First Asset Financial Inc.

WRITTEN SUPERVISORY PROCEDURES B

Copy date: December 31, 2023

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Version 38

INTRODUCTION

The Firm will conduct its business consistent with commercial honor and just and equitable principles of trade. Keeping our customers' interest foremost is a key to the Firm's success. The trust of our customers and the Firm's reputation are of paramount importance. Effective supervision is an integral part of achieving our goals in serving our customers.

"Compliance" is not a static event; it is a process which evolves in tandem with regulations that govern our industry and the circumstances of each particular interaction. This Written Supervisory Procedures manual (WSPs) includes the Firm's supervisory policies and procedures to provide guidance to designated supervisors in their oversight of the Firm's business. It is a working document and reference for supervisors and will be updated when necessary. The Firm's Compliance Officer will be responsible for making amendments to the Manual, with the approval of senior management, based on changes in applicable securities industry laws and regulations; advice from the Firm's designated examining authority, and recommendations from the Firm's supervisory committees.

It is recognized that supervision must be a flexible tool for use by those charged with managing the Firm's various activities. While it is generally expected these procedures will be followed, supervisors are encouraged to adapt these procedures to the needs of the Firm, their particular department, and the employees and customers of the Firm. These procedures are meant to be a basic framework upon which supervisors oversee the Firm's activities.

Supervision may be delegated to others, where appropriate; however, designated supervisors are responsible for ultimate supervision of assigned areas. The term "employee" as used in this manual includes Associated Persons ("APs") (and others as identified by the Firm) who may be independent contractors for tax and compensation purposes. These WSPs are the property of the Firm and may not be provided to anyone outside the Firm without the permission of Compliance

Definitions:

Firm, Company, the Company, FAF, First Asset: May be used interchangeably to indicate First Asset Financial Inc.

AP, Representative(s), Agent, Rep, Associated Person, Associated Person, Broker, Employee, Independent Contractor, RR, Registered Representative: May be used interchangeably to refer to a person registered with First Asset Financial Inc. as an "independent contractor"

Home Office, HO, H.O.: Refers to the office at the 110 E. Iron Ave, Salina, Kansas.

The CCO, CCO, President, Director of Compliance, Operations Manager, Chief Compliance Officer, Chief Options Principal, Options Principal, Executive Officer, Municipal Principal, Executive Representative, and Principal Operations Officer: As of the date of this WSP document would refer to Robert L. Hamman

FINOP, Principal Operations Officer or Financial Principal: Refer to the Registered Financial and Operations Principal designated for First Asset Financial Inc. in Exhibit B.

Clearing Broker Dealer, Clearing Firm, HTS, Clearing BD,: Refers to Hilltop Securities Inc., formerly known as Southwest Securities, Inc. and that firm performs all cleared trade functions for FAF including, but not limited to, check receipts, statement & confirmation production, trading functions, check issuance and all other broker dealer functions normally performed for an introducing broker by a clearing broker dealer.

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1. INTRODUCTION

1.1 Supervisory System

Name of Supervisor ("designated Principal"):	Chief Compliance Officer And respective designated Principals and Branch Office Managers overseeing AP's, named throughout this Manual
Frequency of Review:	Ongoing, in accordance with established procedures. Upon hiring supervisory personnel.
How Conducted:	AP oversight; reviews of business activity, customer account reviews, etc. (as detailed throughout this WSP); Employment/experience review
How Documented:	This Manual Account activity approvals; File records of reviews conducted.
3010 Checklist:	Rules 1022, 3010, Notices 99-45,04-54, 04-71; 05-08; Rule 1014(a)(10)(D), MSRB Notice 2010-60

First Asset Financial Inc. will attempt to conduct its business consistent with the rules put forth in the FINRA manual. To accomplish this endeavor, First Asset will implement a system of supervision that is integral part of achieving our goals in serving our customers, yet remaining in boundaries of the regulations.

This Written Supervisory Procedures ("WSP" or "Manual") of First Asset Financial Inc. ("First Asset," "the Firm," "FAF," or the "Company") describes its established supervisory procedures and system required under Rule 3110. The Company has established and maintains these supervisory procedures by taking into consideration, among other things, the firm's size, organizational structure, limited scope of business activities, number and location of offices, the nature and complexity of products and services offered, the volume of business done, the number of Associated Persons assigned to each location (and whether the location has a principal on-site or is a non-branch location) and the disciplinary history of Associated Persons or Associated Persons, among other factors. The Company's supervisory system is a result of the Company's process by which it adopts compliance policies and supervisory procedures reasonably designed to achieve compliance with applicable securities laws and regulations and FINRA rules. The Company, in having this process and requiring its designated top business officer to certify annually with regard to its implementation.
In addition, the Company, in accordance with Rule 3120, has supervisory control procedures that review and verify that its supervisory procedures are reasonably designed to achieve compliance with applicable securities laws and regulations and FINRA rules.

This Manual is not to be construed as all-inclusive, but rather serves as a guide in conducting the supervisory functions. It is recognized that supervision must be a flexible tool for use by those charged with managing the Company's various activities. The procedures are meant to be a basic framework upon which supervisors oversee the Company's activities and may not be implemented precisely, but the intent and "culture" will adhere to the "spirit" of the regulations.

This manual does not attempt to set forth all of the rules and regulations with which employees must be familiar, nor does it attempt to deal with all situations involving unusual circumstances. Company employees/independent contractors are encouraged to visit FINRA's Website (www.finra.org), especially the "Associated Person" page where documents including "The Roles and Responsibilities of the Associated Person" may be found.
When questions arise, refer them to Compliance for assistance.

This manual will be designated as the "B" manual designed to be a detailed supplement and yet the basis for the "A" manual. The "A" manual was designed specifically for APs (Associated Persons of First Asset) use that puts many of the aspects of this "B" manual forth in a brief, concise, yet accurate manner that will more likely impact the AP than a large manual like the "B" manual. While not comprehensive, the "A" manual covers most important aspect as they relate to the AP. For the AP, this "B" manual would be the reference or more "in-

depth" explanation of the items in the "A" manual. For management, the "B" manual is the first reference used and the in-depth description of rules, regulations and procedures required to conduct supervision. The A manual is a companion to the B manual and APs are expected to review it no less than annually due to its brief nature (less than 25 pages).

In addition to the "A" Manual, there are other "companion" manuals to this B Manual. They are to be used in conjunction with this manual. They are the Anti-Money Laundering Manual and the Cyber Security Guidelines. The titles describe the content.

By and large the Company may employ a "risk based" methodology allowed under 3110(b)(2) in identifying and prioritizing for review those areas that pose the greatest risk of potential violations or, due to the size of the Company, it may choose to conduct a review of the majority (if not all) of the securities business conducted through the firm rather than "sampling" transactions as a larger firm might choose to do. The Company does not conduct any investment banking business, but would put in place supervisory policies and procedures before engaging in such business if it were to do so.

"Associated Person" (also referred to as "registered representatives or reps") as used in this manual may include Associated Persons ("APs"), employees, officers (and others as identified by the Company, who may be independent contractors for tax and compensation purposes). Supervision may be delegated to others, where appropriate; however, designated supervisors are responsible for ultimate supervision of assigned areas.

Anti-Money Laundering Compliance. The Company's AML compliance program is under separate cover. All Associated Persons must reference and abide by the procedures described therein. The same is true of the Cybersecurity manual.

Emergency Preparedness. The Company's "Business Continuity Plan" is under separate cover, disclosed on the Company website (www.FirstAssetFinancial.com) and attached to this manual as Exhibit G. All Company personnel are encouraged to periodically review the Plan in order to be prepared for unforeseen business disruptions.

"Red Flags" reference document is also under separate cover. First Asset Financial Inc. believes that Cybersecurity is important and has created a separate manual available under separate cover.

Generally, this testing and verification occurs by virtue of the CCO's oversight of the Company's Securities Business. His or her interaction with registered persons, principals, supervisors and staff while they comply with the requirements described throughout this Manual provides on-going evidence of the effectiveness of the Company's procedures. The results of all the various and specific review and approval policies described herein contribute to the CCO's sense of satisfaction or disappointment with these procedures. In addition to this cumulative and substantive evaluation process, testing and verification will also specifically be implemented by the Company when: complying with the office inspection requirements; when completing and/or reviewing the annual "needs assessment" under the Continuing Education requirements; and if the Company chooses, conducting the analysis (series of steps) outlined by FINRA in its guidance provided in NTM 05-29.

A Cybersecurity "Best Practices" for First Asset APs is available to Company APs under separate cover.

A supervisory testing document is under separate cover as well.

Supervisory Control System:

Name of Supervisor ("designated Principal"):	Chief Compliance Officer And respective designated Principals See separate companion document for chart.

Frequency of Review:	Ongoing and annual
How Conducted:	AP oversight; reviews of business activity, customer account reviews, etc. (as detailed throughout this WSP); Employment/experience review Oversight of supervisory systems; reporting inadequacies; remedying problems; creating new procedures when required.
How Documented:	This Manual Annual Report to senior management Annual Certification by designated top business officer Account activity approvals; File records of reviews conducted.

2. SUPERVISORY SYSTEM. PROCEDURES AND CONTROLS

2.1 Introduction

Company has established a supervisory system, procedures and controls reasonably designed to comply with regulators' rules.

Supervisory system: The internal system to oversee business includes the designation of supervisors and allocation of responsibilities; assignment of Associated Persons to appropriate supervisors; identification of areas of business and rules that govern those businesses; and development of procedures.

2.2 Compliance Chart

the CCO ("designated Principal"): Principal Financial Officer & Principal Operations Officer	Chief Compliance Officer Other designated supervisors or otherwise independent supervisors Designated Top Business Officer: CCO See companion document for supervision designations
Frequency of Review:	Ongoing and annual
How Conducted:	Review and testing of producing branch managers' customer account activity. Oversight of supervisory systems; reporting inadequacies; remedying problems; creating new procedures when required. Heightened supervision of producing managers when required
How Documented:	Annual report to senior management. Annual Certification by designated top business officer
3010 Checklist:	Rule 3012 and Consolidated FINRA Rule 3130; Notices 04-71, -79, 05-08, -29, -75; 06-04, 08-57, 11-54

Supervisory Controls: Controls refer to testing and evaluation of systems and procedures to measure and maintain their effectiveness. Internal controls typically involve sampling of functions to test effectiveness and identify shortcomings, gaps, or other inefficiencies in supervisory systems and procedures. Internal controls also involve the ongoing reassessment of these functions to determine whether they are serving their intended purpose.

2.3 Review/Verification and Testing

Company periodically conducts reviews and verifies its supervisory system and controls. Testing and verification is the responsibility of Compliance - compliance systems and procedures.
Day to day approvals and review make up a large portion of the review and testing of the system and procedures.

Testing the firm's WSP's to ensure that all rules are addressed will be incorporated in the annual review given to the Board of Directors of FAF. With only limited management personnel and every manager being a "producing manager," the firm must rely on the "limited size and resources" exception. These limitations would be present under this testing as well. However, the annual review will use FINRA Notices, input from FINRA staff, industry articles, communications with other firms, a review of any violations during the past year, a review of customer complaints and a review of the WSP "Checklist" provided by FINRA to ascertain if any rules are missing in the firm's WSPs.

2.4 Written Compliance and Supervisory Procedures (WSP)

Compliance is responsible for maintaining and updating Company's compliance and supervisory procedures which are included in this manual. A review of the Company's written supervisory practices and procedures as well as the business activities and entire supervisory system will be conducted no less than annually, but sooner if mandated by new regulatory rules and guidelines or updates, and shall be reviewed by the CCO. In addition, the Company will conduct branch office examinations, per the applicable schedule, as part of its review.

The WSP will be distributed at least on an annual basis or sooner if deemed necessary and can always be found on the FAF website (www.FirstAssetFinancial.com) under *GO-Compliance-7-B. Compliance Manual Version B.*

This manual is updated and policies distributed as follows:

- New and amended rules and releases from regulators are reviewed on an ongoing basis and changes considered for the WSP and incorporated where necessary. Changes are considered at least annually.
- Prior versions of the manual are archived for books and records purposes.
- When policy and procedure changes affect personnel, Compliance will distribute new or revised policies as follows:
    - In written form, where practical
    - By email
- Compliance provides access to the A & B manuals to new employees and existing on its website, www.firstassetfinancial.com. If a new policy manual is distributed, receipts will be requested and maintained in employee or compliance files.
- Policies may be made available to employees in electronic format

2.5 FINRA Rule 3130. Annual Certification Of Compliance And Supervisory Processes

Pursuant to Rule 3130, the Company will adhere to the following:

(a) Designation of Chief Compliance Officer (the CCO). The CCO is designated as the Company's the CCO as identified to FINRA on Schedule A of Form BD.

(b) Annual Certification Requirement. Company will have its Chief Compliance Officer certify each year, the processes to establish, maintain, review, 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 Compliance Officer(s) has conducted one or more meetings with the chief compliance officer(s) in the preceding 12 months to discuss such processes.

(c) Certification. The certification shall state the following:

The undersigned is the Chief Compliance Officer(s) of Company (the "Member"). As required by FINRA Rule 3130(b), the undersigned make(s) the following certification:

1. The Company has in place processes to:
   (A) Establish, maintain and review policies and procedures reasonably designed to achieve compliance with applicable FINRA rules, MSRB rules and federal securities laws and regulations;
   (B) Modify such policies and procedures as business, regulatory and legislative changes and events dictate; and

2. The undersigned Chief Compliance Officer(s) (or equivalent officer(s)) has/have conducted one or more meetings with the chief compliance officer(s) in the preceding 12 months, the subject of which satisfy the obligations set forth in FINRA Rule 3130.

3. The Company's processes, with respect to paragraph 1 above, are evidenced in a report reviewed by the Chief Compliance Officer(s) (or equivalent officer(s)), chief compliance officer(s), and such other officers as the Company may deem necessary to make this certification.

4. The undersigned Chief Compliance Officer(s) (or equivalent officer(s)) has/have consulted with the chief compliance officer(s) and other officers as applicable (referenced in paragraph 3 above) 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.

