, provided, however, that these rule will apply to secondary market transactions between firms in any security issued by a registered investment company classified as a “unit investment trust”. Redemption of securities directly by the trustee of the unit investment trust are not transactions between firms; and
5) to transactions in Direct Participation Program securities.

Written notice of "buy-in" will be delivered to the seller at its office not later than 12:00 noon, Eastern Time (ET), two business days preceding the execution of the proposed "buy-in."

If the seller receiving the “buy-in” notice does not accept the “buy-in” notice, it will send a signed, written response to the buyer stating its rejection by no later than 6:00 p.m. ET on the date of issuance of the notice otherwise the notice will be deemed to have been accepted by the seller.

Every notice of "buy-in" must state the date that the contract will be closed out, the quantity and contract value of the securities, the settlement date and any other information deemed necessary to properly identify the contract to be closed out.

A seller that has received a “buy-in” notice that has not been rejected must deliver the securities to the party issuing the notice before 3:00 p.m. ET on the “effective date” unless there is an alternative arrangement. Upon failure of the seller to effect delivery in accordance with the "buy-in" notice, or to obtain a stay, the buyer may close the contract by purchasing all or part of the securities necessary to satisfy the amount requested in the "buy-in" notice.

Buy-in execution options may be available when the buyer wishes to buy-in contracts made for unit investment trust securities.

If a "buy-in" is not completed on the day specified in the notice of "buy-in," the notice will expire at the close of business on the day specified in the notice of buy-in.

Prior to the closing of a contract on which a "buy-in" notice has been given, the buyer will accept delivery of the securities called for by the contract, provided that in the case of a partial delivery of securities called for by the contract, the portion remaining undelivered at the time the buyer proposes to execute the "buy-in" is not an amount which includes an odd-lot which was not part of the original transaction.

The party executing the "buy-in" shall immediately upon execution, but no later than 6:00 p.m. ET on the date of execution of the buy-in, notify the party for whose account the securities were bought as to the quantity purchased and the price paid.

Contracts made for "cash," or made for or amended to include guaranteed delivery on a specified date may be "bought-in" without notice during the normal trading hours on the day following the date delivery is due on the contract; otherwise, the procedures of this rule applies.

Securities in the form of stock, rights or warrants which accrue to a buyer shall be deemed due and deliverable to the buyer on the payable date. Any such securities remaining undelivered at that time shall be subject to the "buy-in" procedures as provided in this Rule.

SELL OUT PROCEDURES

References: UPC Rule 11820(a)-(b)

Upon failure of the buyer to accept delivery in accordance with the terms of the contract, and lacking a properly executed Uniform Reclamation Form or the equivalent depository generated advice for depository eligible securities, the seller may, without notice, "sell-out" in the best available market and for the account and liability of the party in default all or any part of the securities due or deliverable under the contract.

The party executing a "sell-out" will, as promptly as possible on the day of execution, but no later than 6

p.m. ET, notify the broker-dealer for whose account and risk such securities were sold of the quantity sold and the price received. Such notification must be in written or electronic form having immediate receipt capabilities. A formal confirmation of the sale must be forwarded as promptlyas possible after the execution of the "sell-out."

SHORT SALE CLOSE-OUT PROCEDURES

References: UPC Rule 11830(a)-(c) NTM 93-53

This rule is no longer applicable. It has been deemed reserved as of December 2010. Se, NTM 10-49

PARKING OF SECURITIES FOR NET CAPITAL AND MANIPULATION

References: FINRA Rule 2010 SEC Rule 10b-5, 15c3-1

The Firm will deal fairly with all customers. Thus, the Firm will not engage in parking of securities in efforts to evade the net capital requirements. Likewise, the Firm will not engage in the parking of securities for the purposes of stock manipulation.

REPURCHASE AND REVERSE REPURCHASE TRANSACTIONS

References: SEC Rule 15c3-1, 15c3-3(b) (4)

If the Firm retains custody of securities that are the subject of a repurchase agreement between the Firm and a counterparty the Firm will obtain the repurchase agreement in writing, confirm in writing the specific securities that are the subject of a repurchase transaction pursuant to the agreement at the end of the trading day on which the transaction is initiated and at the end of any other day when other securities are substituted if the substitution results in a change to issuer, maturity date, par amount or coupon rate as specified in the previous confirmation, advise the counterparty that the Securities Investor Protection Corporation has taken the position that the provisions of the Securities Investor Protection Act of 1970 do not protect the counterparty with respect to the repurchase agreement and maintain possession or control of securities that are the subject of the agreement.

The Firm will not be in violation of the requirement to maintain possession or control during the trading day if in the written repurchase agreement, the counterparty grants the Firm the right to substitute other securities for those subject to the agreement and that provision is immediately preceded by the following disclosure statement, which must be prominently displayed:

REQUIRED DISCLOSURE

“The [seller] is not permitted to substitute other securities for those subject to this agreement and therefore must keep the [buyer's] securities segregated at all times, unless in this agreement the [buyer] grants the [seller] the right to substitute other securities. If the [buyer] grants the right to substitute, this means that the [buyer's] securities will likely be commingled with the [seller's] own securities during the trading day. The [buyer] is advised that, during any trading day that the [buyer's] securities are commingled with the [seller's] securities, they will be subject to liens granted by the [seller] to its clearing bank and may be used by the [seller] for deliveries on other securities transactions. Whenever the securities are commingled, the [seller's] ability to resegregate substitute securities for the [buyer] will be subject to the [seller's] ability to satisfy the clearing lien or to obtain substitute securities.”

A confirmation issued will specify the issuer, maturity date, coupon rate, par amount and market value of the security and shall further identify a CUSIP or mortgage-backed security pool number, as appropriate. The market value of any security that is the subject of the repurchase transaction will be the most recently available bid price plus accrued interest, obtained by any reasonable and consistentmethodology.

BONDS BORROWED AND LOANED

References: 2110, SEC Rule 15c3-3(b) (3)

The Firm will not be in violation of the provisions regarding physical possession or control of fully-paid or excess margin securities borrowed from any person, provided that the Firm and the lender, before the time of the loan, enter into a written agreement that sets forth in a separate schedule the basis of compensation for any loan and generally the rights and liabilities of the parties as to the borrowed securities, provides that the lender will be

given a schedule of the securities actually borrowed at the time of the borrowing of the securities and specifies that the Firm:

Must provide to the lender, upon the execution of the agreement or by the close of the business day of the loan if the loan occurs subsequent to the execution of the agreement, collateral, which fully secures the loan of securities, consisting exclusively of cash or United States Treasury bills and Treasury notes or an irrevocable letter of credit issued by a bank or any other collateral as the Commission designates as permissible as necessary or appropriate in the public interest and consistent with the protection of investors after giving consideration to the collateral's liquidity, volatility, market depth and location, and the issuer's creditworthiness; and must mark the loan to the market daily and, in the event that the market value of all the outstanding securities loaned at the close of trading at the end of the business day exceeds 100 percent of the collateral then held by the lender, the borrowing Firm must provide additional to the lender by the close of the next business day as necessary to equal, together with the collateral then held by the lender, 100 percent of the market value of the securities loaned and contains a prominent notice that the provisions of the Securities Investor Protection Act of 1970 may not protect the lender with respect to the securities loan transaction and that, therefore, the collateral delivered to the lender may constitute the only source of satisfaction of the Firm's obligation in the event the Firm fails to return the securities.

UNIFORM PRACTICE-MUNICIPALS

References: MSRB RULE G-12

Settlement dates shall be for "cash" transactions the trade date, for "regular way" transactions the third business day following the trade date, for "when, as and if issued" transactions a date agreed upon by both parties and for all other transactions, a date agreed upon by both parties, provided, however, that the Firm will not affect or enter into a transaction for the purchase or sale of a municipal security other than a "when, as and if issued" transaction that provides for payment of funds and delivery of securities later than the third business day after the date of the transaction unless expressly agreed to by the parties, at the time of thetransaction.

DISCLOSURE OF BALANCE SHEETS

References: SEC RULE 17a-5

Audited statements will be furnished within 105 days after the date of the audited financial statements required. The statements may be furnished 30 days after that time limit has expired if the Firm sends them with the next mailing of the Firm’s quarterly customer statements of account. In that case, the Firm will include a statement in that mailing of the amount of the Firm’s net capital and its required net capital as of a fiscal month end that is within the 75-day period immediately preceding the date the statements are sent to customers. The audited statements will include a balance sheet with appropriate notes prepared in accordance with generally accepted accounting principles which will be audited if the financial statements furnished are required to be certified.

MARGIN

MARGIN REQUIREMENTS

References: FINRA Rule 4210, REGULATION TNTM 06-26, 98-102, 04-38, 01-26, 02-35, 01-31, 03-66, 01-11

INITIAL MARGIN

Concerning new securities transactions and commitments, the customer will be required to deposit margin in cash and/or securities in the account which will be at least the greater of the amount specified in Regulation T, or Rules 400 through 406 of SEC Customer Margin Requirements for Security Futures, or Rules 41.42 through 41.49 under the Commodity Exchange Act ("CEA") or the amount specified in FINRA Rule 4210(c) or any greater amount as FINRA may require for specific securities or equity of at least $2,000 except that cash need not be deposited in excess of the cost of any security purchased. The minimum equity requirement for a "pattern day trader" is $25,000. Withdrawals of cash or securities may be made from any account which has a debit balance, "short" position or commitments, provided it is in compliance with Regulation T and Rules 400 through 406 of SEC Customer Margin Requirements for Security Futures and Rules 41.42 through 41.49 under the CEA, and

after such withdrawal the equity in the account is at least the greater of $2,000 or an amount sufficient to meet the maintenance margin requirements of these rules.

MAINTENANCE MARGIN

The margin which must be maintained in all accounts, except for cash accounts subject to other rules are as follows:

- 25 percent of the current market value of all securities, except for security futures contracts, "long" in the account plus $2.50 per share or 100 percent of the current market value, whichever is greater, of each stock "short" in the account selling at less than $5.00 per share plus $5.00 per share or 30 percent of the current market value, whichever is greater, of each stock "short" in the account selling at $5.00 per share or above plus 5 percent of the principal amount or 30 percent of the current market value, whichever is greater, of each bond "short" in the account.
- The minimum maintenance margin levels for security futures contracts, long and short, will be 20 percent of the current market value of the contract.

ADDITIONAL MARGIN

The Firm will review limits and types of credit extended to all customers, formulate its own margin requirements if necessary and review the need for instituting higher margin requirements, mark-to- markets and collateral deposits than are required for individual securities or customer accounts.

NETTING POSITIONS OF ACCOUNTS

References: FINRA Rule 4210(f) (4), (f) (8) (B) NTM 98-65

GUARANTEED ACCOUNTS

Any account guaranteed by another account may be consolidated and the margin to be maintained may be determined on the net position of both accounts, provided the guarantee is in writing and permits the Firm carrying the account, without restriction, to use the money and securities in the guaranteeing account to carry the guaranteed account or to pay any deficit and provided that the guaranteeing account is not owned directly or indirectly by the Firm, or any stockholder of the Firm carrying the account, or the Firm, or any stockholder having a definite arrangement for participating in the commissions earned on the guaranteed account.

When one or more accounts are guaranteed by another account and the total margin deficiencies guaranteed by any guarantor exceeds 10 percent of the Firm's excess net capital, the amount of the margin deficiency being guaranteed in excess of 10 percent of excess net capital will be charged against the Firm's net capital.

DAY TRADING

Whenever day trading occurs in a customer's margin account the special maintenance margin required for the day trades in equity securities will be 25 percent of the cost of all the day trades made during the day.

For non-equity securities, the special maintenance margin will be as required pursuant to the other provisions of these rules. Alternatively, when two or more day trades occur on the same day in the same customer's account, the margin required may be computed utilizing the highest dollar amount open position during that day.

When the equity in a customer's account is not sufficient to meet these day trading requirements additional cash or securities must be received into the account within five business days of the trade date.

SPECIAL REQUIREMENTS FOR PATTERN DAY TRADERS

The minimum equity required for the accounts of customers deemed to be pattern day traders will be $25,000. This minimum equity must be deposited in the account before the customer may continue day trading and must be maintained in the customer's account at all times. If the Firm knows or has a reasonable basis to believe that a customer will engage in pattern day trading, then the minimum equity required ($25,000) must be deposited in the account prior to commencement of day trading.

If a pattern day trader exceeds its day-trading buying power, which creates a special maintenance margin deficiency, the following actions will be taken by the Firm: the account will be margined based on the cost of all the day trades made during the day, the customer's day-trading buying power will be limited to the equity in the

customer's account at the close of business of the previous day, less the maintenance margin required, multiplied by two for equity securities and "time and tick" may not be used.

Pattern day traders who fail to meet their special maintenance margin calls as required will be permitted to execute transactions only on a cash available basis for 90 days or until the special maintenance margin call is met.

Funds deposited into a pattern day trader's account to meet the minimum equity or maintenance margin requirements cannot be withdrawn for a minimum of two business days following the close of business on the day of deposit.

If the customer does not meet a special margin maintenance call by the fifth business day, then on the sixth business day only, the Firm will deduct from net capital the amount of the unmet special margin maintenance call.

JOINT BACK OFFICE ARRANGEMENTS

References: FINRA Rule 4210 NTM 00-51

Pursuant to Section 220.7(c) of Regulation T the Firm allows special margin treatment without clearing operations, known as a JBO participant. The Rule provides certain regulatory requirements for initiating and maintaining JBO arrangements.

A JBO broker is required to:

1) Notify FINRA in writing prior to establishinga JBO arrangement.
2) Maintain a minimum tentative net capital of $25 million, unless the JBO's primary business consists of the clearance of options market-maker accounts, then it may elect to maintain a minimum net capital of $7 million, provided it also includes gross deductions for JBO participant accounts in its ratio of gross options market-maker deductions to netcapital.
3) Notify FINRA promptly in writing if net capital falls below the requirements outlined and take action to correct the deficiency within three business days.
4) Deduct from its net capital, haircut requirements pursuant to the Net Capital Rule that are in excess of the equity maintained in the accounts of the JBO participants.
5) Maintain a written risk analysis methodology for assessing the amount of credit extended pursuant to any JBO arrangement. Minimum guidelines for acceptable risk procedures include procedures for obtaining and reviewing appropriate account documentation and financial information, procedures and guidelines for the determination, review, and approval of credit limits, for monitoring credit risk exposure to the organization relating to JBO participants, for the use of stress testing of accounts in order to monitor market risk exposure and procedures providing for the regular review and testing of these risk management procedures by an independent unit such as internal audit, risk management, or other comparable group.

If the JBO participant's liquidating equity falls below $1 million, the equity deficiency must be met within five business days in order to ensure continued eligibility as a JBO participant. A JBO participant that loses its JBO participant status generally would become subject to customer margin account requirements pursuant to Regulation T.

SECTION 6. RECORDKEEPING

Designated Principal: President or designated principal where applicable.

How Conducted: Review all procedures related to the maintenance and retention of all records. Insure submissions of all necessary documents. Make sure they comply with all the necessary rules.

Frequency of Review: Whenever necessary.

How Documented: Maintain a file where necessary documentation is kept.

MAINTENANCE OF BOOKS ANDRECORDS

MAIN OFFICE AND OTHER OFFICES

References: SEC Rule. 17a-3. 17a-4 3110 NTM 01-80. 95-2 MSRB Rule G-8. G-9. G-15

The Firm will make and keep current the following books and records relating to its business:

1) Blotters, or other records of original entry, containing an itemized daily record of all purchases and sales of securities, all receipts and deliveries of securities, all receipts and disbursements of cash and all other debits andcredits.
2) Ledger accounts, itemizing separately as to each cash and margin account of every customer.
3) Ledgers reflecting securities in transfer, dividends and interest received, securities and money borrowed and securities loaned, securities failed to receive and failed to deliver, all long and all short securities record differences and repurchase and reverse repurchase agreements.
4) A securities record or ledger reflecting separately for each security as of the clearance dates all long or short positions carried by the Firm.
5) A memorandum of each brokerage order, and of any other instruction, given or received for the purchase or sale of securities, whether executed or unexecuted.
6) A memorandum of each purchase and sale for the account of the Firm showing the price and, to the extent feasible, the time of execution.
7) Copies of confirmations of all purchases and sales of securities, including all repurchase and reverse repurchase agreements, and copies of notices of all other debits and credits for securities, cash and other items for the account of customers and partners of the Firm.
8) A record of each cash and margin account with the Firm indicating the name and address of the owner of the account.
9) A record of all puts, calls, spreads, straddles and other options in which the Firm has any direct or indirect interest or which the Firm has granted or guaranteed, containing, at least, an identification of the security and the number of units involved.
10) A record of the proof of money balances of all ledger accounts in the form of trial balances, and a record of the computation of aggregate indebtedness and net capital, as of the trial balance date.
11) A questionnaire or application for employment executed by each associated person of the Firm.
12) Records required to be maintained pursuant to Rule 17f-2(d).
13) Copies of all Forms X-17F-1A filed pursuant to Rule 17f-1.
14) Records required to be maintained pursuant to Rule 17f-2(e).
15) Records regarding any internal system of which the Firm is the sponsor.
16) For each account with a customer an account record including the customer's or owner's name, tax identification number, address, telephone number, date of birth, employment status, annual income, net worth and the account's investment objectives.
17) A record as to each associated person of each written customer complaint received by the Firm. The record will include the complainant's name, address, and account number; the date the complaint was

received; the name of any other associated person identified in the complaint; a description of the nature of the complaint; and the disposition of the complaint.

18) A record as to each associated person listing each purchase and sale of a security attributable, for compensation purposes, to that associated person.
19) A record documenting the Firm has complied with, or adopted policies and procedures reasonably designed to establish compliance with, applicable federal requirements and rules of a self-regulatory organization which require that advertisements, sales literature, or any other communications with the public are approved by aprincipal.
20) A record for each office listing, by name or title, each person at that office who can explain the types of records the Firm maintains at that office and the information contained in those records.
21) A record listing each principal of the Firm responsible for establishing policies and procedures that are reasonably designed to ensure compliance with any applicable federal requirements or rules.

The Firm will preserve for a period of not less than 3 years, the first two years in an accessible place:

1) All records required to be made pursuant to Rule 17a-3.
2) All check books, bank statements, cancelled checks and cash reconciliations.
3) All bills receivable or payable or copies, paid or unpaid, relating to the business of the Firm.
4) Originals of all communications received and copies of all communications sent by the Firm.
5) All trial balances, computations of aggregate indebtedness and net capital, financial statements, branch office reconciliations, and internal audit working papers, relating to the Firm.
6) All guarantees of accounts and all powers of attorney and other evidence of the granting of any discretionary authority given in respect of any account, and copies of resolutions empowering an agent to act on behalf of acorporation.
7) All written agreements entered into by the Firm including agreements about any account.
8) Records which contain the information in support of amounts included in the report prepared as of the audit date on Form X-17A-5.
9) The records required to be made pursuant to Rule 15c3-3(d)(4) and (o), Rule 15c3-4 and Rule 15c3-1e©(4)(vi)(D) and (E).
10) All notices relating to an internal broker-dealer system provided to the customers of the Firm that sponsors an internalbroker-dealer.

If electronic storage media is used by the Firm, it will notify its examining authority prior. If employing any electronic storage media other than optical disk technology (including CD-ROM), the notification will take place at least 90 days prior to use.

The electronic storage media must preserve the records exclusively in a non-rewriteable, non-erasable format, verify automatically the quality and accuracy of the storage media recording process, serialize the original and, if applicable, duplicate units of storage media, and time-date for the required period of retention the information and have the capacity to readily download indexes and records preserved on the electronic storage media to any medium acceptable.

If the Firm uses micrographic media or electronic storage media, it will have available for examination facilities for easily readable projection or production of such media images and for producing easily readable images. In addition, the Firm will be ready at all times to provide any facsimile enlargement which may be requested. Also, the Firm will store separately from the original, a duplicate copy of the record stored on any medium acceptable under these rules.

The Firm will organize and index accurately all information maintained on both original and any duplicate storage media. At all times, the Firm will be able to have such indexes available for examination. Each index will be duplicated and the duplicate copies will be stored separately from the original copy of each index. Original and duplicate indexes will be preserved for the time required for the indexed records.

The Firm has an audit system providing for accountability regarding inputting of records required to be maintained and preserved pursuant to electronic storage media rules and inputting of any changes made to every original and duplicate record maintained and preserved. At all times, the Firm will be able to have the results of such audit system available for examination. The audit results will be preserved for the time required for the audited records.

The Firm will maintain, keep current, and provide all information necessary to access records and indexes stored on the electronic storage media, or place in escrow and keep current a copy of the physical and logical file format of the electronic storage media, the field format of all different information types written on the electronic storage media and the source code, together with the appropriate documentation and information necessary to access records and indexes.

In addition, the Firm will file all regulatory notices or other documents required to be filed or otherwise submitted to FINRA which include, Rule 15c3-1(e) withdrawals of equity capital, Rule 15c3-3(i) special Reserve Bank Account, Rule 17a-4(f)(2)(i); Rule 17a-4(f)(3)(vii) electronic storage media, Rule 17a- 5(f)(4) replacement of accountant, Rule 17a-11(b) net capital deficiency, Rule 17a-11(c)(1) aggregate indebtedness is in excess of 1200 percent of net capital, Rule 17a-11(c)(2) net capital is less than 5 percent of aggregate debit items, Rule 17a-11(c)(3) net capital is less than 120 percent of required minimum dollar amount, Rule 17a-11(d) failure to make and keep current books and records and Rule 17a-11(e) material inadequacy in accounting systems, internal controls, or practices and procedures.

The following will be maintained for six years, the first two in an easily accessible place: blotters, general ledgers, customer ledgers, proprietary account ledgers, partner accounts and positionrecords.

The following will be maintained for three years, the first two in an easily accessible place: subsidiary ledgers including securities in transfer, securities failed to receive or deliver, dividends or interest received, stock record differences, quarterly securities count records, confirmations & comparisons, options records, trial balances, aggregate indebtedness and net capital computations, bank statements and other supporting schedules, check books, cancelled checks, cash reconciliations, bills receivable and payable whether paid or unpaid, all records documenting amounts of FOCUS reports and annual audits and order tickets. Concerning customer accounts, records of notification for each customer providing the address and phone number of the individual to whom complaints should be directed and records for each associated person who is the subject of a customer complaint including details of each complaint. In addition, records for each associated person listing all transactions attributable to the associated person and details of related compensation for each transaction, all agreements between the Firm and the associated person, including arrangements for compensation, all correspondence or communications, corporate resolutions empowering agents for entities, powers of attorney and any other evidence of discretionary authority related to any accounts, all written agreements entered into relating to the conduct of business of the Firm

All record of reports and inquiries on lost and stolen securities will be maintained for three years in an easily accessible place.

Concerning customer accounts, cash records, margin records, the owner's name and address, records related to terms and conditions of opening and maintaining accounts will be maintained for three years, the first two in an easily accessible place and for six years after the account is closed.

The following will be maintained for six years in an easily accessible place after either the account is updated or the account is closed, whichever is earlier: concerning customer accounts, records of notification forwarded to the customer's old address, reflecting updates of the account owner's name or address, records indicating that every customer was provided with a copy of each written agreement pertaining to the customer's account entered into after May 2, 2003, records of customer's tax ID number, telephone number, date of birth, occupation, annual income, net worth, and investment objectives, records of providing the customer with a copy of account information and explanation of terms relating to investment objectives within 30 days of account opening and at least every 3 years thereafter, records of notification sent to customers reflecting updates of the account owner's investment objectives including

existing account record information and explanations of terms relating to investment objectives and dated signatures of each account owner granting discretion and dated signatures of each natural person granted discretionary authority.

The following will be maintained for three years after termination of employment in an easily accessible place: all employment applications for all associated persons and a record of every associated person, the office where the business of the associated person was conducted and the CRD number or internal identification number of every associated person and fingerprint records.

The following will be maintained for the life of the Firm: lists of qualified exemptions from fingerprints, the articles of incorporation or organization, minute books, stock certificate books, all Forms BD and BDW including amendments and all documents pertaining to registration with regulators.

Each report generated by the Firm at the request of regulators, and each report furnished by regulators subsequent to an examination will be maintained for three years after the date of the report in an easily accessible place.

All compliance, supervisory and procedures manuals including updates, modifications and revisions will be maintained for three years after termination of use of the material in an easily accessible place.

All exception reports produced to review for unusual activity in customer accounts will be maintained for eighteen months after the date the report was generated in an easily accessible place.

In addition, all customer information will be maintained at both the branch office servicing the customer's account and the principal supervisory office having jurisdiction over that branch office. The records will be maintained in locked filing cabinets or password protected computers accessible only to authorized and/or licensed fingerprinted personnel.

ORDER TICKETS

References: NASD Rule 2320, 2830, 3110 [VALID UNTIL DECEMBER 5, 2011] SEC Rule 17a-3(a), 10b-5 NTM 95-2, 98-3, 01-80, 01-80, 95-2 MSRB Rule G-15

A person associated with the Firm will indicate on the memorandum for each transaction in a non- exchange-listed security, the name of each dealer contacted and the quotations received to determine the best inter-dealer market; however, these requirements do not apply if the Firm can establish and has documented that two or more priced quotations for the security are displayed in an inter-dealer quotation system that permits quotation updates on a real-time basis for which FINRA has access to historical quotation information or the transaction is effected in compliance with Rule 2320(f)(B) or (C).

CONFIRMATIONS AND CONFIRMATION DISCLOSURE

References: 2320, 2830, 3110 [VALID UNTIL DECEMBER 5, 2011] FINRA Rule 2010 SEC Rule 17a-3(a), 10b-5 NTM 95-2, 98-3, 01-80, 01-80

Before the completion of any transaction in any security for an account of a customer, the Firm will send a written notification that will disclose with respect to any transaction in any NMS stock or any security subject to the reporting requirements of the FINRA Rule 6600 Series, other than direct participation programs, the settlement date of the transaction and with respect to any callable equity security, that the security is a callable equity security and that a customer may contact the Firm for more information concerning the security.

INSTANT MESSAGING

References: NTM 03-33

The Firm will supervise the use of instant messaging consistent with the required supervision of e-mail messaging. Depending on the circumstances, instant messaging could be either sales literature or correspondence. The Firm will likewise ensure that the use of instant messaging complies with applicable recordkeeping requirements. Messages exchanged on many popular instant messaging platforms

cannot be saved or subsequently retrieved, making them inappropriate for communications that must be retained as Firm records. To the extent the Firm permits instant messaging the Firm will use a platform that enables the Firm to monitor, archive, and retrieve message traffic.

MUNICIPAL BOOKS AND RECORDS – CREATED AND PRESERVED

References: MSRB Rule G-8, G-9

The preservation of records and retention of those records pursuant to SEC Rules 17a-3 and 17a-4 hereby incorporate the recordkeeping and preservation requirements of MSRB Rules G-8 and G-9, Except for the additional requirement that the Firm will preserve for the life of the Firm all partnership articles or in the case of a corporation all articles of incorporation or charter, minute books and stock certificate books.

SHORT INTEREST REPORTING

References: FINRA Rule 4560, NTM 03-08, NTM 08-13

The Firm will maintain a record of total "short" positions in all customer and proprietary Firm accounts in OTC Equity Securities and securities listed on a national securities exchange and shall regularly report the information to FINRA in a manner as may be prescribed by FINRA. Reports shall be made as of the close of the settlement date designated by FINRA. Reports shall be received by FINRA no later than the second business day after the reporting settlement date designated by FINRA.

The Firm will report short interest positions in all customer and proprietary accounts in all securities through FINRA's Web based filing application system on a bi-monthly basis. One report will include short positions held by the Firm on the settlement date of the 15th of each month. The other report will include short positions held on the last business day of the month on which transactions settle. Each issue symbol contained in the short interest report will be designated with an exchange /market code which can be found in NTM 08-13. Pursuant to NTM 03-08, introducing broker dealers generally are considered to have satisfied the reporting requirement, if appropriate arrangements have been made with a clearing organization. The Firm has made arrangements with its clearing firm via the fully-disclosed clearing agreement.

SECTION 7. INTERNAL CONTROLS

Designated Principal: President or designated principal where applicable.

How Conducted: Review all procedures related to branch office and internal controls and insure they comply with all the necessary rules.

Frequency of Review: Annually and whenever necessary.

How Documented: Maintain a file where necessary documentation is kept.

CUSTOMER ACCOUNT TRANSFER CONTRACTS

References: NASD Rule 3012, UPC Rule 11870(a)-(n)

The Firm will review customer changes of address and other similar changes the validation of such changes.

UPC Rule 11870 regulates the transfer of customer accounts from one Firm (the carrying firm) to another (the receiving firm). Such transfers generally occur through ACATS, an electronic transfer system the National Securities Clearing Corporation (NSCC) developed to automate and standardize account transfers. The Firm will comply with the provisions of those rules.

BRANCH OFFICE CONTROLS

References: NASD Rule 3012

The Firm will designate and specifically identify one or more principals who shall establish, maintain, enforce and verify that the Firm's supervisory procedures are reasonably designed with respect to the activities of the Firm and its registered representatives and associated persons, to achieve compliance with applicable securities laws regulations and FINRA rules and create additional procedures where the need is identified by testing and verification. The designated principal or principals will submit to the Firm's senior management annually a report detailing the Firm's system of supervisory controls, the summary of the test results and significant identified exceptions, and any additional or amended supervisory procedures created in response to the test results.

The Firm will review and supervise the customer account activity conducted by the Firm's branch office managers, sales managers, regional or district sales managers, or any person performing a similar supervisory function.

A person who is either senior to, or otherwise independent of, the producing manager must perform these supervisory reviews. An "otherwise independent" person may not report either directly or indirectly to the producing manager under review, must be situated in an office other than the office of the producing manager, must not otherwise have supervisory responsibility over the activity being reviewed and must alternate such review responsibility with another qualified person every two years or less.

CLEARING AGREEMENTS

References: 3230(b) NTM 99-57

APPROVAL OF ACCOUNT NAME

References: NASD Rule 3110(j)

Before any customer order is executed, there will be placed upon the memorandum for each transaction, the name or designation of the account for which the order is to be executed. No change in the account name or designation will be made unless the change has been authorized by the Firm or a person designated under the provisions of FINRA rules. That person must, prior to giving his or her approval of the account designation change, be personally informed of the essential facts and indicate his or her approval of the change in writing on the order or other similar record of the Firm. The essential facts relied upon by the person approving the change will be documented in writing and preserved for a period of at least three years, the first two years in an easily accessible place pursuant to SEC Rule 17a-4.

SECTION 8. DIRECT PARTICIPATION PROGRAMS

RESERVED

SECTION 9. FIXED INCOME SECURITIES

Designated Principal: Compliance Officer and municipal principal.

How Conducted: Review all procedures regarding the solicitation and sale of fixed income securities. Insure there is compliance with all necessary rules and regulations.

Frequency of Review: Before being sent to customers.

How Documented: Maintain a file of all actions taken in this regard.

MUNICIPAL SECURITIES

FINANCIAL ADVISORACTIVITIES

References: MSRB Rule G-23

A financial advisory relationship exists when the Firm enters into an agreement to render financial advisory or consultant services on behalf of an issuer with respect to a new issue of municipal securities, including advice with respect to the structure, timing, terms and other similar matters concerning the issue, for a fee or other compensation or in expectation of such compensation for the rendering of such services. A financial advisory relationship shall not exist when, in the course of acting as an underwriter, the Firm renders advice to an issuer, including advice with respect to the structure, timing, terms and other similar matters concerning a new issue of municipal securities.

Any financial advisory relationship will be evidenced by a writing entered into which will set forth the basis of compensation, including provisions relating to the deposit of funds or the utilization of fiduciary or agency services.

If the Firm has a financial advisory relationship with respect to a new issue of municipal securities it will not acquire as principal either alone or as a participant in a syndicate or other similar account formed for the purpose of purchasing, directly or indirectly, from the issuer all or any portion of the issue, or act as agent for the issuer in arranging the placement of the issue, unless if the issue is to be sold by the issuer on a negotiated basis, the relationship has been terminated in writing and the issuer has expressly consented in writing to the acquisition or participation, as principal or agent, in the purchase of the securities on a negotiated basis, the Firm has expressly disclosed in writing to the issuer before the termination that there may be a conflict of interest in changing from financial advisor to purchaser and the issuer has expressly acknowledged in writing to the Firm receipt of the disclosure and the Firm has expressly disclosed in writing to the issuer before the termination the source and anticipated amount of all remuneration to the Firm with respect to the issue. If the issue is to be sold by the issuer at competitive bid, it must be demonstrated the issuer has expressly consented in writing prior to the bid to the acquisition or participation.

OFFICIAL STATEMENTS

References: MSRB Rule G-32

The Firm acting as financial advisor, must prepare an official statement on behalf of an issuer with respect to a primary offering of municipal securities and shall make the official statement available to the managing underwriter or sole underwriter in a designated electronic format promptly after the issuer approves its distribution.

UNDERWRITING TRANSACTION ASSESSMENTS

References: MSRB Rule A-13

The Firm will pay to the Board all fees, including technology fees required enumerated within MSRB Rule A-13.

POLITICALCONTRIBUTIONS

References: MSRB Rule G-37 NTM 96-54, 99-14

The Firm will not engage in municipal securities business with an issuer within two years after any contribution to an official of the issuer made by the Firm, any municipal finance professional associated with the Firm or any political action committee controlled by the Firm. However, the Firm is not prohibited from engaging in municipal securities business with an issuer if the only contributions made by the persons and entities noted to officials of an issuer within the previous two years were made by municipal finance professionals to officials of an issuer for whom the municipal finance professionals were entitled to vote and which contributions, in total, were not in excess of $250 by any municipal finance professional to each official of such issuer, per election.

PROHIBITION ON SOLICITING AND COORDINATING CONTRIBUTIONS

The Firm or any municipal finance professional associated with the Firm will not solicit any person, including any affiliated entity of the Firm, or political action committee to make any contribution, or shall coordinate any contributions, to an official of an issuer with which the Firm is engaging or is seeking to engage in municipal securities business.

The Firm or any municipal finance professional associated with the Firm will not directly or indirectly, do any act which would result in a violation of these rules.

REQUIRED DISCLOSURE TO BOARD

By the last day of the month following the end of each calendar quarter the Firm will send to the Board Form G-37 setting forth the following information:

1) for contributions to officials of issuers and payments to political parties of states and political subdivisions the name and title of each official of an issuer and political party receiving contributions or payments listed by state, the contribution amount made and the contributor category of the Firm, each municipal finance professional, each non-MCRAFT executive officer and each political action committee controlled by the Firm or by any municipal finance professional;
2) for contributions to bond ballot campaigns the official name of each bond ballot campaign receiving contributions during the calendar quarter, and the jurisdiction for which municipal securities, if approved, would be issued, listed by state, the contribution amount made and the contributor category of the Firm, each municipal finance professional, each non-MCRAFT executive officer and each political action committee controlled by the Firm or by any municipal finance professional;
3) a list of issuers with which the Firm has engaged in municipal securities business during the calendar quarter, listed by state, along with the type of municipal securities business;
4) any information required to be included on Form G-37 for the calendar quarter; and
5) whether any contribution listed is the subject of an automatic exemption and the date of such automatic exemption.

The Firm will not be required to send Form G-37 to the Board for any calendar quarter in which there is no information that is required to be reported or the Firm has not engaged in municipal securities business for the past seven quarters and has sent to the Board completed Form G-37x.

FINANCIAL CONSULTANTS

References: MSRB Rule G-38

The Firm will not provide, directly or indirectly, payment to any person who is not an affiliated person of the Firm for a solicitation of municipal securities business on behalf of the Firm.

SALES DURING UNDERWRITING PERIOD

References: MSRB Rule G-11

Prior to the first offer of any securities by a syndicate, the senior syndicate manager will furnish in writing to the other members of the syndicate, a written statement of all terms and conditions required by the issuer, the priority provisions, the procedure, if any, by which such priority provisions may be changed, if the senior syndicate manager or managers are to be permitted on a case-by-case basis to allocate securities in a manner other than

in accordance with the priority provisions, the fact that they are to be permitted to do so, and if there is to be an order period, whether orders may be confirmed prior to the end of the order period. Any change in the priority provisions will be promptly furnished in writing by the senior syndicate manager to the other members of the syndicate. Syndicate members will promptly furnish in writing the information described to others, upon request. If the senior syndicate manager, rather than the issuer, prepares the written statement of all terms and conditions required by the issuer, the statement will be provided to the issuer.

NEW MUNICIPAL SECURITIES ISSUES

References: MSRB Rule G-34

Assignment of CUSIP Numbers

If the Firm acquires, whether as principal or agent, a new issue of municipal securities from the issuer of the securities for the purpose of distributing new issue and if the Firm acts as a financial advisor in a competitive sale of a new issue the Firm will apply in writing to the Board for assignment of a CUSIP number to the new issue. The specific procedures involved are outlined in great detail in MSRB Rule G- 38 and are incorporated within these procedures.

APPLICATION FOR DEPOSITORY ELIGIBILITY, CUSIP NUMBER AFFIXTURE AND INITIAL COMMUNICATIONS

The Firm, acting as an underwriter will apply to a securities depository registered with the SEC in accordance with the rules and procedures of the depository, to make the new issue depository-eligible. The application will be made as promptly as possible, but in no event later than one business day after award from the issuer or one business day after the execution of the contract to purchase the securities from the issuer in the case of a negotiated sale. If the full documentation and information required to establish depository eligibility is not available at the time the initial application is submitted the underwriter will forward the documentation as soon as it is available.

The underwriter, prior to the delivery of the securities to any other person, will affix the securities certificates of such new issue the CUSIP number assigned to the new issue. If more than one CUSIP number is assigned to the new issue, each number will be affixed to the securities certificates of that part of the issue to which the number relates.

UNDERWRITING SYNDICATE

If a syndicate or similar account has been formed for the purchase of a new issue of municipal securities, the managing underwriter will take the actions required of the underwriter under these provisions.

DELIVERY OF INVESTMENT BROCHURE

References: MSRB Rule G-10

The Firm will deliver a copy of the investor brochure to a customer promptly upon receipt of a complaint by the customer.

TRANSACTION REPORTING REQUIREMENTS

References: MSRB Rule G-14 NTM 03-13

The Firm operating as a ‘dealer’ will report to the Board information about each purchase and sale transaction effected in municipal securities to the Real-time Transaction Reporting System ("RTRS").

The Firm may employ an agent for the purpose of submitting transaction information, however, the primary responsibility for the timely and accurate submission remains with the Firm. If the Firm acts as a submitter for another dealer it has specific responsibility to ensure that transaction reporting requirements are met with respect to those aspects of the reporting process that are under the submitter's control.

To identify its transactions for reporting purposes, the Firm will obtain a unique broker symbol from the National Association of Securities Dealers, Inc.

The Firm will provide to the Board on Form RTRS information necessary to ensure that its trade reports can be processed correctly. The information includes the manner in which transactions will be reported, the broker

symbol used by the Firm, the identity and information on any intermediary to be used as a submitter, information on personnel that can be contacted if there are problems in RTRS submissions, and information necessary for systems testing with RTRS. Information provided on Form RTRS will be kept prior to submitting transaction data under RTRS Procedures, the Firm will successfully test its ability to interface with RTRS as described in the RTRS User's Manual.

The following transactions will not be reported under these rules. Transactions in securities without assigned CUSIP numbers, transactions in Municipal Fund Securities and inter-dealer transactions for principal movement of securities between dealers that are not inter-dealer transactions eligible for comparison in a clearing agency registered with the Commission.

USE OF OWNERSHIP INFORMATION

References: MSRB Rule G-24

The Firm that has access to confidential, non-public information concerning the ownership of municipal securities that was obtained by the Firm in the course of acting in a fiduciary or agency capacity for an issuer of municipal securities or for another broker, including acting as a paying agent, transfer agent, registrar, or indenture trustee for an issuer or as clearing agent, safekeeping agent, or correspondent of another broker, will not use the information for the purpose of soliciting purchases, sales, or exchanges of municipal securities or otherwise make use of the information for financial gain except with the consent of the issuer or such broker, dealer, or municipal securities dealer or the person on whose behalf the information was given.

MUNICIPAL SECURITIESPERSONNEL

References: MSRB Rule G-3

The classifications of municipal principles and representatives include, a municipal securities representative, a municipal securities principal, a municipal fund securities limited principal, a municipal securities sales principal, and a financial and operations principal. The specific requirements of each principal are delineated within MRSB Rule G-3.

TRANSACTIONS WITH EMPLOYEES & PARTNERS OF OTHERMUNICIPAL SECURITIES ACCOUNTS

References: MSRB Rule G-28

The Firm will not open or maintain an account in which transactions in municipal securities may be effected for a customer where the Firm knows the customer is employed by another broker, dealer or municipal securities dealer, or on behalf of the spouse or minor child of that person unless the Firm first gives written notice with respect to the opening and maintenance of the account to the customer's employer.

The Firm will not affect a transaction in municipal securities for an account noted above unless the Firm simultaneously sends to the employer a duplicate copy of each confirmation sent to the customer, and acts in accordance with any written instructions which may be provided to the Firm by the employer with respect to transactions effected for the account.

The provisions do not apply to transactions in municipal fund securities or to accounts that are limited to transactions in municipal fund securities.

SALES MATERIAL FOR MUNICIPAL FUND SECURITIES, 529 PLANS

References: NTM 03-17

Sales materials for municipal fund securities must comply with the advertising rules of the Securities and Exchange Commission and FINRA.

This requirement covers any sales material prepared or used by the Firm that refers to the performance of the investment company securities or investment company families that underlie a municipal fund security, the investment objectives or investment strategies of such an investment company, the experience or capabilities of the investment adviser or portfolio manager of such an investment company, the potential benefits or risks associated with investing in an investment company and with any service provided to investors in the investment company, or the fees and expenses associated with investing in such an investment company.

DISCLOSURES TO CUSTOMERS: NEW ISSUES OF MUNICIPAL SECURITIES

References: MSRB Rule G-32 NTM 09-35

The Firm will not offer municipal securities to a customer unless the Firm delivers to the customer by no later than the settlement of the transaction a copy of the official statement or, if an official statement is not being prepared, a written notice to that effect together with a copy of a preliminary official statement, if any.

The delivery obligations will be deemed satisfied if the offered municipal securities being sold are not municipal fund securities and the underwriter has made the submissions to EMMA; provided that the condition will apply solely to sales to customers by the Firm acting as underwriters in respect of the offered municipal securities being sold.

The Firm will send to the customer, by no later than the settlement of such transaction, either a copy of the official statement and, in connection with offered municipal securities sold by the issuer on a negotiated basis to the extent not included in the official statement the underwriting spread, if any, the amount of any fee received by the Firm as agent for the issuer in the distribution of the securities and the initial offering price for each maturity in the offering, including maturities that are not reoffered or a notice advising the customer how to obtain the official statement from EMMA, which notice may be combined, at the election of the Firm, with notice of the availability of the official statement from a qualified portal and that a copy of the official statement will be provided by the Firm upon request.

If the Firm provides notice to a customer the Firm will, upon request from the customer, send a copy of the official statement to the customer, together with the information in connection with a negotiated offering to the extent not included in the official statement, within one business day of request by first class mail or other equally prompt means.

In the case of a sale by the municipal fund securities to a customer, the following additional provisions will apply:

1) If a customer who participates in a periodic municipal fund security plan or a non-periodic municipal fund security program has previously received a copy of the official statement in connection with the purchase of municipal fund securities under such plan or program, the Firm selling additional shares or units of the municipal fund securities will be deemed to have satisfied the delivery obligation if the Firm sends to the customer a copy of any new, supplemented, amended or "stickered" official statement, by first class mail or other equally prompt means, promptly upon receipt; provided that, if the Firm sends a supplement, amendment or sticker without including the remaining portions of the official statement, the Firm includes a written statement describing which documents constitute the complete official statement and stating that the complete official statement is available upon request; and
2) the Firm will provide to the customer, by no later than the settlement of the transaction, written disclosure of the amount of any fee received by the Firm as agent for the issuer in the distribution of the municipal fund securities; provided, however, that if the Firm selling municipal fund securities provides periodic statements to the customer in lieu of individual transaction confirmations, this will be deemed to be satisfied if the Firm provides this information to the customer at least annually and provides information regarding any change in the fee prior to the sending of the next succeeding periodic statement to the customer.

MUNICIPAL SECURITIESDISCLOSURE

References: SEC Rule 15c2-12

The Firm will not act as an underwriter in a primary offering of municipal securities with an aggregate principal amount of $1,000,000 or more unless the Participating Underwriter complies with the following requirements or is exempted from the requirements.

Prior to the time the Participating Underwriter bids for, purchases, offers, or sells municipal securities in an Offering, the Participating Underwriter will obtain and review an official statement that an issuer of the securities deems final as of its date, except for the omission of no more than the following information: The offering price, interest rate, selling compensation, aggregate principal amount, principal amount per maturity, delivery dates, any other terms or provisions required by an issuer of the securities to be specified in a competitive bid, ratings, other terms of the securities depending on such matters, and the identity of the underwriter.

Except in competitively bid offerings, from the time the Participating Underwriter has reached an understanding with an issuer of municipal securities that it will become a Participating Underwriter in an offering until a final official statement is available, the Participating Underwriter will send no later than the next business day, by first-class mail or other equally prompt means, to any potential customer, on request, a single copy of the most recent preliminary official statement, if any.

The Participating Underwriter will contract with an issuer of municipal securities or its designated agent to receive, within seven business days after any final agreement to purchase, offer, or sell the municipal securities in an Offering and in sufficient time to accompany any confirmation that requests payment from any customer, copies of a final official statement in sufficient quantity to comply with these rules and the rules of the Municipal Securities Rulemaking Board.

From the time the final official statement becomes available until the earlier of ninety days from the end of the underwriting period or the time when the official statement is available to any person from the Municipal Securities Rulemaking Board, but in no case less than twenty-five days following the end of the underwriting period, the Participating Underwriter in an offering will send no later than the next business day, by first-class mail or other equally prompt means, to any potential customer, on request, a single copy of the final official statement.

A Participating Underwriter will not purchase or sell municipal securities in connection with an Offering unless the Participating Underwriter has reasonably determined that an issuer of municipal securities, or an obligated person for whom financial or operating data is presented in the final official statement has undertaken, either individually or in combination with other issuers of municipal securities or obligated persons, in a written agreement or contract for the benefit of holders of the securities, to provide the following to the Municipal Securities Rulemaking Board in an electronic format as prescribed by the Municipal Securities Rulemaking Board, either directly or indirectly through an indenture trustee or a designated agent annual financial information for each obligated person for whom financial information or operating data is presented in the final official statement, or, for each obligated person meeting the objective criteria specified in the undertaking and used to select the obligated persons for whom financial information or operating data is presented in the final official statement, except that, in the case of pooled obligations, the undertaking will specify such objective criteria.

If not submitted as part of the annual financial information, then when and if available, audited financial statements for each obligated person covered in a timely manner not in excess of ten business days after the occurrence of the event, notice of any of the following events with respect to the securities being offered in the offering will be provided:

Principal and interest payment delinquencies; Non-payment related defaults, if material; Unscheduled draws on debt service reserves reflecting financial difficulties; Unscheduled draws on credit enhancements reflecting financial difficulties; Substitution of credit or liquidity providers, or their failure to perform; Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security; Modifications to rights of security holders, if material; Bond calls, if material, and tender offers; Defeasances; Release, substitution, or sale of property securing repayment of the securities, if material; Rating changes; and Bankruptcy, insolvency, receivership or similar event of the obligated person; The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; the appointment of a successor or additional trustee or the change of name of a trustee, if material; and in a timely manner, notice of a failure of any person specified to provide required annual financial information, on or before the date specified in the written agreement or contract.

The written agreement or contract for the benefit of holders of the securities also will identify each person for whom annual financial information and notices of material events will be provided, either by name or by the objective criteria used to select those persons, and, for each person will specify, in reasonable detail, the type of financial information and operating data to be provided as part of annual financial information, specify, in reasonable detail, the accounting principles pursuant to which financial statements will be prepared, and whether the financial statements will be audited and specify the date on which the annual financial information for the preceding fiscal year will be provided.

A written agreement or contract for the benefit of holders of the securities also may provide that the continuing obligation to provide annual financial information and notices of events may be terminated with respect to any obligated person, if and when such obligated person no longer remains an obligated person with respect to the municipal securities.

A written agreement or contract for the benefit of holders of the securities also will provide that all documents provided to the Municipal Securities Rulemaking Board will be accompanied by identifying information as prescribed by the Municipal Securities Rulemaking Board.

The Firm will not recommend the purchase or sale of a municipal security unless the Firm provides reasonable assurance that it will receive prompt notice of any event disclosed with respect to that security.

These rules do not apply to a primary offering of municipal securities in authorized denominations of

$100,000 or more, if the securities are sold to no more than thirty-five persons each of whom the Participating Underwriter reasonably believes has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of the prospective investment and is not purchasing for more than one account or with a view to distributing the securities or have a maturity of nine months or less.

These rules will not apply to an Offering of municipal securities if, at the time as an issuer of municipal securities delivers the securities to the Participating Underwriters no obligated person will be an obligated person with respect to more than $10,000,000 in aggregate amount of outstanding municipal securities, including the offered securities and excluding municipal securities that were offered in a transaction exempt from these rules; an issuer of municipal securities or obligated person has undertaken, either individually or in combination with other issuers, in a written agreement or contract for the benefit of holders of municipal securities, to provide the following to the Municipal Securities Rulemaking Board in an electronic format as prescribed by the Municipal Securities Rulemaking Board at least annually, financial information or operating data regarding each obligated person for which financial information or operating data is presented in the final official statement, as specified in the undertaking, which financial information and operating data will include, that financial information and operating data which is customarily prepared by the obligated person and is publicly available; and in a timely manner not in excess of ten business days after the occurrence of the event, notice of events with respect to the securities that are the subject of the offering; and the written agreement or contract for the benefit of holders of the securities also will provide that all documents provided to the Municipal Securities Rulemaking Board will be accompanied by identifying information as prescribed by the Municipal Securities Rulemaking Board; and the final official statement identifies by name, address, and telephone number the persons from which the foregoing information, data, and notices can be obtained.

The provisions of these rules will not apply to an Offering of municipal securities, if the municipal securities have a stated maturity of 18 months or less.

With some exceptions these rules apply to a primary offering of municipal securities in authorized denominations of $100,000 or more if the securities may, at the option of the holder, be tendered to an issuer of such securities or its designated agent for redemption or purchase at par value or more at least as frequently as every nine months until maturity, earlier redemption, or purchase by an issuer or its designated agent.

The Commission, upon written request, or upon its own, may exempt the Firm, whether acting in the capacity of a Participating Underwriter or otherwise, that is a participant in a transaction or class of transactions from any requirement of these rules, either unconditionally or on specified terms and conditions, if the Commission determines that such an exemption is consistent with the public interest and the protection of investors.

SOPHISTOCATED MUNICIPAL MARKET PROFESSIONALS

References: MSRB Rule G-13, G-17, G-19

The Firm will not distribute or publish any quotation relating to municipal securities, unless the quotation represents a bona fide bid or offer of municipal securities by the Firm, provided, however, that all quotations, unless otherwise indicated at the timemade, will be subject to prior purchase or sale and to subsequent change in price. If the Firm is distributing or publishing the quotation on behalf of another broker, dealer, or municipal securities dealer, the Firm will have no reason to believe that the quotation does not represent a bona fide bid or offer of municipal securities.

The Firm will not distribute or publish any quotation relating to municipal securities, unless the price stated in the quotation is based on the best judgment of the Firm of the fair market value of the securities which are the subject of the quotation at the time the quotation is made. If the Firm is distributing or publishing a quotation on behalf of another broker, dealer, or municipal securities dealer, the Firm will have no reason to believe that the price stated in the quotation is not based on the best judgment of the fair market value of the securities of the broker, dealer or municipal securities dealer on whose behalf the Firm is distributing or publishing the quotation.

A quotation will be deemed to represent a bona fide bid for municipal securities if the Firm making the quotation is prepared to purchase or sell the security which is the subject of the quotation at the price stated in the quotation and under the conditions, if any, as are specified at the time the quotation is made.

The Firm will not knowingly misrepresent a quotation relating to municipal securities made by any other broker, dealer, or municipal securities dealer.

When participating in a joint account the Firm will not, together with one or more other participants in the account, distribute or publish quotations relating to the municipal securities which are the subject of the account if the quotations indicate more than one market for the same securities.

In the conduct of its municipal securities or municipal advisory activities, the Firm will deal fairly with all persons and will not engage in any deceptive, dishonest, or unfair practice.

The Firm will obtain before the completion of a transaction in municipal securities for the account of a customer a record of the information required by rule G-8.

Prior to recommending to a non-institutional account the Firm will make reasonable efforts to obtain information concerning the customer's financial status, tax status, investment objectives and any other information used or considered to be reasonable and necessary by the Firm in making recommendations to the customer.

In recommending to a customer the Firm will have reasonable grounds based upon information available from the issuer of the security or otherwise, and based upon the facts disclosed by the customer or otherwise known about the customer for believing that the recommendation is suitable.

The Firm will not effect a transaction in municipal securities for a discretionary account except to the extent clearly permitted by the prior written authorization of the customer and accepted in writing by the Firm and unless the Firm first determines that the transaction is suitable for the customer or unless the transaction is specifically directed by the customer and has not been recommended by the dealer to the customer. The Firm will not recommend transactions in municipal securities to a customer, or effect such transactions or cause such transactions to be effected for a discretionary account, that are excessive in size or frequency in view of information known to the Firm concerning the customer's financial background, tax status, and investment objectives.

MINIMUM DENOMINATION AMOUNTS

References: MSRB Rule G-8, G-15, G-17

The Firm will not effect a customer transaction in municipal securities issued after June 1, 2002 in an amount lower than the minimum denomination of the issue.

This restriction does not apply if the Firm determines that the customer's position in the issue already is below the minimum denomination and that the entire position would be liquidated by the transaction. In determining whether this is the case, the Firm may rely either upon customer account information in its possession or upon a written statement by the customer as to its position in an issue.

The restriction also does not apply if the Firm determines that the securities position being sold is the result of a customer liquidating a position below the minimum denomination. In determining whether this is the case, the Firm may rely upon customer account records in its possession or upon a written statement provided by the party from which the securities are purchased. The Firm effecting a sale to a customer will, before the completion of the transaction, send to the customer a written statement informing the customer that the quantity of securities being sold is below the minimum denomination for the issue and that this may adversely affect the liquidity of the position unless the customer has other securities from the issue that can be combined to reach the minimum

denomination. The written statement may be included on the customer's confirmation or may be provided on a document separate from the confirmation.

GOVERNMENT SECURITIES

GOVERNMENT SECURITIES

References: GOVERNMENT SECURITIES ACT AMENDMENTS 1993, SECTIONS 102-107 SEC Rule 10b-5, 17a-3 NTM 95-48, 96-66

The Government Securities Act Amendments of 1993 eliminated the statutory limitations on FINRA authority to apply sales-practice rules to transactions in exempted securities, including government securities, other than municipals. Thus, NASD Conduct Rules and FINRA Rules apply to transactions in exempted securities, including government securities, other than municipals. Moreover, the NASD Conduct Rules and FINRA Rules apply to firms registered with the SEC solely under the provisions of Section 15(C) of the Securities Exchange Act of 1934 and to persons associated with such firms.

CORPORATE SECURITIES

TRADE REPORTING

References: FINRA Rules 6700-6760 NTM 08-52, 09-24, 10-23

When recommending corporate securities, the Firm will have reasonable grounds for believing that the recommendation is suitable for the customer based upon the suitability criteria enumerated. Moreover, the Firm will consider any particular needs or financial situation of the customer.

MANDATORY FIRM PARTICIPATION

Firm participation in TRACE for trade reporting purposes is mandatory. This mandatory participation obligates the Firm to submit transaction reports in TRACE-Eligible Securities in conformity with these rules.

Participation in TRACE will be conditioned upon the TRACE Participant's initial and continuing compliance with the execution of, and continuing compliance with, a TRACE Participant application agreement and all applicable rules and operating procedures of FINRA and the SEC and maintenance of the physical security of the equipment located on the premises of the TRACE Participant to prevent unauthorized entry of information into TRACE.

As a TRACE Participant the Firm will be obligated to inform FINRA of non-compliance with, or changes to, any of the participation requirements set forth above.

PARTICIPANT OBLIGATIONS IN TRACE

Upon execution and receipt by FINRA of the TRACE Participant application agreement, the Firm as a TRACE Participant may commence input of trade information in TRACE-Eligible Securities. TRACE Participants may access the service via a FINRA-approved facility during TRACE System Hours.

TRANSACTION REPORTING

The Firm that is a Party to a Transaction in a TRACE-Eligible Security must report the transaction within 15 minutes of the Time of Execution, except as otherwise specifically provided, or the transaction report will be "late." The Firm must transmit the report to TRACE during TRACE System Hours.

REPORTING REQUIREMENTS

Except as otherwise specifically provided transactions in TRACE-Eligible Securities must be reported as follows:

TRANSACTIONS EXECUTED DURING TRACE SYSTEM HOURS

Transactions in TRACE-Eligible Securities executed on a business day at or after 8:00:00 a.m. Eastern Time through 6:29:59 p.m. Eastern Time (standard TRACE System Hours) must be reported within 15 minutes of the Time of Execution. Exception: Transactions executed on a business day less than 15 minutes before 6:30:00

p.m. Eastern Time must be reported no later than 15 minutes after the TRACE system opens the next business day (T + 1), and if reported on T + 1, designated "as/of" and include the date of execution.

TRANSACTIONS EXECUTED AT OR AFTER 6:30:00 P.M. THROUGH 11:59:59 P.M. EASTERN TIME

Transactions in TRACE-Eligible Securities executed on a business day at or after 6:30:00 p.m. Eastern Time through 11:59:59 p.m. Eastern Time must be reported the next business day (T + 1), no later than 15 minutes after the TRACE system opens, designated "as/of" and include the date of execution.

TRANSACTIONS EXECUTED AT OR AFTER 12:00:00 A.M. THROUGH 7:59:59 A.M. EASTERN TIME

Transactions in TRACE-Eligible Securities executed on a business day at or after 12:00:00 a.m. Eastern Time through 7:59:59 a.m. Eastern Time must be reported the same day no later than 15 minutes after the TRACE system opens.

TRANSACTIONS EXECUTED ON A NON-BUSINESS DAY

Transactions in TRACE-Eligible Securities executed on a Saturday, a Sunday, a federal or religious holiday or other day on which the TRACE system is not open at any time during that day (determined using Eastern Time) must be reported the next business day (T + 1) no later than 15 minutes after the TRACE system opens. The transaction must be reported as follows: the reported execution date must be T+ 1 (the same day the report must be made); the reported execution time must be "12:01:00 a.m. Eastern Time" (stated in military time as "00:01:00"); the modifier, "special price," must be selected; and, the transaction must not be designated "as/of". When the reporting method chosen provides a "special price memo" field, the Firm will enter the actual date of execution and Time of Execution in the field.

REPORTING REQUIREMENTS — LIST OR FIXED OFFERING PRICE TRANSACTIONS AND TAKEDOWN TRANSACTIONS

A List or Fixed Offering Price Transaction or a Takedown Transaction that is executed on a business day at or after 12:00:00 a.m. Eastern Time through 11:59:59 p.m. Eastern Time must be reported no later than the next business day (T + 1) during TRACE System Hours and if reported on T + 1, designated "as/of" and include the date of execution.

List or Fixed Offering Price Transactions or Takedown Transactions, other than such transactions in Asset-Backed Securities, executed on a Saturday, a Sunday, a federal or religious holiday or other day on which the TRACE system is not open, at any time during that day (determined using Eastern Time) must be reported the next business day (T + 1) at any time during TRACE System Hours. The transaction must be reported as follows: the reported execution date must be T + 1 (the same day the report must be made); the reported execution time must be "12:01:00 a.m. Eastern Time" (stated in military time as "00:01:00"); the modifier, "special price," must be selected; and, the transaction must not be designated "as/of". When the reporting method chosen provides a "special price memo" field, the Firm must enter the actual date of execution and Time of Execution in the field.

REPORTING REQUIREMENTS — ASSET-BACKED SECURITIES TRANSACTIONS

During a pilot program which will expire on November 18, 2011, transactions in Asset-Backed Securities executed on a business day at or after 12:00:00 a.m. Eastern Time through 11:59:59 p.m. Eastern Time must be reported no later than the next business day (T + 1) during TRACE System Hours, and, if reported on T + 1, designated “as/of” and include the date of execution. Transactions in Asset-Backed Securities executed on a business day at or after 12:00:00 a.m. Eastern Time through 5:00:00 p.m. Eastern Time must be reported the same day during TRACE System Hours.