5. The BCP is current.

2.6 The Designation and Identification to FINRA of Principal Responsible for Supervisory Controls

References: FINRA Rule 3120

Regulatory Notice(s): 14-10, 06-04, 05-29, 04-79

Who: *Chief Compliance Officer*
When: *As Needed*
What: *Designation and Identification of Supervisory Controls Principal*
Evidence: *Form BD*
Retention Period: *Life of Firm*
Date: *November 2014*

FINRA Rule 3120 requires the firm to designate and specifically identify to FINRA one or more principals who are responsible for establishment, maintenance and enforcement of supervisory control policies and procedures that:

- Test and verify that the member's supervisory procedures are reasonably designed with respect to the activities of the firm and its Associated Persons and Associated Persons, to achieve compliance with applicable securities laws and regulations.
- Create additional or amend supervisory procedures when the need is identified by such testing and verification.

In addition, FINRA Rule 3120 requires that the designated principal or principals 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 policies and procedures created in response to the test results.

The Firm's Chief Compliance Officer designates the Chief Compliance Officer as the Firm's principal who is responsible for the establishment, maintenance, and enforcement of the Firm's supervisory controls policies and procedures.

The Firm's Chief Compliance Officer or his designee is responsible to specifically identify to FINRA, the Firm's principals who are responsible for the establishment, maintenance, and enforcement of the Firm's supervisory control policies and procedures. The Firm identifies these principals on the Schedule A of Form BD. The Firm's Chief Compliance Officer or his designee will electronically submit Form BD amendments within 30 days after learning of the facts or circumstances causing the amendment.

The Firm's Chief Compliance Officer or his designee will print a copy of the amended Form BD at the time of the submission. In addition, the Chief Compliance Officer, or his designee will initial and date the copy to evidence the review of the amendment. The Firm will maintain copies of the Firm's Form BD and all amendments for the life of the Firm.

2.7. Supervisory Control Procedures For Testing the Firm's Written Supervisory Procedures

References: FINRA Rule 3120
Regulatory Notice(s): 14-10, 06-04, 05-29, 04-79

Who: *Chief Compliance Officer*
When: *As Needed*
What: *Supervisory Control Procedures For Testing the Firm's Written Supervisory Procedures to Ensure that All Rules Are Addressed*
Evidence: *Written Supervisory Procedures Checklist*
Retention Period: *Not Less than Three (3) Years*
Date: *November 2014*

FINRA Rule 3120 requires the firm to designate and specifically identify to FINRA one or more principals who are responsible for establishment, maintenance and enforcement of supervisory control policies and procedures that:

- Test and verify that the member's supervisory procedures are reasonably designed with respect to the activities of the firm and its Associated Persons and Associated Persons, to achieve compliance with applicable securities laws and regulations.
- Create additional or amend supervisory procedures when the need is identified by such testing and verification.

The Firm's Chief Compliance Officer or his designee is responsible for testing the Firm's supervisory control policies to ensure that all applicable securities industry rules are addressed, by establishing maintaining, and enforcing the Firm's Supervisory Control System. The Firm's supervisory procedures have been designed to:

- test and verify that the Firm's supervisory procedures are reasonably designed to achieve compliance with applicable securities laws and regulations and with applicable FINRA rules (with respect to its activities and those of its Associated Persons and Associated Persons) and
- create additional or amend supervisory procedures where the need is identified by such testing and verification.

Generally, this testing and verification occurs by virtue of Chief Compliance Officer's oversight of the Firm's securities business. In addition, the Chief Compliance Officer's interaction with registered persons, principals, supervisors and staff while they comply with the requirements of the firm's supervisory procedures provides on-going evidence of the effectiveness of the Firm's procedures. The results of all the various and specific review and approval policies described herein contribute to the Chief Compliance Officer's sense of satisfaction or disappointment with Firm policies and procedures.

In addition to this cumulative and substantive evaluation process, testing and verification will also specifically be implemented by the Firm when:

- complying with the Office Inspection requirements pursuant to FINRA Rule 3110
- overseeing the Review of Producing Managers
- completing and/or reviewing the annual "needs assessment" under Continuing Education requirements

In addition, the Firm's Chief Compliance Officer or his designee will use a risk-based method for the testing and verification of the Firm's procedures. The Chief Compliance Officer or his designee will review the procedures at least annually and determine where the Firm and/or any of its Associated Persons may have the greatest

exposure. The Firm's Chief Compliance Office will review current regulatory requirements as it applies to the identified procedures to ensure that all written procedures are adequate based on the current rules and/or regulations as published in regulatory notices, memos and other information distributed by FINRA and/or the SEC.

The Chief Compliance Officer or his designee, will submit a summary report, annually or more frequently if desired, to the Firm's senior management. This report will include:

- A description of the Firm's system of supervisory controls (i.e., a current copy of this Manual)
- A summary of the test results and significant identified exceptions (i.e., an assessment of the effectiveness of the Firm's supervisory system—whether adequate or inadequate to meet regulatory requirements; the following reports (or a summary of these reports) will be included to provide supporting evidence of these conclusions: completed Office Inspection reports and any reports generated from supervisory reviews of account activity conducted by branch office Managers, Sales Managers, etc.
- Any additional or amended supervisory procedures created in response to the test results or in response to changes in securities regulation.

The Firm will maintain its written supervisory control policies and procedures, and all evidence of testing and reviews, for a period of not less than three years, with the first two years in an easily accessible place, from the date the policy or procedure was updated or amended.

2.8. Supervisory control procedures that address updating the firm's Written Supervisory Procedures

Supervisory Control Procedures That Address Updating the Firm's Written Supervisory Procedures

References: FINRA Rule 3120
Regulatory Notice(s): 14-10, 6-04, 05-29, 04-79

Who: *Chief Compliance Officer*
When: *As Needed*
What: *Supervisory Control Procedures That Address Updating the Firm's Written Supervisory Procedures*
Evidence: *Amended Written Supervisory Procedures and Checklist*
Retention Period: *Not Less than Three (3) Years*
Date: *November 2014*

FINRA Rule 3120 requires the firm to designate and specifically identify to FINRA one or more principals who are responsible for establishment, maintenance and enforcement of supervisory control policies and procedures that:

- Test and verify that the member's supervisory procedures are reasonably designed with respect to the activities of the firm and its Associated Persons and Associated Persons, to achieve compliance with applicable securities laws and regulations.
- Create additional or amend supervisory procedures when the need is identified by such testing and verification.

The Firm's Chief Compliance Officer or his designee is responsible to ensure that the Firm's supervisory control policies and procedures are updated to reflect all new securities industry laws and rules as well as amendments to existing securities industry laws and rules.

The Firm's Chief Compliance Officer or his designee will ensure that the Firm's supervisory control policies and procedures are updated at all times, through the on-going use of a written supervisory procedure checklist and the use of FINRA Regulatory Notices. In addition, the Firm's Chief Compliance Officer or his designee will use the results of any testing and/or reviews of existing policies and procedures.

The Chief Compliance Officer or his designee will establish and implement any amended or additional written supervisory control policies and procedures as warranted by new securities industry laws and rules and/or amendments to existing laws and rules.

The Firm will maintain its written supervisory control policies and procedures, and all evidence of testing and reviews, for a period of not less than three years, with the first two years in an easily accessible place, from the date the policy or procedure was updated or amended.

2.9 Designated Principal Annual Report to Senior Management on Firm's Supervisory Control Procedures, Test Results, and Resulting Changes

References: FINRA Rule 3120
Regulatory Notice(s): 14-10

Who: *Chief Compliance Officer*
When: *Annually*
What: *Designated Principal Annual Report to Senior Management on Firm's Supervisory Control Procedures, Test Results, and Resulting Changes*
Evidence: *Management Report*
Retention Period: *Not Less than Three (3) Years*
Date: *November 2014*

FINRA Rule 3120 requires the firm to designate and specifically identify to FINRA one or more principals who are responsible for establishment, maintenance and enforcement of supervisory control policies and procedures that:

- Test and verify that the member's supervisory procedures are reasonably designed with respect to the activities of the firm and its Associated Persons and Associated Persons, to achieve compliance with applicable securities laws and regulations.
- Create additional or amend supervisory procedures when the need is identified by such testing and verification.

In addition, FINRA Rule requires that the designated principal or principals 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 policies and procedures created in response to the test results.

FINRA Rule 3120 requires for firm's reporting more than $200 million or more in gross revenue, the report must include: (**the Company does not have $200 million or more in gross revenues**)

- a tabulation of the reports pertaining to customer complaints and internal investigations made to FINRA during the year.
- a discussion of the preceding year's compliance efforts, including procedures and educational programs for:
    - trading and market activities;
    - investment banking activities;
    - antifraud and sales practices;
    - finance and operations
    - supervision; and
    - anti-money laundering.

The Firm's Chief Compliance Officer or his designee will submit to the Firm's senior management, no less than annually, a written report detailing the Firm's system of supervisory controls, the summary of the test results and any identified exceptions, and any additional or amended supervisory policies and procedures created in response to the test results. The Firm will maintain a copy of the report for a period of not less than three years.

2.10 Designation and Identification to FINRA of Principal Responsible for Supervisory Controls and Supervisory Control Procedures for Testing

References: FINRA Rule 3120

Regulatory Notice(s): 14-10, 06-04, 05-29, 04-79

Who: *Chief Compliance Officer*
When: *As Needed*
What: *Designation and Identification of Supervisory Controls Principal*
Evidence: *Form BD*
Retention Period: *Not Less Than Three (3) Years*
Date: *November 2014*

FINRA Rule 3120 requires the firm to designate and specifically identify to FINRA one or more principals who are responsible for establishment, maintenance and enforcement of supervisory control policies and procedures that:

- Verify that the member's supervisory procedures are reasonably designed with respect to the activities of the firm and its Associated Persons and Associated Persons, to achieve compliance with applicable securities laws and regulations.
- Create additional or amend supervisory procedures when the need is identified by such testing and verification.

The Firm's Chief Compliance Officer or his designee is responsible to ensure that the Firm's supervisory control policies and procedures are updated to reflect all new securities industry laws and rules as well as amendments to existing securities industry laws and rules.

In addition, FINRA Rule 3120 requires that the designated principal or principals 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 policies and procedures created in response to the test results.

The Firm's Chief Compliance Officer designates the Chief Compliance Officer as the Firm's principal who is responsible for the establishment, maintenance, and enforcement of the Firm's supervisory controls policies and procedures.

The Chief Compliance Officer or his designee will establish and implement any amended or additional written supervisory control policies and procedures as warranted by new securities industry laws and rules and/or amendments to existing laws and rules.

The Chief Compliance Officer or his designee will establish and implement any amended or additional written supervisory control policies and procedures as warranted by new securities industry laws and rules and/or amendments to existing laws and rules. The person(s) designated who are responsible for establishment, maintenance and enforcement of supervisory control policies and procedures are those identified in Exhibit B.

2.11 Restricted Firm Obligations

References: FINRA Rule 4111
Regulatory Notice(s): 21-34

Who: *Financial and Operations Principal*
When: *As Needed*
What: *Restricted Firm Obligations*
Evidence: *Bank Account and Other Financial Documents*
Retention Period: *Not less than five (5) years*
Date: *September 2021*

FINRA Rule 4111(a) requires that any FINRA member firm that is designated as a Restricted Firm establish a Restricted Deposit Account and deposit in that account cash or qualified securities with an aggregate value that is not less than the firm's restricted deposit requirement. **The Company is not designated at a Restricted Firm, but if it were ever to be so, the following would apply:**

FINRA Rule 4111(b) requires that FINRA to calculate annually the Preliminary Identification Metrics to determine if a firm meets the preliminary criteria for identification. If FINRA determines that a firm meets the preliminary criteria, the firm may reduce its staffing levels to such a number that no longer meets the Preliminary Criteria for Identification within 30 business days after being informed by FINRA. A firm many not rehire any person terminated to meet the staff reduction for a period of at least one year.

FINRA Rule 4111(d) requires that FINRA conduct a consultation with any firm that meets the Preliminary Criteria for Identification in order to allow the firm to demonstrate why it does not meet the Criteria and therefore should not be designated as a Restricted Firm. FINRA will notify a firm of its decision within 30 days of the Consultation.

FINRA Rule 4111(l)(15) permits FINRA to tailor a firm's maximum restricted deposit requirement based on a firm's size, operations and financial condition. FINRA requires that any restricted deposit be made to a Restricted Deposit Account that has been established in the firm's name, at a bank or at the firm's clearing firm. Such account must be subject to an agreement in which the bank or clearing firm agrees:

- not to permit withdrawals from the account without FIRNA's prior written consent.
- to keep the account separate from any other accounts maintained by the firm.
- that the cash or qualified securities on deposit will not be used directly or indirectly as security for a loan to the firm.
- that the cash or qualified securities on deposit will not be subject to any set-off, right, charged, security interest, lien, or claim of any kind in favor of the bank, clearing firm or any person claiming through the bank of clearing firm.
- that if the Firm is no longer a member firm, the assets deposited in the Restricted Deposit Account shall be kept in the Restricted Deposit Account and all withdrawals will not be permitted without FINRA's prior written consent.
- that FINRA is a third-party beneficiary to the agreement.
- that the agreement may not be amended without FINRA's prior written consent.

Supplementary Material .01 provides that deposits in any Restricted Deposit Account cannot be readily converted into cash and therefore must be deducted in determining a firm's net capital.

The Firm has not been identified by FINRA as a Restricted Firm. The Firm understands that if it becomes a Restricted Firm it must immediately establish and fund its Restricted Deposit Account. In addition, the Firm would amend its Written Supervisory Procedures to reflect this designation and include the use of the Rule 4111 Compliance Tool in the FINRA Gateway.