Except as provided in the Pilot Program transactions in Asset-Backed Securities executed on a business day after 5:00:00 p.m. Eastern Time but before the TRACE system closes must be reported no later than the next business day (T + 1) during TRACE System Hours, and, if reported on T + 1, designated “as/of” and include the date of execution, a business day at or after 6:30:00 p.m. Eastern Time through 11:59:59

p.m. Eastern Time, or a Saturday, a Sunday, a federal or religious holiday or other day on which the TRACE system is not open at any time during that day (determined using Eastern Time) must be reported the next business day (T + 1) during TRACE System Hours, designated "as/of" and include the date of execution.

During the Pilot Program transactions in Asset-Backed Securities that are collateralized mortgage obligations (CMOs) or real estate mortgage investment conduits (REMICs) that are executed before the issuance of the security must be reported the earlier of the business day following the business day that the security is assigned a CUSIP, a similar numeric identifier or a FINRA symbol during TRACE System Hours, or the business day following the date of issuance of the security during TRACE System Hours.

In either case, if the transaction is reported other than on the date of execution, the transaction report must be designated “as/of” and include the date of execution.

After the expiration of the Pilot Program such transactions must be reported the earlier of the business day that the security is assigned a CUSIP, a similar numeric identifier or a FINRA symbol during TRACE System Hours or the date of issuance of the security during TRACE System Hours.

In either case, if the transaction is reported other than on the date of execution, the transaction report must be designated “as/of” and include the date of execution.

The Firm has an ongoing obligation to report transaction information promptly, accurately, and completely. The Firm may employ an agent for the purpose of submitting transaction information. However, the primary responsibility for the timely, accurate, and complete reporting of transaction information remains the non-delegable duty of the Firm obligated to report the transaction.

The Firm may be required to report as soon as practicable to the Market Regulation Department on a paper form, the transaction information required under Rule 6730 if electronic submission into TRACE is not possible. Transactions that can be reported into TRACE, including transactions executed on a Saturday, a Sunday, a federal or religious holiday or other day on which the TRACE system is not open at any time during that day (determined using Eastern Time), and transactions that can be submitted on the trade date or a subsequent date on an "as/of" basis will not be reported on a paper form.

If the Firm that is a Party to a Transaction makes a good faith determination that a transaction involves a TRACE-Eligible Security, the Firm must report the transaction, and if the TRACE-Eligible Security is not entered in the TRACE system, the Firm must promptly notify and provide FINRA Operations the information required prior to reporting the transaction.

WHICH PARTY REPORTS TRANSACTION

Trade data input obligations are as follows:

In transactions between two Firms, both Firms will submit a trade report to TRACE and in transactions involving a Firm and a non-Firm, including a customer, the Firm will be required to submit a trade report to TRACE.

TRANSACTION INFORMATION TO BE REPORTED

Each TRACE trade report will contain the following information a CUSIP number or if a CUSIP number is not available at the time of execution, a similar numeric identifier (e.g., a mortgage pool number) or a FINRA symbol, number of bonds or, for transactions in certain Asset-Backed Securities, the transaction size, price of the transaction, a symbol indicating whether the transaction is a buy or a sell, date of Trade Execution, contra-party's identifier, capacity — Principal or Agent, time of execution, reporting side executing broker as "give-up" (if any), contra side introducing broker in case of "give-up" trade, stated commission and such trade modifiers as required by either the TRACE rules or the TRACE users guide.

Pursuant to NTM 08-52 there is no longer a requirement to report the lower of yield to call or yield to maturity, rather FINRA will calculate and disseminate a standard yield in TRACE data.

REPORTING REQUIREMENTS FOR CERTAIN TRANSACTIONS AND TRANSFERS OF SECURITIES

The following will not be reported, transactions in TRACE-Eligible Securities that are listed on a national securities exchange, when such transactions are executed on and reported to the exchange and the transaction information is disseminated publicly, transactions where the buyer and the seller have agreed to trade at a price substantially unrelated to the current market for the TRACE-Eligible Security provided that a data sharing agreement between FINRA and NYSE related to transactions covered by this Rule remains in effect, for a pilot program expiring on January 27, 2012, transactions in TRACE-Eligible Securities that are executed on a facility of NYSE in accordance with NYSE Rules 1400, 1401 and 86 and reported to NYSE in accordance with NYSE's applicable

trade reporting rules and disseminated publicly by NYSE, transactions resulting from the exercise or settlement of an option or a similar instrument, or the termination or settlement of a credit default swap, other type of swap, or a similar instrument and transfers of securities made pursuant to an asset purchase agreement (APA) that is subject to the jurisdiction and approval of a court of competent jurisdiction in insolvency matters, provided that the purchase price under the APA is not based on, and cannot be adjusted to reflect, the current market prices of the securities on or following the effective date of the APA.

COMPLIANCE WITH REPORTING OBLIGATIONS

A pattern or practice of late reporting without exceptional circumstances may be considered conduct inconsistent with high standards of commercial honor and just and equitable principles of trade, in violation of FINRA Rule 2010.

TERMINATION OF TRACE SERVICE

FINRA may, upon notice, terminate TRACE service to the Firm in the event the Firm fails to abide by any of the rules or operating procedures of the TRACE service or FINRA, or fails to honor contractual agreements entered into with FINRA or its subsidiaries, or fails to pay promptly for services rendered by the TRACE service.

DISSEMINATION OF TRANSACTION INFORMATION

FINRA will disseminate information on all transactions in TRACE-Eligible Securities immediately upon receipt of the transaction report, except as provided below.

TRANSACTION INFORMATION NOT DISSEMINATED

FINRA will not disseminate information on a transaction in a TRACE-Eligible Security that is effected pursuant to Securities Act Rule 144A, a transfer of proprietary securities positions between a Firm and another Firm or non-Firm broker-dealer where the transfer is effected in connection with a merger of one broker-dealer with the other broker-dealer or a direct or indirect acquisition of one broker-dealer by the other broker-dealer or the other broker-dealer's parent company and is not in furtherance of a trading or investment strategy. Such transfers will be reported in the manner prescribed by FINRA to denote that they are submitted for regulatory purposes and not for dissemination. The Firm will provide FINRA at least three business days' advance written notice of their intent to use this exception, including the basis for their determination that the transfer meets the terms of the exception. The Firm will report such transfers on the same day as the ultimate transfer of the positions on their books and records, unless later reporting is warranted under specific circumstances, a List or Fixed Offering Price Transaction or a Takedown Transaction or an Asset-Backed Security.

OBLIGATION TO PROVIDE NOTICE

To facilitate trade reporting and dissemination of transactions in TRACE-Eligible Securities, if the Firm is a managing underwriter of a distribution or offering, other than a secondary offering, of a TRACE- Eligible Security it will obtain information and provide notice to FINRA Operations as set forth in this Rule. If a managing underwriter is not designated, an underwriter must provide such notice. In offerings where managing underwriters or underwriters are not designated, the lead initial purchaser must provide such notice, and if there is no lead initial purchaser, an initial purchaser must provide such notice. If more than one person is obligated to provide notice, such persons may submit jointly a single notice containing the required information to FINRA Operations. If the Firm is an underwriter or a Securitizer of an Asset- Backed Security, it is a managing underwriter. The Firm that is required to provide notice must make a good faith determination that the security is a TRACE-Eligible Security before providing such notice. The information must be provided using the method of communication or media specified by FINRA.

INFORMATION REQUIRED

The notice must contain the following information: the CUSIP number or if a CUSIP number is not available, a similar numeric identifier (e.g., a mortgage pool number), the issuer name, or, for an Asset- Backed Security, the names of the Securitizers, the coupon rate, the maturity, whether Securities Act Rule 144A applies, the time that the new issue is priced, and, if different, the time that the first transaction in the offering is executed, a brief description of the issue and any other information FINRA deems necessary to properly implement the reporting and dissemination of a TRACE-Eligible Security, or if any of the items has not been determined or a CUSIP is not assigned or is not available when notice must be given, any other information that FINRA deems necessary and is sufficient to identify the security accurately.

WHEN REQUIRED

A notice required under this Rule must be provided to FINRA Operations prior to the execution of the first transaction of the offering, except as provided.

If an offering of a security is priced and commences on the same business day between 9:30:00 a.m. Eastern Time and 4:00:00 p.m. Eastern Time, a person that is required to provide notice must provide to FINRA Operations as much of the information that is available prior to the execution of the first transaction of the offering, which must be sufficient to identify the security accurately, and any other information that FINRA deems necessary and provide all other information required within 15 minutes of the Time of Execution of the first transaction.

If one or more transactions in a collateralized mortgage obligation (CMO) or a real estate mortgage investment conduit (REMIC) are effected prior to the issuance of the security the Firm that is required to provide notice to FINRA Operations regarding such CMO or REMIC must do so promptly on the date of issuance or other event that establishes the reference date that determines when a reporting period begins.

EMERGENCY AUTHORITY

As market conditions may warrant, in consultation with the SEC, FINRA may suspend the reporting and/or dissemination of certain transactions in TRACE-Eligible Securities, or the reporting of certain data elements otherwise required and/or the dissemination of certain data elements for such period of time as FINRA deems necessary.

SECTION 10. INVESTMENT COMPANY PRODUCTS

Designated Principal:	President or Compliance Officer where applicable.
How Conducted:	Review all mutual fund procedures making sure there is full compliance with all the rules.
Frequency of Review:	Annually and before any arrangement made with customers.
How Documented:	Maintain a file of all actions taken in this regard.

MUTUAL FUNDS

SALES CHARGES

References: 2310, 2830(d), (n) NTM 04-26

The Firm will not offer or sell the shares of any open-end investment company, any closed-end investment company that makes periodic repurchase offers and offers its shares on a continuous basis, or any "single payment" investment plan issued by a unit investment trust if the sales charges described in the prospectus are excessive. Aggregate sales charges will be deemed excessive if they do not conform to the following:

INVESTMENT COMPANIES WITHOUT AN ASSET-BASED SALES CHARGE

1) Aggregate front-end and deferred sales charges described in the prospectus which may be imposed by an investment company without an asset-based sales charge will not exceed 8.5% of the offering price.
2) Rights of accumulation may be made available to any person in accordance with one of the alternative quantity discount schedules, as in effect on the date the right is exercised. If rights of accumulation are not made available on terms at least as favorable as those specified below, the maximum aggregate sales charge will not exceed 8.0% of offering price.
3) Quantity discounts, if offered, will be made available on single purchases by any person in accordance with one of the following: a maximum aggregate sales charge of 7.75% on purchases of $10,000 or more and a maximum aggregate sales charge of 6.25% on purchases of $25,000 or more; or a maximum aggregate sales charge of 7.50% on purchases of $15,000 or more and a maximum aggregate sales charge of 6.25% on purchases of $25,000 or more.
4) If quantity discounts are not made available on terms at least as favorable as those specified, the maximum aggregate sales charge will not exceed: 7.75% of offering price if the provisions of paragraph (B) are met and 7.25% of offering price if the provisions of paragraph (B) are not met.
5) If an investment company without an asset-based sales charge pays a service fee, the maximum aggregate sales charge will not exceed 7.25% of the offering price.

INVESTMENT COMPANIES WITH AN ASSET-BASED SALES CHARGE

1) The aggregate asset-based, front-end and deferred sales charges described in the prospectus which may be imposed by an investment company with an asset-based sales charge, if the investment company has adopted a plan under which service fees are paid, will not exceed 6.25% of total new gross sales plus interest charges on that amount equal to the prime rate plus one percent per annum. The maximum front- end or deferred sales charge resulting from any transaction will be 6.25% of the amount invested.
2) If an investment company with an asset-based sales charge does not pay a service fee, the aggregate asset-based, front-end and deferred sales charges described in the prospectus will not exceed 7.25% of total new gross sales plus interest charges on the amount equal to the prime rate plus one percent per annum. The maximum front-end or deferred sales charge resulting from any transaction will be 7.25% of the amount invested.

3) The maximum aggregate sales charge on total new gross sales set forth may be increased by an amount calculated by applying the appropriate percentages of 6.25% or 7.25% to total new gross sales which occurred after an investment company first adopted an asset-based sales charge until July 7, 1993 plus interest charges on that amount equal to the prime rate plus one percent per annum less any front- end, asset-based or deferred sales charges on sales or net assets resulting from such sales.
4) The maximum aggregate sales charges of an investment company in a single complex, a class of shares issued by an investment company with multiple classes of shares or a separate series of a series investment company, may be increased to include sales of exchanged shares provided that the increase is deducted from the maximum aggregate sales charges of the investment company, class or series which redeemed the shares for the purpose of such exchanges.

The Firm will not offer or sell the shares of an investment company with an asset-based sales charge if the amount of the asset-based sales charge exceeds .75 of 1% per annum of the average annual net assets of the investment company or any deferred sales charges deducted from the proceeds of a redemption after the maximum cap described has been attained are not credited to the investment company.

DISCLOSURE OF DEFERRED SALES CHARGES

In addition to the requirements for disclosure on written confirmations of transactions if the transaction involves the purchase of shares of an investment company that imposes a deferred sales charge on redemption, the written confirmation will also include the following legend: "On selling your shares, you may pay a sales charge. For the charge and other fees, see the prospectus." The legend will appear on the front of a confirmation and in, at least, 8-point type.

FORMS

Each new account will be reviewed by a designated principal evidencing the use and approval of the New Account Form, the Investment Transfer Disclosure Form and the Mutual Fund Sales Disclosure Acknowledgment Form. These forms will be maintained in the customer's file.

PROSPECTUS DELIVERY

References: 1933 ACT SECTION 5(b)

It will be unlawful for the Firm, directly or indirectly to make use of any means to carry or transmit any prospectus relating to any security with respect to which a registration statement has been filed unless the prospectus meets the requirements of Section 10 or to carry through the mails or in interstate commerce

any security for the purpose of sale or for delivery after sale, unless accompanied or preceded by a prospectus that meets the requirements of section 10. Such prospectus will be delivered to the customer prior to engaging in any transactions via mail or in person or electronically and will be noted in the customers file.

MARKET TIMING AND LATE TRADING ACTIVITIES

References: FINRA Rule. 1122. 2020 NTM 03-50

The Firm or person associated with the Firm will not file with FINRA information with respect to membership or registration which is incomplete or inaccurate so as to be misleading, or which could in any way tend to mislead, or fail to correct such filing after notice of any mistake. The Firm will not effect any transaction in the purchase or sale of any security by means of any manipulative, deceptive or other fraudulent device or contrivance.

REDEMPTION PROCEDURES

References: 2830(j)

If the Firm is a principal underwriter of a security issued by an open-end investment company or a closed- end investment company that makes periodic repurchase offers and offers its shares on a continuous basis it will not repurchase the security, either as principal or as agent for the issuer, from a dealer acting as principal who is not a party to a sales agreement with a principal underwriter, nor from any investor, unless the dealer or investor is the record owner of the security so tendered for repurchase. If the Firm is a principal underwriter it will not participate in the offering or in the sale of any security if the issuer voluntarily redeems or repurchases its

securities from a dealer acting as principal who is not a party to the sales agreement nor from any investor, unless the dealer or investor is the record owner of the security so tendered for repurchase.

Whether or not a party to a sales agreement, the Firm is not prohibited from selling any security for the account of a record owner to the underwriter or issuer at the bid price next quoted for the issuer and charging the investor to a reasonable charge for handling the transaction, provided that the Firm discloses to the record owner that direct redemption of the security can be accomplished by the record owner without incurring such charges.

SELLING DIVIDENDS

References: 2830(e)

In recommending the purchase of investment company securities, the Firm will not state or imply that the purchase of securities shortly before an ex-dividend date is advantageous to the purchaser, unless there are specific, clearly described tax or other advantages to the purchaser, and the Firm will not represent that distributions of long-term capital gains by an investment company should be viewed as part of the income yield from an investment in the company's securities.

BREAKPOINTS, LETTERS OF INTENT

References: FINRA Rule 2342 NTM 94-16, 02-85

Mutual funds sold with a front-end sales charge often have a breakpoint schedule that affords investors the opportunity to receive a discount on the front-end sales charge based on the specified dollar amounts of a transaction or series of transactions. For example, a mutual fund might charge a front-end sales load of 5.75% for all purchases less than $50,000, reduce that front-end sales charge to 4.50% for purchases aggregating at least that amount, but less than $100,000, and further reduce, or eliminate, the sales charge for various greater levels of aggregate purchases. Each mutual fund and family of funds can, in accordance with applicable law and disclosure requirements, set the terms concerning breakpoints. The terms for breakpoints thus vary from fund to fund.

Investors may be entitled to a reduced front-end sales charge based on a single transaction because of its dollar amount. In addition, investors may become entitled to receive breakpoints by using letters of intent or based on rights of accumulation. A letter of intent ("LOI") is a statement signed by the investor indicating his intent to purchase a certain amount of fund shares over a stated period of time. A right of accumulation ("ROA") is the discount or breakpoint received in a current mutual fund transaction based on the cumulative value of previous transactions. In the case of either LOIs or ROAs, the other purchase transactions that are credited towards the discount may occur in accounts that are related or linked to the investor and in different mutual funds that are part of the same fund family.

The terms of the dealer agreement with a mutual fund company or complex require the Firm in its capacity as the dealer to assure that the Firm provides the appropriate breakpoint in a given transaction or series of transactions. Whether or not the terms of the dealer agreement imposes this obligation, the Firm will ensure that its registered representatives and other personnel engaged in processing these transactions understand the terms of offerings and reinstatements, ascertain the information that should be recorded on the books and records of the Firm or its clearing firm, which is necessary in determining the availability and appropriate level of breakpoints, apprise the customer of the breakpoint opportunity and inquire whether the customer has positions or transactions away from the Firm which should be considered in connection with a pending transaction, make sure that the personnel processing these transactions are appropriately trained in order to ensure that the information pertaining to all aspects of a mutual fund order, including any applicable breakpoint, is accurately transmitted in a manner retrievable by the mutual fund company and monitor breakpoint calculations.

The Firm will not sell investment company shares in dollar amounts just below the point at which the sales charge is reduced on quantity transactions so as to share in the higher sales charges applicable on sales below the breakpoint.

In determining whether a sale in dollar amounts just below a breakpoint was made FINRA will consider the facts and circumstances, including, for example, whether the Firm has retained records that demonstrate that the trade was executed in accordance with a bona fide asset allocation program that the Firm offers to its customers which is designed to meet their diversification needs and investment goals and under which the Firm discloses to its customers that they may not qualify for breakpoint reductions that are otherwise available.

Upon each transaction a review of the account will be conducted and the aggregate total will be documented. The Firm will maintain this information in the customer file.

SWITCHING

References: NTM 91-39, 95-80, 94-16

If the Firm engages the use of so-called "negative response" letters, recommendations that customers switch from one mutual fund to another the Firm will comply with suitability, prospectus delivery, and disclosure requirements governing such recommendations. Moreover, the Firm will not exercise discretion in a customer's account without obtaining prior written authorization from the customer. Thus, the lack of a response from a customer will preclude the automatic exchange of shares unless the Firm has on file prior written authorization from the customer permitting the Firm to exercise discretion in the account.

Discretionary authority would not be required in situations where a mutual fund states in the prospectus that it reserves the right to redeem shares without customer permission if the value of the shares owned by the customer falls below a specific minimum amount.

The Firm will evaluate the net investment advantage of any recommended switch from one fund to another. Switching among certain fund types may be difficult to justify if the financial gain or investment objective to be achieved by the switch is undermined by the transaction fees associated with the switch. Further, recommendations to fund investors to engage in market timing transactions should be made, if at all, for transactions in a single family of funds or where there are virtually no transaction costs associated with the trade. The Firm will monitor switching of customers among funds and will document their reasons for switching a customer from one fund to another. The Firm will not recommend that a customer switch from one mutual fund to another based on the compensation that the Firm or its associated persons will receive for effecting the switch.

EXECUTION OF INVESTMENT COMPANY PORTFOLIO TRANSACTIONS DIVIDENDS

References: 2830(k) MSRB Rule G-31

The Firm will not, directly or indirectly, favor or disfavor the sale or distribution of shares of any particular investment company or group of investment companies on the basis of brokerage commissions received or expected by the Firm from any source, including such investment company, or any covered account.

The Firm will not sell shares of, or act as underwriter for, an investment company, if the Firm knows or has reason to know that the investment company, or an investment adviser or principal underwriter of the company, has a written or oral agreement or understanding under which the company directs portfolio securities transactions to a broker or a dealer in consideration for the promotion or sale of shares issued by the company or any other registered investment company.

The Firm will not, directly or indirectly, demand or require brokerage commissions or solicit a promise of commissions from any source as a condition to the sale or distribution of shares of an investment company.

The Firm will not, directly or indirectly, offer or promise to another firm, brokerage commissions from any source as a condition to the sale or distribution of shares of an investment company and no firm will request or arrange for the direction to any firm of a specific amount or percentage of brokerage commissions conditioned upon that firm's sales or promise of sales of shares of an investment company.

The Firm will not circulate any information regarding the amount or level of brokerage commissions received by the Firm from any investment company or covered account to other than management Personnel who are required, in the overall management of the Firm's business, to have access to such information.

The Firm will not, with respect to the Firm's activities as underwriter of investment company shares, suggest, encourage, or sponsor any incentive campaign or special sales effort of another firm with respect to the shares of any investment company which incentive or sales effort is, to the knowledge or understanding of such underwriter-firm, to be based upon, or financed by, brokerage commissions directed or arranged by the underwriter-firm.

The Firm will not, with respect to the Firm's retail sales or distribution of investment company shares:

1) Provide to salesmen, branch managers or other sales personnel any incentive or additional compensation for the sale of shares of specific investment companies based on the amount of brokerage commissions received or expected from any source, including such investment companies or any covered account. Included are bonuses, preferred compensation lists, sales incentive campaign or contests, or any other method of compensation which provides an incentive to sales personnel to favor or disfavor any investment company or group of investment companies based on brokerage commissions;
2) recommend specific investment companies to sales personnel, or establish "recommended," "selected," or "preferred" lists of investment companies, regardless of the existence of any special compensation or incentives to favor or disfavor the shares of such company or companies in sales efforts, if such companies are recommended or selected on the basis of brokerage commissions received or expected from any source;
3) grant to salesmen, branch managers or other sales personnel any participation in brokerage commissions received by the Firm from portfolio transactions of an investment company whose shares are sold by the Firm, or from any covered account, if such commissions are directed by, or identified with, such investment company or any covered account; or
4) use sales of shares of any investment company as a factor in negotiating the price of, or the amount of brokerage commissions to be paid on, a portfolio transaction of an investment company or of any covered account, whether the transaction is executed in the over-the-counter market or elsewhere.
5) Provided that the Firm does not violate any of these specific provisions the Firm will not be prohibited from the execution of portfolio transactions of any investment company or covered account by firms who also sell shares of the investment company or from compensating its salesmen and managers based on total sales of investment company shares attributable to the salesmen or managers, whether by use of overrides, accounting credits, or other compensation methods, provided that the compensation is not designed to favor or disfavor sales of shares of particular investment companies on a basis prohibited by these rules.

The Firm will not solicit transactions in municipal securities for the account of an investment company as compensation or in return for sales by the Firm of participations, shares, or units in such investment company.

SECTION 11. OPTIONS

Designated Principal: President or Compliance Officer where applicable.

How Conducted: Review all Options procedures making sure there is full compliance with all the rules.

Frequency of Review: Annually and whenever necessary.

How Documented: Maintain a file of all actions taken in this regard.

MAINTENANCE OF RECORDS

References: FINRA Rule 2360(b) (17)

The Firm will maintain a separate central file for all options-related complaints, through which these complaints can easily be identified and retrieved. The file will be located at the principal place of business of the Firm or any other principal office that will be designated by the Firm. The central file will include the identification of the complainant, the date the complaint was received, the identification of the registered representative servicing the account a general description of the matter complained of and a record of what action, if any, has been taken by the Firm.

Each options-related complaint received by a branch office of the Firm will be forwarded to the office in which the separate, central file is located not later than 30 days after receipt by the branch office that is the subject of the complaint. A copy of every options-related complaint will also be maintained at the branch office that is the subject of the complaint.

Background and financial information of customers who have been approved for options trading will be maintained at both the branch office servicing the customer's account and the principal supervisory office having jurisdiction over that branch office. Copies of account statements of options customers will also be maintained at both those offices for the most recent six-month period. With respect to the record retention requirements applicable to principal supervisory offices, the customer information and account statements may be maintained at a location other than the principal supervisory office if the documents and information are readily accessible and promptly retrievable. Other records necessary to the proper supervision of accounts will be maintained at a place easily accessible both to the branch office servicing the customer's account and to the principal supervisory office having jurisdiction over that branch office.

SUPERVISION OF ACCOUNTS

References: FINRA Rule 2360(b) (20)

The Firm will adequately address the Firm's public customer options business.

No branch office of the Firm will transact an options business unless the principal supervisor of the branch office accepting options transactions has been qualified as either a Registered Options Principal or a Limited Principal—General Securities Sales Supervisor, however, this requirement will not apply to

branch offices in which no more than three registered representatives are located, so long as the options activities of the branch offices are appropriately supervised by either a Registered Options Principal or a Limited Principal—General Securities Sales Supervisor.

The Firm will maintain at the principal supervisory office having jurisdiction over the office servicing customer accounts, or have readily accessible and promptly retrievable, information to permit review of each customer's options account on a timely basis to determine the compatibility of options transactions with investment objectives and with the types of transactions for which the account was approved, the size and frequency of options transactions, commission activity in the account, profit or loss in the account, undue concentration in any options class or classes and compliance with the provisions of Regulation T of the Federal Reserve Board.

ADJUSTMENTS IN OPTIONS CONTRACTS

References: NTM 02-17

To help ensure that options customers understand all risks involved, the Firm will deliver the options risk disclosure document entitled "Characteristics and Risks of Standardized Options" prior to the time a customer's account is approved for options trading. The Firm will provide customers with revised versions of the disclosure document as it is amended.

The options risk disclosure document discusses the effect that corporate actions, such as a stock dividend, stock distribution, stock split, reverse stock split, rights offering, distribution, reorganization, recapitalization, reclassification or similar event in respect to an underlying security, or a merger, consolidation, dissolution or liquidation of the issuer of the underlying security, may have on the terms of an options contract. As a general rule, corporate actions can result in an adjustment in the number of shares underlying an options contract or the exercise price, or both. Adjustments to options contracts are done to maintain fairness, so that the terms of the contract reflect the corporate action. The Firm will provide risk disclosure documents to ensure that customers are informed of particular adjustments to options contracts they hold.

ALLOCATION AND POSITION LIMIT REPORTING PROCEDURES

References: FINRA Rule 2360(b) (23) (c)

The Firm will establish for the allocation to customers of exercise notices assigned in respect of a short position in option contracts in the Firm's customer accounts. The allocation will be on a "first in-first out" or automated random selection basis that has been approved by FINRA or on a manual random selection basis that has been specified by FINRA. The Firm will inform its customers in writing of the method it uses to allocate exercise notices, explaining its manner of operation and the consequences of that system.

The Firm will report its proposed method of allocation to FINRA and obtain FINRA's prior approval. The Firm will not change its method of allocation unless the change has been reported to and been approved by FINRA. The Firm will preserve for a three-year period sufficient work papers and other documentary materials relating to the allocation of exercise assignment notices to establish the manner in which allocation of exercise assignment notices is in fact being accomplished.

UNCOVERED SHORT OPTIONS CONTRACTS

References: FINRA Rule 2360(b) (16) (E)N NTM 06-54

The Firm, transacting business with the public in writing uncovered short option contracts will govern the conduct which includes specific criteria and standards to be used in evaluating the suitability of a customer for writing uncovered short option transactions, for approval of accounts including written approval of accounts by a Registered Options Principal, designation of a specific Registered Options Principals as responsible for approving customer accounts that do not meet the specific criteria and standards and for maintaining written records of the reasons for every account approved, establishment of specific minimum net equity requirements for initial approval and maintenance of customer accounts writing these transactions and requirements that customers approved for writing uncovered short options transactions be provided with a special written statement for uncovered option writers approved by FINRA that describes the risks inherent in writing uncovered short option transactions, prior to the initial writing of an uncovered short option transaction.

POSITION LIMITS AND EXERCISE LIMITS

References: FINRA Rule 2360(b) (3), (4) IM-2860-1 NTM 06-51, 03-19, 99-20

POSITION LIMITS

Except in highly unusual circumstances, and with the prior written approval of FINRA for good cause shown the Firm will not effect for any account in which the Firm has an interest, or for the account of any partner, officer, director or employee, or for the account of any customer, non-firm broker or dealer, an opening transaction through the over-the-counter market or on any exchange in a stock option contract of any class of stock options if the Firm has reason to believe that as a result of the transaction the Firm or the interested person would, acting alone or in concert with others, directly or indirectly, hold or control or be obligated in respect of an aggregate

equity options position in excess of various options or put contracts that are specifically enumerated within the rule and are incorporated within these rules.

The following qualified hedge strategies and positions described will be exempt from the established position limits under the rule for standardized options. Hedge strategies and positions in which one of the option components consists of a conventional option, will be subject to a position limit of five times the established position limits. Hedge strategies and positions in conventional options will be subject to a position limit of five times the established limits. Options positions limits established will be separate from limits established in other provisions of this rule. The specific exemptions are contained in the rule and are incorporated within these procedures.

DELTA HEDGING EXEMPTION FOR FIRMS AND NON- FIRM AFFILIATES

An equity options position of the Firm or non-Firm affiliate in standardized and conventional equity options that is delta neutral under a Permitted Pricing Model will be exempt from position limits. Any equity options position of the Firm or non-firm affiliate that is not delta neutral will be subject to position limits, subject to the availability of other options position limit exemptions. The number of options contracts attributable to a position that is not delta neutral will be the options contract equivalent of the net delta.

EFFECT ON AGGREGATION OF ACCOUNT POSITIONS

The Firm and non-firm affiliate that rely on this exemption will ensure that the Permitted Pricing Model is applied to all positions relating to the security underlying the relevant options position that are owned or controlled by the Firm or non-firm affiliate.

The Net Delta of an options position held by an entity entitled to rely on this exemption, or by a separate and distinct trading unit of the entity, may be calculated without regard to positions relating to the security underlying the options positions held by an affiliated entity or by another trading unit within the same entity, provided that the entity demonstrates to FINRA's satisfaction that no control relationship, as exists between the affiliates or trading units and the entity has provided FINRA written notice in advance that it intends to be considered separate and distinct from any affiliate, or which trading units within the entity are to be considered separate and distinct from each other for purposes of this exemption.