2.12 Reporting Requirements

References: FINRA Rule 4530
Regulatory Notice(s): 11-06, 10-21
Who: *Chief Compliance Officer*
When: *As Needed*
What: *Reporting Requirements*
Evidence: *Printouts of Submission Information*
Retention Period: *Not Less Than Three (3) Years*
Date: *May 2015*

FINRA Rule 4530 requires a firm to report to FINRA within 30 days after the firm learns or should have known that:

- The Firm or any associated member of the Firm has been found to have violated any securities/industry related law, rule, regulation, standard of conduct for any regulatory body or business/professional organization.
- The Firm or any associated member of the Firm is the subject of any written customer compliant involving theft or the allegation of misappropriation of funds or securities, or forgery.
- The Firm or any associated member of the Firm is named as a defendant or respondent in any proceeded brought by a regulatory/self-regulatory body alleging any violation of the Exchange Act or any other securities/industry related rule/regulation, statute, etc.
- The Firm or any associated member of the Firm has been denied registration or is expelled, suspended, instructed to cease and desist, barred or denied membership or continued membership or otherwise disciplined by any securities/industry regulatory/self-regulatory body.
- The Firm or any associated member of the Firm is indicted, convicted, pleads guilty or no contest to any felony or any misdemeanor that involves the purchase or sale of any security, or the taking of a false oath, making a false report, bribery, perjury, burglary, larceny, theft, robbery, extortion, forgery, counterfeiting, concealment, embezzlement, or the misappropriation of funds/securities or a conspiracy to commit any of these offenses by court.
- The Firm or any associated member of the Firm is a director, controlling stockholder, partner, officer or sole proprietor of, or an Associated Person with another firm, investment company, investment advisor, underwriter, insurance company that was suspended, expelled or registration denied/revoked by any regulatory body or was associated with any bank, trust company or other financial institution that was convicted or plead no contest to any felony or misdemeanor in court.
- The Firm or any associated member of the Firm is a defendant or respondent in any securities/commodities related civil litigation/arbitration or is subject to any claim for damages by a customer, broker or dealer related to financial services and such damages exceeded $15,000 (Associated Person) or $25,000 (firm).
- The Firm or any associated member of the Firm has or is involved in the sale of any financial instrument or funding/advise related to a financial instrument with any person who is subject to "statutory disqualification."
- An Associated Person of the Firm is subject to any disciplinary action taken by the Firm involving suspension, termination, withholding of compensation or other remuneration in excess of $2,500.00 (including the imposition of a fine) or has or is disciplined in any manner that would temporarily or permanently limit the individual activities.

In addition, FINRA Rule 4530 requires a firm to report to FINRA within 30 days after the firm has concluded or should have concluded that an Associated Person of the firm or the firm itself has violated any securities/industry related law, rule, regulation, standard of conduct of any regulatory/self-regulatory body.

FINRA Rule 4530 requires the reporting of statistical and summary information regarding customer complaints by the 15th day of the month following the calendar quarter in which the customer complaints are received by the member.

FINRA Rule 4530 also requires that a Firm promptly file with FINRA copies of:

- Any indictment, information or other criminal complaint or plea agreement for conduct with is reportable pursuant to this Rule.
- Any compliant in which a firm is named as defendant or respondent in any securities/industry related private civil litigation.
- Any securities/industry related arbitration claim filed against a firm in any forum other than the FINRA Dispute Resolution forum.
- Any indictment, formation or other criminal complaint, plea agreement or private civil complaint or arbitration claim against a person associated with a firm that is reportable under question 14 on Form U4 regardless of the dollar threshold, unless such claim as been filed in the FINRA Dispute Resolution forum.

All employees of the Firm are required to observe high standards of business and ethics in the conduct of firm duties and responsibilities. However, the Firm does recognize that there may be circumstances or situations that may need to be reported to FINRA as outlined in FINRA Rule 4530. Therefore, all Associated Persons of the Firm are required to immediately report to the Firm's Chief Compliance Officer, in writing, any action, or suspected action that may have an impact to the Firm, its employees, customers, or markets, this includes, but is not limited to the violation or suspected violation of any Firm policy or procedure or any security/industry rules or regulations. In addition, Associated Persons must immediately (no longer than 25 days) notify the Firm's Chief Compliance Officer in writing of any matter involving certain events, including:

- Conduct violating just and equitable principles of trade, any state or federal securities law, any rule or standards of conduct of any governmental agency, self-regulatory organization, or financial business or professional organization.
- Any written customer complaint involving allegations of theft or misappropriation of funds or securities or of forgery.
- Proceedings brought by any regulatory authority or organization.
- Injunctions, censures, suspensions, expulsions and other disciplinary or legal actions by any regulatory authority or organization.
- Indictments, convictions or conspiracies pertaining to criminal offenses involving securities, false oaths and reports, bribery, perjury, burglary, larceny, theft, robbery, extortion, forgery, counterfeiting, fraudulent concealment, embezzlement, fraudulent conversion, or misappropriation of funds or securities.
- Affiliations with institutions having been suspended, expelled or subject to denial or revocation of registration with a self-regulatory or other organization; or associations with a financial institution that has recently been found guilty of committing any felony or misdemeanor.
- Securities or commodities-related civil litigation or arbitration disposed of by judgment, award or settlement in excess of $15,000 ($25,000 for a member firm).
- Claims for damages by a customer, broker, or dealer that are settled for amounts in excess of $15,000 ($25,000 for a member firm).
- Associations with any business or financial activity with any person who is subject to a "statutory disqualification."
- Disciplinary action involving suspension, termination, the withholding of commissions or imposition of fines.

In addition, the Firm's Chief Compliance Officer or his designee is responsible for reporting any known or suspected violation of any security/industry rule or regulation conducted by the Firm, within thirty days of learning of such violation. The Firm's Chief Compliance Officer or his designee will report such issues to FINRA as required pursuant to FINRA Rule 4530. In addition, the Firm's Chief Compliance Officer or his designee will provide FINRA with required documentation which is applicable to such issue being report. The Firm's Chief Compliance Office or his designee will maintain copies of such documentation and any additional documentation generated in response or as resolution to such issue for a period of not less than three years from the date of the issue.

The Firm will report all statistical and summary information regarding customer complaints by no later than the 15th day of the month following the calendar quarter in which the complaint was received. The Chief Compliance Officer or his designee will submit the Firm's statistical and summary information. The Firm will maintain a printout of the submission and the Chief Compliance Officer, or his designee will initial the printout to evidence the review. The Firm will maintain a copy of the submission for a period of not less than three years from the date of the final resolution of the complaint.

3. SUPERVISORY PERSONNEL

3.1 Introduction

Company will determine that any applicable individual is qualified for a supervisory position. In addition, any Chief Compliance Officer (the CCO) will be designated on Schedule A of Form BD, is a principal, will have compliance responsibilities defined and documented, meets the requirements of Rule 3130 regarding the defined area of primary compliance responsibility, and has the responsibilities and expertise enabling them to fulfill their obligations.

3.2 Compliance Chart

Name of Supervisor:	• Hiring Supervisor - confirm qualifications • Compliance - determine registration requirements • Principal: See companion document organizational chart
Statutes	• FINRA Rules 1014(a)(10)(D) and 3110 – Supervisory Qualifications • FINRA Rule 3130.02 – the CCO Designations
Frequency of Review:	• As required

Actions	• Hiring supervisor:
	  ○ Evaluate candidate's qualifications including experience and knowledge
	  ○ Arrange for training, if necessary
	• Compliance:
	  ○ Confirm individual has required registration qualifications and, if not, arrange for the individual to complete the required exams
	  ○ Notify the hiring supervisor of added qualifications required and remind him/her the individual may not act as a supervisor until necessary registrations are obtained (unless a regulator allows for a grace period to act as a supervisor before registration is completed)
	  ○ Provide supervisory policies/procedures to the candidate if not already available to him/her
	  ○ Form BD – Schedule A: file any the CCO designations

Records	• Background and registration information in candidate's file • Record of exams as qualification • Record of providing supervisory policies/procedures • Form BD, Schedule A – the CCO designation

3.3 Designated Supervisors and Responsibilities

For all regulatory purposes, the Company's main office as listed on its Form BD is an office of supervisory jurisdiction under collective supervision of person listed in Exhibit B. the CCO as set out below herein.

Supervisor:	**Area of Responsibility:**	**Qualifications:**
The CCO		Series 4, 7, 24, 27, 53
Pres/CCO/the CCO/PFO/ AML CO	Business Development Retail Securities Activities	
Designated Supervisor Found in Exhibit B	Underwriting Activities* Discretionary Account Activities* Advertising Activities Supervision of Associated Persons Acceptance of Customer Accounts Review and Endorsement of Customer Orders Chief Compliance Officer Variable Insurance Products Options Transactions Municipal Transactions Record Maintenance and Retention Continuing Education Program Multi-State Registration Fixed Income Activities Mutual Fund Activities Private Placement and Direct Participation Program Activities* Anti-Money Laundering FINRA Executive Representative Municipal Securities Activities	

**Not Currently Engaged in This Activity*

Under the CCO: Home Office

Back Office Designees: Found in Exhibit C

3.4 Offices of Supervisory Jurisdiction (OSJ)

Name of Supervisor ("designated Principal"):	See Section 3.5 for names of Branch Office Managers, Branch Office Managers' Supervisors, if any, and Office Inspectors.
Frequency of Review:	Branch Office Manager--Continuous; on a daily basis Office Inspector:--as per cycle described in Section 3.5
How Conducted:	Branch Office Manager--Continuous; on a daily basis Office Inspector:--as per cycle described in Section 3.5 Review of office procedures, trade processing, personal trades, communications with customers, etc.
How Documented:	Branch Office Manager--Continuous; on a daily basis Office Inspector:--as per cycle described in Section 3.5

The Company's the CCO is responsible for oversight of the designation of principals in compliance with FINRA rules, as described below.

3.4.1 Supervision of Offices of Supervisory Jurisdiction (OSJ)

FINRA Rule 3110 of January, 2024 defines an OSJ as any office at which any one or more of the following functions take place:

(A) order execution or market making; (B) structuring of public offerings or private placements;*

(C) maintaining custody of customers' funds or securities; (D) final acceptance (approval) of new accounts on behalf of the member;

(E) review and endorsement of customer orders, pursuant to paragraph (b)(2) above;

(F) final approval of retail communications for use by persons associated with the member, pursuant to Rule 2210(b)(1), except for an office that solely conducts final approval of research reports[2]; or

(G) responsibility for supervising the activities of persons associated with the member at one or more other branch offices of the member.

**the firm does not originate offerings*
[2]OSJs are not tasked with advertising approval. That function is conducted by the Home Office.

FINRA Rule 3110(a)(4) requires a firm to designate one or more appropriately registered principals in each OSJ (defined in FINRA Rule 3110.03 as the "on-site principal") and one or more appropriately Associated Persons or principals in each non-OSJ branch office with authority to carry out the supervisory responsibilities assigned to that office by the firm as outlined below.

FINRA Rule 3110.03 (Supervision of Multiple OSJs by a Single Principal) clarifies the requirement in FINRA Rule 3110(a)(4) for a firm to designate one or more appropriately registered principals in each OSJ with the authority to carry out the supervisory responsibilities assigned to that office. The designated on-site principal for each OSJ must have a physical presence, on a regular and routine basis, at each OSJ for which the principal has supervisory responsibilities. The rule establishes a general presumption that a principal will not be designated and assigned to be the on-site principal pursuant to Rule 3110(a)(4) to supervise more than one OSJ. **If a firm** determines it is necessary to designate and assign a principal to be the on-site principal supervising two or more OSJs, then the firm must consider, among other things, the following factors:

- whether the on-site principal is qualified by virtue of experience and training to supervise the activities and Associated Persons in each location;

The Company's on-site principals have many years of experience and have completed some form of supervisory continuing education for the past five years as a part of their "Firm Element" or "Regulatory Element" of continuing education.

- whether the on-site principal has the capacity and time to supervise the activities and Associated Persons in each location;

The Company's on-site principals have the time to supervise the activities of the Associated Persons at their location. Of branches that supervise registered persons, a very limited number of persons are supervised.

- whether the on-site principal is a producing Associated Person;

All of the on-site principals are producing APs, but have adequate time to supervise.

- 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;

All of our on-site principals are on-site almost every business day.

and

- 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.

There is very little, if any, fixed income derivative, limited partnership, non-traded product or other complex product used by supervised APs at non-branch locations. It is estimated that 95%+ of the business conducted at locations are mutual funds, traded securities or variable product. No AP as of 12-31-23 has disciplinary history less than 10 years old.

FINRA Rule 3110.03 further requires the Company to establish, maintain and enforce written supervisory procedures regarding the supervision of all OSJs. The Company's the CCO shall undertake all such responsibility. In all cases where the CCO designates and assigns one on-site principal to supervise more than one OK, the CCO will document the factors used to determine why the Company considers the supervisory structure to be reasonable.

SEE THE EXHIBIT B FOR DESIGNATIONS.

3.4.2 Prohibition Regarding Supervision of Own Activities

In keeping with FINRA Rule 3110(b)(b), which requires procedure prohibiting supervisory personnel from, among other things, supervising their own activities, each of these supervisory are assigned an experienced principal from the home office to supervise their securities activities. All orders from these principals are reviewed by the home office and evidence of the approval (usually initials, signature either manually or via a rubber stamp) is made at the home office by the supervising principal.

3.4.3 Conflict of Interest and Inspection

A conflict of interest involves the examination of the home office in the office examination process. As there is no one in the firm that is "independent" of control of the president/chief compliance officer Hamman, there will be a "conflict of interest" in performing the examination of the office that is the home office. Under FINRA Rule 3110(c)(3), it is generally not permissible for an Associated Person who is assigned to a certain branch, or who is supervised by someone assigned to that branch, to conduct the mandatory inspection of that branch. This is designed to prevent the obvious conflict of interest (as well as potential intimidation, etc.) that would arise from a member of a branch's personnel inspecting their own office's activities. The examination of the "home office" office will be performed by either Hamman or David Fanshier. To mitigate this conflict of interest if the examination is performed by David Fanshier, as noted in 4.36, "Mr. Fanshier may not be terminated by the President," thus possibly eliminating or reducing the conflict of interest regarding that examination. The firm is obligated under Rule 3110(c)(3) to have procedures in place that are "reasonably designed to prevent the effectiveness of the inspections from being compromised due to the conflicts of interest that may be present and this is an attempt to do so." Other conflicts of interest are described in 4.9.2 and 4.9.3

As per FINRA Rule 3110(a)(6), each principal has passed a principal exam and has many years of experience. As of December, 2023 the shortest time a Company principal has held the principal license is 18 years and the longest is 33 years.

SEE EXHIBIT B FOR LISTING OF SUPERVISING PRINCIPALS

A copy of this Manual, or the relevant portions thereof, including amendments, can be accessed on the internet at the firm's website, www.firstassetfinancial.com under the *Compliance* tab OSJ by each location where supervisory activities are conducted on behalf of the Company (an electronic format is acceptable).

3.4.4 Best Practices for Hiring

3.5 Non-OSJ Branch Offices

Name of Supervisor ("designated Principal"):	See Section 3.5 for names of Branch Office Managers, Branch Office Managers' Supervisors, if any, and Office Inspectors.
Frequency of Review:	Branch Office Manager--Continuous; on a daily basis Office Inspector:--as per cycle described in Section 3.5 (Minium every 3 years for supervisory branches and at least every 5 years for non-supervisory branches)
How Conducted:	Review of office procedures, trade execution, personal trades, communications with customers, etc. Personal visits by designated supervisor, if any, and inspector: scheduled and unscheduled, if deemed necessary.
How Documented:	Customer account records, correspondence reviews, office visit records, Check for number of trades conducted at private residences and/or locations of convenience.

An OSJ branch office shall be defined as any location where one or more Associated Persons regularly conducts the business of effecting any transactions in, or inducing or attempting to induce the purchase or sale of, any security or holds itself out to the public as a location of business (i.e. advertising, signage, etc.), with certain exceptions. Each branch office shall be inspected according to a regular cycle. Both branch and Non-branch locations are considered to be supervised either by the home office or the OSJ assigned for supervision. The assigned supervisor will be listed at the end of this manual.

FAF invokes the "limited size and resources" exception in conducting all office inspections. The small number of salaried qualified employees at the home office dictates that FAF must use principals to conduct office inspections who have supervisory responsibilities or who may be supervised by such persons. The size, personnel, and scope of FAF does not allow the firm to comply with Rule without invoking the exception.

Under FINRA Rule 3110(a)(5) the assigned principals for the Branch Offices are listed in Exhibit B.

The Company shall assign each registered person to an appropriate Associated Person and/or principal who shall be responsible for supervising that person's activities. Reasonable efforts will be used to ensure that all supervisory personnel are qualified by virtue of experience or training to carry out their assigned responsibilities.

3.6 Non-Branch Offices

Many of the APs of the Company are not "housed" in an OSJ or Branch office. Many of the Company's registered personnel operate from locations exempt from registration as "branch offices." Many, in fact, work from their homes or from an office for which the primary purpose of the location is other than securities sales. Seven types of locations – often referred to as "unregistered offices" or "non-branch locations" – are excluded from the definition of "branch office": (1) any location that is established solely for customer service or back office type functions where no sales activities are conducted and that is not held out to the public as a branch office; (2) any location that is the associated person's primary residence, subject to certain conditions; (3) any location, other than a primary residence, that is used for securities business for less than 30 business days in any one calendar year, subject to certain conditions; (4) any office of convenience, where associated persons

occasionally and exclusively by appointment meet with customers, which is not held out to the public as an office; (5) any location that is used primarily to engage in nonsecurities activities and from which the associated person(s) effects no more than 25 securities transactions in any one calendar year (provided that any retail communication identifying such location also sets forth the address and telephone number of the location from which the associated person(s) conducting business at the non-branch locations are directly supervised); (6) the "floor" of a registered national securities exchange where a member firm conducts a direct access business with public customers; and (7) a temporary location established in response to the implementation of a business continuity plan. See FINRA Rule 3110(f)(2)(A)(i)-(vii).

AP's home is allowed to be used as a non-branch location if it meets the following:

- Only the AP and his immediate family members who live with him/her (and who are Associated Persons) work from the residence;
- The location may not be held out as an office;
- The Associated Person(s) may not meet with customers at the location;
- Customer cash nor securities may be handled at the location;
- The Associated Person or persons are assigned to a designated OSJ or branch office, which is reflected on all business cards, stationery, advertisements and other communications to the public;
- All communications with the public must be subject to the supervisory procedures described herein;
- All electronic communications must be transmitted using an approved email address;
- All orders must be entered through the designated branch office or through an electronic system established by the Company that is reviewable at such branch office

All Company compliance personnel must be diligent when establishing and enforcing supervisory standards for non-branch, and especially remote, offices. The CCO shall ensure that the following requirements are met by designated compliance personnel:

- Maintain a record of all non-branch offices;
- Assign a branch office or Office Manager to supervise the activities of the office;
- Educate all Associated Persons working in the offices as to their obligations to the Company and to the public, including communications with the public and prohibited sales practices;
- Maintain regular and frequent professional contact with such individuals;
- Establish and implement an inspection cycle and procedures designed to review the activities of each office and customer accounts to detect and prevent irregularities or abuses; and
- Make periodic unscheduled visits, if deemed necessary.

All application way orders from non-branch location are reviewed and approved by the home office OSJ, hence orders from the non-branch location are reviewed by a principal prior to submission. All of the non-branch locations are low producers, generally generating less than $20,000 in gross dealer concessions per year. Most all do less than 25 transactions per year. Due to the low level of production, the low number of transactions of these non-branch locations and the remote location of some non-branch it is not deemed necessary by the firm to examine them on a three year cycle based on each location having a low number of APs of only ONE each, a low activity level (most have less than 25 transactions per year), lack of a commercial office location (as most work out of their homes) and remote locations that make it economically unfeasible to conduct the examination based on production from that location. Therefore the cycle of the non-branch locations will be **five** years as permitted under exception (see 3.7.2).

3.7 Inspections

3.7.1 General Inspection Guidelines

Under the leadership and authority of the CCO, the Company establishes a cycle for inspecting each of its office locations. Whenever possible, inspections shall be performed by an employee of the company who is independent of the supervisory chain of command for the subject AP.

The CCO is responsible for determining whether an office inspection is announced or unannounced. In particular, in selecting which if any office inspections shall be unannounced, the CCO will take into consideration:

- Red flags such as poor compliance with company requirements
- Input from office operations personnel
- Customer complaints
- 'high maintenance' APs
- APs with high volumes of advertising and/or seminars

The CCO will maintain inspection reports for each office inspection conducted for three years or for five years in the case of those non-branch locations inspected that far apart.

FINRA Rule 3110 (3) generally prohibits an Associated Person from conducting a location's inspection if the person either is assigned to that location or is directly or indirectly supervised by, or otherwise reports to, someone assigned to that location, however does allow compliance personnel assigned to a firm's separate compliance department and supervised solely by the compliance department to conduct a location's inspections. The Company's the CCO is responsible for determining the appropriate inspection personnel on a case by case basis.
Rule 3110 generally provides exception for firms with limited size and resources from the general prohibitions regarding who can conduct a location's inspection. As such if the Company determines that it cannot comply with FINRA Rule 3110(c)(3)'s general prohibitions, it will document in the inspection report both the factors used to make its determination and how the inspection otherwise complies with FINRA Rule 3110(c)(1). Generally, the Company's the CCO will generally rely on the exception because it has a business model where small or single person offices report directly to an OSJ manager who is also considered the offices' branch office manager (e.g., independent contractor business model). Notably, the CCO and CCO may themselves perform inspections of branch, non-branch and OSJ offices.

3.7.2 Non-Branch Cycle Exception

Although Branch Offices will be inspected on a three year cycle, the Company will review of non-registered branches will be conducted on a 5 year cycle. The justification for the length of this cycle includes:

a. Most of the non-branch offices generally produce a minimal amount of securities business of less than 25 trades per year.
b. All non-branch Associated Persons must conduct their securities business at the home office. Consequently all business conducted from a non-branch location is processed and reviewed through the home office.
c. There is not a single non-branch location that has more than one Associated Person.
d. All the non-branch locations are either the Associated Person’s home (over half) or at their non-securities business location.
e. Each year almost all non-branch locations produce less than $20,000 gross commission per year, with many less than $3,000.

f. With such low production, it does not make it economically feasible to visit the low production non-branch locations often.
g. Based on minimal production, it would inappropriate for the CCO to justify the time away from the firm for the inspection of a non-branch location that produces little in the way of revenue, number of transactions and all orders from that location have been reviewed at the home office.
h. For those non-branch locations in the APs home, the customers are not present in the APs home office. Any sales are conducted at the customer's home, office or other location away from the home of the AP.

In addition, pursuant to FINRA rules, the CCO and his Compliance Department designees are responsible for the supervisory reviews. However, there is no senior or otherwise independent person in the firm to meet the requirement to review the activities of the Company's President and CCO, the CCO, and therefore must claim the "limited size and resources" exemption where he is concerned. As per Regulatory Notice 14-10, there is no notice necessary relying on the FINRA Rule 3110.10 "small firm" exception.

3.8 Appointment of Chief Compliance Officer *[FINRA Rule 3130(a)]*

The Board of Directors of First Asset has appointed the CCO as the Chief Compliance Officer ("the CCO") in accordance with FINRA Rules. He is so designated on Schedule A of the Company's Form BD and the Company evidences its compliance with this rule requirement by maintaining a copy of Form BD, including the supporting schedules.

3.9. Annual Certification [FINRA Rule 3130(b)]

Name of Supervisor:	• CCO as Designated in Exhibit B
Statutes	• FINRA Rule 3130 – Annual Certification
Frequency of Review:	• How often are supervisory reviews to be conducted (daily, weekly, *etc.*)?
Actions	• How supervision is to be conducted (*i.e.*, review a report, read correspondence, interview AP or customer, *etc.*).
Records	• What record is made that supervision was conducted? *Generally supervisors are expected to initial and date reports or other records, note any action taken, and retain that information in their files.* • Reviews and verification of procedures

Annual Compliance and Supervision Questionnaire

The Chief Compliance Officer ("CCO"), will certify annually, that the Company has in place, procedures to establish, maintain, review, and modify written compliance policies and written supervisory procedures reasonably designed to achieve compliance with FINRA, MSRB and federal securities laws and regulations

and that he has conducted at least one or more meetings with the Chief Compliance Officer within the last 12 months. The certification shall use the model language of FINRA Rule 3130 (b) & (c).

Each year the Company's CCO will certify that the Company has in place processes to establish, maintain, review, and modify written compliance policies and supervisory procedures reasonably designed to achieve compliance with applicable FINRA rules, MSRB rules, and federal securities laws and regulations and has conducted one or more meetings with the CCO in the preceding 12 months to discuss the processes. The review may be conducted in the first 60 days for the preceding calendar year. In these meetings, the CCO and designated top business officer should discuss and review the matters that are the subject of the certification; discuss and review the Company's compliance efforts as of the date of such meetings; and identify and address significant compliance problems and plans for emerging business areas.

This certification is required under FINRA Rule 3130(b) and should be in the form outlined in IM-3130.

The meetings between the CCO and the Chief Compliance Officer are designed to (1) discuss and review the matters that are the subject of the certification; (2) discuss and review the Company's compliance efforts; and (3) identify and address significant compliance problems and plans for emerging business areas. Of course, the CCO and the CCO are one and the same, so the firm should be exempt from this regulation, but it is apparently not.

The Company evidences its compliance with this rule requirement by maintaining a log, memo, calendar, agenda/outline of meetings, or other similar documentation.

Non-Cleared Blotter (Daily Activity) Review

The Company shall call for the non-cleared Blotters (Daily Activity Reports) from all OSJs, branch offices, and non-branch satellite locations every six months (normally January 1-June 30 and July 1 - December 31). Once received the blotters should be reviewed for compliance with firm policy. They should also be reviewed in an attempt to find any apparent irregularities. This review shall be performed by the CCO of the firm or his designee.

4. SUPERVISION OF ASSOCIATED PERSONS

4.1 Introduction

All registered Associated Persons shall be assigned to a qualified supervisor of the Company (Exhibit A). Further, all Associated Persons shall be responsible for familiarizing themselves with the Company's Written Supervisory Procedures and annual completion of the Company's Questionnaire and Certification. All Regulatory notices received by Company via e-mail will be forwarded to all applicable supervisors. Each supervisor is responsible for familiarizing themselves with the contents as well as disseminating the information to the Associated Persons under their control, if applicable.

4.2 Compliance Chart

Name of Supervisory:	• the CCO • Designated Supervisor
Statutes	• FINRA Rule 1240 – Continuing Education • FINRA Rule 2150 – Guarantees & Sharing in Accounts • FINRA Rule 3220 – Gifts & Gratuities • FINRA Rule 6140(e) - Rumors • FINRA Rules 1000 –Registration; 2000-Business Conduct; 3000 series - Supervision • FINRA Rule 2273-Educational Communication Delivery Requirement
Frequency of Review:	• Annual Company Element CE • As required for Regulatory Element, • Annual Questionnaire and Certification • Annual review of procedures • Review of move from BD to IA
Actions	• Filings in CRD • Review notice filings of APs • Review trades • Conduct compliance meetings and training • Conduct Company Element CE and ensure compliance with Regulatory Element • Conduct branch office reviews • Immediately notify Compliance of terminating registered employees • Immediately notify Compliance of terminating non-registered employees where termination was caused by theft or fraud • Reassign accounts • Compliance file Form U5 for terminating APs • Compliance provides the terminated AP with a copy of the AP's Form U5 within 30 days of termination • Review of Customer Recommendation form for BD to IA move
Records	• The CRD electronic files • Company personnel files and records • Compliance meeting records • Continuing Education records • Internal reviews • Customer Recommendation Form

4.3 Certification of New Employees/Filings

Prior to employment, any statutory disqualifications, and experience will be checked for by the CCO, or his designee, using one (l) or more of the following:

a. Credit check (optional)
b. Request confirmation of previous employment by letter to previous employer;
c. Personal contact with previous employer;
d. Review of Form U-5 filings made by previous employer(s); or
e. Review of Pre-Hire Report obtained through Broker Check.
f. A background check from the internet under FINRA Rule 3110(e)) to aid in determining the accuracy of Form U-4 information

This investigation includes registered and non-registered personnel. After employment, review of fingerprint card reports will be conducted as well as part of the Company's review of an employee's criminal background check.

The CCO of the Company has been verbally assured by top FINRA management that the Company can rely on the FBI's background check made from the fingerprint cards as a valid criminal background check of each individual for whom fingerprints are submitted.