The Firm or non-firm affiliate relying on this exemption will designate, by prior written notice to FINRA, each trading unit or entity whose options positions are required under FINRA rules to be aggregated with the option positions of the Firm or non-firm affiliate that is relying on this exemption for purposes of compliance with FINRA position limits or exercise limits. In any case the Permitted Pricing Model will be applied, for purposes of calculating the Firm's or affiliate's net delta, only to the positions relating to the security underlying any relevant option position owned and controlled by those entities and trading units who are relying on this exemption and the net delta of the positions owned or controlled by the entities and trading units who are relying on this exemption will be aggregated with the nonexempt option positions of all other entities and trading units whose options positions are required under FINRA rules to be aggregated with the option positions of the Firm or affiliate.

OBLIGATIONS OF FIRMS AND AFFILIATES

The Firm relying upon this exemption will provide a written certification to FINRA that it and its affiliates are using a Permitted Pricing Model and that if the affiliate ceases to hedge stock options positions in accordance with the Permitted Pricing Model, it will provide immediate written notice to the Firm. The options positions of a non-firm relying on this exemption must be carried by the Firm with which it is affiliated.

REPORTING

The Firm will report all equity option positions of 200 or more contracts on the same side of the market covering the same underlying security that are effected by the Firm. In addition, the Firm on its own behalf or on behalf of a designated aggregation unit will report in a manner specified by FINRA the options contract equivalent of the net delta of each position that represents 200 or more contracts on the same side of the market covering the same underlying security that are effected by the Firm.

CONVENTIONAL EQUITY OPTIONS

Standardized equity option contracts of the put class and call class on the same side of the market overlying the same security will not be aggregated with conventional equity option contracts or FLEX Equity Option contracts

overlying the same security on the same side of the market. These will be subject to a position limit equal to the greater of the basic limit of 25,000 contracts or any standardized equity options position limit for which the underlying security qualifies or would be able to qualify.

In order for a security not subject to standardized equity options trading to qualify for an options position limit of more than 25,000 contracts, the Firm will first demonstrate to FINRA that the underlying security meets the standards for higher options position limit and the initial listing standards for standardized options trading.

Provided, however, that for certain securities in an index designated by FINRA, the Firm may claim the higher position limit as permitted in accordance with the volume and float criteria specified by FINRA; provided further, that the Firm claiming a higher position limit will notify FINRA in writing in a form determined by FINRA and will be filed no later than the close of business day on the next business day following the day on which the transactions requiring such limits occurred; and provided further, that the Firm will agree toreduce its position in the event that FINRA staff determines different position limits will apply.

INDEX OPTIONS

Except in highly unusual circumstances, and with the prior written approval of FINRA for good cause shown in each instance, the Firm will not effect for any account in which the Firm has an interest, or for the account of any partner, officer, director or employee, or for the account of any customer, an opening transaction in an option contract of any class of index options dealt in on an exchange if the Firm has reason to believe that as a result of the transaction the Firm or interested person, would, acting alone or in concert with others, directly or indirectly, hold or control or be obligated in respect of an aggregate position in excess of position limits established by the exchange on which the option trades. Index option contracts will not be aggregated with option contracts on any stocks whose prices are the basis for calculation of the index.

EXERCISE LIMITS

Except in highly unusual circumstances, and with the prior written approval of FINRA for good cause shown in each instance, the Firm or person associated with a Firm will not exercise, for any account in which the Firm or person associated with the Firm has an interest, or for the account of any partner, officer, director or employee or for the account of any customer, non-Firm broker or dealer, any option contract if as a result the Firm or interested individual acting alone or in concert with others, directly or indirectly, has or will have exercised within any five consecutive business days a number of option contracts of a particular class of options in excess of the limits for options positions. FINRA may institute other limitations concerning the exercise of option contracts from time to time by action of FINRA. Reasonable notice will be given of each new limitation fixed by FINRA.

REPORTING OPTIONS POSITIONS

References: FINRA Rule 2360(b) (5)

CONVENTIONAL OPTIONS

The Firm will file with FINRA a report with respect to each account in which the Firm has an interest, each account of a partner, officer, director or employee of the Firm, and each customer, non-firm broker or dealer account, which has established an aggregate position of 200 or more option contracts of the put and call on the same side of the market covering the same underlying security or index, combining long positions in put options with short positions in call options and short positions in put options with long positions in call options, provided, however, that reporting with respect to positions in conventional index options will apply only to an option that is based on an index that underlies, or is substantially similar to an index that underlies, a standardized index option.

STANDARDIZED OPTIONS

If the Firm conducts a business in standardized options but is not a firm of the options exchange upon which the standardized options are listed and traded, the Firm will file with FINRA a report with respect to each account in which the Firm has an interest, each account of a partner, officer, director or employee

of the Firm, and each customer, non-firm broker or dealer account, which has established an aggregate position of 200 or more option contracts of the put and the call class on the same side of the market covering the same underlying security or index, combining long positions in put options with short positions in call options and short positions in put options with long positions in call options.

The reports required will identify the person having an interest in the account and will identify separately the total number of option contracts of each class comprising the reportable position in the account. The reports will be in a form prescribed by FINRA and will be filed no later than the close of business on the next business day following the day on which the transaction requiring the filing of the report occurred.

In addition to the reports required the Firm will report promptly to FINRA any instance in which the Firm has a reason to believe that a person, acting alone or in concert with others, has exceeded or is attempting to exceed the position limits or the exercise limits.

CASH AND MARGIN TREATMENT FOR OPTIONS

References: NTM 06-26, 01-11

COMPLEX OPTION SPREAD STRATEGIES

FINRA has recognized specific additional complex option spread strategies, and has set margin requirements commensurate with the risk of such spread strategies. These complex option spread strategies are the net result of combining two or more spread strategies that were already recognized in FINRA's margin rules. The netting of contracts in option series common to each of the already recognized spreads in an aggregation reduces it to the complex spread strategies noted. To be eligible for the margin requirements set forth, a complex spread must be consistent with one of the seven patterns specified. The expiration months and the sequence of the exercise prices must correspond to the same pattern, and the intervals between the exercise prices must be equal.

The Firm will obtain initial and maintenance margin for the subject complex spreads, whether established outright or through netting, not less than the sum of the margin required on each basic spread in the equivalent aggregation.

The basic requirements are that the complex option spreads must be carried in a margin account and European-style options are prohibited for complex spread combinations having a long option series that expires after the other option series. Only American-style options may be used in these combinations. Additionally, the intervals between exercise prices must be equal, and each complex spread must generally comprise four option series.

The sum of the margin required on each currently recognized spread in each of the applicable aggregations renders margin requirements for the subject complex spread strategies. The additional complex option spread strategies and maintenance margin requirements are as follows:

1) A Long Condor Spread is comprised of two long Butterfly Spreads. The rule requires initial and maintenance margin of full cash payment of the net debit incurred when this spread strategy is established. Full payment of the net debit incurred will cover any potential risk to the carrying broker-dealer.
2) A Short Iron Butterfly Spread is comprised of one long Butterfly Spread and one short Box Spread. The establishment of a long Butterfly Spread results in a margin requirement equal to the net debit incurred. The establishment of a short Box Spread requires margin equal to the aggregate difference between the exercise prices. The net proceeds from the sale of short option components may be applied to the margin requirement. Accordingly, to cover the risk to the carrying broker-dealer, the rule requires a deposit of the aggregate exercise price differential. The net credit received may be applied to the deposit required.
3) A Short Iron Condor Spread is comprised of two long Butterfly Spreads and one short Box Spread. The establishment of long Butterfly Spreads results in a margin requirement equal to the net debit incurred. The establishment of a short Box Spread requires margin equal to the difference in the strike price. Accordingly, to cover the risk to the carrying broker-dealer, the rule requires a deposit of the aggregate exercise price differential. The net credit received may be applied to the deposit required.
4) A Long Calendar Butterfly Spread is comprised of one long Calendar Spread and one long Butterfly Spread. The rule requires initial and maintenance margin of full cash payment of the net debit incurred when this spread strategy is established. Full payment of the net debit incurred will cover any potential risk to the carrying broker-dealer.
5) A Long Calendar Condor Spread is comprised of one long Calendar Spread and two long Butterfly Spreads. The rule requires initial and maintenance margin of full cash payment of the net debit incurred when this spread strategy is established. Full payment of the net debit incurred will cover any potential risk to the carrying broker-dealer.

6) A Short Calendar Iron Butterfly Spread is comprised of one long Calendar Spread plus one long Butterfly Spread and one short Box Spread. To cover the risk to the carrying broker-dealer, the rule requires a deposit of the aggregate exercise price differential. The net credit received may be applied to the deposit required.
7) A Short Calendar Iron Condor Spread is comprised of one Long Calendar Spread plus two long Butterfly Spreads and one short Box Spread. To cover the risk to the carrying broker-dealer, the rule requires a deposit of the aggregate exercise price differential. The net credit received may be applied to the deposit required.

PERMITTED OFFSETS

Recently, various option exchanges have provided for the listing of options with one-dollar strike intervals in a number of classes. As a result, the use of securities to hedge options series that have one- dollar strike intervals has unintentionally become more restrictive. Recent amendments eliminate the definition of "in or at the money," thereby eliminating the two standard exercise interval limitation for listed options. In addition, the amended rule requires permitted offset transactions to be effected for specialist or market-making purposes such as hedging, risk reduction, rebalancing of positions, liquidation or accommodation of customer orders, or other similar specialist or market-making purposes.

OPTIONS COMMUNICATIONS WITH THE PUBLIC

References: FINRA Rule 2220

All advertisements, sales literature and independently prepared reprints issued by the Firm concerning options will be approved in advance by a Registered Options Principal.

Correspondence need not be approved by a Registered Options Principal prior to use, unless the correspondence is distributed to twenty-five or more existing retail customers within any thirty-day period and makes any financial or investment recommendation or otherwise promotes a product or service of the Firm. Moreover, the same procedures utilized concerning institutional sales material will be applicable concerning options as well.

Copies of the options communications, including the names of persons who prepared and approved any options communications will be retained by the Firm in accordance with SEA Rule 17a-4.

Furthermore, all advertisements, sales literature, and independently prepared reprints issued by the Firm concerning standardized options used prior to delivery of the applicable current options disclosure document or prospectus will be submitted to the Advertising Regulation Department of FINRA at least ten days prior to use, or such shorter period as the FINRA may allow in particular instances, for approval and, if changed or expressly disapproved by FINRA, will be withheld from circulation until any changes specified by FINRA have been made or, in the event of disapproval, until the options communication has been resubmitted and has received FINRA approval.

Upon review of the Firm's options communications, and after determining that the Firm has departed from these standards, FINRA may require that the Firm to file some or all options communications or the portions of the Firm’s communications that are related to options with the Department, at least ten days prior to use.

The Department will notify the Firm in writing of the types of options communications to be filed and the length of time such requirement is to be in effect. The requirement will not exceed one year, however, and will not take effect until twenty-one days after service of the written notice, during which time the Firm may request a hearing under Rules 9551 and 9559.

In addition, the Firm’s options communications will be subject to a routine spot-check procedure. Upon written request from FINRA, the Firm will promptly submit the communications requested. The Firm will not be required to submit communications under this procedure that have been previously submitted pursuant to one of the foregoing requirements.

These approval requirements and review procedures do not apply to options communications submitted to another self-regulatory organization having comparable standards pertaining to such communications, communications in which the only reference to options is contained in a listing of the services of the Firm, the options disclosure document and the prospectus.

Options communications regarding standardized options exempted under Securities Act Rule 238 used prior to options disclosure document delivery must be limited to general descriptions of the options being discussed, must contain contact information for obtaining a copy of the options disclosure document, must not contain recommendations or past or projected performance figures, including annualized rates of return, or names of specific securities, may include any statement required by any state law or administrative authority and may include advertising designs and devices, including borders, scrolls, arrows, pointers, multiple and combined logos and unusual typefaces and lettering as well as attention- getting headlines and photographs and other graphics, provided such material is not misleading.

Options communications regarding options not exempted under Securities Act Rule 238 used prior to delivery of a prospectus will conform to Securities Act Rule 134 or 134a, as applicable.

The Firm or any associated person of the member will not use any options communications which contains any untrue statement or omission of a material fact or is otherwise false or misleading, contains promises of specific results, exaggerated or unwarranted claims, opinions for which there is no reasonable basis or forecasts of future events which are unwarranted or which are not clearly labeled as forecasts, contains cautionary statements or caveats that are not legible, are misleading, or are inconsistent with the content of the material, would constitute a prospectus, contains statements suggesting the certain availability of a secondary market for options, fails to reflect the risks attendant to options transactions and the complexities of certain options investment strategies, fails to include a warning to the effect that options are not suitable for all investors or contains suggestions to the contrary or fails to include a statement that supporting documentation for any claims comparison, recommendations, statistics, or other technical data, will be supplied upon request.

Any statement in any options communications referring to the potential opportunities or advantages presented by options will be balanced by a statement of the corresponding risks. The risk statement will reflect the same degree of specificity as the statement of opportunities, and broad generalities must be avoided.

Options communications may contain projected performance figures provided that all such communications regarding standardized options are accompanied or preceded by the options disclosure document, no suggestion of certainty of future performance is made, parameters relating to such performance figures are clearly, all relevant costs, including commissions, fees, and interest charges, as applicable, are disclosed and reflected in the projections, such projections are plausible and are intended as a source of reference or a comparative device to be used in the development of a recommendation, all material assumptions made in such calculations are clearly identified, the risks involved in the proposed transactions are also disclosed and in communications relating to annualized rates of return, that such returns are not based upon any less than a 60-day experience, any formulas used in making calculations are clearly displayed, and a statement is included to the effect that the annualized returns cited might be achieved only if the parameters described can be duplicated and that there is no certainty of doing so.

Options communications may feature records and statistics that portray the performance of past recommendations or of actual transactions, provided that:

1) all such communications regarding standardized options are accompanied or preceded by the options disclosure document;
2) any such portrayal is done in a balanced manner, and consists of records or statistics that are confined to a specific "universe" that can be fully isolated and circumscribed and that covers at least the most recent 12-month period;
3) such communications include the date of each initial recommendation or transaction, the price of each such recommendation or transaction as of such date, and the date and price of each recommendation or transaction at the end of the period or when liquidation was suggested or effected, whichever was earlier; provided that if the communications are limited to summarized or averaged records or statistics, in lieu of the complete record there may be included the number of items recommended or transacted, the number that advanced and the number that declined, together with an offer to provide the complete record upon request;
4) all relevant costs, including commissions, fees, and daily margin obligations, as applicable, are disclosed and reflected in the performance;
5) whenever such communications contain annualized rates of return, all material assumptions used in the process of annualization are disclosed;

6) an indication is provided of the general market conditions during the periods covered, and any comparison made between such records and statistics and the overall market is valid;
7) such communications state that the results presented should not and cannot be viewed as an indicator of future performance; and
8) a Registered Options Principal determines that the records or statistics fairly present the status of the recommendations or transactions reported upon and so initials the report.

In communications regarding an options program for example, an investment plan employing the systematic use of one or more options strategies, the cumulative history or unproven nature of the program and its underlying assumptions will be disclosed.

DELIVERY OF DISCLOSURE DOCUMENTS

References: FINRA Rule 2360(b) (11)

The Firm will deliver the current Options Disclosure Documents (the "ODD") to each customer prior to the time the customer's account is approved for trading options issued by The Options Clearing Corporation. Thereafter, a copy of each amendment to the ODD will be distributed to each customer to whom the Firm previously delivered the ODD not later than the time a confirmation of a transaction in the category of options to which the amendment pertains is delivered to the customer.

In the case of customers approved for writing uncovered short options transactions, the Special Written Statement required will be in a format prescribed by FINRA and delivered to customers in accordance with the rules. A copy of each new or revised Special Written Statement will be distributed to each customer having an account approved for writing uncovered short options not later than the time a confirmation of a transaction is delivered to each customer who enters into a transaction in options issued by The Options Clearing Corporation.

VERIFICATION AND MAINTENANCE OF BACKGROUND AND FINANCIAL INFORMATION: OPTIONS

References: FINRA Rule 2360(b) (16) (c), (b) (17)

Verification of Customer Background and Financial Information

The Firm will secure the background and financial information upon which the account of every new options customer has been approved for options trading, unless the information is included in the customer's account agreement and will be sent to the customer for verification within fifteen days after the customer's account has been approved for options trading. A copy of the background and financial information on file with the Firm will also be sent to the customer for verification within fifteen days after the Firm becomes aware of any material change in the customer's financial situation.

The Firm will satisfy the initial and subsequent verification of customer background and financial information by sending to the customer the information required, as contained in the Firm's records and providing the customer with an opportunity to correct or complete the information. In all cases, absent advice from the customer to the contrary, the information will be deemed to be verified.

MAINTENANCE OF RECORDS

In addition, the Firm will also maintain and keep current a separate central log, index or other file for all options-related complaints, through which these complaints can easily be identified and retrieved. The central file will be located at the principal place of business of the Firm or such other principal office as will be designated by the Firm. At a minimum, the central file will include the identification of complainant, the date complaint was received, the identification of registered representative servicing the account, a general description of the matter complained of and a record of what action, if any, has been taken by the Firm with respect to the complaint.

Each options-related complaint received by a branch office of the Firm will be forwarded to the office in which the separate, central file is located not later than 30 days after receipt by the branch office that is the subject of the complaint. A copy of every options-related complaint will also be maintained at the branch office that is the subject of the complaint.

Background and financial information of customers who have been approved for options trading will be maintained at both the branch office servicing the customer's account and the principal supervisory office having jurisdiction over that branch office. Copies of account statements of options customers will also be maintained at both the branch office supervising the accounts and the principal supervisory office having jurisdiction over that branch for the most recent six-month period. With respect solely to the above-noted record retention requirements applicable to principal supervisory offices, however, the customer information and account statements may be maintained at a location other than the principal supervisory office if the documents and information are readily accessible and promptly retrievable. Other records necessary to the proper supervision of accounts will be maintained at a place easily accessible both to the branch office servicing the customer's account and to the principal supervisory office having jurisdiction over that branch office.

REVIEW AND APPROVE NEW OPTIONS ACCOUNTS

References: FINRA Rule 2360(b) (16)

The Firm or any person associated with the Firm will not accept an order from a customer to purchase or write an option contract relating to an options class that is the subject of an options disclosure document, or approve the customer's account for the trading of options, unless the Firm furnishes to the customer the appropriate options disclosure documents and the customer's account has been approved for options trading.

In approving a customer's account for options trading, the Firm or any person associated with the Firm will exercise due diligence to ascertain the essential facts relative to the customer, his financial situation and investment objectives. Based upon the information, the branch office manager, a Registered Options Principal or a Limited Principal—General Securities Sales Supervisor will specifically approve or disapprove in writing the customer's account for options trading; provided, that if the branch office manager is not a Registered Options Principal or a Limited Principal—General Securities Sales Supervisor, account approval or disapproval will within ten business days be submitted to and approved or disapproved by a Registered Options Principal or a Limited Principal—General Securities Sales Supervisor.

With respect to options customers who are natural persons, the Firm will seek to obtain the investment objectives, employment status, estimated annual income from all sources, estimated net worth, estimated liquid net worth, marital status, number of dependents, age and investment experience and knowledge for options, stocks and bonds, commodities, and other financial instruments.

In addition, a customer's account records will contain the following information, if applicable: source or sources of background and financial information concerning the customer, discretionary authorization agreement on file, name, relationship to customer and experience of person holding trading authority, date disclosure documents furnished to customer, nature and types of transactions for which account is approved, name of registered representative, name of Registered Options Principal or Limited Principal— General Securities Sales Supervisor approving account date of approval and dates of verification of currency of account information.

Refusal of a customer to provide any of the information called for will be so noted on the customer's records at the time the account is opened. Information provided will be considered together with the other information available in determining whether and to what extent to approve the account for options trading. A record of the information obtained and of the approval or disapproval of each such account will be maintained by the Firm as part of its permanent records.

DISCRETIONARY OPTIONS ACCOUNTS

References: FINRA Rule 2360(b) (18)

The Firm and no person associated with the Firm will exercise any discretionary power with respect to trading in option contracts in a customer's account, or accept orders for option contracts for an account from a person other than the customer unless the written authorization of the customer required specifically authorizes options trading in the account and the account is accepted in writing by a Registered Options Principal or Limited Principal—General Securities Sales Supervisor.

The Firm will designate specific Registered Options Principals to review discretionary accounts. A Registered Options Principal other than the Registered Options Principal or Limited Principal—General Securities Sales Supervisor who accepted the account will review the acceptance of each discretionary account to determine that the Registered Options Principal or Limited Principal—General Securities Sales Supervisor accepting the

account had a reasonable basis for believing that the customer was able to understand and bear the risk of the strategies or transactions proposed, and will maintain a record of the basis for such determination. Every discretionary order will be identified as discretionary on the order at the time of entry. Discretionary accounts will receive frequent appropriate supervisory review by a Registered Options Principal who is not exercising the discretionary authority. These rules will not apply to discretion as to the price at which or the time when an order given by a customer for the purchase or sale of a definite number of option contracts in a specified security will be executed, except that the authority to exercise time and price discretion will be considered to be in effect only until the end of the business day on which the customer granted the discretion, absent specific, written contrary indication signed and dated by the customer. This limitation will not apply to time and price discretion exercised in an institutional account, pursuant to valid Good-Till-Cancelled instructions issued on a "not held" basis. Any exercise of time and price discretion must be reflected on the order ticket.

If the Firm does not utilize computerized surveillance tools for the frequent and appropriate review of discretionary activity it will require specific Registered Options Principals who have been designated to review discretionary accounts to approve and initial each discretionary order on the day entered.

A record will be made of every transaction in option contracts in respect to which the Firm or person associated with the Firm has exercised discretionary authority, clearly reflecting the fact and indicating the name of the customer, the designation and number of the option contracts, the premium and the date and time when such transaction was effected.

Where the discretionary account utilizes options programs involving the systematic use of one or more options strategies, the customer will be furnished with a written explanation of the nature and risks of such programs.

SUITABILITY

References: FINRA Rule 2360(b) (19)

The suitability provisions below apply to recommendations by the Firm and persons associated with the Firm regarding the purchase or sale of index warrants, currency index warrants, or currency warrants.

The Firm or any person associated with the Firm will not recommend to any customer any transaction for the purchase or sale of an option contract unless the Firm or person associated therewith has reasonable grounds to believe upon the basis of information furnished by the customer after reasonable inquiry by the Firm or person associated concerning the customer's investment objectives, financial situation and needs, and any other information known by the Firm or associated person, that the recommended transaction is not unsuitable for the customer.

The Firm or person associated with the Firm will not recommend to a customer an opening transaction in any option contract unless the person making the recommendation has a reasonable basis for believing, at the time of making the recommendation, that the customer has such knowledge and experience in financial matters that he may reasonably be expected to be capable of evaluating the risks of the recommended transaction, and is financially able to bear the risks of the recommended position in the option contract.

ROSCRAFT

References: FINRA Rule 2360(b) (20) NTM 08-28

The supervisory functions including the former designated Senior Registered Options Principal and the former Compliance Registered Options Principal is now combined in one supervisor termed the Registered Options and Security Futures Principal (ROSCRAFT) who is generally responsible with overall authority to supervise and administer the firm's options program who is responsible for reviewing and proposing appropriate action to assure this firm’s compliance with securities laws and regulations and Association Rules with respect to the options business. FINRA now permits several individuals to fulfill these supervisory functions in accordance with the Firm’s overall supervisory structure. Any person engaged in the supervision of the Firm’s options and security futures business, including a person designated will be registered as a Registered Options and Security Futures Principal (ROSCRAFT).

SECTION 12. RESEARCH

RESERVED

SECTION 13. UNDERWRITINGS AND PRIVATE PLACEMENTS

Designated Principal: President or designated principal where applicable.

How Conducted: Review all private placement and underwriting procedures and notices making sure there is compliance with all rules and regulations.

Frequency of Review: Whenever necessary.

How Documented: Maintain a file of all reviews conducted and procedures instituted.

GENERAL OBLIGATIONS

References: NASD Rule SEC Rules 501-506

Regulation D contains a series of rules, namely SEC Rules 501-506.

The rule contains definitions and provides the conditions applicable. These include a safe harbor from the integration of sales of securities by the issuer, a sale form to be filed by the issue and a small corporate offering registration. Moreover, the rules require a five-dollar minimum offering price per share and permit commissions. The rules envision an aggregate price limitation of five million dollars in a twelve-month period and a limitation of thirty-five non-accredited investors.

BEST EFFORTS

References: FINRA Rule 5110, 5190 NTM 84-7, 87-61, 98-4 SEC Rules 10b-9, 15c2-4, Regulation A

The Firm on behalf of customers may participate in offerings of securities as a selling group member. All selling group member related transactions that the firm participates in pursuant to Master Selected Dealer Agreements shall be deemed to be on a best efforts basis for customer accounts. The Firm will not make any capital contributions and will not act as an underwriter. Any securities purchases pursuant to any offerings will be for customer accounts. All shares received will be in a Firm allocation account for the benefit of customers and pursuant to customer orders.

It will be considered a fraudulent, deceptive, or manipulative practice for the Firm, participating in any distribution of securities, other than a firm-commitment underwriting, to accept any part of the sale price of any security being distributed unless the money or other consideration received is promptly transmitted to the persons entitled or if the distribution is being made on an "all-or-none" basis, or on any other basis which contemplates that payment is not to be made to the person on whose behalf the distribution is being made until some further event or contingency occurs the money or other consideration received is promptly deposited in a separate bank account, as agent or trustee for the persons who have the beneficial interests, until the appropriate event or contingency has occurred, and then the funds are promptly transmitted or returned to the persons entitled, or all funds are promptly transmitted to a bank which has agreed in writing to hold all the funds in escrow for the persons who have the beneficial interests and to transmit or return the funds directly to the persons entitled when the appropriate event or contingency has occurred.

It will be considered a manipulative or deceptive conduct for the Firm, directly or indirectly, in connection with the offer or sale of any security, to make any representation to the effect that the security is being offered or sold on an "all-or-none" basis, unless the security is part of an offering or distribution being made on the condition that all or a specified amount of the consideration paid for the security will be promptly refunded to the purchaser unless all of the securities being offered are sold at a specified price within a specified time and the total amount due to the seller is received by him by a specified date or to the effect that the security is being offered or sold on any other basis where all or part of the consideration paid for the security will be refunded to the purchaser if all or some of the securities are not sold, unless the security is part of an offering or distribution being made on the condition that all or a specified part of the consideration paid for the security will be promptly refunded to the purchaser unless a specified number of units of the security are sold at a specified price within a specified time and the total amount due to the seller is received by him by a specified date.

This rule will not apply to any offer or sale of securities as to which the seller has a firm commitment from underwriters or others for the purchase of all the securities being offered.

SECTION 401 OF THE JUMPSTART OUR BUSINESS STARTUPS (JOBS) ACT

On March 25, 2015, the Securities and Exchange Commission (the "Commission") adopted final rules to expand Regulation A into two tiers: Tier 1, for securities offerings of up to $20 million in a 12-month period; and Tier 2, for securities offerings of up to $50 million in a 12-month period. An issuer of $20 million or less of securities can elect to proceed under either Tier 1 or Tier 2.

With the exception of securities that will be listed on a national securities exchange upon qualification, purchasers in Tier 2 offerings must either be accredited investors, as that term is defined in Rule 501(a) of Regulation D, or be subject to certain limitations on their investment. The final rules limit the types of securities eligible for sale under Regulation A to the specifically enumerated list in Section 3(b) (3) of the Securities Act, which includes warrants and convertible equity and debt securities, among other equity and debt securities.

There are no limitations on whether an investor can invest, or how much you can invest, if you are investing in an offering relying on Tier 1 of Regulation A (Investor Bulletin: Regulation A – U.S. Securities and Exchange Commission, Investor Alerts and Bulletins. July 8, 2015).

Issuers that conduct a Tier 2 offering should note that Regulation A limits the amount of securities that an investor who is not an accredited investor under Rule 501(a) of Regulation D can purchase in a Tier 2 offering to no more than: (a) 10% of the greater of annual income or net worth (for natural persons); or (b) 10% of the greater of annual revenue or net assets at fiscal year-end (for non-natural persons). This limit does not, however, apply to purchases of securities that will be listed on a national securities exchange upon qualification.

ACCREDITED INVESTOR

An individual will be considered an accredited investor if he or she earned income that exceeded $200,000 (or $300,000 together with a spouse) in each of the prior two years, and reasonably expects the same for the current year or has a net worth over $1 million, either alone or together with a spouse (excluding the value of the person's primary residence and any loans secured by the residence (up to the value of the residence).

PRIVATE INVESTMENTS IN PUBLIC EQUITIES

References: FINRA Rule 5110, 5190 NTM 84-7, 87-61 SEC Rules 10b-9, 15c2-4, Regulation A, D

EXEMPT OFFERINGS

The following offerings are exempt from this Rule and documents and information relating to the following offerings need not be filed for review:

1) securities exempt from registration with the SEC if the securities are "restricted securities";
2) securities which are defined as "exempt securities;
3) securities of "open-end" investment companies that makes periodic repurchase offers and offers its shares on a continuous basis;
4) variable contracts;
5) modified guaranteed annuity contracts and modified guaranteed life insurance policies, which are deferred annuity contracts or life insurance policies the value of which are guaranteed if held for specified periods, and the non-forfeiture value of which are based upon a market-value adjustment formula for withdrawals made before the end of any specified period;
6) offerings of municipal securities;
7) tender offers;
8) securities issued pursuant to a competitively bid underwriting arrangement;
9) securities of a subsidiary or other affiliate distributed by a company in a spin-off or reverse spin-off or similar transaction to its existing security holders exclusively as a dividend or other distribution; and
10) securities registered with the SEC in connection with a merger or acquisition transaction or other similar business combination.

UNDERWRITING COMPENSATION AND ARRANGEMENTS

The Firm or person associated with the Firm will not participate in any manner in any public offering of securities in which the underwriting or other terms or arrangements in connection with the distribution of the securities, or the terms and conditions are unfair or unreasonable.

In determining the amount of underwriting compensation, all items of value from any source by the underwriter and related persons which are deemed to be in connection with the distribution of the public offering will be included.