Under FINRA Rule 3110(e) FAF meets facets of the Rule in the following manner:

a. Obtain a copy of the driver's license or other acceptable documentation to verify the identification of the person (implemented in 2015).
b. Verify the prior employment of the person for the past three years. Note that the Form U-5 will be suitable verification for employment. Letters will be sent to any other employer within the past three years. Sole proprietors or other entities owned by the hire will not be contacted.
c. A credit report will be ordered to ordered to further verify information on the prospective AP
d. The finger print card read by the FBI as a part of the FINRA/CRD process will be relied upon for a criminal background check. As per the FINRA page, www.finra.org/industry/web-crd/name-check-3rd-illegible-fingerprint-processing-results. It states "When the FBI identifies a third successive fingerprint card as "Illegible," FINRA requests that the FBI conduct a search of its database based on the Associated Person's name (Name Check) rather than on the fingerprints submitted, to verify whether the database contains Criminal History Record Information (CHRI) on that individual." Consequently, First Asset will rely on the FBI for a background check for criminal activities as they have the best source and systems to determine that information by name of the applicant.
e. The Company, through Compliance, shall use its best efforts to obtain copies of each person's Form U-5 filing as filed by that person's previous employer through the FINRA/CRD or the individual applicant. Notwithstanding the requirement to obtain copies of the most recent Form U-5 filing, the Company recognizes the fact that due to electronic filings of Form U-5s with FINRA/CRD and or closure of the previous employer, a Form U-5 may not be available on every individual.

All new Associated Persons to become registered with the Company with FINRA shall receive an application package from Compliance consisting of the following materials:

1. Form to complete containing elements of the U-4
2. U-4 Disclosure Statement (regarding the predispute arbitration clause);
3. Fingerprint cards (if such service is still available) or instructions on processing locations to provide electronic fingerprints
4. A contract and contract addendum outlining the commission payout

Obtaining fingerprint cards for submission to the FBI will be obtained from a reputable source convenient for the candidate. The Company does not handle fingerprint card processing in-house.

All newly Associated Persons will be required to meet with the CCO or designated Principal for a personal interview and compliance briefing either in person on the telephone within the first 90 days of being registered with the Company. The Company will not employ any individual who has been statutorily disqualified.

It shall be the responsibility of the CCO, or his designee, to ensure that the appropriate employee files are established and maintained for each new Associated Person and that all necessary documents are filed on behalf of that Associated Person with FINRA. Amendments and other documents available in the FINRA CRD system that are not required for paper files do not have to be maintained in the Company files.

If examinations are requested for the Associated Person, a note should be made in the individual's file. The CRD reflects outstanding exam requests and/or exam approval's expiration date with FINRA. Should an Associated Person fail a qualification examination, the Company must ensure compliance with FINRA's examination retake policy.

Registration Requirement

All individuals engaged in activities subject to registration requirements of SROs or other regulators must complete the necessary registration and licensing prior to engaging in such activities. Employees may not conduct business with public customers until required registrations or licenses are effective. Associated Persons, who assume duties that require registration with FINRA as a principal, must pass the appropriate principal's examination.

State Registrations

Associated Persons must be registered in the state from which they conduct business and may be required to be registered in other states where customers are domiciled. Most states require successful completion of the Series 63 Uniform State Agent Securities Law Examination or Series 66. Successful completion of the exam does not automatically confer registered status on the examinee. Application must be made to the CRD to obtain each state registration. The designated supervisor is responsible for identifying transactions in states where registration may be required.

Dual Registration

A “dual licensing” with is a situation that exists where an Associated Person maintains a license with another broker-dealer as an Associated Person, a registered investment advisor or an investment advisor representative. Written approval from the President of the Firm is required before any Associated Person may maintain dual registration. The Firm recognizes that many state jurisdictions restrict or prohibit “dual licensing” and any such activity must be conducted with full knowledge of these state restrictions.

Dually Registered Person with Registered Investment Adviser Firm

If an FAF Associated Person becomes registered with a registered investment advisery firm (RIA) that is (by definition under Form ADV) an "affiliated" with FAF, the registration process is tacit approval by FAF for that "outside activity." As FAF is fully cognizant of the nature and scope of the "affiliated" RIA activity, there is no requirement to complete the "outside business activity form." Registration with the associated RIA is accomplished through IARD/CRD which is administered by FINRA comprises application to and approval by FAF for the "outside" activity through an affiliated RIA. For this reason the "normal" outside business activity form is not necessary. At the current time, FAF does not permit Associated Persons to be registered with a nonaffiliated RIA.

Update of Form U-4

All registered personnel have an ongoing obligation to update their Form U4 when any information changes by reporting such changes to the Designated Principal or designee. This includes, but is not limited to: changes in residence address, changes in outside business activities, changes in employment, judgments from creditors, child support orders, federal and state tax levies, and bankruptcy wage withholding orders or changes in responses to disclosable events.

Updates to the Form U4 must be filed:

- Regarding any criminal offense; arrest, arraignment, indictment or conviction, pleading guilty or no contest
- Changes in residence address, changes in outside business activities, changes in employment, judgments from creditors, child support orders, federal and state tax levies, and bankruptcy wage withholding orders or changes in responses to disclosable events
- Disciplinary action, formal complaint or proceeding initiated by any regulator or professional organization (bar association, etc.)
- Temporary or permanent injunction by any state or federal court from engaging in any conduct relating to securities, commodities, insurance or banking matters
- Bankruptcy

APs are to notify the Company when any of the above occur and, subsequently, the U4 will be updated to reflect the new information.

FINRA Rule 3270

In accordance with FINRA Rule 3270, no Associated Person shall accept compensation from any other person, or entity, as a result of any business activity, other than as a result of a passive investment, outside the scope of his relationship with the Firm unless he has provided written notice to the Firm prior to entering into such compensatory relationship, and the Firm has approved such relationship. Supplemental Material to FINRA Rule 3270 sets forth the obligation of the Firm upon receipt of written notice of a proposed outside business activity.

FINRA Rule 3270 requires that, upon receipt of a written notice, the Firm must consider whether the proposed activity will (1) interfere with or otherwise
compromise the Associated Person's responsibilities to the Firm and/or the Firm's customers, or (2) 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. Additionally, based upon the Firm's review of such

factors, the Firm must evaluate the advisability of imposing specific conditions or limitations on an Associated Person's outside business activity, including, where circumstances warrant, prohibiting the activity. The Firm must 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 transaction subject to the requirements of FINRA Rule 3280. The Firm must keep a record of its compliance with these obligations.

Conditions of Registration, Including Termination on Form U5

Each Associated Person should understand that association with the Company is not a right but a privilege. Continuing and diligent compliance with the Company's policies and procedures and an ability to coordinate and grow with the Company's business objectives will generally mean that a Representative is welcome, supported and encouraged to stay. However, the Company's management retains the power, at its sole discretion, to retain or terminate the registration of any person at any time and for any reason. In the event of a serious concern as to the appropriateness of a Representative's continuing association with the Company, its management has the right (and in cases where FINRA Rules require it, management shall) terminate the Representative's association with the Company and submit all relevant electronic filings.

The Associated Person, should he/she be terminated by the firm, voluntarily resign from association with the firm, and/or be disciplined by any regulatory authority, resulting in suspension or loss of license, will not be refunded, in whole or in part (pro-rata), any fees paid to be associated with, and/or continue to be associated with the firm. The CCO is the final decision makers with regard to the content of all termination-related regulatory filings. In particular, the CCO has ultimate authority to determine the reason for termination.

Upon termination of registration, the CCO or her designee is required to file notice thereof with FINRA on Form U5 within 30 days of the effective date of such termination. This filing must take place electronically on Web CRD. Upon receipt of Form U-5 in proper order, FINRA will amend the CRD record of the Representative to reflect the termination. The designated Principal or his designee must provide the Representative with a copy of his Form U-5 within 30 days of the time the filing is made and will evidence that a copy of the Form U-5 in a manner deemed appropriate by the CCO. APs are hereby advised that there are sections of the Form U4 and U5 that they may individually amend post-termination. Instructions for making such amendments are found on the FINRA website.

Also upon termination, the CCO or his designee shall file an amendment to Form BR as appropriate to notify FINRA of the branch closure, if applicable. FINRA rules provide that no Associated Person shall continue to be associated with a member Company if he/she fails or ceases to satisfy the qualification requirements or becomes subject to disqualification. Grounds for disqualification include: violation of FINRA Rules, making of false statements in applications or reports, conviction of a securities related crime, being enjoined by a court from engaging in any securities related business, failing to maintain effective licensure, failure to reimburse the Company for fees expended or fines levied either externally or internally, failure to reimburse Company for customer debits or chargebacks, failure to repay the Company for fines incurred based on AP's actions, among other reasons.

It shall be the responsibility of the Designated Principal, or designee, to ensure that the appropriate employee files are established for each new Associated Person and that they are maintained for at least three years after the person's departure from the Company.

Form BD Amendments

The Company will keep its membership application current by preparing amendments to its Form BD, not later than 30 days after learning of the facts or circumstances leading to any required amendment. The CCO, CCO or designee will evidence approval of the change by signing and dating the amendment.

4.3.1 Associated Persons Files

Rule 17a-3(a)(12) identifies the records and information that must be maintained with respect to each Associated Person. FAF will create records of all offices at which each Associated Person regularly conducts business as well as of all identification numbers assigned to the Associated Person.
In addition to a copy of the Form U-4 and amendments, the file will include records of every written complaint received by FAF against each Associated Person records of all agreements pertaining to the Associated Person's relationship with the broker/dealer and a summary of each Associated Person's compensation arrangement. Records listing transactions for which each Associated Person will be compensated will be present in the accounting system maintain by FAF.

4.3.2 Fingerprinting Unregistered Personnel Exemption- SEC 17f-2(a)

FAF claims the exemption under the provisions of SEC Rule 17f-2(a) which exempts Associated Persons from the fingerprinting requirement provided that person:

(1) Is not engaged in the sale of securities, and

(2) Does not regularly have access to the keeping, handling or processing of securities, and

(3) Does not regularly have access to the keeping, handling or processing of Monies, and

(4) Does not regularly have access to the original books and records relating to the securities or the monies, and responsibility over persons engaged in the activities referred to in paragraphs (1), (2), (3) and (4) above, and

(5) Provided that notice as required by SEC Rule 17f-2(a), (reproduced in SPM 5.14(C) below for informational purposes, and is maintained.

However, FAF retains the right to fingerprint such Associated Person at any time.

4.3.3 New Associated Person Review

Registered representatives with established customer bases may, from time to time, change their association with member firms. In these situations, the representative will typically attempt to transfer the customer's assets, including mutual funds and variable products directly to the new firm. Often, these products are held directly with the issuer or may be a proprietary product of the representative's prior employing firm. The firm should take action to ensure that any replacement recommendations of the new representative are made only after a full determination has been made that the transaction(s) are in the best interests of the client and are suitable.

4.4 Outside Business Activities and Private Securities Transactions

Name of Supervisor ("designated Principal"):	Chief Compliance Officer Executive Representative
Frequency of Review:	Review of notification when received; document consideration of OBA. Review of selling away transactions: as described in this Manual, as with all securities transactions (daily)per
How Conducted:	Review (or have reviewed) Business Continuity Plan to assess its continued viability; require changes when necessary to maintain an updated document. Confirm contact info has been provided to FINRA. (Exec. Rep.) Document analysis, restrictions and/or prohibitions of OBA. Monitor OBA if necessary based on analysis. Correspondence Reviews Compliance Review, Interviews, Audits Review of BD accounts anticipated to be transfer to an affiliated registered investment adviser.
How Documented:	Records of review and approval of original and revised versions, notification forms, analysis records, investigation records and checklists
3010 Checklist:	Consolidated. FINRA Rule 4370, Consolidated FINRA Rule 3270, NASD Rules 3040, 3010(c); Notice 01-79, 10-49 CHECK

4.4.1 Introduction

The firm is authorized to employ the services of "Independent Contractors" to engage in specific business activities for the firm. If certain individuals are associated with the firm as "Independent Contractors," it is clear that independent contractors are not to be considered "employees" of the firm for compensation or other matters as stated under Internal Revenue Service (IRS) guidelines. It is noted, however, that FINRA uses the term "employee" to refer to the independent contractors as well.

4.4.2 Supervision of Independent Contractors

Absent physical impossibility by geographic distribution or clear inapplicability, All independent contractors are responsible for adhering to, and maintaining compliance with, all company policies and procedures governing other firm personnel. The firm's designated supervisor is responsible for monitoring and supervising the firm's activities concerning the use of independent contractors.

4.4.3 Independent Contractor Agreement

If a registered person becomes affiliated with First Asset Financial Inc. as an independent contractor, the firm will require that the representative reads and signs an Independent Contractor Agreement. This document details terms and conditions for providing independent contractor services to the firm.

4.4.4 Use and Display of Firm Name

All select independent contractors who are affiliated with the firm may only use the firm's name in connection with authorized products and services of the firm. Letterhead, business cards, or other materials bearing First Asset Financial Inc.'s name are to be used only in a manner approved by the firm.

4.4.5 Use of Other Business Names and Entities

The firm recognizes that independent contractors may need to establish and structure their places of business in the form of a sole proprietorship, partnership, corporation, doing-business-as name (d/b/a), or other corporate or nominal entity. If an independent contractor wishes to establish a business entity outside First Asset Financial Inc., he or she must obtain approval for the business name and corporate structure prior to its use if instituted after August, 2015 via an "outside business activity" form. The firm's designated supervisor is responsible for reviewing all requests for conducting business through another business entity and will retain approval of all such requests. An exception for this policy would be association with an "affiliated" registered investment advisery firm. Caution should be used to disclose the Company and its contact information if printed material is used to solicit securities business as well as any other business of the outside entity or DBA.

4.4.6 Outside Business and Account Activities

All independent contractors are responsible for complying with all of the firm's policies and procedures. If an independent contractor wishes to conduct Outside Business Activities, or hold securities accounts outside of the firm, all necessary procedures must be followed.