All items of underwriting compensation will be disclosed in the section on underwriting or distribution arrangements in the prospectus or similar document and, if the underwriting compensation includes items of compensation in addition to the commission or discount disclosed on the cover page of the prospectus or similar document, a footnote to the offering proceeds table on the cover page of the prospectus or similar document will include a cross-reference to the section on underwriting or distribution arrangements.

Concerning maximum amount of underwriting compensation considered fair and reasonable, the Firm will consider, the offering proceeds, the amount of risk assumed by the underwriter and related persons, which is determined by whether the offering is being underwritten on a "firm commitment" or "best efforts" basis and whether the offering is an initial or secondary offering and the type of securities being offered.

The maximum amount of compensation that is considered fair and reasonable generally will vary directly with the amount of risk to be assumed by participating firms and inversely with the dollar amount of the offering proceeds.

ITEMS OF VALUE

For purposes of determining the amount of underwriting compensation received by the underwriter and related persons the following items and all other items of value received will be included: discount or commission, reimbursement of expenses on behalf of the underwriter and related persons, fees and expenses of underwriter's counsel, finder's fees, whether in the form of cash, securities or any other item of value, wholesaler's fees, financial consulting and advisory fees, whether in the form of cash, securities, or any other item of value, common or preferred stock, options, warrants, and other equity securities, including debt securities convertible to or exchangeable for equity securities, received for acting as private placement agent for the issuer; for providing or arranging a loan, credit facility, merger or acquisition services, or any other service for the issuer, as an investment in a private placement made by the issuer or at the time of the public offering, special sales incentive items, any right of first refusal provided to any participating Firm underwrite or participate in future public offerings, private placements or other financings, which will have a compensation value of 1% of the offering proceeds or that dollar amount contractually agreed to by the issuer and underwriter to waive the right of first refusal, compensation to be received by the underwriter and related persons or by any person nominated by the underwriter as an advisor to the issuer's board of directors in excess of that received by other firms of the board of directors, commissions, expense reimbursements, previously or other compensation to be received by the underwriter and related persons as a result of the exercise or conversion within twelve months following the effective date of the offering of warrants, options, convertible securities, or similar securities distributed as part of the public offering, fees of a qualified independent underwriter and

compensation, including expense reimbursements, paid to any firm in connection with a proposed public offering that was not completed, unless the Firm does not participate in the revised public offering.

The following will not be considered an item of value: expenses customarily borne by an issuer, such as printing costs; SEC, "blue sky" and other registration fees; FINRA filing fees; and accountant's fees, whether or not paid through a participating Firm, cash compensation for acting as placement agent for a private placement or for providing a loan, credit facility, or for services in connection with a merger/acquisition, listed securities purchased in public market transactions, securities acquired through any stock bonus, pension, or profit-sharing plan, securities acquired by an investment company, nonconvertible or non-exchangeable debt securities acquired for a fair price in the ordinary course of business in a transaction unrelated to the public offering and derivative instruments entered into for a fair price in the ordinary course of business in a transaction unrelated to the public offering.

DETERMINATION OF WHETHER ITEMS OF VALUE ARE INCLUDED IN UNDERWRITING COMPENSATION

All items of value received and all arrangements entered into for the future receipt of an item of value by the underwriter and related persons during the period commencing 180 days immediately preceding the required filing date of the registration statement or similar document until the date of effectiveness or commencement of sales of the public offering will be considered to be underwriting compensation in connection with the public offering.

All items of value received and all arrangements entered into for the future receipt of an item of value by any participating Firm that are not disclosed to FINRA prior to the date of effectiveness or commencement of sales of a public offering, including items of value received subsequent to the public offering, are subject to post-offering review to determine whether such items of value are, in fact, underwriting compensation for the public offering.

Securities of the issuer acquired by the underwriter and related persons will be considered to be received as of the date of the closing of a private placement, if the securities were purchased or received for arranging a private placement or execution of a written contract with detailed provisions for the receipt of securities as compensation for a loan, credit facility, or put option or transfer of beneficial ownership of the securities, if the securities were received as compensation for consulting or advisory services, merger or acquisition services, acting as a finder, or for any other service.

EXCEPTIONS FROM UNDERWRITING COMPENSATION

The following items of value are excluded from underwriting compensation provided that the Firm does not condition its participation in the public offering on an acquisition of securities under an exception and any securities purchased are purchased at the same price and with the same terms as the securities purchased by all other investors.

1) Securities of the issuer purchased in a private placement or received as compensation for a loan or credit facility before the required filing date of the public offering if each entity either manages capital contributions or commitments of $100 million or more, at least $75 million of which has been contributed or committed by persons that are not participating firms, manages capital contributions or commitments of $25 million or more, at least 75% of which has been contributed or committed by persons that are not participating firms, is an insurance company or a foreign insurance company that has been granted an exemption or is a bank or a foreign bank that has been granted an exemption and is a separate and distinct legal person from any Firm and is not registered as a broker-dealer, makes investments or loans subject to the evaluation of individuals who have a contractual or fiduciary duty to select investments and loans based on the risks and rewards to the entity and not based on opportunities for the Firm to earn investment banking revenues, does not participate directly in investment banking fees received by any participating firm for underwriting public offerings and has been primarily engaged in the business of making investments in loans to other companies and all entities related to each Firm in acquisitions that do not acquire more than 25% of the issuer's total equity securities during the review period calculated immediately following the transaction.
2) Securities of the issuer purchased in a private placement or received as compensation for a loan or credit facility before the required filing date of the public offering by certain entities if each entity manages capital contributions or commitments of at least $50 million, is a separate and distinct legal person from any firm and is not registered as a broker-dealer, does not participate directly in investment banking fees received by the firm for underwriting public offerings and has been primarily engaged in the business of making investments in loans to other companies and institutional investors beneficially own at least 33% of the issuer's total equitysecurities, calculated immediately prior to the transaction, the transaction was approved by a majority of the issuer's board of directors and a majority of any institutional investors, or the designees of institutional investors, that are board firms and all entities related to each Firm in acquisitions that qualify do not acquire more than 25% of the issuer's total equity securities, calculated immediately following the transaction.
3) Securities of the issuer purchased in a private placement before the required filing date of the public offering if institutional investors purchase at least 51% of the "total offering", an institutional investor was the lead negotiator or, if the terms were not negotiated, was the lead investor with the issuer to establish or approve the terms of the private placement and underwriters and related persons did not, in the aggregate, purchase or receive as placement agent compensation more than 20% of the "total offering".

4) Securities of the issuer if the securities were acquired as the result of a right of preemption that was granted in connection with securities that were purchased either in a private placement and the securities are not deemed by FINRA to be underwriting compensation or from a public offering or the public market or a stock-split or a pro-rata rights or similar offering or the conversion of securities that have not been deemed by FINRA to be underwriting compensation and the only terms of the purchased securities that are different from the terms of securities purchased by other investors are pre-existing contractual
5) rights that were granted in connection with a prior purchase, the opportunity to purchase in a rights offering or pursuant to a right of preemption, or to receive additional securities as the result of a stock- split or conversion was provided to all similarly situated security holders and the amount of securities purchased or received did not increase the recipient's percentage ownership of the same generic class of securities of the issuer or of the class of securities underlying a convertible security calculated immediately prior to the investment, except in the case of conversions and passive increases that result from another investor's failure to exercise its own rights.
6) Purchases of securities of the issuer if the amount of securities purchased did not increase the purchaser's percentage ownership of the same generic class of securities of the issuer or of the class of securities underlying a convertible security calculated immediately prior to the investment and an initial purchase of securities of the issuer was made at least two years and a second purchase was made more than 180 days before the required filing date of the public offering.

UNREASONABLE TERMS AND ARRANGEMENTS

The Firm or a person associated with the Firm will not participate in any manner in a public offering of securities after any arrangement proposed in connection with the public offering, or the terms and conditions has been determined to be unfair or unreasonable or inconsistent with any By-Law or any rule or regulation of FINRA.

The following terms and arrangements, when proposed in connection with a public offering of securities, will be unfair and unreasonable.

1) Any accountable expense allowance granted by an issuer to the underwriter and related persons that includes payment for general overhead, salaries, supplies, or similar expenses of the underwriter incurred in the normal conduct of business.
2) Any non-accountable expense allowance in excess of 3% of offering proceeds.
3) Any payment of commissions or reimbursement of expenses directly or indirectly to the underwriter and related persons prior to commencement of the public sale of the securities being offered, except a reasonable advance against out-of-pocket accountable expenses actually anticipated to be incurred by the underwriter and related persons, which advance is reimbursed to the issuer to the extent not actually incurred.
4) The payment of any compensation by an issuer to the Firm or person associated with the Firm in connection with an offering of securities that is not completed according to the terms of agreement between the issuer and underwriter, except those negotiated and paid in connection with a transaction that occurs in lieu of the proposed offering as a result of the efforts of the underwriter and related persons and provided, however, that the reimbursement of out-of-pocket accountable expenses actually incurred by the Firm or person associated with the Firm will not be presumed to be unfair or unreasonable under normal circumstances.
5) Any "tail fee" arrangement granted to the underwriter and related persons that has a duration of more than two years from the date the Firm's services are terminated, in the event that the offering is not completed in accordance with the agreement between the issuer and the underwriter and the issuer subsequently consummates a similar transaction, except that the Firm may demonstrate on the basis of information satisfactory to FINRA that an arrangement of more than two years is not unfair or unreasonable under the circumstances.
6) Any right of first refusal provided to the underwriter or related persons to underwrite or participate in future public offerings, private placements or other financings that has a duration of more than three years from the date of effectiveness or commencement of sales of the public offering or has more than one opportunity to waive or terminate the right of first refusal in consideration of any payment or fee.
7) Any payment or fee to waive or terminate a right of first refusal regarding future public offerings, private placements or other financings provided to the underwriter and related persons that has a value in excess of the greater of 1% of the offering proceeds in the public offering where the right of first refusal was granted

or 5% of the underwriting discount or commission paid in connection with the future financing regardless of whether the payment or fee is negotiated at the time or subsequent to the original public offering or is not paid in cash.

8) The terms or the exercise of the terms of an agreement for the receipt by the underwriter and related persons of underwriting compensation consisting of any option, warrant or convertible security that is exercisable or convertible more than five years from the effective date of the offering, has more than one demand registration right at the issuer's expense, has a demand registration right with a duration of more than five years from the date of effectiveness or the commencement of sales of the public offering, has a piggyback registration right with a duration of more than seven years from the date of effectiveness or the commencement of sales of the public offering, has anti-dilution terms that allow the underwriter and related persons to receive more shares or to exercise at a lower price than originally agreed upon at the time of the public offering, when the public shareholders have not been proportionally affected by a stock split, stock dividend, or other similar event or has anti-dilution terms that allow the underwriter and related persons to receive or accrue cash dividends prior to the exercise or conversion of the security.
9) The receipt by the underwriter and related persons of any item of compensation for which a value cannot be determined at the time of the offering.
10) When proposed in connection with the distribution of a public offering of securities on a "firm commitment" basis, any overallotment option providing for the over allotment of more than 15% of the amount of securities being offered, computed excluding any securities offered pursuant to the overallotment option.
11) The receipt by the Firm or person associated with the Firm, pursuant to an agreement entered into at any time before or after the effective date of a public offering of warrants, options, convertible securities or units containing such securities, of any compensation or expense reimbursement in connection with the exercise or conversion of any products where the market price of the security into which the warrant, option, or convertible security is exercisable or convertible is lower than the exercise or conversion price, the warrant, option, or convertible security is held in a discretionary account at the time of exercise or conversion, except where prior specific written approval for exercise or conversion is received from the customer, the arrangements whereby compensation is to be paid are not disclosed in the prospectus or offering circular by which the warrants, options, or convertible securities are offered to the public, if such arrangements are contemplated or any agreement exists as to such arrangements at that time, and in the prospectus or offering circular provided to security holders at the time of exercise or conversion or the exercise or conversion of the warrants, options or convertible securities is not solicited by the underwriter or related person, provided however, that any request for exercise or conversion will be presumed to be unsolicited unless the customer states in writing that the transaction was solicited and designates in writing the broker-dealer to receive compensation for the exercise or conversion.
12) For the Firm to participate with an issuer in the public distribution of a non-underwritten issue of securities if the issuer hires persons primarily for the purpose of distributing or assisting in the distribution of the issue, or for the purpose of assisting in any way in connection with the underwriting, except to the extent in compliance with SEA Rule 3a4-1 and applicable state law.
13) For the Firm or person associated with the Firm to participate in a public offering of real estate investment trust securities unless the trustee will disclose in each annual report distributed to investors a per share estimated value of the trust securities, the method by which it was developed, and the date of the data used to develop the estimated value.

SELF UNDERWRITING

References: FINRA Rule 5121

REQUIREMENTS FOR PARTICIPATION IN CERTAIN PUBLIC OFFERINGS

If the Firm has a conflict of interest it will not participate in a public offering unless the offering complies with either of the following:

1) There must be prominent disclosure of the nature of the conflict of interest in the prospectus, offering circular or similar document for the public offering, and either the Firm that is primarily responsible for managing the public offering does not have a conflict of interest, is not an affiliate of any firm that does have a conflict of interest or the securities offered have a bona fide public market or the securities offered are investment grade

rated or are securities in the same series that have equal rights and obligations as investment grade rated securities.

2) A qualified independent underwriter has participated in the preparation of the registration statement and the prospectus, offering circular, or similar document and has exercised the usual standards of due diligence and there must be prominent disclosure in the prospectus, offering circular or similar document for the offering of the nature of the conflict of interest, the name of the firm acting as qualified independent underwriter and a brief statement regarding the role and responsibilities of the qualified independent underwriter.

ESCROW OF PROCEEDS; NET CAPITAL COMPUTATION

All proceeds from a public offering by the Firm of its securities will be placed in a duly established escrow account and will not be released or used by the Firm in any manner until the Firm has complied with the following:

The Firm offering its securities will immediately notify FINRA when the public offering has been terminated and settlement effected and will file with FINRA a computation of its net capital computed pursuant to the provisions of the net capital rule as of the settlement date. If at such time its net capital ratio computed is more than 10:1 or, net capital fails to equal 120 percent of the minimum dollar amount or in the event the Firm calculates its net capital requirement using the alternative standard, its net capital is less than seven percent of aggregate debit items all monies received from sales of securities of the public offering must be returned in full to the purchasers and the offering withdrawn, unless the Firm has obtained from the SEC a specific exemption from the net capital rule. Proceeds from the sales of securities in the public offering may be taken into consideration in computing net capital ratio.

The Firm offering its securities pursuant to these rules will disclose in the registration statement, offering circular or similar document a date by which the offering is reasonably expected to be completed and the terms upon which the proceeds will be released from the escrow account.

DISCRETIONARY ACCOUNTS

If the Firm has a conflict it will not sell to a discretionary account any security with respect to which the conflict exists, unless the Firm has received specific written approval of the transaction from the account holder and retains documentation of the approval in its records.

REQUESTS FOR EXEMPTION FROM RULE 5121

Pursuant to the Rule 9600 Series, FINRA may in exceptional and unusual circumstances, taking into consideration all relevant factors, exempt the Firm unconditionally or on specified terms from any or all of the provisions of these rules that it deems appropriate.

INTRASTATE OFFERINGS

References: 1933 ACT SECTION 3(a) (11) SEC RULE 147

The law requires that all securities offered by the use of the mails or by any means of transportation or communication in interstate commerce be registered with the Commission. Congress, however, provided certain exemptions from such registration provisions where there was no practical need for registration or where the benefits of registration were too remote. Among those exemptions is transactions in "any security which is a part of an issue offered and sold only to persons resident within a single State or Territory, where the issuer of such security is a person resident and doing business within. such State or Territory" The legislative history of that provision suggests that the exemption was intended to apply only to issues genuinely local in character, which in reality represent local financing by local industries, carried out through local investment. Rule 147 is intended to provide more objective standards upon which responsible local businessmen intending to raise capital from local sources may rely in claiming the exemption.

All of the terms and conditions of the rule must be satisfied in order for the exemption to be available. These include that the issuer be a resident and do business within the state or territory in which all offers and sales are made and that no part of the issue be offered or sold to nonresidents within the period of time specified in the rule.

All offers to sell, offers for sale, and sales which are part of the same issue must meet all of the conditions of Rule 147 for the rule to be available. The determination whether offers, offers to sell, offers for sale and sales of securities are part of the same issue will depend on the particular circumstances. In determining whether offers and sales should be regarded as part of the same issue and thus should be integrated the Firm will consider whether any of the offerings are part of a single plan of financing, whether the offerings involve issuance of the same class of securities, whether the offerings are made at or about the same time, whether the same type of consideration is to be received and whether the offerings are made for the same general purpose.

If the Firm is claiming the availability of the rule it will have the burden of proving that they have satisfied all of its provisions. In view of the objectives of the rule and the purposes and policies, the exemption will not be available to the Firm with respect to any offering which, although in technical compliance, is part of a plan or scheme to make interstate offers or sales of securities. In such cases registration pursuant to the Act is required.

SEC RULE 144 STOCK

References: SEC Rule 144

Restricted or "legend" stock must be sold in conformity with SEC Rule 144. Rule 144 allows public resale of restricted and control securities if a number of conditions are met. The rule also describes how to have a restrictive legend removed.

Restricted securities are securities acquired in unregistered, private sales from the issuer or from an affiliate of the issuer. Rule 144(a) (3) identifies what sales produce restricted securities.

Control securities are those held by an affiliate of the issuing company. If one buys securities from a controlling person or "affiliate," the buyer takes restricted securities, even if they were not restricted in the affiliate's hands.

If one acquires restricted securities, one will almost always receive a certificate stamped with a "restricted" legend. The legend indicates that the securities may not be resold in the marketplace unless they are registered with the SEC or are exempt from the registration requirements. The certificates of control securities are usually not stamped with a legend.

To sell restricted or control securities to the public, one must follow the applicable conditions set forth in Rule 144. The rule is not the exclusive means for selling restricted or control securities, but provides a "safe harbor" exemption to sellers. The rule's five conditions are:

3) **Holding Period**. Before one may sell any restricted securities in the marketplace, one must hold them for a certain period of time. If the company that issued the securities is subject to the reporting requirements of the Securities Exchange Act, then one must hold the securities for at least six months. If the issuer of the securities is not subject to the reporting requirements, then one must hold the securities for at least one year. The relevant holding period begins when the securities are bought and fully paid for. The holding period only applies to restricted securities. Because securities acquired in the public market are not restricted, there is no holding period for an affiliate who purchases securities of the issuer in the marketplace. But the resale of an affiliate's shares is subject to the other conditions of the rule.
4) **Adequate Current Information**. There must be adequate current information about the issuer of the securities before the sale can be made. This generally means that the issuer has complied with the periodic reporting requirements of the Exchange Act.
5) **Trading Volume Formula**. If an affiliate, the number of equity securities one may sell during any three-month period cannot exceed the greater of 1% of the outstanding shares of the same class being sold, or if the class is listed on a stock exchange or quoted on Nasdaq, the greater of 1% or the average reported weekly trading volume during the four weeks preceding the filing a notice of sale on Form 144.
6) **Ordinary Brokerage Transactions**. If an affiliate, the sales must be handled in all respects as routine trading transactions, and brokers may not receive more than a normal commission. Neither the seller nor the broker can solicit orders to buy the securities.
7) **Filing a Notice of Proposed Sale with the SEC**. If an affiliate, one must file a notice with the SEC on Form 144 if the sale involves more than 5,000 shares or the aggregate dollar amount is greater than $50,000 in any three-month period. The sale must take place within three months of filing the Form and, if the securities have not been sold, one must file an amended notice.

If not an affiliate of the company issuing the securities and have held the restricted securities for at least one year, one can sell the securities without regard to the above conditions. If the issuer of the securities is subject to the Exchange Act reporting requirements and one has held the securities for at least six months but less than one year, one may sell the securities as long as one satisfies the current public information condition.

Even if one has met the conditions of Rule 144, one cannot sell the restricted securities to the public until the legend has been removed from the certificate. Only a transfer agent can remove a restrictive legend. But the transfer agent will not remove the legend unless the consent of the issuer—usually in the form of an opinion letter from the issuer's counsel—that the restricted legend can be removed has been obtained.

MONITORING OF FIRM COMITTMENT CHARGES

References: SEC Rule 15c3-1

The Firm will maintain net capital of at least $50,000 if it introduces transactions and accounts of customers or other brokers or dealers to another registered broker or dealer that carries such accounts on a fully disclosed basis, and if the broker or dealer receives but does not hold customer or other broker or dealer securities. The Firm may participate in a firm commitment underwriting but may not enter into a commitment for the purchase of shares related to that underwriting.

USE OF COMPLIANCE DESK SOFTWARE

References: IM-2110-1 FINRA Rule 5130 NTM 04-20, 96-18

Compliance Desk is a proprietary software application that facilitates the transmission of "hot issue" notification and receipt of new issue distribution information between the Firm and FINRA. In light of the new FINRA Rule 5130, FINRA intends to phase out the operation of Compliance Desk and replace it with IPO Distribution Manager. Some of the functions performed by Compliance Desk no longer are

Necessary. In particular, because FINRA Rule 5130 applies to all "new issues" FINRA no longer has any regulatory need to notify firms whether an offering is a "hot issue." In addition, the use of IPO Distribution Manager will no longer obligate the Firm to use a third party to file data with FINRA, nor will the Firm be required to purchase or use specialized software, printers, or paper.

Through IPO Distribution Manager, the lead managing underwriters of offerings involving a "new issue" as defined in FINRA Rule 5130 will be required to make two filings with the FINRA. In the initial filing, which must be filed on or before the offering date, the managing underwriter must submit the initial list of distribution participants and their commitment and retention amounts. In the final filing, which must be filed no later than three days after the offering date (T+3), the managing underwriter must submit the final list of distribution participants and their commitment and retention amounts. IPO Distribution Manager will permit the Firm to transmit distribution information to FINRA through Web COBRA, the Web-based filing system

The Firm will obtain a Member Firm Identification Number which is required before firm personnel can register to use IPO Distribution Manager. Moreover, an authorized person must register as a user of the system for the Firm. The Firm will file all necessary documents with the IPO Distribution Manager whenever necessary.

FREE RIDING AND WITHHOLDING PROCEDURES

References: FINRA Rule 5130 NTM 03-79

The Firm or any person associated with the Firm will not sell, or cause to be sold, a new issue to any account in which a restricted person has a beneficial interest, except as otherwise permitted.

The Firm or any person associated with the Firm will not purchase a new issue in any account in which the Firm or person associated with the Firm has a beneficial interest, except as otherwise permitted.

The Firm may not continue to hold new issues acquired by the Firm as an underwriter, selling group firm or otherwise, except as otherwise permitted.

The Firm will not be prohibited from sales or purchases from one firm of the selling group to another firm of the selling group that are incidental to the distribution of a new issue to a non-restricted person at the public offering price, sales or purchases by a broker-dealer of a new issue at the public offering price as part of an accommodation to a non-restricted person customer of the broker-dealer or purchases by a broker-dealer

organized as an investment partnership, of a new issue at the public offering price, provided such purchases are credited to the capital accounts of its partners.

PRECONDITIONS FOR SALE

Before selling a new issue to any account, the Firm must in good faith have obtained within the twelve months prior to the sale, a representation from Beneficial Owners such as account holders, or a person authorized to represent the beneficial owners of the account, that the account is eligible to purchase new issues in compliance with this Rule or conduits such as a bank, foreign bank, broker-dealer, or investment adviser or other conduit that all purchases of new issues are in compliance with these rules.

The Firm will not rely upon any representation that it believes, or has reason to believe, is inaccurate. The Firm will maintain a copy of all records and information relating to whether an account is eligible to purchase new issues in its files for at least three years following the Firm's last sale of a new issue to that account.

GENERAL EXEMPTIONS

The general prohibitions noted will not apply to sales to and purchases by the following accounts or persons, whether directly or through accounts in which such persons have a beneficial interest:

1) An investment company registered under the Investment Company Act;
2) A common trust fund or similar fund provided that the fund has investments from 1,000 or more accounts and the fund does not limit beneficial interests in the fund principally to trust accounts of restricted persons;
3) An insurance company general, separate or investment account, provided that the account is funded by premiums from 1,000 or more policyholders, or, if a general account, the insurance company has 1,000 or more policyholders and the insurance company does not limit the policyholders whose premiums are used to fund the account principally to restricted persons, or, if a general account, the insurance company does not limit its policyholders principally to restricted persons;
4) An account if the beneficial interests of restricted persons do not exceed in the aggregate 10% of the account;
5) A publicly traded entity that is listed on a national securities exchange or is a foreign issuer whose securities meet the quantitative designation criteria for listing on a national securities exchange;
6) An investment company organized under the laws of a foreign jurisdiction, provided that the investment company is listed for sale to the public or authorized for sale to the public by a foreign regulatory authority and no person owning more than 5% of the shares of the investment company is a restricted person;
7) An Employee Retirement Income Security Act benefits plan provided that such plan is not sponsored solely by a broker-dealer;
8) A state or municipal government benefits plan that is subject to state and/or municipal regulation;
9) A tax exempt charitable organization or a church plan under Section 414(e) of the Internal Revenue Code.

ISSUER-DIRECTED SECURITIES

The prohibitions on the purchase and sale of new issues will not apply to securities that:

1) are specifically directed by the issuer to persons that are restricted provided, however, that securities directed by an issuer may not be sold to or purchased by a broker-dealer or an account in which any restricted person specified has a beneficial interest, unless the person, or a Firm of his or her immediate family, is an employee or director of the issuer, the issuer's parent, or a subsidiary of the issuer or the issuer's parent;
2) are specifically directed by the issuer and are part of an offering in which no broker-dealer underwrites any portion of the offering, solicits or sells any new issue securities in the offering and has any involvement or influence, directly or indirectly, in the issuer's allocation decisions with respect to any of the new issue securities in the offering;
3) are part of a program sponsored by the issuer or an affiliate of the issuer that meets the following criteria: the opportunity to purchase a new issue under the program is offered to at least 10,000 participants, every participant is offered an opportunity to purchase an equivalent number of shares, or will receive a specified number of shares under a predetermined formula applied uniformly across all participants, if not all participants receive shares under the program, the selection of the participants eligible to purchase shares is based upon a random or other non-discretionary allocation method and the class of participants does not contain a disproportionate number of restricted persons as compared to the investing public generally; or

4) are directed to eligible purchasers who are otherwise restricted under the Rule as part of a conversion offering in accordance with the standards of the governmental agency or instrumentality having authority to regulate such conversion offering.

ANTI-DILUTION PROVISIONS

The prohibitions on the purchase and sale of new issues will not apply to an account in which a restricted person has a beneficial interest that meets the following conditions:

1) the account has held an equity ownership interest in the issuer, or a company that has been acquired by
2) the issuer in the past year, for a period of one year prior to the effective date of the offering;
3) the sale of the new issue to the account will not increase the account's percentage equity ownership in the issuer above the ownership level as of three months prior to the filing of the registration statement in connection with the offering;
4) the sale of the new issue to the account will not include any special terms; and
5) the new issue purchased will not be sold, transferred, assigned, pledged or hypothecated for a period of three months following the effective date of the offering.

STAND-BY PURCHASERS

The prohibitions on the purchase and sale of new issues will not apply to the purchase and sale of securities pursuant to a stand-by agreement where the agreement is disclosed in the prospectus, the agreement is the subject of a formal written agreement, the managing underwriter represents in writing that it was unable to find any other purchasers for the securities and the securities sold pursuant to the agreement will not be sold, transferred, assigned, pledged or hypothecated for a period of three months following the effective date of the offering.

Nothing in this Rule will prohibit an underwriter, pursuant to an underwriting agreement, from placing a portion of a public offering in its investment account when it is unable to sell that portion to the public.

Pursuant to the Rule 9600 Series, FINRA, for good cause shown after taking into consideration all relevant factors, may conditionally or unconditionally exempt any person, security or transaction from these rules to the extent that such exemption is consistent with the purposes of these rules, the protection of investors and the public interest.

MATERIAL EVENTS

References: SEC Rule 15c2-12©

As a means reasonably designed to prevent fraudulent, deceptive, or manipulative acts or practices, the Firm will not recommend the purchase or sale of a municipal security unless the Firm provides reasonable assurance that it will receive prompt notice of any event with respect to that security.

PUBLIC OFFERINGS

References: SECURITIES ACT OF 1933, SECTION 5

Unless a registration statement is in effect as to a security, it will be unlawful for any person, directly or indirectly to make use of any means of transportation or communication in interstate commerce or of the mails to sell that security through the use or medium of any prospectus or otherwise or to carry or cause to be carried through the mails or in interstate commerce by any means of transportation, any such security for the purpose of sale or for delivery after sale.

It will be unlawful for any person, directly or indirectly to make use of any means to carry or transmit any prospectus relating to any security with respect to which a registration statement has been filed unless the prospectus meets the requirements of Section 10 or to carry through the mails or in interstate commerce any such security for the purpose of sale or for delivery after sale, unless accompanied or preceded by a prospectus that meets the requirements of subsection (a) of section 10.

It will be unlawful for the Firm, directly or indirectly, to make use of any means of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy through the use or medium of any prospectus

or otherwise any security, unless a registration statement has been filed as to the security, or while the registration statement is the subject of a refusal order or stop order or any public proceeding or examination.

MISREPRESENTATIONS

References: SEC Rule 15c1-3

The term “manipulative, deceptive, or other fraudulent device or contrivance," as used in the Securities and Exchange Act, is defined to include any representation by the Firm that the registration of the Firm, or the failure of the Commission to deny or revoke such registration, indicates in any way that the Commission has passed upon or approved the financial standing, business, or conduct of the Firm or the merits of any security or any transaction.

RESTRICTED PERIOD:

References: FINRA Rule 5110 NTM 97-10

In any public equity offering, other than a public equity offering by an issuer of any common or preferred stock, options, warrants, and other equity securities of the issuer, including debt securities convertible to or exchangeable for equity securities of the issuer, that are unregistered and acquired by an underwriter and related person during 180 days prior to the required filing date, or acquired after the required filing date of the registration statement and deemed to be underwriting compensation by FINRA, and securities excluded from underwriting compensation, will not be sold during the offering, or sold, transferred, assigned, pledged, or hypothecated, or be the subject of any hedging, short sale, derivative, put, or call transaction that would result in the effective economic disposition of the securities by any person for a period of 180 days immediately following the date of effectiveness or commencement of sales of the public offering.