Associated Persons are required to disclose to the Firm, in writing, any outside business activities prior to engaging in such activity. Charitable activities are not included in this requirement unless the employee is being compensated for such activity. Outside business activities may include a wide range of activities including but not limited to the following:

Employment with an outside entity

Acting as an independent contractor to an outside party

Serving as an officer, director or partner

Acting as a finder

Referring someone and receiving a referral fee

Receiving other compensation for services rendered outside the scope of employment with the Firm

Compensation may include salary, stock options or warrants, referral fees or providing of services or products as remuneration. Generally, remuneration, consisting of anything of present or future value for services rendered, may be considered compensation.

In accordance with Rule **3270 and 3040** of FINRA Rules, no AP shall accept compensation from any other person, or entity, as a result of any business activity, other than as a result of a passive investment, outside the scope of his/her relationship with the Company unless he/she provides prompt written notice to the Company **prior** to entering into such compensatory relationship, and the Company has approved such relationship in writing. Further, no AP of the Company shall participate in a private securities transaction without first obtaining the prior written approval of the CCO or his designee. An Outside Business Activity (OBA) form should be used by APs seeking to engage in an OBA and to submit to the Company. Company will provide the AP a response in writing a response to the AP indicating either approved or disapproved. An "Outside Business Activity" form should be used by APs seeking to engage in an OBA and to submit to the Company. Company will provide the AP a response in writing a response to the AP indicating either approved or disapproved.

The information on Form U-4 for such activity is considered "written permission" to engage in the described activities, either under "employment" and/or "other activities." Any outside business activity reported on Form U-4 will be considered prompt written notice of outside business activity and filing of the U-4 will be considered written approval by FAF. Notice of FAF's acknowledgement and allowance of any outside business activity done away from the firm without the firm's supervision may also be so noted on Form U-4 under "Other Business" and verified by entry into the CRD system. This information should be available to the public under FINRA "Broker Check" system.

Further, Company will have to consider whether the proposed activity will: (1) interfere with or otherwise compromise the registered person's responsibilities to the Company's and/or its customers, or (2) be viewed by customers or the public as part of the Company's business. Based on the review, the Company will have to evaluate whether to impose specific conditions or limitations on a registered person's outside business activity up to and including prohibiting the activity. Company will also have to evaluate the activity to determine whether the activity is truly an outside business activity or whether it should be treated as an outside securities activity subject to the requirements of FINRA 3270 (NASD Rule 3040).

No Associated Person may use the Firm's name in any manner which could be reasonably misinterpreted to indicate a “tie-in” or direct association between the Firm and any outside activity of the Associated Person.

4.4.7 Notification to FINRA in Connection with the JOBS Act

References: FINRA Rule 4518
Regulatory Notice(s): 16-06

Who: *Chief Compliance Officer*
When: *As Needed*
What: *Notification to FINRA in Connection with the JOBS Act*
Evidence: *Written Approval*
Retention Period: *Not less than five (5) years*
Date: *January 2016*

FINRA Rule 4518 requires that a firm notify FINRA:

- prior to engaging in a transaction involving the offer or sale of securities in reliance on Section 4(a)(6) or the Securities Act
- within 30 days of directly or indirectly controlling, or being controlled by or under common control with, a funding portal (Crowdfunding).

FINRA Rule 4518 requires that a firm [provide the required notification to FINRA via the FINRA Firm Gateway and updating the firm’s profile information, as indicated on the “Additional Business Types” section of the “Business Activities” page. (FINRA reminds firms to consider its approved business activities related to private placements, as a firm may be required to submit a change of membership application prior to conducting this business activity.)

The Firm does not permit any of its Associated Persons to conduct business activities related to crowdfunding involving the offer or sale of any security. The Firm understands that it must file a Change of Membership Application (CMA) in order to change it Membership Agreement to include this business activities. In addition, the Firm is aware it must have established and implemented written supervisory procedures prior to conducting such activity.

4.4.8 Private Securities Transactions

Definitions
“Private securities transaction" shall mean any securities transaction outside the regular course or scope of an Associated Person's employment with a member, including, though not limited to, new offerings of securities which are not registered with the Commission, provided however that transactions subject to the notification requirements of Rule 3050, transactions among immediate family members (as defined in Rule 2790 "Purchase and Sale of IPOs of Equity Securities"), for which no Associated Person receives any selling compensation, and personal transactions in investment company and variable annuity securities, shall be excluded. Activities performed in conducting business with *affiliated* Registered Investment Advisor corporation domiciled in Kansas is exempt from the definition of a "private securities transaction" as well.

"Selling compensation" shall mean any compensation paid directly or indirectly from whatever source in connection with or as a result of the purchase or sale of a security, including, though not limited to, commissions; finder's fees; securities or rights to acquire securities; rights of participation in profits, tax benefits, or dissolution proceeds, as a general partner or otherwise; or expense reimbursements.

Prior to participating in any private securities transaction, an Associated Person shall provide written notice to the Company describing in detail the proposed transaction and the Associated Person's role therein 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. Subsequently, the Company shall advise the Associated Person if the transaction is approved or disapproved. If approved, the Company shall maintain the transaction in its books and records and the applicable principal shall supervise the Associated Person's participation in the transaction as if it were executed through the Company. If not approved, the Associated Person shall not participate in the transaction. In the case of transaction(s) where there is no selling compensation, the Company will provide the Associated Person with written acknowledgment of any notice and may, at its discretion, require certain conditions related to the transaction(s).

FINRA Rule 3280 requires Associated Persons to provide notice to the Firm, in writing, of any proposed transaction before a private securities transaction is made. The notice must describe the proposed transaction(s) in detail and the Associated Person's proposed role and must also state whether the individual has received or may receive selling compensation (including any type of referral fee). Oral notice to the firm is not sufficient to meet the requirements of Rule 3280 if the transaction is considered a private securities transaction. If the Associated Person expects to receive compensation, the Firm must advise the Associated Person, in writing, whether it approves or disapproves the person's participation in the proposed transaction. If the Firm disapproves the participation by the Associated Person, he or she may not participate in the transaction in any manner, directly or indirectly.

If the Firm approves the Associated Person's participation in the proposed private securities transaction, it must record the transaction on its books and records and supervise that Associated Person's participation in the transaction as if the transaction had been executed on behalf of the Firm. The Firm must also exercise appropriate supervision over the Associated Person to prevent securities laws violations.

The Firm currently prohibits private security transactions.

4.5 FINRA Rule 3220. Gifts & Gratuities/Influencing or Rewarding Employees of Others

In accordance with **Rule 3220** of FINRA Conduct Rules:

a) The Company nor any Associated Person shall, directly or indirectly, give or permit to be given anything of value, including gratuities, in excess of one hundred dollars **($100)** per individual per year to any person, principal, proprietor, employee, agent or representative of another person where such payment or gratuity is in relation to the business of the employer of the recipient of the payment or gratuity. The rule protects against improprieties that may arise when members or their Associated Persons give gifts or gratuities to employees of a customer. A gift of any kind is considered a gratuity.

(b) This Rule shall not apply to contracts of employment with or to compensation for services rendered by persons enumerated in paragraph (a) provided that there is in existence prior to the time of employment or before the services are rendered, a written agreement between the member and the person who is to be employed to perform such services. Such agreement shall include the nature of the proposed employment, the amount of the proposed compensation, and the written consent of such person's employer or principal.

(c) A separate record of all payments or gratuities in any amount known to the Company, the employment agreement referred to in paragraph (b) and any employment compensation paid as a result thereof shall be retained by the Company for the period specified by SEC Rule 17a-4.

Personal Gifts/Exclusions
The prohibitions in Rule 3220 generally do not apply to personal gifts such as a wedding gift or a congratulatory gift for the birth of a child, provided that these gifts are not "in relation to the business of the employer of the recipient." In determining whether a gift is "in relation to the business of the employer of the recipient," members should consider a number of factors, including the nature of any pre-existing personal or family relationship between the person giving the gift and the recipient, and whether the Associated Person paid for the gift. When a firm bears the cost of a gift, either directly or by reimbursing an employee, FINRA presumes that such gift is in relation to the business of the employer of the recipient. The analysis of whether a gift is "in relation to the business of the employer" is required in connection with all gifts; firms should not treat gifts given during the holiday season or for other life events as personal in nature.

De minimis and Promotional Items
Rule 3220 also does not apply to gifts of de minimis value (e.g., pens, notepads or modest desk ornaments) or to promotional items of nominal value that display the firm's logo (e.g., umbrellas, tote bags or shirts).1 In order for a promotional item to fall within this exclusion, its value must be substantially below the $100 limit. Gifts valued in amounts above or near $100 would not be considered nominal. For example, expensive leather luggage and crystal pieces, notwithstanding the presence of firm logos, are not eligible for the exclusion for promotional items of nominal value. FINRA also generally does not apply the prohibition to customary Lucite tombstones, plaques or other similar solely decorative items commemorating a business transaction, even when such items have a cost of more than $100.

Exceptions permit:

- gifts that do not exceed an annual amount per person fixed by the FINRA Board of Governors (currently $100) and are not preconditioned on achievement of a sales target;
- 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;
- payment or reimbursement by "offerors" (product issuers, advisers, underwriters and their affiliates) in connection with training or education meetings, subject to certain conditions, including meeting location restrictions and not preconditioning attendance on achievement of a sales target; and
- internal firm non-cash compensation arrangements that are based on total production and equal weighting of product sales. (Rules 2310 and 5110 do not impose total production and equal weighting requirements on internal non-cash compensation arrangements.)

Aggregation of Gifts
Rule 3220 imposes a gift limit of $100 per individual recipient per year. To ensure compliance with this $100 limit, Company must aggregate all gifts given by each Associated Person to a particular recipient over the course of a year. In addition, Company is aggregating all gifts given by the firm and its Associated Persons on a calendar year basis beginning with the first gift to any particular recipient.

Valuation of Gifts
In general, gifts should be valued at the higher of cost or market value, exclusive of tax and delivery charges. When valuing tickets, a member should use the higher of cost or face value. If gifts are given to multiple recipients, members should record the names of each recipient and calculate and record the value of the gift on a pro rata per recipient basis, for purposes of ensuring compliance with the $100 limit. A gift basket worth $250 delivered to an office of three individuals for the benefit of each individual would be permissible under the Rule.

Supervision and Recordkeeping
All gifts applicable to the foregoing paragraphs in this section must be (i) reported to the Company, (ii) reviewed for compliance with said rule by the CCO, the CCO or the designated principal, including aggregation as discussed above, and (iii) maintained in the Company's records. Items of de minimis value or nominal promotional or commemorative items are not subject to Rule 3220's record-keeping requirements.

4.6 Outside Securities Accounts & Transaction Reviews of Covered Accounts

In accordance with Rule 3210 of FINRA Rules, all Associated Persons shall be required to notify FAF, the CCO or CCO on behalf of the Company of the existence of any and all securities accounts maintained by the Associated Person with any foreign or domestic brokerage firm, bank, investment adviser or other financial institution. Further, all Associated Persons shall be required to notify the CCO, the CCO or designated person and the executing firm in writing, prior to opening a securities account or placing an initial order for the purchase or sale of securities with another firm, any foreign or domestic brokerage firm, bank, investment adviser or other financial institution. Finally, for purposes of this section, notification shall not be applicable to transactions and or accounts dealing exclusively in unit investment trusts, municipal fund securities as defined under MSRB Rule D-12, Section 529 programs, variable contracts or redeemable securities of companies registered under the Investment Company Act of 1940, as amended. In addition, pursuant to Rule 3050, the Company shall notify any person associated with another broker/dealer their desire to open an account with the Company. APs generally complete a FAF form regarding outside brokerage and update the form annually if there are any changes from the original form submitted. Any newly person associating with FAF must notify FAF within 30 days of FINRA approval of any qualifying accounts held with any foreign or domestic brokerage firm, bank, investment adviser or other financial institution.

4.6.1 Covered Account Reviews

"Covered accounts" are defined to include any account introduced or carried by any member firm that is held by the Associated Person or by:

(i) the spouse of a person associated with the member;
(ii) a child of the person associated with the member or such person's spouse, provided that the child resides in the same household as or is financially dependent upon the person associated with the member;
(iii) any other related individual over whose account the person associated with the member has control; or
(iv) any other individual over whose account the associated person of the member has control and to who's financial support such person materially contributes.

APs are required to disclose in writing to the Company accounts meeting the above criteria.

Under paragraph C of Rule 3210, the Company shall request duplicate statements of such accounts disclosed to the Company to be sent to the Company. A supervisor shall review such accounts no less than annually evidenced in writing.

4.6.2 Employees of Other Broker/Dealers

If an employee of another broker/dealer desires to open a personal securities account with the Company or purchase an interest in a private placement that the Company is offering, The Designated Principal or designee shall notify the employer member in writing of the executing member's intention to open or maintain

such an account. Upon written request by the employer member, the Designated Principal or designee will transmit duplicate copies of confirmations, statements, or other information with respect to the employee's account. The Designated Principal or designee will then notify the person associated with the new account of his or her intention to provide the notice and information required.

4.6.3 First Asset Financial Inc. Customer Account Transfers to Affiliated Registered Investment Advisers

Person Responsible:	A Registered Principal
Frequency of Review:	Ongoing as FAF accounts are anticipated to be moved to an "affiliated" registered investment advisory firm
How Conducted:	Review each recommended transfer requesting a move from an existing FAF account to an advisory account. A Customer Recommendation Form should be completed. Registered principal reviews each recommended transfer requesting a move from an existing FAF account to an advisory account.
How Documented:	Upon approval the Principal will sign and date the Customer Recommendation Form and/or other documentation that details the transaction to evidence their review. The registered principal may access the client's existing account activity to verify expenses, review trading history (if account has been held by FAF) and/or potential loss of account benefits.
Suitability:	Suitability is considered at the time of each recommended transfer request and is based upon suitability factors present on the form entitled "Customer RIA Adoption Form" An "Account Profile" disclosing information about the client for the appropriate "affiliated" registered investment advisory firm should be completed for the customer/client prior to or subsequent to the approval on the "Customer RIA Adoption Form."

4.7 Executive Representative

The Company will appoint one person to serve as the "Executive Representative" who shall represent, vote and act for the Company in all the affairs of FINRA. The Executive representative must be a member of senior management and a registered principal. The President and CCO will act as the Company's Executive Representative. The Company contact questionnaire will list the Executive Representative and will be kept current at all times. The President and CCO will review and update if necessary, the executive representative information on the firm contact questionnaire within 17 days of the end of each calendar year or update the questionnaire within 30 days of a change In accordance with Article IV, Section 3 of FINRA By-Laws, by the appointed "executive representative" as defined therein, who represents, votes, and acts for the Company in all affairs of FINRA. Any changes to the executive representative shall be made electronically through FINRA firm gateway. The Executive Representative is indicated in Exhibit B.

4.8 Charitable Contributions

A charitable contribution, as a result of a solicitation from an employee(s) or agent(s) of a customer or potential customer acting in a fiduciary capacity, could be construed as a conflict of interest similar to the payment of gifts or gratuities as established by FINRA Rule 3220.

The Company does not restrict contributions to charitable organizations by Associated Persons acting in their own capacity. The Company will not reimburse charitable contributions made by Associated Persons.

The Company will not give charitable contributions on behalf of agents or employees of customers.

4.9 Heightened Supervisory Procedures

A heightened level of supervision will be employed where any Associated Person or office has a history of sales practice problems and/or a history of multiple customer complaints and arbitrations that were resolved against the Associated Person. The CCO, the CCO or designee will be responsible for the supervision of any Associated Person who falls into any of the above categories. the CCO will assess the degree of additional supervision needed based on the type and quantity of violations. The designated person will notify the applicable Associated Person of the additional supervision, its format, and length of time. Both the designated person and the Associated Person will sign an acknowledgment as to the terms and time for the special supervision.

The following are criteria that will trigger a review by Compliance to determine whether an AP should be subject to special supervision. Pending as well as resolved matters will be considered. The criteria are subjective and the details of the complaints and/or regulatory actions must be considered in determining whether special supervision is necessary.

Three or more customer complaints alleging sales practice abuse within the past two (2) years (complaints include written complaints, arbitrations, and other civil actions)

Complaint filed by a regulator

Injunction in connection with an investment–related activity

Termination for cause or permitted to resign from a former employer where the termination appears to involve a significant sales practice **or** regulatory violation

Employment with three or more broker–dealers in the past five years.

4.9.1 Supervision of Producing Managers

Day-to-day customer account activity conducted by office managers, sales managers, regional or district managers or anyone performing similar supervisory functions ("producing managers") is subject to review and supervision by someone senior to or independent of the producing manager. Any level of customer account activity qualifies for designation as a producing manager.

"Independent" means someone who:

- Does not report directly or indirectly to the person supervised;
- Is located in an office other than the person supervised;
- Does not otherwise have supervisory responsibility over the activity being reviewed;
- Is not compensated directly or indirectly (in whole or part) on revenues accruing from the activities supervised; and
- Alternates the review responsibility with another qualified person every two years or less.

However, the Company is limited in size and resources and claims exemption from the independent review of producing managers. The limiting factors include that there are no supervisors senior to or independent of producing managers. However, a qualified person conducts reviews and is knowledgeable of Company's policies and control procedures.

The reviews to be conducted by the Compliance Department are determined by the nature of the customer account activity. Supervision will be substantially comparable to areas supervised for other APs engaged in similar customer account activity. Those reviews are described throughout this manual.

4.9.2 Conflicts of Interest Regarding Supervision

There are supervisors that receive a portion of the income from those that they supervise which, by definition, may cause a "conflict of interest" in supervision. While the firm has only two such situations currently, business conducted by such APs is ALSO reviewed by the home office supervisors on a risk based basis. This practice, to a large degree, mitigates the "conflict of interest" created by the direct or immediate supervisory reviewing the business of the person he supervises.

It is permissible for supervisors to supervise family or related APs. However, if the related AP is a spouse, sibling, child, in-law, parent, grandson or granddaughter, aunt, uncle, niece or nephew of the supervisor, an additional principal should provide heightened oversight in an effectively way to supervise of the related parties. In addition to the review of orders approved by the "related" principal such securities transactions would be reviewed also by a non-related principal with written evidence of the review by that non-related principal.

4.9.3 Other Conflicts of Interest

The Company does not currently have or anticipate the retention of any analysts. The Company also is not engaged in nor is qualified to engage in any underwriting activities of any securities. The two facts cause related conflicts of interest non-existent in those arenas. There is an inherent conflict of interest when a Company AP is also an Investment Advisory Representative (IAR) in making a decision as to whether a customer should be a broker dealer customer or an RIA client.

4.10 Investment Advisory Activities of Associated Persons

The Company will generally not hire Associated Persons who are independently Registered Investment Advisory Representative (IAR) registered with an RIA other than Chief Advisors Corporation, TC Advisors Ltd. or CF Advisors LLC. Although all of these are a separate Kansas Corporation or LLC and NOT registered with FINRA or the SEC, for REPORTING purposes only, they are considered "related" to or "affiliated" with FAF due to "common control" under current regulatory definitions. To re-emphasis, there is no legal connection, ownership, or structural connections, but ONLY for CRD reporting, they are considered "related" parties due to having the same manager.

It is imperative that the Company know and understand the nature of the securities business of its registered employees who are involved in executing securities transactions away from the Company. To this end, FINRA has interpreted FINRA Conduct Rule 3040 to apply to an Associated Person of this Company who is also a registered investment adviser participating (in his/her capacity as an investment adviser) in the execution of a trade at a broker/dealer other than the Company or Hilltop Securities Inc. (HTS).

If the Associated Person/adviser does not go beyond making a mere recommendation and the customer independently executes the order with another broker/dealer, directly with a mutual fund or with a third-party

investment adviser, FINRA Conduct Rule 3040 does not apply but FINRA Conduct Rule 3030 (calling for an Associated Person to provide prompt written notice of any outside business activity) WOULD apply. Any investment adviser who is also an Associated Person must require duplicate confirmations to be provided for any transaction executed through a broker/dealer other than the Company or HTS. As of 03/01/2024, this may be become problematic as HTS may not provide such duplicate confirmations to the Company.

After discussions with a FINRA Coordinator, it was determined that regardless of the nature of an order by a customer to a jointly registered person (FAF and Chief or TC Advisors Ltd.), all orders should be marked "solicited." That marking may not reflect the true nature of the order, but the Coordinator felt that the fact the IAR (adviser), being registered with FAF, should have the trade marked as "solicited" based on the fact that the Associated Person was also the investment adviser with discretionary authority under an advisery agreement. On the other hand, if an outside IAR that was not registered with FAF, they could have an order marked "unsolicited."

Any registered person of the Company who are also registered as investment advisers (with any RIA other than Chief Advisors Corporation [Chief]) or Advisors Ltd.[TCA] or CF Advisors LLC [CFA]) and who will be "selling away" must provide, in writing, a clear description of their proposed activities, detailing the types of securities that would be executed, the service to be provided, compensation and compensation arrangements and a list of customers for whom this would apply. The document is to be updated as circumstances apply (i.e. additional clients, a change in the way services are offered, transactions are executed, etc.). To date, the Company has not accepted any AP who conducts business through their own RIA or with an *outside* RIA.

For APs registered with other than Chief, CFA or TCA, personnel files for AP/RIA employees would be maintained to ensure the maintenance of (a) records of the Associated Person's notice to the Company of their outside activities, (b) any subsequent changes to the notice, (c) the Company's letter of approval or disapproval, (d) the Company's approval for each subsequent client (added after the initial notification) and (e) any other documents the Company's compliance personnel have indicated are required in this situation.

Customer records will be reviewed for such items as (a) copy of the Associated Person's advisory contract and any discretionary agreement used by the Company, (b) duplicate confirmations and account statements regarding the "away" transactions and (c) account opening cards, including investment objectives.

Because the Company is responsible for supervising such transactions as if the transaction had been executed on its behalf, the Company will, in each instance of such "away" transactions, conduct a common sense test to determine the appropriate level of due diligence required on the security, what suitability determinations are required, etc.

4.11 Statutorily Disqualified Individuals or Inactive Registered Personnel

It is the Company's position not to hire any Associated Person who has been statutorily disqualified. However, in the event this should ever occur due to individuals who may become subject to statutory disqualifications as a result of a felony conviction or regulatory suspension, revocation of registrations or injunctions (including actions by domestic regulators including the CFTC and actions by foreign regulators), the following procedures will be in effect:
(The definition of statutory disqualification is included in Section 3(a)(39) of the Securities Exchange Act of 1934. FINRA Regulatory Notice 09-19 includes a chart in Attachment B that outlines statutory disqualification under the Rule.)

1. CUSTOMER RELATIONS: All securities transactions conducted by an Associated Person who has been readmitted by FINRA after having been statutorily disqualified shall be reviewed and approved in writing by the CCO or designated principal, prior to execution. For that Associated Persons all correspondence dealing with the solicitation of securities transactions with customers of the Company, or

the solicitation of funds on behalf of customers of the Company shall be reviewed and approved in writing by the CCO or designated principal, prior to dissemination. It is the Company's position that it will not allow any clients of an Associated Person who has been readmitted by FINRA after having been statutorily disqualified to participate in discretionary accounts.
Further, it is the Company's position that in order for any individual to become associated after having been previously statutorily disqualified shall consent to a six (6) month strict probationary period during which; (1) the CCO may accompany the Associated Person to any meetings the Associated Person might have with clients of the Company; (2) the CCO shall randomly spot check phone conversations as they transpire between the Associated Person and clients of the Company; and (3) clients of the Company may be contacted by the CCO and questioned as to representations made by the Associated Person during their course of dealings with the subject Associated Person.

2. CUSTOMER COMPLAINTS: With respect to customer complaints, any complaint written to or uncovered by the CCO will be entered as a matter of record and a written file maintained with respect to the complaint detailing the disposition of such customer complaint. the CCO will have the absolute right to determine the disposition of all customer complaints. Further, it shall be the responsibility of the CCO to timely report all customer complaint information and other specified events, electronically, to FINRA/CRD in accordance with Rule 3070 of FINRA Conduct Rules and FINRA Rule 3110(b)(5). In this regard, on behalf of the Company, the CCO shall promptly report within 10 business days of when the Company becomes aware of the complaint.

3. CONDUCT OF the CCOUNTS: When an Associated Person, who was previously statutorily disqualified, receives a customer order said order is to be entered through the CCO's office and shall be reviewed and accepted on behalf of the Company prior to execution. Access to any trading modules is strictly prohibited. All order approved computers are login/password protected and are logged out when not at the computer.

4. RECORDKEEPING: Where an Associated Person has been readmitted after having been statutorily disqualified, a log will be maintained of said individual's contacts with clients of the Company. This will be stored and maintained in the computer system of the company.

5. COMPLIANCE MEETINGS: Where an Associated Person has been readmitted after having been statutorily disqualified, all such individuals shall attend mandatory compliance meetings to be held by the CCO or his designee. Such meetings will cover at a minimum: (i) current projects being worked on by the Associated Person with an emphasis on compliance issues relating thereto; (ii) a question and answer period in which the Associated Person may ask any question he/she may have and receive authoritative guidance concerning compliance issues relating thereto; (iii) a review of regulatory developments, firm policies and similar information. As evidence of attendance of such compliance meetings, attendance records will be maintained by the Company which shall reflect the date and location of the meeting, those in attendance and the subjects discussed.

Should a Suspension, Revocation, Cancellation, or Bar occur for a current Associated Person, the following procedures will be followed:

1. Report the disciplinary action of the applicable Associated Person’s U-4;
2. File Form U-5 if applicable for Revocation, or bar.

4.12 Prohibitions against Guaranteeing Performance Results of Customer’s Investments FINRA Rule 2150

Pursuant to FINRA Rule **2150** neither the Company nor any Associated Person shall in any way guarantee the performance results of a customer’s investment (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). In addition, an Associated Person who intends to share in a customer account in accordance with the Rule must obtain prior written authorization from the Company to engage in such account. Subsequently, the customer(s) written authorization and approval must also be obtained prior to account transactions and any sharing must be only in direct proportion to the financial contributions made to such account by either the Company or Associated Person (except accounts of the immediate family of such Associated Person). For purposes of this Rule, the term "immediate family" shall include parents, mother-in-law or father-in-law, husband or wife, children or any relative to whose support the Associated Person contributes directly or indirectly). Generally AP accounts and their "family related" brokerage account statements should come to the Company for review. This does not apply to mutual funds, variable annuity, or other accounts whereby individual securities cannot be purchased (see "non-public").

Nothing in this Rule shall preclude Company, but not an Associated Person of the Company, from determining on an after-the-fact basis, to reimburse a customer for transaction losses; provided, however, that the Company shall comply with all reporting requirements that may be applicable to such payment. For example, if the payment can reasonably be construed as a settlement, the member shall report the payment as a settlement under the applicable reporting requirement(s). In addition, nothing in this Rule shall preclude a member, but not an Associated Person of the Company, from correcting a bona fide error. This does not apply to an Associated Person of Company because of the concern that any such payment may conceal individual misconduct. All such error payments shall be paid BY the Company directly to the customer(s) in such a manner the error is corrected, the customer "made whole," or the issue is settled in a "fair" manner. The Company may then require reimbursement from the AP.

4.13 Unauthorized Trading & Periodic Trading Reviews

"Unauthorized Trading", which refers to executing trades in a client's account without specific authorization, is forbidden by the Company and may be considered a violation of FINRA Conduct Rule 2110. If the AP is also a IAR for the customer and has a contract with "discretion" granted by that contract, the trades will not be considered "unauthorized trading."

Supervisory Practice
Within 30 days after the end of each calendar quarter, a request will be made to FAF's clearing firm, Hilltop Securities Inc. That request will be for all trades for the prior quarter made through FAF. Upon receipt of the listing of those trade in a spreadsheet format, and attempt will be made to arrange the trades by the Associated Person (Associated Person) that originated the trades. After this is accomplished, a supervising principal will review the trades attempting to find potential violations such as (1) "trading ahead" (2) purchase of leveraged mutual funds (3) purchase of inverse correlated mutual funds (4) "churning" of equities (5) "switching" of load mutual funds and (6) purchase of load funds in advisery accounts. A form will be signed by the reviewing principal that the review was performed and the date(s) which it was performed.