The following will not be prohibited: the transfer of any security by operation of law or by reason of reorganization of the issuer, to any Firm participating in the offering and the officers or partners, if all securities transferred remain subject to the lock-up restriction for the remainder of the time period, if the aggregate amount of securities of the issuer held by the underwriter or related person do not exceed 1% of the securities being offered, that is beneficially owned on a pro-rata basis by all equity owners of an investment fund, provided that no participating firm manages or otherwise directs investments by the fund, and participating firms in the aggregate do not own more than 10% of the equity in the fund, that is not an item of value, that is eligible for the limited filing requirement and has not been deemed to be underwriting compensation that was previously but is no longer subject to the lock-up restriction in connection with a prior public offering, provided that if the prior restricted period has not been completed, the security will continue to be subject to the prior restriction until it is completed or that was acquired subsequent to the issuer's initial public offering in a transaction exempt from registration under Securities Act Rule 144A, or the exercise or conversion of any security, if all securities received remain subject to the lock-up restriction for the remainder of the time period.

FILINGS REQUIRED

References: FINRA Rule 5110

The Firm or person associated with the Firm will not participate in any manner in any public offering of securities unless documents and information relating to the offering have been filed with and reviewed by FINRA.

Unless filed by the issuer, the managing underwriter, or another firm, the Firm will file the necessary documents no later than one business day after any of the documents are filed or submitted to the SEC, any state securities commission or other regulatory authority or if not filed or submitted to any regulatory authority, at least fifteen business days prior to the anticipated date on which offers will commence.

No sales of securities will commence unless the documents and information have been filed with and reviewed by FINRA and FINRA has provided an opinion that it has no objections to the proposed underwriting and other terms and arrangements. If FINRA's opinion states that the proposed underwriting and other terms and arrangements are unfair and unreasonable, the Firm may file modifications to the proposed underwriting and other terms and arrangements for further review.

The Firm acting as a managing underwriter or in a similar capacity that has been informed of an opinion by FINRA, that the proposed underwriting terms and arrangements of a proposed offering are unfair or unreasonable, and the proposed terms and arrangements have not been modified to conform to the standards

of fairness and reasonableness, will notify all other firms proposing to participate in the offering of that opinion or determination prior to the effective date of the offering or the commencement of sales so the other firms will have an opportunity as a result of specific notice to comply with their obligation not to participate in any way in the distribution of a public offering containing arrangements, terms and conditions that are unfair or unreasonable.

DOCUMENTS TO BE FILED

The following documents relating to all proposed public offerings of securities will be filed with FINRA for review, three copies of the registration statement, offering circular, offering memorandum, notification of filing, notice of intention, application for conversion and any other document used to offer securities to the public, three copies of any proposed underwriting agreement, agreement among underwriters, selected dealers agreement, agency agreement, purchase agreement, letter of intent, consulting agreement, partnership agreement, underwriter's warrant agreement, escrow agreement, and any other document that describes the underwriting or other arrangements in connection with the distribution, and the terms and conditions and any other information or documents that may be material as part of the arrangements, terms and conditions and that may have a bearing on FINRA's review, three copies of each pre- and post- effective amendment to the registration statement or other offering document, one copy marked to show changes and three copies of any other amended document previously filed and three copies of the final registration statement declared effective by the SEC or equivalent final offering document and a list of the firms of the underwriting syndicate, if not indicated, and one copy of the executed form of the final underwriting documents and any other document submitted to FINRA for review.

All documents that are filed with the SEC through the SEC's Electronic Data Gathering, Analysis, and Retrieval ("EDGAR") System will be treated as filed with FINRA.

INFORMATION REQUIRED TO BE FILED

Any person filing documents with FINRA will provide the following information with respect to the offering through FINRA's electronic filing system, an estimate of the maximum public offering price, an estimate of the maximum underwriting discount or commission, maximum reimbursement of underwriter's expenses, and underwriter's counsel's fees, maximum financial consulting and advisory fees to the underwriter and related persons, maximum finder's fees and a statement of any other type and amount of compensation which may accrue to the underwriter and related persons, a statement of the association or affiliation with any Firm of any officer or director of the issuer, of any beneficial owner of 5% or more of any class of the issuer's securities, and of any beneficial owner of the issuer's unregistered equity securities that were acquired during the 180-day period immediately preceding the required filing date of the public offering. This statement will identify the person, the Firm and whether it is participating in any capacity in the public offering and the number of equity securities or the face value of debt securities owned by the person, the date the securities were acquired, and the price paid for the securities, a detailed explanation of any other arrangement entered into during the 180-day period immediately preceding the required filing date of the public offering that provides for the receipt of any item of value or the transfer of any warrants, options, or other securities from the issuer to the underwriter and related persons, provided however information regarding debt securities and derivative instruments not considered an item of value is not required to be filed and information initially filed in connection with debt securities and derivative instruments acquired or entered into for "fair price" but not excluded from items of value may be limited to a brief description of the transaction and a representation by the Firm that a registered principal or senior manager on behalf of the Firm has determined that the transaction will be entered into at a fair price, a statement demonstrating compliance with all of the criteria of an exception from underwriting compensation when applicable and a detailed explanation and any documents related to the modification of any information or representation previously provided to FINRA or of any item of underwriting compensation with respect to any securities of the issuer acquired subsequent to the required filing date and prior to the effectiveness or commencement of the offering or any new arrangement that provides for the receipt of any additional item of value by any participating Firm subsequent to the issuance of an opinion of no objections to the underwriting terms and arrangements by FINRA and within 90 days immediately following the date of effectiveness or commencement of sales of the public offering and any other information required to be filed.

Any person filing documents will notify FINRA through its electronic filing system that the offering has been declared effective or approved by the SEC or other agency no later than one business day following the declaration or approval or that the offering has been withdrawn or abandoned within three business days following the withdrawal or decision to abandon the offering.

OFFERINGS EXEMPT FROM FILING

Documents and information related to the following public offerings need not be filed with FINRA for review:

1) securities offered by a corporate, foreign government or foreign government agency issuer which has unsecured non-convertible debt with a term of issue of at least four years, or unsecured non-convertible preferred securities, rated by a nationally recognized statistical rating organization in one of its four highest generic rating categories, except that the initial public offering of the equity of an issuer is required to be filed;
2) non-convertible debt securities and non-convertible preferred securities rated by a nationally recognized statistical rating organization in one of its four highest generic rating categories;
3) offerings of securities registered with the SEC or of a foreign private issuer incorporated or organized under the laws of Canada or any Canadian province or territory, and is registered with the SEC and offered pursuant to Canadian shelf prospectus offering procedures;
4) securities offered pursuant to a redemption standby "firm commitment" underwriting arrangement registered with the SEC;
5) financing instrument-backed securities which are rated by a nationally recognized statistical rating organization in one of its four highest generic rating categories;
6) exchange offers of securities where the securities to be issued or the securities of the company being acquired are listed on The Nasdaq Global Market, the New York Stock Exchange, or the American Stock Exchange or the company issuing securities qualifies to register securities with the SEC and;
7) offerings of securities by a church or other charitable institution that is exempt from SEC registration.

OFFERINGS REQUIRED TO BE FILED

Documents and information relating to all other public offerings including the following must be filed with FINRA for review: direct participation programs, mortgage and real estate investment trusts, rights offerings, securities exempt from registration with the SEC, securities exempt from registration with the SEC unless the securities are "restricted securities", securities offered by a bank, savings and loan association, or common carrier even though the offering may be exempt from registration with the SEC, securities offered pursuant to SEC Regulation A, exchange offers that are exempt from registration with the SEC or registered with the SEC except for exchange offers exempt from filing, any exchange offer, merger and acquisition transaction, or other similar corporate reorganization involving an issuance of securities that results in the direct or indirect public ownership of the Firm and any offerings of a similar nature that are not exempt.

REGULATION M

References: Regulation M

These notice requirements are applicable to the Firm participating in offerings of securities for purposes of monitoring compliance with the provisions of SEC Regulation M. In addition to these requirements the Firm will also comply with all applicable rules governing the withdrawal of quotations in accordance with SEC Regulation M and all other requirements of SEC Regulation M and are incorporated within these procedures.

NOTICE RELATING TO DISTRIBUTIONS OF SECURITIES SUBJECT TO A RESTRICTED PERIOD UNDER REGULATION M

The Firm acting as a manager of a distribution of any security that is a covered security subject to a restricted period under Rule 101 of Regulation M will provide written notice to FINRA as specified by FINRA, of the following:

1) the Firm's determination as to whether a one-day or five-day restricted period applies and the basis for that determination, including the contemplated date and time of the commencement of the restricted period, the security name and symbol, and identification of the distribution participants and affiliated purchasers, no later than the business day prior to the first complete trading session of the applicable restricted period, unless later notification is necessary under specific circumstances; the pricing of the distribution, including the security name and symbol, the type of security, the number of shares offered, the offering price, the last sale before the distribution, the pricing basis, the SEC effective date and time, the trade date, the restricted period, and identification of the distribution participants and affiliated purchasers, no later than the close of business

the next business day following the pricing of the distribution, unless later notification is necessary under specific circumstances; and

2) the cancellation or postponement of any distribution for which prior notification of commencement of the restricted period has been submitted, immediately upon the cancellation or postponement of such distribution.

If no firm is acting as a manager of the distribution, then each firm that is a distribution participant or affiliated purchaser will provide the notice required unless another firm has assumed responsibility in writing for compliance.

Any firm that is an issuer or selling security holder in a distribution of any security that is a covered security subject to a restricted period under Rule 102 of SEC Regulation M will comply with the notice requirements unless another firm has assumed responsibility in writing for compliance therewith.

NOTICE RELATING TO DISTRIBUTIONS OF "ACTIVELY TRADED" SECURITIES UNDER REGULATION M

The Firm acting as a manager of a distribution of any security that is considered an "actively traded" security under Rule 101 of Regulation M will provide written notice to FINRA, in any form as specified by FINRA, of the Firm's determination that no restricted period applies under Rule 101 of Regulation M and the basis for such determination and the pricing of the distribution, including the security name and symbol, the type of security, the number of shares offered, the offering price, the last sale before the distribution, the pricing basis, the SEC effective date and time, the trade date, and identification of the distribution participants and affiliated purchasers.

The notice will be provided no later than the close of business the next business day following the pricing of the distribution, unless later notification is necessary under specific circumstances.

If no firm is acting as a manager of the distribution, then each firm that is a distribution participant or an affiliated purchaser will provide the notice required unless another firm has assumed responsibility in writing.

NOTICE OF PENALTY BIDS AND SYNDICATE COVERING TRANSACTIONS IN OTC EQUITY SECURITIES

The Firm imposing a penalty bid or engaging in a syndicate covering transaction in connection with an offering of an OTC Equity Security pursuant to Rule 104 of Regulation M will, unless another firm has assumed responsibility in writing, provide written notice to FINRA, in the manner specified by FINRA, of the Firm's intention to conduct such activity, prior to imposing the penalty bid or engaging in the first syndicate covering transaction, including identification of the security and its symbol and the date such activity will occur and confirmation that the Firm has imposed a penalty bid or engaged in a syndicate covering transaction, within one business day of completion of such activity, including identification of the security and its symbol, the total number of shares and the dates of such activity.

NON-CASH COMPENS ATION:

References: FINRA Rule 5110 NTM 03-53

VALUATION OF NON-CASH COMPENSATION

For purposes of determining the value to be assigned to securities received as underwriting compensation, the following criteria will be applied.

An underwriter and related person may not receive a security, a warrant for a security, or a security convertible into another security as underwriting compensation in connection with a public offering unless the security or the security underlying the warrant or convertible security received is identical to the security offered to the public or to a security with a bona fide independent market or the security can be accurately valued.

Securities that do not have an exercise or conversion price will have a compensation value based on the difference between either the market price per security on the date of acquisition, or, if no bona fide independent market exists for the security, the public offering price per security and the per security cost multiplied by the number of securities received or to be received as underwriting compensation divided by the offering proceeds and multiplied by one hundred.

Options, warrants or convertible securities that have an exercise or conversion price will have a compensation value based on the following formula: the public offering price per security multiplied by.65 minus the resultant of

the exercise or conversion price per warrant less either the market price per security on the date of acquisition, where a bona fide independent market exists for the security, or the public offering price per security divided by two multiplied by the number of securities underlying the warrants less the total price paid for the warrants divided by the offering proceeds and multiplied by one hundred, provided, however, that the warrants will have a compensation value of at least .2% of the offering proceeds for each amount of securities that is up to 1% of the securities being offered to the public.

A lower value equal to 10% of the calculated value will be deducted for each 180-day period that the securities or underlying securities are restricted from sale or other disposition beyond the 180-day period of the lock-up restriction. The transfers permitted during the lock-up restriction are not available for such securities.

Any debt or derivative transaction acquired or entered into at a "fair price" and item of value received in the settlement, exercise or other terms of debt or derivative transaction will not have a compensation value for purposes of determining underwriting compensation. If the actual price for the debt or derivative security is not a fair price, compensation will be calculated based on the difference between the fair price and the actual price.

NON-CASH COMPENSATION

In connection with the sale and distribution of a public offering of securities, the Firm or person associated with the Firm will not directly or indirectly accept or make payments or offers of payments of any non-cash compensation, except as provided. Non-cash compensation arrangements are limited to the following:

1) Gifts that do not exceed an annual amount per person fixed periodically by the Board of Governors and are not preconditioned on achievement of a sales target.
2) An occasional meal, a ticket to a sporting event or the theater, or comparable entertainment which is neither so frequent nor so extensive as to raise any question of propriety and is not preconditioned on achievement of a sales target.
3) Payment or reimbursement by offerors in connection with meetings held by an offeror or by the Firm for the purpose of training or education of associated persons of the Firm, provided that associated persons obtain the Firm's prior approval to attend the meeting and attendance by the Firm's associated persons is not conditioned by the Firm on the achievement of a sales target or any other incentives pursuant to a non-cash compensation arrangement, the location is appropriate to the purpose of the meeting, which will mean an office of the issuer or affiliate, the office of the Firm, or a facility located in the vicinity of the office, or a regional location with respect to regional meetings, the payment or reimbursement is not applied to the expenses of guests of the associated person and the payment or reimbursement by the issuer or affiliate of the issuer is not conditioned on the achievement of a sales target or any other non-cash compensation arrangement permitted.
4) Non-cash compensation arrangements between the Firm and its associated persons or a company that controls the Firm company and the Firm's associated persons, provided that no unaffiliated non-firm company or other unaffiliated firm directly or indirectly participates in the Firm's or non-firm's organization of a permissible non-cash compensation arrangement, and
5) Contributions by a non-firm company or other firm to a non-cash compensation arrangement between the Firm and its associated persons, provided that the arrangement meets the criteria enumerated.

The Firm will maintain records of all non-cash compensation received by the Firm or its associated persons in arrangements permitted. The records will include the names of the offerors, non-firms or other firms making the non-cash compensation contributions; the names of the associated persons participating in the arrangements; the nature and value of non-cash compensation received; the location of training and education meetings; and any other information that proves compliance by the Firm and its associated persons.

EXEMPTIONS

Pursuant to the Rule 9600 Series, the appropriate FINRA staff, for good cause shown after taking into consideration all relevant factors, may conditionally or unconditionally grant an exemption from any provisions of these rules to the extent that an exemption is consistent with the purposes of these rules, the protection of investors, and the public interest.

DISCLOSURE OF AFFILIATES

References: SEC Rules 15c1-5, 6

The term "manipulative, deceptive, or other fraudulent device or contrivance," as used in the Securities and Exchange Act, is defined to include any act of the Firm controlled by, controlling, or under common control with, the issuer of any security, designed to effect with or for the account of a customer any transaction in, or to induce the purchase or sale by such customer of, such security unless the Firm, before entering into any contract with such customer for the purchase or sale of such security, discloses to the customer the existence of such control, and unless such disclosure, if not made in writing, is supplemented by the sending of written disclosure at or before the completion of the transaction. The term "manipulative, deceptive, or other fraudulent device or contrivance," as used in the Securities and Exchange Act, is defined to include any act of the Firm who is acting for a customer or for both the customer and some other person, or of any dealer or municipal securities dealer who receives or has a promise of receiving a fee from a customer for advising the customer with respect to securities, designed to effect with or for the account of the customer any transaction in, or to induce the purchase or sale by the customer of, any security in the primary or secondary distribution of which the Firm is participating or is otherwise financially interested unless the Firm, at or before the completion of each such transaction sends to the customer written notification of the existence of such participation or interest.

PROSPECTUS DELIVERY

References: NTM 95-42 SEC Rule 434

Rule 434 of the Securities Act permits all required prospectus information to be delivered to investors in the preliminary prospectus traditionally disseminated and a "term sheet" delivered after effectiveness of the offering. The rule further requires that the term sheet be clearly marked as a supplement to the preliminary prospectus and that copies of the preliminary prospectus be available to investors upon request when the term sheet is distributed. Closed-end investment companies and unit investment trusts also can rely on the new rule.

UNREGISTERED RESALES OF RESTRICTED SECURITIES

References: FINRA RULE 2262 NTM 09-05

It is a violation of the federal securities laws for a firm to offer or sell a security without an effective registration statement or an applicable exemption from the Securities Act of 1933. Before selling securities in reliance on an exemption, the Firm will take reasonable steps to ensure that the transaction qualifies for the exemption, regardless of whether the sale is for its own accounts or on behalf of customers. This includes taking whatever steps necessary to ensure that the sale does not involve an issuer, a person in a control relationship with an issuer, or an underwriter with a view to offer or sell the securities in connection with an unregistered distribution.

The Firm will avoid becoming participants in the potential unregistered distribution of securities. The required level of Firm inquiry concerning the customer and the source of the securities will depend on the particular circumstances. In addition, the Firm will not rely solely on others, such as clearing firms, transfer agents, or issuers' counsel, to fulfill these obligations.

The Firm will comply with all federal securities laws and FINRA rules when participating in unregistered resales of restricted securities. The Firm will pay particular attention when a customer physically deposits certificates or transfers in large blocks of securities when the Firm does not know the source of the securities. These activities are 'red flags' signaling possible illegal activity. When the situation presents itself the Firm will conduct a searching inquiry to comply with their regulatory obligations under the federal securities laws and FINRA rules.

The Firm will pay particular attention where large amounts of low-priced equity securities in over-the- counter transactions are resold. The Firm will endeavor to insure an unregistered distribution was not done and that proper supervisory controls were being followed. The Firm will take steps to determine when or how the customers had received the share certificates at issue, whether the customers were control persons of the issuers, or what percentage of the outstanding shares of these companies the customers owned.

UNREGISTERED SECURITIES

References: FINRA Rule 5122 NTM 09-27

PRIVATE PLACEMENTS

BACKGROUND

Craft Capital Partners LLC ("CRAFT or "the Firm") offers private placements for sale to institutional and accredited investors. CRAFT may act as selling agent for another broker-dealer or may sell a private offering that it structures and manages on its own. Either way, CRAFT will sell private placements directly to its accredited and institutional investors or though other broker-dealers who are acting as selling agent. CRAFT will not receive or hold client funds. Instead, it will direct clients to deposit funds in an approved bank escrow account, or transmit funds directly to the issuer, depending upon whether the deal has a contingency and is therefore subject to the requirements of SEA Rule 15c2-4.

CRAFT will consider a private placement only after conducting due diligence on the issuer and the offering. From time to time CRAFT may consult with counsel when deemed appropriate. All arrangements with issuers will be reduced to a written agreement which shall specify the role of CRAFT in the offering as well as the issuer's obligations.

PRIVATE PLACEMENTS GENERALLY

While there are specific factors that uniquely relate to each private placement offering, there are other factors that are common to most private placements. Those factors include:

- Offering is exempt from registration under the Securities Act of 1933 (the "Securities Act")
- There are limitations on the number of purchasers who are not "accredited investors"
- In most cases, general solicitation of purchasers is not permitted (see discussion on 506(c) offerings)
- There are limitations on the amounts of money that can be raised under the Regulation D safe harbor for the private offering exemption of Section 4(a)(2) of the Securities Act
- Securities received in private offering are generally restricted as to resale
- Issuers must provide certain information about the offering to potential investors
- Companies relying on exemptions under Regulation D must file Form D with the SEC
- The issuer and the broker-dealer selling the offering must conduct reasonable due diligence to determine that the information provided to investors and potential investors is accurate and does not omit to state a material fact

DEFINITIONS

Term	Definition
Accredited Investor	Defined in Rule 501 of Regulation D – See section below entitled, *Accredited Investors*
Offeree	A potential purchaser to whom an offer is made
Offer	An action which constitutes and attempt to sell a security to a potential purchaser
Purchaser Representative	Any person who acts on behalf of a purchaser to evaluate the investment for the purchaser (the person cannot be affiliated with the issuer or the broker- dealer selling the issue)
Subscription Agreement	A document signed by the purchaser so that the issuer may evaluate the purchaser and the purchase prior to the purchase
General Solicitation	Defined by exclusions listed in Rule 502(c) which prohibits any advertising, seminar or meeting whose attendees have been invited by any general solicitation or general advertising. The existing and substance of a pre- existing relationship with potential investors is key in determining whether a communication is considered general solicitation or general advertising.
Restricted Securities	Defined in Rule 144 – Securities acquired directly or indirectly from the issuer or from an affiliate of the issuer in a transaction not involving any public offering which are subject to resale limitations.

Form D	A form that is filed with the SEC that includes the names and addresses of the company's promoters, executive officers and directors and some details about the offering. A Form D must be filed when claiming an exemption under Regulation D.
Non-Disclosure Agreement	An agreement that the offeree signs attesting that the proprietary and confidential information shared by the issuer will not be shared with third parties.
Letter of Non-Distributive Intent	A letter that is signed by a purchaser of a private placement of securities by which the purchaser confirms that the purchase is for their own account and that the securities will not be resold unless they are registered or unless an exemption is available; or a clause in the Subscription Agreement or execution documents signed by the purchaser making the above confirmation.

Regulation D

Generally, any offer to sell securities must be registered with the SEC or must qualify for an exemption. Private placements are generally qualified under Regulation D, which is a safe harbor from registration. There are three rules under Regulation D that provide specific exemptions from registration requirements. These rules allow issuers to offer and sell securities without the registration requirements. These are Rules 504, 504 and 506. Definitions and other information appear in Rules 501, 502 and 503 of Regulation D. Regulation D is a non-exclusive safe harbor, and as such, CRAFT may offer exempt securities which do not meet one of the specific Regulation D safe harbors, but that it otherwise believes is exempt in accordance with guidance from outside counsel. Below is a chart that summarizes the qualifications for each registration exemption.

	Rule 504 Offering	Rule 505 Offering	Rule 506 Offering
Maximum amount allowed within 12-month period	$1,000,000	$5,000,000	Unlimited
Number of investors permitted	Unlimited	35 non-accredited, unlimited accredited investors	35 non-accredited*, unlimited accredited
Securities restricted?	No	Yes	Yes
General solicitation allowed?	No	No	No*
Disclosure document required?	No	Yes (exceptions)	Yes (exceptions)
Company must be available to answer questions by prospective purchasers?	No	Yes	Yes

Pursuant to Rule 506(c), companies may now broadly solicit and generally advertise the offering, but still be deemed to be undertaking a private offering within Section 4(a) (2) if the investors are all accredited investors and the company has taken reasonable steps to verify that fact through the review of W-2s, tax returns, bank and brokerage statements, consumer reports and similar documentation.

Private Placements of Securities Issued by Members

Member Private Offering -
A "member private offering" means a private placement of unregistered securities issued by a member or a control entity or a control entity. A control entity is identified as any entity that controls or is under common control with a member, or that is controlled by a member or its associated persons. The term "control" means beneficial interest, as defined in Rule 5130(i)(1), of more than 50 percent of the outstanding voting securities of a corporation, or the right to more than 50 percent of the distributable profits or losses of a partnership or other non-corporate legal entity. Control will be determined immediately after the closing of an offering, and in the case of an offering with multiple intended closings, immediately following each closing.

Requirements -
No member or associated person may offer or sell any security in a Member Private Offering unless the following conditions have been met:

Disclosure Requirements -
If an offering has a private placement memorandum or term sheet, then such memorandum or term sheet must be provided to each prospective investor must contain disclosures addressing intended use of the offering proceeds;, offering expenses and the amount of selling compensation that will be paid to the member and its associated persons. If an offering does not have a private placement memorandum or term sheet, then the member must prepare an offering document that contains theses disclosures required in paragraph and provide such document to each prospective investor. The COO will

Filing Requirements -
A member must file the private placement memorandum, term sheet or such other offering document with the Corporate Financing Department at or prior to the first time the document is provided to any prospective investor. Any amendment(s) or exhibit(s) to the private placement memorandum, term sheet or other offering document also must be filed with the Department within ten days of being provided to any investor or prospective investor.

Use of Offering Proceeds -
For each Member Private Offering, at least 85% of the offering proceeds raised must be used for business purposes, which shall not include offering costs, discounts, commissions or any other cash or non-cash sales incentives. The use of the offering proceeds also must be consistent with the disclosures required in the PPM or term sheet. If, in connection with the offer and sale of any security in a Member Private Offering, a member or associated person discovers after the fact that one or more of the conditions listed above have not been met, the member or associated person must promptly conform the offering to comply with this Rule.

(c) Exemptions -
The following Member Private Offerings are exempt from the requirements of this Rule:
Offerings sold solely to institutional accounts, as defined in Rule 4512(c), qualified purchasers, as defined in Section 2(a)(51)(A) of the Investment Company Act, qualified institutional buyers, as defined in Securities Act Rule 144A, investment companies, as defined in Section 3 of the Investment Company Act, an entity composed exclusively of qualified institutional buyers, as defined in Securities Act Rule 144A, banks, as defined in Section 3(a)(2) of the Securities Act, offerings of exempted securities, as defined in Section 3(a)12 of the Exchange Act, offerings made pursuant to Securities Act Rule 144A or SEC Regulation S, offerings in which a member acts primarily in a wholesaling capacity (i.e., it intends, as evidenced by a selling agreement, to sell through its affiliate broker-dealers, less than 20% of the securities in the offering), offerings of exempt securities with short term maturities under Section 3(a)(3) of the Securities Act, offerings of subordinated loans under SEA Rule 15c3-1, Appendix D (see NASD Notice to Members 02-32 (June 2002), offerings of "variable contracts", as defined in Rule 2320(b), offerings of modified guaranteed annuity contracts and modified guaranteed life insurance policies, as referenced in Rule 5110(b)(8)(E), offerings of unregistered investment grade rated debt and preferred securities, offerings to employees and affiliates of the issuer or its control entities, offerings of securities issued in conversions, stock splits and restructuring transactions that are executed by an already existing investor without the need for additional consideration or investments on the part of the investor, offerings of securities of a commodity pool operated by a commodity pool operator, as defined under Section 1a(5) of the Commodity Exchange Act, offerings of equity and credit derivatives, including OTC options; provided that the derivative is not based principally on the member or any if its control entities and offerings filed with the Department under Rules 2310, 5110 or Rule 5121.

Application for Exemption
Pursuant to the Rule 9600 Series, FINRA may exempt a member or person associated with a member from the provisions of this Rule for good cause shown.

ACCREDITED INVESTORS

The term “accredited investor” is defined in Rule 501 of Regulation D. It is defined to mean any person who falls within any of the general categories listed below, or any person who the issuer reasonably believes falls within any of the general categories listed below, at the time of the sale of the securities to that person. Note that these are general categories and readers should review the actual definitions in Rule 501 if there is any question as to whether a person or entity is an accredited investor.

- A bank, savings and loan association, broker or dealer, insurance company, investment company registered under the Investment Company Act of 1940, business development company, Small Business Investment Company licensed by the U.S. Small Business Administration, and certain government employee benefit plans
- A private business development company
- Any organization described in section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts or similar business trust, or partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of $5,000,000
- Any director, executive officer, or general partner of the issuer of the securities being offered or sold, or any director, executive officer, or general partner of a general partner of that issuer
- Any natural person whose individual net worth, or joint net worth with that person's spouse, exceeds $1,000,000, however, for purposes of calculating net worth:
- The person's primary residence shall not be included as an asset
- Indebtedness that is secured by the person's primary residence, up to the estimated fair market value of the primary residence at the time of the sale of securities, shall not be included as a liability (except that if the amount of such indebtedness outstanding at the time of sale of securities exceeds the amount outstanding 60 days before such time, other than as a result of the acquisition of the primary residence, the amount of such excess shall be included as a liability)
- Indebtedness that is secured by the person's primary residence in excess of the estimated fair market value of the primary residence at the time of the sale of securities shall be included as a liability
- Any natural person who had an individual income in excess of $200,000 in each of the two most recent years or joint income with that person's spouse in excess of $300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year
- Any trust, with total assets in excess of $5,000,000, not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a sophisticated person
- Any entity in which all of the equity owners are accredited investors

SEA RULE 10B-9

SEA Rule 10b-9 makes it unlawful to make any representation that an offering of securities being sold on an "all-or-none" or any contingent basis unless the security is part of an offering or distribution being made on the condition that all or a specified amount of the consideration paid will be promptly refunded unless all of the securities are sold at a specified price within a specified time and the total amount due to the seller is received by a specified date (or some other contingency is otherwise met).

The CRAFT CEO will review each offering to determine whether its terms make it a contingency offering and thus require an escrow account pursuant to SEA Rule 15c2-4. In the event that the offering is a contingent offering, CRAFT employees are prohibited from making any representations to the contrary.

DUE DILIGENCE

CRAFT will conduct due diligence on the issuer of securities and the specific offering prior to engaging an issuer client. CRAFT' due diligence will include items as outlined in FINRA Regulatory Notice 10-22 as well as other items deemed appropriate by CRAFT. Minimum reviews shall include an investigation concerning:

- the issuer and its management
- the business prospects of the issuer
- the assets held or to be acquired by the issuer
- the claims being made
- the intended use of proceeds of the offering

CRAFT will conduct due diligence reviews on each offering, regardless of whether it has already conducted due diligence on a prior offering for the same issuer. Further, when CRAFT prepares an offering memorandum (through outside counsel) it will investigate the securities offered and the representations made by the issuer. Any "red flags" noted in the due diligence process for any offering shall be elevated to the CEO and CCO for review and follow-up, which shall include independent verification, if necessary, to address such "red flags." If during the course of the independent verification of "red flags" the issuer refuses to provide CRAFT with requested information, CRAFT will determine whether sufficient information is otherwise obtainable, and if not, CRAFT will not engage the issuer.

If CRAFT uses outside experts or counsel to perform due diligence, it will conduct investigations of those individuals or companies to determine whether they are qualified and competent. When CRAFT is

A member of a syndicate or selling group, it may rely on the reasonable investigation that has been completed by the syndicate manager as long as CRAFT has a reasonable belief that the syndicate manager has the expertise and absence of conflicts to conduct the investigation. This reliance may be substantiated by meeting with the manager, obtaining a description of the manager's reasonable investigation efforts, and inquiring about the independence and thoroughness of any investigation that was conducted.

The following guidelines from FINRA Regulatory Notice 10-22 relate to due diligence in private placements and CRAFT will consider these guidelines in conducting its own due diligence:

ISSUER AND MANAGEMENT MAY INCLUDE THE FOLLOWING:

Reasonable investigations of the issuer and its management concerning the issuer's history and management's background and qualifications to conduct the business might include:

- Examining the issuer's governing documents, including any charter, bylaws and partnership agreement, noting particularly the amount of its authorized stock and any restriction on its activities. If the issuer is a corporation, a BD might determine whether it has perpetual existence.
- Examining historical financial statements of the issuer and its affiliates, with particular focus, if available, on financial statements that have been audited by an independent certified public accountant and auditor letters to management.
- Looking for any trends indicated by the financial statements.
- Inquiring about the business of affiliates of the issuer and the extent to which any cash needs or other expectations for the affiliate might affect the business prospects of the issuer.
- Inquiring about internal audit controls of the issuer.
- Contacting customers and suppliers regarding their dealing with the issuer.
- Reviewing the issuer's contracts, leases, mortgages, financing arrangements, contractual arrangements between the issuer and its management, employment agreements and stock option plans.
- Inquiring about past securities offerings by the issuer and the degree of their success while keeping in mind that simply because a certain product or sponsor historically met obligations to investors, there are no guarantees that it will continue to do so, particularly if the issuer has been dependent on continuously raising new capital. This inquiry could be especially important for any blind pool or blank- check offering.
- Inquiring about pending litigation of the issuer or its affiliates.
- Inquiring about previous or potential regulatory or disciplinary problems of the issuer. A BD might make a credit check of the issuer.
- Making reasonable inquiries concerning the issuer's management. A BD might inquire about such issues as the expertise of management for the issuer's business and the extent to which management has changed or is expected to change. For example, a BD might inquire about any regulatory or disciplinary history on the part of management and any loans or other transactions between the issuer or its affiliates and members of management that might be inappropriate or might otherwise affect the issuer's business.
- Inquiring about the forms and amount of management compensation, who determines the compensation and the extent to which the forms of compensation could present serious conflicts of interest. A BD might make similar inquiries concerning the qualifications and integrity of any board of directors or similar body of the issuer.
- Inquiring about the length of time that the issuer has been in business and whether the focus of its business is expected to change.

ISSUER'S BUSINESS PROSPECTS MAY INCLUDE THE FOLLOWING:

Reasonable investigations of the issuer's business prospects, and the relationship of those prospects to the proposed price of the securities being offered, might include:

- Inquiring about the viability of any patent or other intellectual property rights held by the issuer.
- Inquiring about the industry in which the issuer conducts its business, the prospects for that industry, any existing or potential regulatory restrictions on that business and the competitive position of the issuer.
- Requesting any business plan, business model or other description of the business intentions of the issuer and its management and their expectations for the business, and analyzing management's assumptions upon which any business forecast is based. A BD might test models with information from representative assets to validate projected returns, break-even points and similar Information provided to investors.
- Requesting financial models used to generate projections or targeted returns.
- Maintaining in the BD's files a summary of the analysis that was performed on financial models provided by the issuer that detail the results of any stress tests performed on the issuer's assumptions and projections.

ISSUER'S ASSETS MAY INCLUDE THE FOLLOWING:

Reasonable investigations of the quality of the assets and facilities of the issuer might include:

- Visiting and inspecting a sample of the issuer's assets and facilities to determine whether the value of assets reflected in the financial statements is reasonable and that management's assertions concerning the condition of the issuer's physical plants and the adequacy of its equipment are accurate.

Prior to engaging an issuer on a transaction, the CRAFT employee conducting due diligence will summarize all diligence results in a table similar to the one appearing below.

Factor	Inadequate	Below Average	Average	Very Good	Excellent
Management					
Liquidity					
Capital					
Profitability					
Cash Flow					
Balance Sheet Structure					
Asset Composition					
Asset Quality					
Internal Controls					
Growth					
Reputation					

The table will be provided to the CEO. The CEO shall review the table along with any supplementary documentation and shall initial reflecting approval or rejection.

ASSET LEVEL DUE DILIGENCE GUIDELINES MAY INCLUDE THE FOLLOWING:

Loan Portfolio

- Loan structure / underwriting policies and procedures, including key terms such as advance
- Rate, cross-collateralization, covenants, prepayment, cure periods, cash sweeps, change of control, etc.

- Portfolio performance history
- Origination, underwriting, and approval policies and procedures
- Loan servicing policy and procedures
- Portfolio management policies and procedures, including audit and examinations
- Key bank systems for customer management and servicing
- Loan documents
- Description of accounts and flow of funds
- Verify accuracy of data by tracing and agreeing information to appropriate source documentation

The factors listed above are intended to be guidelines that are considered when conducting due diligence. The individual project may involve unique factors that required additional steps, or in some cases, the project may not require all steps listed. The due diligence team shall consider all relevant information about the specific project in determining whether to proceed. These guidelines are by no means intended to be all-inclusive or prescriptive.

STATE REGISTRATION ("BLUE SKY")

Each state has laws that apply to the offering of private placements of securities. Because of the variations in the laws, CRAFT will use qualified deal counsel who will conduct a full review of state registration requirements in each state that CRAFT will offer securities to investors. CRAFT will not offer securities for sale in any state without first determining the requirements related to the registration of the securities being offered AND determining whether CRAFT and its employees require registration in that particular state. Prior to offering any security for sale in any state, the CEO, working with deal counsel and in reviewing the offering documents, shall determine whether the deal is cleared in that state. Further, prior to offering any security in any state, the CEO shall determine whether the representative or the broker-dealer is required to have (and does have) the appropriate registrations within that state.

FORM D

CRAFT, for its offerings under the exceptive provisions of Regulation D, will make an electronic Form D filing with the SEC through the EDGAR system within fifteen days after the first sale in each offering. This responsibility rests with the CCO in consultation with the CRAFT employees working each deal as well as deal counsel.

FINRA RULE 5123 FILINGS

FINRA Rule 5123 requires that certain private placement offerings submit to FINRA a copy of any private placement memorandum, term sheet or other offering document, including any materially amended versions thereof, within 15 calendar days of the date of first sale OR a notice to FINRA that no such offering documents were used. Documents filed with FINRA must be transmitted in searchable .pdf format. However, offerings sold solely to institutional accounts and certain qualified accounts, including qualified institutional buyers, Regulation 144A or Regulation S offerings are not required to be filed with FINRA. FINRA Rule 5123(b) contains a full listing of Exemptions from filing requirements. Filings must be made through the FINRA Gateway. This responsibility rests with the CCO in consultation with the CRAFT employees working each deal as well as deal counsel.

CONTROL OF OFFERING DOCUMENTS

Requirement(s)	FINRA Rule 3110, SEA Rules 17a-3 and 17a-4
Responsibility	CCO
Steps	• Ensure that copies of offering documents are securely stored and serialized or marked as "File Copy" • Create a master distribution record reflecting each offering document that is distributed along with a record of the name of each offeree and the CRAFT representative • If changes are made, provide updated offering memoranda to those offerees who were given copies of the old version of the document

Frequency	As required during the offering period
Evidence	• Copies of each version of the offering memorandum • Master distribution record • Serialized offering memoranda and copies marked "File Copy"

CRAFT will, in consultation with counsel, prepare an offering memorandum for each private placement. The offering memorandum, while prepared by counsel, must be reviewed and approved by the CEO prior to being provided to prospective purchasers. The offering memorandum, at a minimum, must include information about the issuer, the offering and must fully disclose the risks involved with the securities. CRAFT will require prospective purchasers to sign a written acknowledgement of their receipt of the offering memorandum. It is CRAFT policy that any offeree must receive a copy of the offering memorandum. Each offering memorandum must be numbered in serial order. The CRAFT CCO shall be responsible for ensuring that the offering memoranda tightly controlled and that a master distribution record is prepared reflecting the details related to each offeree (including whether the offeree is an accredited investor) and the date the document was provided. If there are any revisions to an offering document, the CCO will provide a copy of the revised document to all offerees and shall maintain records of such transmission. No CRAFT employee is permitted to make any oral representations about an offering which is inconsistent with the information contained in the offering memorandum.

CLIENT SUITABILITY

CRAFT intends to offer securities to accredited investors and institutional clients, which meet the requirements of Rule 2111(b). However, the principal reviewing and accepting the subscription agreement on behalf of the Firm will nonetheless conduct a review of the transaction based upon the information provided by the client on the new account form and consider whether the transaction appears suitable based on the information obtained from (or otherwise known about) the client. CRAFT principals will consider a customer's age, other investments, financial situation and needs, tax status investment objectives and experience, investment time horizon, liquidity needs, risk tolerance and any other information disclosed by the client. Generally, CRAFT will not offer private placements except to accredited investors or sophisticated institutional clients. Exceptions shall be approved by the CEO only.

RECORD OF PURCHASE

Requirement(s)	SEA Rules 17a-3 and 17a-4, FINRA Rule 3110
Responsibility	CEO or His Designated Supervisor
Steps	• All subscription agreements shall be kept with the Record of Purchase by the CEO or his designated supervisor • The Record of Purchase is prepared cumulatively and on a daily basis and is transmitted by electronic mail (and captured through Smarsh) to the CEO or his designated supervisor • The CEO or his designated supervisor review the cumulative Record of Purchase, considering the transactions, the clients, client suitability profile, the size of the transaction, and any trends which are apparent. • The CEO or his designated supervisor reply to the electronic mail message reflecting that the blotter review has been completed and they detail any exceptions noted in themessage
Frequency	As required
Evidence	• Record of Purchase

While CRAFT does not anticipating conducting a significant number of transactions on a daily basis, it nonetheless shall prepare a Record of Purchase reflecting all transactions effected each day. Also, while CRAFT expects all of its clients to be accredited investors and sophisticated institutions, and it expects that each

institutional client will complete a Rule 2111 institutional suitability attestation (of independent judgment), CRAFT principals will review the blotter for any unusual patterns of activity and any apparent unsuitable patterns. This review is separate from the individual transaction review, which is detailed in the section below entitled, Subscription Agreements. The Record of Purchase will be prepared and shall be mailed through CRAFT electronic mail system (and archived by Bloomberg Vault) each day to the CEO or his designated supervisor. The Record of Purchase approvals shall occur on a daily basis, also through the electronic mail system by replies to the CCO or his designated supervisor. Any unusual items will be investigated by the CEO and the results documented through the CRAFT electronic mail system.

SUBSCRIPTION AGREEMENTS

Requirement(s)	SEA Rules 17a-3 and 17a-4, FINRA Rule 3110
Responsibility	CEO or His Designated Supervisor
Steps	• All subscription agreements shall be logged with the Record of Purchase by the CEO or His Designated Supervisor • The CEO (or designated principal) reviews the subscription agreement for completion, compliance with guidelines for purchasers and suitability based on the client new account form (which must also accompany the subscription agreement) • Agreements that are incomplete or that do not meet guidelines, or that appear unsuitable are returned to therepresentative • Agreements that are complete and pass review are initialed by the principal. A copy is retained and a copy is forwarded to theissuer
Frequency	As required
Evidence	• Record of Purchase • Subscription agreements • Copies of client checks • Copies of confirmations

CRAFT will require each prospective purchaser for a deal to complete a subscription agreement prior to actually purchasing an interest in the offering. Once the client completes the subscription agreement, the representative shall review to ensure that the form is completed accurately and fully. The client check (which shall be made payable to the escrow agent in the event of a contingent offering or to the issuer in a best efforts offering) must accompany the application. The representative then forwards the subscription agreement and the check to the CCO. Note that this must be done immediately as checks must be forwarded to the bank escrow agent or the issuer by noon the business day following receipt. If the client is new to CRAFT, a new account form must also be completed and submitted along with the subscription and check.

The CCO shall review the subscription agreement and the check to ensure that they are in good order and shall record the receipt of the check and the subscription agreement on the check received and forwarded blotter and purchase blotter respectively. The CCO then provides the subscription agreement and the check to the designated principal for review and acceptance. If the account is new, the new account form is also provided. The designated supervisor will review the documents to ensure that they are complete and in good form. Additionally, the designated supervisor will review to ensure that the transaction appears generally suitable for the client based on the information presented by the client in the new account form. If the documents are in good form and the transactions pass suitability review, the new account form and subscription agreement are approved which is evidenced by the initials of the principal on the documents. The subscription agreement is forwarded to the issuer and the check is forwarded to the escrow agent or the issuer as appropriate. In the event that the transaction is not approved, the check must be immediately returned to the client and a record of sending

maintained. The issuer then reviews and rejects or accepts the subscription agreement. If accepted, the CCO issues a transaction confirmation that complies with the requirements of SEA Rule 10b-10 to the client.

SOLICITATION

Due to the limitations surrounding the solicitation of prospective investors in most private offerings (see chart in the section entitled, Regulation D) CRAFT does not engage in general solicitation of its private offerings. Specifically, CRAFT employees may not: disseminate advertisements of any kind, including social media or mass e-mailings, nor cold call offerees. Further, representatives may not hold seminars or other similar meetings with potential offerees with whom the CRAFT CEO or CCO did not qualify in advance.

FEES

FINRA Rules 2121 and 2122 govern the fees and charges broker-dealers impose upon their clients. CRAFT expects to generate its fees for private placements primarily on a success fee basis. CRAFT expects the fee structure related to any particular deal to be highly dependent on the facts and circumstances of that deal. However, CRAFT generally anticipates that its success fees will range from 5% to 10% of a transaction based on a number of factors, but largely upon the size of transaction.

SALES CONTESTS

CRAFT does not hold sales contests and does not permit its employees to encourage or participate in any way in a sales contest, whether directly or indirectly.

EXEMPT TRANSACTIONS UNDER RULE 144A

Requirement(s)	Rule 144A of the Securities Act of 1933
Responsibility	CEO or designated principal
Steps	• Verify that a purchaser of a security being offered pursuant to Rule 144A meets the requirements of Rule 144A – is a Qualified Institutional Buyer (QIB) • Send disclosures to purchasers as required
Frequency	As required
Evidence	• Copies of the 144A purchaser letters • Evidence of approval by appropriate principal

Pursuant to Rule 144A, certain institutions may purchase private placements of securities. Under this Rule, only Qualified Institutional Buyers (QIBs) may purchase in a Rule 144A exempt transaction. QIB is defined in Rule 144A as certain entities (investment advisers, insurance companies, employee benefit plans, etc. - see Rule 144A), acting for their own account or the accounts of other qualified institutional buyers, that in the aggregate owns and invests on a discretionary basis at least $100 million in securities of issuers that are not affiliated with the entity. The definition also includes dealers acting for their own account or accounts of other QIBs that own and invest on a discretionary basis at least $10 million of securities of issuers not affiliated with the dealer, or a riskless principal transaction by a dealer on behalf of a QIB.

As is outlined in Rule 144A, the fact that purchasers of securities from an issuer thereof may purchase such securities with a view toward reselling such securities pursuant to Rule 144A does n o t affect the availability to such issuer of an exemption under Section 4(a) (2) of the '33 Act, or the Regulation D safe harbor.

To the extent CRAFT is involved in any exempt transaction that is occurring pursuant to Rule 144A, it will review the potential purchasers and ensure that they meet the definition of QIB prior to effecting the transaction. Sellers of securities in 144A transactions must have a reasonable belief that the purchaser is a QIB. Rule 144A sets forth certain conditions to be met as to the buyer in order to qualify for the transaction exemption. Those include:

- The securities may only be sold to a qualified institutional buyer or to a purchaser that the seller and any person acting on behalf of the seller reasonably believe is a qualified institutional buyer. In determining whether a prospective purchaser is a qualified institutional buyer, the seller and any person acting on its behalf shall be entitled to rely upon the following non-exclusive methods of establishing the prospective purchaser's ownership and discretionary investments of securities:

- The prospective purchaser's most recent publicly available financial statements, less than 16 months old as of the date of sale of securities under (for a U.S. purchaser) and within 18 months for a foreign purchaser;
- Certain regulatory filings (SEC, State, Federal, SRO) - again with the 16 and 18 month restrictions;
- A recognized securities manual - again with the 16 and 18 month restrictions; or
- A certification by the CFO (or a person holding similar status) specifying the amount of securities owned and invested on a discretionary basis as of a specific date on or since the close of the purchaser's most recent fiscal year, or, in the case a member of a family of investment Companies, a certification by an executive officer of the investment adviser specifying the amount of securities owned by the family of investment companies as of a specific date on or since the close of the purchaser's most recent fiscal year.

Any seller in a 144A transaction (or anyone acting on behalf of a seller) is required to take reasonable steps to ensure that the purchaser is aware that the seller may rely on the exemption from the provisions of Section 5 of the ’33 Act provided by Rule 144A.

Rule 144A also contains restrictions related to the securities being offered or sold, and CRAFT will, acting with counsel, ensure that any transactions under Rule 144A meet the requirements related to securities. The CEO or designated principal shall be responsible for obtaining the required144A.

Disclosures and certifications from any prospective investors. These documents shall be maintained in deal files and customer files and shall be initialed by the CEO or designated principal.

CRAFT may participate in Rule 144A transactions, but will not engage in reportable TRACE transactions in TRACE-eligible 144A debt securities.

SECTION 14. VARIABLE PRODUCTS

Designated Principal: President or designated principal where applicable.

How Conducted: Review all procedures concerning variable products making sure there is compliance with all rules and regulations.

Frequency of Review: Whenever necessary.

How Documented: Maintain a file of all reviews conducted and procedures instituted.

14.1.1 COMMUNICATIONS WITH THE PUBLIC

References: IM-2210-

In addition to the standards governing communications with the public, the following guidelines will be considered in preparing advertisements and sales literature about variable life insurance and variable annuities. The guidelines are applicable to advertisements and sales literature, as well as individualized communications such as personalized letters and computer generated illustrations, whether printed or made available on-screen.

PRODUCT IDENTIFICATION

In order to assure that investors understand exactly what security is being discussed, all communications must clearly describe the product as either a variable life insurance policy or a variable annuity, as applicable. The Firm may use proprietary names in addition to this description. Where the proprietary name includes a description of the type of security being offered, there is no requirement to include a generalized description. Considering the significant differences between mutual funds and variable products, the presentation will not represent or imply that the product being offered or its underlying account is a mutual fund.

LIQUIDITY

Considering that variable life insurance and variable annuities frequently involve substantial charges and/or tax penalties for early withdrawals, there will be no representation or implication that these are short-term, liquid investments. Presentations regarding liquidity or ease of access to investment values will be balanced by clear language describing the negative impact of early redemptions. With respect to variable life insurance, discussions of loans and withdrawals will explain their impact on cash values and death benefits.

CLAIMS ABOUT GUARANTEES

Insurance companies issuing variable life insurance and variable annuities provide a number of specific guarantees. Variable life insurance policies and variable annuities may also offer a fixed investment account which is guaranteed by the insurance company. The relative safety resulting from a guarantee will not be overemphasized or exaggerated as it depends on the claims-paying ability of the issuing insurance company. There will be no representation or implication that a guarantee applies to the investment return or principal value of the separate account. Similarly, it will not be represented or implied that an insurance company's financial ratings apply to the separate account.

FUND PERFORMANCE PREDATING INCLUSION IN THE VARIABLE PRODUCT

In order to show how an existing fund would have performed had it been an investment option within a variable life insurance policy or variable annuity, communications may contain the fund's historical performance that predates its inclusion in the policy or annuity. This performance may only be used provided that no significant changes occurred to the fund at the time or after it became part of the variable product. However, communications may not include the performance of an existing fund for the purposes of promoting investment in a similar, but new, investment option available in a variable contract. The presentation of historical performance will conform to applicable FINRA and SEC standards. Particular attention must be given to including all elements of return and deducting applicable charges and expenses.

PRODUCT COMPARISONS

A comparison of investment products may be used provided the comparison complies with applicable requirements. Particular attention will be paid to the specific standards regarding "comparisons".

USE OF RANKINGS

A ranking which reflects the relative performance of the separate account or the underlying investment option may be included in advertisements and sales literature provided its use is consistent with necessary standards.

DISCUSSIONS REGARDING INSURANCE AND INVESTMENT FEATURES OF VARIABLE LIFE INSURANCE

Communications on behalf of single premium variable life insurance may emphasize the investment features of the product provided an adequate explanation of the life insurance features is given. Sales material for other types of variable life insurance must provide a balanced discussion of these features.

HYPOTHETICAL ILLUSTRATIONS OF RATES OF RETURN IN VARIABLE LIFE INSURANCE SALES LITERATURE AND PERSONALIZED ILLUSTRATIONS

Hypothetical illustrations using assumed rates of return may be used to demonstrate the way a variable life insurance policy operates. The illustrations show how the performance of the underlying investment accounts could affect the policy cash value and death benefit. These illustrations may not be used to project or predict investment results as such forecasts are strictly prohibited. The methodology and format of hypothetical illustrations will be modeled after the required illustrations in the prospectus.

An illustration may use any combination of assumed investment returns up to and including a gross rate of 12%, provided that one of the returns is a 0% gross rate. Although the maximum assumed rate of 12% may be acceptable, the Firm will assure that the maximum rate illustrated is reasonable considering market conditions and the available investment options. The purpose of the required 0% rate of return is to demonstrate how a lack of growth in the underlying investment accounts may affect policy values and to reinforce the hypothetical nature of the illustration.

The illustrations must reflect the maximum guaranteed mortality and expense charges associated with the policy for each assumed rate of return. Current charges may be illustrated in addition to the maximum charges.

Preceding any illustration there must be a prominent explanation that the purpose of the illustration is to show how the performance of the underlying investment accounts could affect the policy cash value and death benefit. The explanation must also state that the illustration is hypothetical and may not be used to project or predict investment results.

In sales literature which includes hypothetical illustrations, the Firm may provide a personalized illustration which reflects factors relating to the individual customer's circumstances. A personalized illustration may not contain a rate of return greater than 12% and must follow all of the standards set forth above.

In general, the Firm will not compare a variable life insurance policy with another product based on hypothetical performance as this type of presentation goes beyond the singular purpose of illustrating how the performance of the underlying investment accounts could affect the policy cash value and death benefit. The Firm may use a hypothetical illustration in order to compare a variable life insurance policy to a term policy with the difference in cost invested in a side product. The sole purpose of this type of illustration would be to demonstrate the concept of tax-deferred growth as a result of investing in the variable product. The following conditions must be met in order to make this type of comparison balanced and complete: the comparative illustration must be accompanied by an illustration which reflects the standards outlined above, the rate of return used in the comparative illustration must be no greater than 12%, the rate of return assumed for the side product and the variable life policy must be the same, the same fees deducted from the required prospectus illustration must be deducted from the comparative illustration, the side product must be illustrated using gross values which do not reflect the deduction of any fees and the side product must not be identified or characterized as any specific investment or investment type.

SALES OF VARIABLE PRODUCTS

References: NTM 99-35, 00-44

The following guidelines govern the supervision of the sale of variable annuities. Of course, the Suitability Rule requires an associated person of the Firm to make an independent determination whether an investment is suitable for a particular customer, taking into account the customer's investment objectives and financial needs. Therefore, the Firm and any registered representative will make reasonable efforts to obtain information concerning a customer's financial and tax status, investment objectives, and such other information used or considered in making recommendations to the customer. When recommending a variable annuity, the Firm and its registered representative will make reasonable efforts to obtain comprehensive customer information, including the customer's occupation, marital status, age, number of dependents, investment objectives, risk tolerance, tax status, previous investment experience, liquid net worth, other investments and savings, and annual income. The registered representative will discuss all relevant facts with the customer, including liquidity issues such as potential surrender charges and any Internal Revenue Service penalties, fees, including mortality and expense charges, administrative charges, and investment advisory fees, any applicable state and local government premium taxes and market risk. The registered representative will seek to ensure that the variable annuity application and any other information provided by the customer to the Firm is complete and accurate and promptly forwarded to a registered principal for review.

When a variable annuity transaction is recommended to a customer, the registered representative and a registered principal will review the customer's investment objectives, risk tolerance, and other information to determine that the variable annuity contract as a whole and the underlying subaccounts recommended to the customer are suitable. The registered principal will compare the information in the account application with other relevant information sources, e.g., an account information form, to check for apparent accuracy and consistency prior to approving the transaction.

The registered representative will have a thorough knowledge of the specifications of each variable annuity that is recommended, including the death benefit, fees and expenses, subaccount choices, special features, withdrawal privileges, and tax treatment. To the extent practical, a current prospectus will be given to the customer when a variable annuity is recommended.

Lack of liquidity, which may be caused by surrender charges or penalties for early withdrawal under the Internal Revenue Code, may make a variable annuity an unsuitable investment for customers who have short-term investment objectives. Moreover, although a benefit of a variable annuity investment is that earnings accrue on a tax-deferred basis, a minimum holding period is often necessary before the tax benefits are likely to outweigh the often higher fees imposed on variable annuities relative to Alternative Investments, such as mutual funds? The registered representative will inquire whether the customer has a long-term investment objective and typically will recommend a variable annuity only if the answer to that question, with consideration of other product attributes, is affirmative. In general, the registered representative will make sure that the customer understands the effect of surrender charges on redemptions and that a withdrawal prior to the age of 59 1/2 could result in a withdrawal tax penalty. In addition, the registered representative will make sure that customers who are 59 1/2 or older are informed when surrender charges apply to withdrawals.

The Firm will screen for any customer whose age may make a long-term investment inappropriate, such as any customer over a specific age. Based on certain contract features, some customers of advanced age may be unsuitable for a variable annuity investment. The Firm will also require a principal's careful review of variable annuity investments that exceed a stated percentage of the customer's net worth, and any contract in which a customer is investing more than a stated dollar amount.

When a registered representative recommends the purchase of a variable annuity for any tax-qualified retirement account, the registered representative will disclose to the customer that the tax deferred accrual feature is provided by the tax-qualified retirement plan and that the tax deferred accrual feature of the variable annuity is unnecessary. The registered representative will recommend a variable annuity only when its other benefits, such as lifetime income payments, family protection through the death benefit, and guaranteed fees, support the recommendation.

The Firm will conduct an especially comprehensive suitability analysis prior to approving the sale of a variable annuity with surrender charges to a customer in a tax-qualified account subject to plan minimum distribution requirements.

VARIABLE ANNUITIES

References: FINRA Rule 2330, 2320, NASD Rule 3010, 3110

GENERAL CONSIDERATIONS

This Rule applies to recommended purchases and exchanges of deferred variable annuities and recommended initial subaccount allocations. This Rule does not apply to reallocations among subaccounts made or to funds paid after the initial purchase or exchange of a deferred variable annuity.

This Rule also does not apply to deferred variable annuity transactions made in connection with any tax- qualified, employer-sponsored retirement or benefit plan that either is defined as a "qualified plan" under the Exchange Act or meets the requirements of Internal Revenue Code unless, in the case of any such plan, the Firm or person associated with the Firm makes recommendations to an individual plan participant regarding a deferred variable annuity, in which case the Rule would apply as to the individual plan participant to whom the Firm or person associated with the Firm makes such recommendations.

CREATION, STORAGE, AND TRANSMISSION OF DOCUMENTS

For purposes of this Rule, documents may be created, stored, and transmitted in electronic or paper form, and signatures may be evidenced in electronic or other written form.

RECOMMENDATION REQUIREMENTS

The Firm or person associated with a Firm will not recommend to any customer the purchase or exchange of a deferred variable annuity unless the Firm or person associated with the Firm has a reasonable basis to believe that:

1) the transaction is suitable in accordance with NASD Rule 2310 and, in particular, that there is a reasonable basis to believe that the customer has been informed, in general terms, of various features of deferred variable annuities, such as the potential surrender period and surrender charge, potential tax penalty if customers sell or redeem deferred variable annuities before reaching the age of 59½, mortality and expense fees, investment advisory fees, potential charges for and features of riders, the insurance and investment components of deferred variable annuities, market risk, the customer would benefit from certain features of deferred variable annuities, such as tax-deferred growth, annuitization, or a death or living benefit and the particular deferred variable annuity as a whole, the underlying subaccounts to which funds are allocated at the time of the purchase or exchange of the deferred variable annuity, and riders and similar product enhancements, if any, are suitable and, in the case of an exchange, the transaction as a whole also is suitable for the particular customer based on the information required by this Rule; and
2) in the case of an exchange of a deferred variable annuity, the exchange also is consistent with the suitability determination required, taking into consideration whether the customer would incur a surrender charge, be subject to the commencement of a new surrender period, lose existing benefits such as death, living, or other contractual benefits, or be subject to increased fees or charges such as mortality and expense fees, investment advisory fees, or charges for riders and similar product enhancements, the customer would benefit from product enhancements and improvements and the customer has had another deferred variable annuity exchange within the preceding 36 months.

The determinations required will be documented and signed by the associated person recommending the transaction.

Prior to recommending the purchase or exchange of a deferred variable annuity, the Firm or person associated with the Firm will make reasonable efforts to obtain, at a minimum, information concerning the customer's age, annual income, financial situation and needs, investment experience, investment objectives, intended use of the deferred variable annuity, investment time horizon, existing assets including investment and life insurance holdings, liquidity needs, liquid net worth, risk tolerance, tax status, and such other information used or considered to be reasonable by the Firm or person associated with the Firm in making recommendations to customers.

Promptly after receiving information necessary to prepare a complete and correct application package for a deferred variable annuity, a person associated with the Firm who recommends the deferred variable annuity shall transmit the complete and correct application package to an office of supervisory jurisdiction of the Firm.

PRINCIPAL REVIEW AND APPROVAL

Prior to transmitting a customer's application for a deferred variable annuity to the issuing insurance company for processing, but no later than seven business days after an office of supervisory jurisdiction of the Firm receives a complete and correct application package, a registered principal will review and determine whether he or she approves of the recommended purchase or exchange of the deferred variable annuity.

A registered principal will approve the recommended transaction only if he or she has determined that there is a reasonable basis to believe that the transaction would be suitable based on the factors delineated.

The determinations required will be documented and signed by the registered principal who reviewed and then approved or rejected the transaction.

SUPERVISORY PROCEDURES

The Firm will implement surveillance techniques to determine if any of the Firm's associated persons have rates of effecting deferred variable annuity exchanges that raise for review whether such rates of exchanges evidence conduct inconsistent with the applicable provisions of this Rule, other applicable FINRA rules, or the federal securities laws ("inappropriate exchanges") and will implement corrective measures to address inappropriate exchanges and the conduct of associated persons who engage in inappropriate exchanges.

TRAINING

The Firm will develop and document specific training policies or programs reasonably designed to ensure that associated persons who effect and registered principals who review transactions in deferred variable annuities comply with these requirements and that they understand the material features of deferred variable annuities.

These rules apply exclusively to the activities of the Firm in connection with variable contracts, to the extent such activities are subject to regulation under the federal securities laws.

RECEIPT OF PAYMENT

The Firm will not participate in the offering or in the sale of a variable contract on any basis other than at a value to be determined following receipt of payment in accordance with the provisions of the contract, and, if applicable, the prospectus, the Investment Company Act and applicable rules. Payments need not be considered as received until the contract application has been accepted by the insurance company, except that by mutual agreement it may be considered to have been received for the risk of the purchaser when actually received.

TRANSMITTAL

If the Firm receives applications and purchase payments for variable contracts it will transmit promptly to the issuer all such applications and at least that portion of the purchase payment required to be credited to the contract.

SELLING AGREEMENTS

If the Firm is a principal underwriter it will not sell variable contracts through another broker-dealer unless the broker-dealer is a member and there is a sales agreement in effect between the parties. The sales agreement must provide that the sales commission be returned to the issuing insurance company if

The variable contract is tendered for redemption within seven business days after acceptance of the contract application.

REDEMPTION

The Firm will not participate in the offering or in the sale of a variable contract unless the insurance company, upon receipt of a request in proper form for partial or total redemption in accordance with the provisions of the contract undertakes to make prompt payment of the amounts requested and payable under the contract in accordance with the terms, and, if applicable, the prospectus, the Investment Company Act and applicable rules.

FIRM COMPENSATION

In connection with the sale and distribution of variable contracts except as described below, no associated person of the Firm will accept any compensation from anyone other than the firm with which the person is associated.

This requirement will not prohibit arrangements where a non-firm company pays compensation directly to associated persons of the Firm, provided that:

1) the arrangement is agreed to by the Firm;
2) the Firm relies on an appropriate rule, regulation, interpretive release, interpretive letter, or "no- action" letter issued by the SEC that applies to the specific fact situation of the arrangement;
3) The receipt by associated persons of such compensation is treated as compensation received by the Firm for purposes of the FINRA rules and the record keeping requirements are satisfied.

The Firm or person associated with the Firm will not accept any compensation from an offeror which is in the form of securities of any kind.

The Firm will maintain records of all compensation received from offerors. The records will include the names of the offerors, the names of the associated persons, the amount of cash, and the nature and value of non-cash compensation received.

The Firm or person associated with a Firm will not directly or indirectly accept or make payments or offers of payments of any non-cash compensation, except as provided in these rules. Notwithstanding, the following non-cash compensation arrangements are permitted:

1) Gifts that do not exceed an annual amount per person fixed periodically by FINRA and are not preconditioned on achievement of a sales target.
2) An occasional meal, a ticket to a sporting event or the theater, or comparable entertainment which is neither so frequent nor so extensive as to raise any question of propriety and is not preconditioned on achievement of a sales target.
3) Payment or reimbursement by offerors in connection with meetings held by an offeror or by the Firm for the purpose of training or education of associated persons of the Firm, provided that the record keeping requirements are satisfied, associated persons obtain the Firm's prior approval to attend the meeting and attendance by the Firm's associated persons is not preconditioned by the Firm on the achievement of a sales target or any other incentives pursuant to a non-cash compensation arrangement permitted, the location is appropriate to the purpose of the meeting, which will mean an office of the offeror or the Firm, or a facility located in the vicinity of such office, or a regional location with respect to regional meetings, the payment or reimbursement is not applied to the expenses of guests of the Associated person and the payment or reimbursement by the offeror is not preconditioned by the offeror on the achievement of a sales target or any other non-cash compensation arrangement permitted.
4) Non-cash compensation arrangements between the Firm and its associated persons or a non-firm company and its sales personnel who are associated persons of an affiliated Firm, provided that the Firm's or non-firm's non-cash compensation arrangement, if it includes variable contract securities, is based on the total production of associated persons with respect to all variable contract securities distributed by the Firm, the non-cash compensation arrangement requires that the credit received for each variable contract security is equally weighted, no unaffiliated non-firm company or other unaffiliated firm directly or indirectly participates in the Firm's or non-firm's organization of a permissible non-cash compensation arrangement and the record keeping requirements are satisfied.
5) Contributions by a non-firm company or other firm to a non-cash compensation arrangement between the Firm and its associated persons.

The Firm will maintain a file that will evidence contract delivery for variable annuities sold.

TWISTING AND MULTIPLE CONTRACT SALES

References: FINRA Rule 2010

The Firm will act with principles of honor and appropriate standards when engaged in multiple contract sales.

1035 EXCHANGES

References: IRS CODE 1035

Pursuant to Section 1035(a) (3) of the IRS Code no gain or loss will be recognized on the exchange of an annuity contract for an annuity contract. The exchange, without recognition of gain or loss, of an annuity contract for another annuity contract is limited to cases in which the same person or persons are the oblige or obliges under the contract received in the exchange as under the original contract.

REPLACEMENTS

References: FINRA Rule 2010

The Firm may decide to develop an exchange or replacement analysis document or utilize an existing form authorized by a state insurance commission or other regulatory agency. If such a document is used, then it will be completed for all variable annuity replacements and will include an explanation of the benefits of replacing one contract for another variable contract. The document also will be signed by the customer, the registered representative, and the registered principal.

The registered representative and the registered principal should determine, based on the information provided by the customer and their own knowledge of the product features, that replacing the existing contract with a new contract is suitable for the customer. Consideration will be given to such matters as product enhancements and improvements, lower cost structures, and surrender charges.

The Firm will consider developing compliance systems, such as computer programs, when available, that can monitor and identify those registered representatives whose clients have a particularly high rate of variable annuity replacements or rollovers. These compliance systems will provide the Firm with "red flags" that the Firm can investigate to determine whether some of these replacements are unsuitable.

If the Firm is a retail Firm, it will adopt other measures reasonably designed to ensure that replacement sales activity by its registered representatives complies with FINRA rules. If the Firm engages in "wholesale" variable annuities the Firm will avoid marketing strategies that are designed primarily to encourage inappropriate replacement sales.

SECTION 15. MONTHLY SUPERVISORY PRINCIPAL CERTIFICATION

The Monthly Supervisory Certification process is designed to be completed in conjunction with the other methods a SP is required to evidence completion of supervisory reviews. All Series 24 SP's will attest on a monthly basis to their execution and fulfillment of their designated supervisory responsibilities. Although certain supervisory activities may be delegated to qualified individuals, the designated SP retains final responsibility for the carrying out of those duties. The following Monthly Supervisory Principal Attestation is a summary of the routine supervisory duties of a SP but is not a comprehensive list of every supervisory responsibility of each individual SP as dictated in industry rules and regulations, and firm policies and procedures.

Impacted Individual(s):	Designated Series 24 Supervisory Principals (SPs).
How Conducted:	Designated SPs will acknowledge and certify all oversight and supervision protocols, evidencing compliance with assigned tasks, applicable firm requirements, rules and regulations.
Frequency of Review:	Monthly
How Documented:	The Chief Compliance Officer (CCO) will maintain a centralized file which includes a list of all firm SPs and completed Monthly Certifications. The CCO will meet individually with each SP on a monthly basis to review completed certifications, ensuring all tasks and protocols were completed in accordance with firm requirements.

SECTION 16. Non-Traded Real Estate Investment Trusts & Business Development Companies (collectively) "Alternative Investments"

ALTERNATIVE INVESTMENTS

Because Direct Participation Programs, Private Placements, Non-Traded REITs and Business Development Company investments (non-traded products) are not readily liquid, purchases are generally limited to no more than 20% of an investor's household net worth. Additionally, an investor's maximum allocation to non-traded products and interval funds is generally limited to no more than 40% of the investor's household net worth.

In addition to the above FCs must pay particular attention to state specific suitability requirements as to percentage of concentration of any non-traded Alternative Investment, either by issuer, offering, or product type. It is the FCs responsibility to ensure that Alternative Investment holdings outside the firm are considered when making a suitability determination.

INTERVAL FUNDS

An interval fund is a type of investment-company that periodically offers to repurchase its shares from shareholders. Interval funds may be issued with various asset classes and are subject to the same share class policies as those in place for open ended mutual funds and UITs. Because interval funds are not readily liquid, purchases of interval funds are generally limited to no more than 30% of an investor's net worth. If the investor holds investments in non-traded, illiquid investments such as private placements, direct participation programs, non-traded REITs or non-traded BDCs, the combination of interval funds and non-traded investments is generally limited to no more than 40% of an investor's net worth.

PLEASE NOTE: DUE TO THE LIMITED LIQUIDITY PROVISIONS OF SUCH FUNDS, ALL INTERVAL FUND PURCHASES MUST BE DIRECTED TO THE SUPERVISOR FOR EXECUTION.

Definitions

Reference: FINRA Rule 2310(a)

Non-Traded Real Estate Investment Trusts ("REITs") and Business Development Companies ("BDCs") may serve as attractive alternatives for investors seeking income and yield. Such investment products do not list on a national securities exchange, may have extremely limited liquidity and may not be suitable for all investors. Share redemptions are subject to the terms of the prospectus and may be suspended at any time as determined by the REIT's or BDC's board of directors. If shares are available for redemption, they will generally be redeemed at substantial discounts and may be limited to a certain percentage of the REIT or BDC's total shares. Distributions are not guaranteed, may be reduced or suspended, and may not be covered by funds from operations. Determining whether to pay a distribution is subject to the discretion of the Board of Directors.

Review of Transactions

FINRA Rule 3010(d) (1) – Supervision (Review of Transactions and Correspondence) The Designated Principal or their designee assess through the new account form/customer account agreement, suitability Questionnaires (if required), and any disclosure/acknowledgement forms, if applicable, that are required to be completed by the customer that transactions are suitable for the customer. For transactions that are traded on a listed exchange, the review will be executed by executing and dating the purchase and sales blotter or similarly-named document. For transactions that are conducted on a direct business basis through an application, the Designated Principal or their designee will evidence review by executing and dating the subscription agreement for the program.

Due Diligence

Due Diligence of Alternative Investments

Reference: FINRA Rule 2310(b) (3) – Direct Participation Programs (Requirements – Disclosure)

Associated persons prior to recommending an of Alternative Investments are responsible for having a thorough knowledge of the of Alternative Investments, including its risks, costs, and features.

The Designated Principal or their designee is responsible for conducting due diligence prior to allowing the sale of Alternative Investments by associated persons. Such review, at a minimum, should incorporate any prospectuses and other material provided to the firm by the sponsor. Among the factors to be reviewed are:

- items of compensation;
- physical properties;
- tax aspects;
- financial stability and experience of the sponsor;
- the program's conflict and risk factors; and
- appraisals and other pertinent reports.
- In conducting such review, the firm may rely upon the results of an inquiry conducted by another broker/dealer provided that:
- the firm has reasonable grounds to believe that such inquiry was conducted with due care;
- the results of the inquiry were provided to the firm with the consent of the broker/dealer conducting or directing the inquiry; and
- the other broker/dealer that participated in the inquiry is neither a sponsor of the program or an affiliate of such sponsor.

The Designated Principal or their designee will maintain documentation of materials and prospectuses utilized in the review of Alternative Investments. For Alternative Investments sold direct by application, the firm, if the program was approved, will maintain a copy of the selling agreement executed. Such reviews will take place prior to the firm or any of its associated persons selling an Alternative Investment.

Transmittals of Orders and Applications

Transmittal and Prompt Submissions

BUSINESS CONDUCTED THROUGH THE CLEARING FIRM

For transactions conducted through non-direct business means (i.e. through the clearing firm), an order to purchase or sell an of Alternative Investments, associated persons are responsible for submitting such order promptly, subject to any time price and time discretion available to the associated person.

DIRECT BUSINESS

For transactions conducted by direct business means, associated persons are responsible for promptly submitting subscription agreements and other paperwork, including the new account form/customer account agreement that is required by the firm to the Designated Principal or their designee for review. For any checks accompanying the subscription, the associated person is responsible for submitting by noon the next business day the check to the firm or the sponsor of the of Alternative Investments based on instructions provided by the firm.

Communications

Disclosure of Prior Programs

References: FINRA Rule 2310(b) (3) – Direct Participation Programs (Requirements – Disclosure)

Associated persons are responsible for informing customers of all pertinent facts relating to the liquidity and marketability of the of Alternative Investments during the term of the investment, including:

- Whether the sponsor has offered prior programs, in which disclosed in the offering materials was a date or time period at which the program might be liquidated; and
- Whether the prior program(s) in fact liquidated on or around that date or during the time period.
- The disclosure requirement does not exist if:
- The transaction is a secondary public offering of or a secondary market transaction in a unit, depositary receipt, or other interest in an of Alternative Investments that is listed on a national securities exchange; or
- The offering is an initial public offering of a unit, depositary receipt or other interest in an of Alternative Investments for which an application for listing on a national securities exchange has been approved by such exchange and the applicant makes a good faith representation that it believes such listing on an exchange will occur within a reasonable period of time following the formation of the program.

The Designated Principal or their designee, in approving a transaction, is responsible for having a reasonable belief the associated person has provided required disclosures. Such reasonable belief will be documented by execution and dating the subscription agreement and, if required, the dating and execution of any disclosure/acknowledgement forms.

Prospectus Delivery

Associated persons are responsible for providing to the associated person a copy of the prospectus for the ALTERNATIVE INVESTMENT, if sold by prospectus or by similar purposed document, no later than the time at which the transaction is received or entered

Valuation on Customer Account Statements

References: FINRA Rule 2310(b) (5) – Direct Participation Programs (Requirements –Valuation on Customer Account Statements)

The firm prohibits the firm or its associated persons from recommending or participating in the sale of Alternative Investments unless the general partner or sponsor of the program will disclose in each annual report distributed to investors a per share estimated value of the Alternative Investments, the method by which it was developed, and the date of the data used to develop the estimated value.

The Designated Principal or their designee responsible for conducting due diligence of such programs is responsible for verifying that annual reports will be distributed to investors and that such reports will disclosure per share estimated value of the ALTERNATIVE INVESTMENT, the method by which it was developed, and the date of the data used to develop the estimated value. Documentation of such efforts will be evidenced in accordance to policies and procedures concerning due diligence.

Alternative Investments

Definition of an Alternative Investment

An Alternative Investment is generally considered is an investment product other than the traditional investments of stocks, bonds, cash, or property. For the purposes of these procedures, Alternative Investment refers to any product not previously discussed in these procedures (i.e. REITs, etc.) that could otherwise be considered an Alternative Investment. Alternative Investments are often referred to as non-conventional investments. Alternative Investments may be sold on a direct business basis or through an exchange.

Examples of Alternative Investments are:

- index-linked notes;
- equity-linked notes;
- multi-callable step up notes;
- redeemable secured notes;
- auction rate preferred securities;
- principal protected index linked CDs;
- distressed debt;
- derivative products; and
- emerging market debt securities.

RULES REGARDING SALES

DUE DILIGENCE

New Product review(s) may be initiated by the CEO. The proposed product will be timely presented to the Executive Oversight Committee. This Committee will include the CEO, CFO, COO, CCO, the firms Counsel and Mitch Avnet, managing partner of Compliance Risk Concepts. Further, this Committee will periodically, but no less than bi-annually review the firm's current products in order to conduct on-going Due Diligence. As appropriate, the Committee may utilize applicable outside counsel, or third party professionals to assist in its Due Diligence process. In determining whether or not an investment product is suitable for at least "some" of CRAFT 's clients, the Committee will take the following steps:

- If there is already an approved product (e.g., potential recruit with existing business or product not currently approved) on the firm's current platform that will satisfy the firm's Clients' needs, the Committee will discuss suggested alternatives and conclude its review. If there is not an existing alternative readily available, the Committee will continue its review, if a majority of the Committee members agree that it is prudent to do so.
- The President, or CEO, or a Senior Management designee may have already conducted preliminary due diligence with the applicable product sponsor. The review may include, but is not limited to the following:
    - Review of all offering materials and sales literature to be used with investor and/ or registered representative;
    - Determine that the likelihood of the business objectives described in the offering material may be reasonably achieved;
    - Review of relevant underlying documents (e.g., agreements, contracts, regulatory disclosure documents, if any) in connection with the product;
    - Review the experience (e.g., track record, methodology, acquisition/disposition strategy, etc.), financial background and viability of the key persons/entities associated with the sponsor;
    - If appropriate, interview key control persons;
    - If appropriate, visit and inspect physical assets/properties;
    - Review stated suitability and fee standards of sponsor;
    - Review compensation structure;
    - Examine client opening/closing process and prepare for any firm-systems modifications;
    - Assess the disclosed risk factors;
    - Review any relevant and available third-party reports
    - Review reports received from outside counsel retained by CRAFT for the purposes of assisting the firm with conducting due diligence on complex products; and
    - Review any litigation or regulatory matters against the sponsor or affiliated companies, including control/key personnel
- A summary of the factors considered during the review and any on-going reviews will be maintained and retained in a hard-copy file to be housed with Compliance. Such documents may include, but are not limited to the following:
    - Copies of all offering memoranda and sales material at the time of the review;

    - Copies of all documents reviewed at the time of the review;
    - Record of any product rejection; and
- Executed selling agreement and any amendment
- On an ongoing basis, Committee members will review regulatory filings, press releases and daily newsletters received by third party due diligence firms to stay apprised of the ongoing operations of the product sponsor and investment offerings on CRAFT 's approved product list.
- Periodically, the Committee may determine that certain products are not in the best interest of its clients and/or the business of the firm and may be rejected.
- If a new product is approved by the Committee, a selling agreement will be negotiated and signed by the CEO or his designee.
- An executive summary of each product will be prepared for use by broker/dealer personnel only. This may include "strengths" and "weaknesses", product marketing points, prototypical client, pr ototypical representative, and other key data, but is not a substitute for the actual prospectus or other similar material.

Registered persons who engage in the solicitation of a product PRIOR to its approval by the Committee will be engaged in "selling away" in violation of securities rules and regulations and will be immediately terminated.

APPROVED PRODUCTS

In order to assure that all securities sold through CRAFT meet regulatory requirements, no solicitation or sales of any security, other than those listed on a national exchange, may be made without prior approval from CRAFT.

CRAFT shall publish an Approved Product List of direct participating programs to include Alternative Investments (non-publicly traded REITs, limited partnerships), mutual funds, equity indexed annuities, variable annuities and variable life products. From time to time additions and deletions shall be made to the list. FCs must only make solicitations or sales in products listed on CRAFT 's current list.

The FC has a duty to perform his own due diligence from the available investments on the CRAFT Approved Products List. The FC should read the prospectus and other available materials in order to make the determination of investor suitability, and to ensure sales presentations may be true, factual, and complete.

17A 2.3 SALES PRESENTATION

In all sales presentations, FCs must follow the principle of "FULL DISCLOSURE". When a FC makes an oral presentation, it is required that such presentations be true, factual, and complete. FCs may not omit facts which may be necessary to prevent dispensing misleading information or inadequate information that prevents a client the opportunity to make a sound and informed evaluation of recommendations.

17A 2.4 PROSPECTUS/CONTRACT DELIVERY

Prospectus

FCs are required to deliver a currently effective prospectus when offering products sold by prospectus, such as direct participation programs, mutual funds, variable annuities, limited partnerships.

Supplementary sales literature which mentions the name of a specific security can only be used with the public if it has been preceded by or is accompanied by a current prospectus, and if such supplementary literature has been specifically approved for use by CRAFT.

During any sales presentation, only the prospectus and literature approved by CRAFT may be used as reference material. FCs are not to make any representation other than those contained in the prospectus or in such reference material. The mass distribution of sales literature to multiple persons, i.e., seminar presentations, must be pre-approved by CRAFT.

17A 2.5 TRAINING REQUIREMENTS

Each FC who intends to offer, recommend and/or facilitate transactions in Alternative Investments may be required to complete training as assigned by CRAFT 's Compliance department on the sale of Alternative Investments prior to recommending or facilitating an Alternative Investments transaction.

ALTERNATIVE INVESTMENT PRODUCT FIRM PROTOCOLS

An Alternative Investment is generally considered an investment product other than the traditional investments of stocks, bonds, cash, or property. For the purposes of these procedures, Alternative Investment refers to any product not previously discussed in these procedures that could otherwise be considered an Alternative Investment. Alternative Investments are often referred to as non- conventional investments.

RETAIL CLIENT MINIMUM FINANCIAL REQUIREMENTS FOR THE PURCHASE OF ALTERNATIVE PRODUCTS:

Net worth minimum of $1,000,000.00

Liquid net worth minimum of $100,000.00

Annual income on an individual basis of $100,000.00

CONCENTRATION LIMITATION:

The percentage of a retail client's portfolio invested in Alternative Products shall not exceed ten (10%) percent of a client's liquid net worth.

AGE LIMITATIONS:

Individual accounts – 65 years of age or younger

Qualified accounts – 55 years of age or younger

Age Limitations – the firm retains discretion analyzed on a case by case basis for any deviation from this parameter.

PROCEDURE:

1) Initial due diligence - Conducted by firm management and the Director of Sales before a registered representative may recommend an Alternative Product to retail customers. Such due diligence will include among other things: a Q & A session with the product sponsor that addresses, among other things, the questions detailed in NTM 12-03; research of the qualifications of the product sponsor's management; performance of a comparison of the specific product to similar products. In addition, the firm and registered representatives are required to ascertain and conduct due diligence regarding the product's basic features, including performance, liquidity and redemption policies, costs and charges, its investment policies and strategies, and other pertinent information.
2) Approval – Each product shall be reviewed and analyzed by firm management including Barry Kiront (CEO), Andrew Shubert (CCO), and Stephen Kiront (COO) and shall include a due diligence analysis by an independent third party.
3) Selling agreement – Before signing a selling agreement with a product sponsor the agreement will be reviewed and analyzed by management, and the firm's counsel.
4) Presentation by sponsor to the firm's sales force – If/when a product has been approved by the firm and a selling agreement has been signed, only then will the product sponsor be permitted to make a presentation to the firm's sales force. Such a presentation must be immediately followed by an open Q & A session with the firm's sales force.
5) Product training – Each registered representative that intends to recommend the product shall be required to participate in an education module generated through AI Insight. The registered representative shall be required to complete the associated exam and attain a score that demonstrates proficiency in the product. The registered representative shall also participate in such additional training as the firm may require on a case by case basis.
6) Verification of suitability – The registered representative will verify that the client meets the minimum threshold requirements set forth above and evidence the verification through the firm's Form F4. The registered representative's sales supervisor shall assess through the new account form/customer account agreement, suitability questionnaires (if required), and any disclosure/acknowledgement forms, if applicable, that are required to be completed by the customer that transactions are suitable for the customer. In addition, the registered representative's sales supervisor will contact the client and verbally confirm the suitability

information obtained by the registered representative and attest to doing so by completing the Supervisor portion of the Form F4. This shall not act as a limitation on the registered representative's overall suitability obligations. In that regard, registered representatives are responsible for familiarizing themselves with the customers as to their financial situations, investment experience, and ability to the meet the risks involved with the products prior to any recommendation. Registered representatives are responsible for considering the customer's tax status, financial condition, investment objectives, and other pertinent information. Further, each registered representative is responsible for thoroughly understanding the product prior to recommending it.

7) Offering and Subscription documents - The registered representatives must provide a prospectus, offering circular, offering memoranda, or similar named document providing the details of the product to the customer prior to or at the time of the recommendation. These documents will be numbered and will be sent to customers via FedEx or email. This will include the client attestation regarding Alternative Products.
8) Subscription Documents will be returned to Craft Capital Partners (CRAFT CP) and will be reviewed for accuracy and completeness.
9) Documents returned to CRAFT CP will be forwarded to Sterne Agee & Leach (SALI or the clearing Firm.)
10) Once the Subscription Documents have been received by SALI and verified for completeness, the client will then send funds directly to the sponsor.
11) No limitations – Nothing herein shall act as a limitation on the obligations of the firm or registered representatives with respect to compliance with FINRA/SEC rules and the firm's procedures with respect to determining suitability (product based and customer specific) and all other FINRA/SEC rules and the firm's procedures.

NOVEMBER 2016 ADDENDUM TO WRITTEN SUPERVISORY PROCEDURES

DAILY ACTIVE ACCOUNT REPORT

The CCO or designated supervisor generates daily reports on the ProSurv system. The system is provided by our Clearing Firm ("RBC") and identifies transactions that have triggered certain parameters which are programmed into the systems. These parameters are designed to flag certain transactions that might indicate potential suitability and sale practice problems on an individual trade basis or when the transactions are reviewed in their entirety, for potential quantitative suitability issues. More specifically, the Trade Summary report is utilized for individual trade suitability, sales practice reviews and daily approval of transactions. The Account Daily report is used to identify any possible quantitative suitability issues. These reports are reviewed each day by either the CCO or designated supervisor. The review is evidenced by the either the CCO or designated supervisor initializing the Trade Summary report. The Account Daily report is limited to an online review only.

In addition, another trade blotter that is generated by RBC is also reviewed on a daily basis by either the CCO or designated supervisor. There is a comprehensive online physical review of identified accounts in order to determine suitability of investments, amount of account turnover, percentage of commission of net equity, suspicious activity, sales practice violations and any indications of possible AML activities (i.e. transactions seemingly making no economic sense, deposit and subsequent sale of low price securities leading to wire transfer out of the account, deposits and withdrawals with no apparent financial reason).

FLAGGED AND RESTRICTED LIST

The Firm undertakes to identify certain accounts that meet specified thresholds relating to activity and/or account commission maintenance factors, among other things. If an account was not flagged by the ProSurv report, this may still warrant a level of restriction. That is why each account is also manually reviewed in order to determine the commission/net equity percentage, the amount of turnover and profitability. Depending upon the threshold level restrictions may be imposed as to the amount of commission charged on a per trade basis in such accounts. Multiple levels of restrictions may be utilized, with each level having a maximum amount of commission that may be charged on a per trade basis in a subject account. If an account meets certain active trading criteria, it is then placed on restriction and the RR is no longer allowed to charge any more than $100 per transaction regardless of the dollar amount of the transaction. The amount of commission may lowered or raised by the CCO or their designated supervisor depending on subsequent reviews of the account. The CCO or their designated supervisor has identified the parameters in Regulatory Notice 12-25 as the basis for the initial account restriction. More specifically, "a turnover rate greater than six creates a presumption that the trading was excessive and Cost-to-equity ratios as low as 8.7 have been considered indicative of excessive trading, and ratios above 12 generally

are viewed as very strong evidence of excessive trading". Therefore, any account with a turnover rate in excess of seven (7) times and a commissions/net equity ratio of 10% will be restricted. The CCO or their designated supervisor will document this determination and ensure compliance with the account restriction.

If an account, which is subject to a commission restriction, is charged more than the prescribed amount on a per trade basis the Firm will reduce the commission to the appropriate level, submit to the Clearing Firm a Cancel and Rebill form, and charge the cost back to the representative. Accounts coming within the restricted account parameters may be omitted from commission restriction in certain circumstances following a further account and customer review.

ACCOUNT ACTIVITY LETTERS

When an account has been identified as an active account, then an Account Activity Letter will be sent to the customer to ensure that those clients are aware and approve of all the activity in their accounts. The CCO or their designated supervisor will run a monthly active Trade Summary report sorted by account numbers by no later than the 10th of the following month. This report will be saved electronically. The criteria utilized will be the following;

1. Any account that has eight (8) or more transactions during each month of the quarter.
2. Any account where the monthly commission is $5,000 higher.

The CCO or their designated supervisor will identify the account based on the prior month's activity. In addition, Account Activity Letters will only be sent to customers on a quarterly basis barring any large amount of transactions during one month of the quarter. If the account's activity during one month of the quarter is within a reasonable number of trades from the monthly criteria, an Account Activity Letter will not be sent. On the other hand, if the transactions in the account for one month during the quarter is far in excess of the criteria, then an Account Activity Letter will be sent out no later than the 15th of the month after the reviewed account activity. In this case, an Activity Letter will be sent the customer out no later than the 15th of the month after the reviewed account activity and thereafter, every other month if the activity level remains high and the account is not restricted.

If the customer does not return the signed Account Activity Letter within thirty (30) days, a 2nd request will be sent out to the customer. If the 2nd request is not received within ten (10) the account will be frozen and nothing but unsolicited closing trades will be permitted. Please note that the CCO or their designated supervisor has the ultimate discretion as to determine whether to send an Account Activity Letter to a customer. If it is determined by the CCO or their designated supervisor not to send Account Activity Letter to a customer, the reason for this decision will be documented.

2nd NOVEMBER 2016 ADDENDUM TO WRITTEN SUPERVISORY PROCEDURES (Please note these procedures were first maintained as a separate document addendum to these WSPs)

FINRA Rule 2273

Educational Communication Related to Recruitment Practices and Account Transfers

The notice must be sent to customers' of a new broker that are contacted by phone within three (3) business days of contact after agreeing to transfer their accounts to Craft Capital Management LLC (" Craft"). During the initial phone call the broker is required to inform the customer that an educational communication that includes important considerations in deciding to transfer assets to Craft will be provided via an attached hyperlink or PDF file no later than three (3) business days after the phone call. Accordingly, if they don't already have one, brokers are required to obtain an e-mail address of the customer during the initial phone call. If customers are contacted via a physical letter asking them to transfer their accounts to Craft, this notice must be included in the envelope. This disclosure must be sent for the first three (3) months that the Rep's registration is effective with Craft. The only exclusion to this rule is that if a customer informs the Rep. during the initial phone conversation that they don't want to transfer their account to Craft. If the customer then decides to transfer the account to Craft within in the first three (3) months of the Reps. employment or effective registration with Craft, then the notice must be sent. The physical copy will be provided upon request. The hyper link to be utilized is below.

http://www.finra.org/sites/default/files/Broker-Dealer-Recruitment-Disclosure.pdf