4.14 Discretionary Accounts

The Company does not permit discretionary accounts without Company authorization. Again, if the AP is also a IAR for the customer and has a contract with "discretion" granted by the RIA contract, the trades will NOT be considered unauthorized "discretionary" trading through the Company's clearing firm. The trading performed by the AP as a registered person of the Company is consider to be "transactional" or "execution" only and not a discretionary trade under the broker dealer. The "discretion" is embodied in the RIA documentation rather than the Company (broker dealer) documentation and is governed by the rules and regulation of registered investment advisers. Discretionary accounts at the broker dealer level are to be so marked upon order entry with discretion or designated as an advisory account.

Written Authorization - No discretionary activity may be affected on behalf of any customer's account via the Company, as a broker dealer, may be conducted unless prior written authorization has been obtained from the customer. Such authorization must contain the nature of the relationship with the customer, specific activities authorized and/or not authorized by the customer, age, and occupation of the customer, investment objectives of the account and signatures of the customer and the Associated Person. An RIA account is acceptable for the written authorization for a "dually registered" person to conduct trades without prior customer authorization if allowed in the written advisory contract/agreement. Any Discretionary accounts of the Firm as a broker dealer will be reviewed/monitored by the Designated Principal.

4.15 Commission Charge and Fees-Private Placement

The Company does not allow private placement to be sold through it. However, if an exception was allowed, the Designated Principal or designee shall supervise all private placement transactions by reviewing each subscription agreement and/or engagement letter. The Designated Principal or designee shall evidence said review by initialing each reviewed document. This will ensure that the Company's commission or concession charges are consistent with the fees set forth in each private placement memorandum.

It is understood that with respect to private placements of securities, the fee should be reasonable and not unfairly discriminatory between customers. This policy represents a guideline only and a Principal's judgment is necessary in fulfilling the Company's responsibility in determining the fairness of the commission charged for each program.

Cash or Non-Cash Compensation from Offerors

Subsection 26(l)(1)(C) that prohibits the acceptance of cash compensation by a member from an offeror unless such compensation is disclosed in the prospectus.

No AP of FAF shall accept any compensation, cash or non–cash, from anyone other than FAF with which the person is associated for securities transactions. This requirement will not prohibit arrangements where company pays compensation directly to Associated Persons of FAF, provided that:
(a) the arrangement is agreed to by FAF;
(b) FAF relies on an appropriate rule, regulation, interpretive release, interpretive letter, or "no–action" letter issued by the Securities and Exchange Commission or its staff that applies to the specific fact situation of the arrangement;
(c) the receipt by Associated Persons of such compensation is treated as compensation received by FAF for purposes of FINRA/NASD rules; and
d) the recordkeeping requirement in Subsection (l)(3) is satisfied.
(2) No member or person associated with a member shall accept any compensation from an offeror which is in the form of securities of any kind.
(3) Except for items described in Subsections (l)(5)(a) and (b), a member shall maintain records of all compensation, cash and non–cash, received by FAF or its Associated Persons from offerors. The records shall include the names of the offerors, the names of the Associated Persons, and the amount of cash, and the value or nature of non–cash compensation received.
(4) No member shall accept any cash compensation from an offeror unless such compensation is described in a current prospectus of the investment company. When special cash compensation arrangements are made available by an offeror to a member, which arrangements are not made available on the same terms to all members who distribute the investment company securities of the offeror, a member shall not enter into such arrangements unless the name of FAF and the details of the arrangements are disclosed in the prospectus. Prospectus disclosure requirements shall not apply to cash compensation arrangements between:

(a) principal underwriters of the same security; and

(b) the principal underwriter of a security and the sponsor of a unit investment trust which utilizes such security as its underlying investment.

4.16 Mark-ups/Mark-downs, Commission Charges-OTC and Listed & Minimum Commission

In "over-the-counter" transactions, whether in "listed" or "unlisted" securities, the Company will act as an agent or will transact "riskless" principal trades only for its customer. In any such transaction, it will not charge its customer more than a fair commission or service charge (using “May Day Commissions” as a benchmark), taking into consideration all relevant circumstances including market conditions with respect to such security at the time of the transaction, the expense of executing the order, the value of any service it may have rendered by reason of its experience in and knowledge of such security and the market thereof, the time horizon of the expected holding period of the customer, similar securities, time spent with the customer and the time/research/effort put forth by the Associated Person in consummating the trade. The maximum markup in any case would follow FINRA’s “guideline” maximum of 5% (although that maximum should be rarely met). As per Regulatory Notice 08-36, & IM-2440 the factors used to evaluate markup/markdown levels include the type of security involved, the price of the security, the amount of money involved in the transactions, disclosure to the customer, the service offered customers, the time spent with the customer, the facilities provided, length of time customer proposes to keep the security, the overhead costs of a location, and availability of the security.

Each OSJ and branch office is allowed to set their own “minimum” commission for agency transactions. As each office pays their own expenses for their location, FAF recognizes there are differences in costs for each location and each office is allowed to set its own “minimum” commission and the charge of such commission would not be considered as a violation of the “5% guideline” regardless of the size of the trade. From time to time there may be exceptions to the “minimum commission,” but these should be noted with the reason for the exception. One exception that may occur regularly without notation is on all accounts that have an investment advisory agreement. The charge to the customer should be at the representative’s “cost” and no more. Other exceptions may be an “accommodation” trade for a worthless or nearly worthless security so that the customer may show a tax loss or eliminate it from their account.

4.17 Markup Justifications

The following may be reasons for the level of markups or markdowns of riskless principal transactions:

- The customer is a retail customer
- Customer customarily contacts AP on a frequent basis (daily, several times a week)
- The customer has a long history of markup/markdown trades at our firm
- On purchases, the customer has indicated they plan to hold the position for 5 years or more
- For record keeping purposes the customer prefers the transaction costs to be included/excluded in the share cost
- Additional research requested by the customer that takes the AP additional time
- Type of security justifies markup/markdown
- Additional paperwork required (estate, divorce, trust transfer, QDRO, etc.)
- Additional costs from clearing firm for purchase/sale
- Other services performed for the retail customer as no cost prior to the sale/purchase

 Repeated time consuming calls from the customer prior to purchase/sale

 Small dollar amount involved in the trade

 Security is a “hard to find” security

4.18 Misuse of Customer Account Statements or Confirmation

Any misuse or tampering of customer account statements or confirmations is strictly prohibited, is a violation of industry rules, and will be cause for immediate termination and reporting to applicable regulators.

4.19 Front-Running of Block Transactions

No Associated Person may purchase or sell or cause the purchase or sale of a security or underlying option for an employee or employee-related account prior to the time information concerning the block transaction has been made publicly available.

4.20 Fictitious Accounts

Establishing fictitious accounts in order to execute transactions is strictly prohibited and considered a fraudulent practice

4.21 Sharing In Customer Accounts

No Associated Person is permitted to guarantee a customer against loss in connection with any securities transaction or in any securities account.

Sharing in Accounts is permissible under the following circumstances:

No Associated Person shall share directly or indirectly in the profits or losses in any account of a customer carried by the Company or any other FINRA member; however, an Associated Person may share in the profits or losses in a customer account if: (i) the Associated Person obtains the prior written authorization of the Company; (ii) the Associated Person obtains prior written authorization from the customer; and (iii) the Associated Person shares in the profits or losses in any account of a customer only in direct proportion to the financial contributions made to the account by the Associated Person.

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

4.22 Lending or Borrowing Money (Rule 3240 *eff 06/14/10*)

Pursuant to FINRA Rule 3240, the Company will adhere to the following procedures for such activities of lending to or borrowing money from a customer. This policy will be reviewed at least annually and will be only allowed under the following five permissible events: (7/25/08)

- The customer is a member of the registered person's immediate family (as defined in the rule);
- The customer is in the business of lending money acting in the course of such business;
- The customer and the registered person are both registered persons of the same firm;
- The lending arrangement is based on a personal relationship outside of the broker-customer relationship; or

- The lending arrangement is based on a business relationship outside of the broker-customer relationship.

With the exception of lending or borrowing between registered persons and customers who are in the business of lending, written approval must be obtained prior to any other lending arrangements described above or any modification of such arrangement, including extensions of duration. Such written pre-approvals shall be maintained for a period of three years after the date such lending arrangement has terminated or at least for three years subsequent to the registered person's termination. The CCO or the CCO will have the responsibility of pre-approving any loan in writing and maintain such approval as part of its records. Loans between immediate family members are an exception.

4.23 Rumors

No employee may spread any rumors or misinformation that the employee knows to be false or misleading. This includes rumors of a sensational character that might reasonably be expected to affect market conditions. Discussion of unsubstantiated information published by a widely circulated public media is not prohibited providing the source and unsubstantiated nature are also disclosed. As part of routine reviews of correspondence, any communications that appear to spread rumors will be targeted for investigation by Compliance by contacting AP regarding source of information, if false rumors are identified, and any corrective action may include contacting recipients of correspondence containing false rumors; enhanced training for AP; disciplinary action appropriate to the offense. Such will be noted in the APs file.

4.24 Taping Recording Rule

Rule 3170 includes in the definition of "tape recording" any electronic or digital recording. Specifically, the rule requires a firm to have in place written procedures regarding supervision of the telemarketing activities of all of its registered persons, including the tape recording of conversations, if the firm has hired more than a specified percentage of registered persons from firms that meet FINRA Rule 3170's definition of "disciplined firm." **The Company has not ever nor does it currently fall under the Rule 3170 "tape recording" requirement.**

4.25 Checking New APs for the "Taping Rule"

As a part of the registration process for new APs, the Company will check the "Disciplined Firms List," if it can be found, to determine if the prior firm the AP was registered with is on the list or not.

4.26 Registering Persons Subject to the Taping Rules

The Company currently has no individual who is subject to the 3010 (b)(2) or Rule 3170 "Taping Rule."

4.27 Personal Trading

Name of Supervisor ("designated	Designated Principal: the CCO
Frequency of Review:	Upon transactions (internal) or quarterly or annually

How Conducted:	Review of duplicate confirmations and/or statements issued by outside brokerage firms to employee or his family member, if required, Verify that outside firms were notified of Associated Person's association with the Company. Consideration of requests for outside accounts, Review of account documentation and trade records for evidence of unacceptable trading practices, including insider trading, trading in new issues, trading contrary to Watch or Restricted List restrictions, etc. Annual attestations, if used. Discussions with employees.
How Documented:	Notifications/approval/disapproval noted in employee files with annual attestations by Associated Persons of such accounts held at other firms. Copies of statements are reviewed with initials of a principal indicating such review.

Personal trading activities prohibited include:

- Trading in securities for personal accounts, or for accounts of family members or affiliates, shortly before trading the same securities for clients (*i.e.,* front-running), and thereby receiving better prices; and
- Directing clients to trade in securities in which any Associated Person has an undisclosed interest, so as to cause the value of those securities to increase to the Associated Person's benefit.

Company must be notified of any outside securities accounts and receive duplicate statements that will be reviewed and maintained as part of the Company's books and records for a period of three years.

4.28 FINRA Rule 2060-Use of Information Obtained in Fiduciary Capacity *(eff 2/15/10)*

If Company has received information as to the ownership of securities, shall under no circumstances make use of such information for the purpose of soliciting purchases, sales or exchanges except at the request and on behalf of the issuer.

4.29 FINRA Rule 5290 - Trade Shredding *(eff 2/15/10)*

Company or Associated Persons shall not engage in conduct that has the intent or effect of splitting any order into multiple smaller orders for execution or any execution into multiple smaller executions for transaction reporting for the primary purpose of maximizing a monetary or in-kind amount to be received by Company or Associated Person as a result of the execution of such orders or the transaction reporting of such executions. For purposes of this Rule, "monetary or in-kind amount" shall be defined to include, but not be limited to, any credits, commissions, gratuities, payments for or rebates of fees, or any other payments of value to the member or Associated Person.

4.30 Insider Trading

Associated Persons are prohibited from effecting transactions based on knowledge of material, non–public information. The Firm has established reasonable procedures to detect and prevent insider trading.

The prohibition against insider trading includes the following: if you are in possession of material non–public information about a company or the market for a company's securities, you must either publicly disclose the information to the marketplace or refrain from trading. Generally, disclosure is not an option and the effect is to

require an individual to refrain from trading. You also may not communicate inside information to a second person who has no official need to know the information.

Information is considered material if there is a substantial likelihood that a reasonable investor would consider it important in deciding to buy or sell a security. In addition, information that, when disclosed, is likely to have a direct effect on a security's price should be treated as material. Examples include information concerning impending tender offers, leveraged buy–outs, mergers, sales of subsidiaries, significant earnings changes, and other major corporate events.

Information is non–public when it has not been disseminated in a manner making it available to investors generally. Information is public once it has been publicly disseminated, such as when it is reported on the Dow Jones or other news services or in widely disseminated publications, and investors have had a reasonable time to react to the information. Once the information has become public or stale (i.e., no longer material), it may be traded on or disclosed freely.

If material, non–public information is received as part of your legitimate business dealings on behalf of the Firm or its customers and you use that information to trade in securities or if you transmit that information to another person for purposes of trading in securities (so-called "tipping"), you would likely be guilty of insider trading. Insider trading liability may also be derivative. A person who has obtained inside information (so– called "tippee") from a person who has breached a duty or who has misappropriated information may also be held liable.

The foregoing is just a synopsis of the insider trading prohibition.

4.31 Guidelines for Insider Trading

WHAT TO DO IF YOU LEARN INSIDE INFORMATION. It is not illegal to learn inside information. The Firm learns material non–public information from its customers and is permitted to use that information in a lawful manner to advise and assist them. It is, however, illegal for you to trade on such information or to pass it on to others who have no legitimate business reason for receiving such information.

If you believe you have learned inside information, other than in the ordinary course of business (such as investment bankers who learn inside information when working on an engagement), contact Compliance immediately so that we may address the insider trading issues and preserve the integrity of the Firm's activities. Do not trade on the information or discuss the possible inside information with any other person at the Firm. If you become aware of a breach of these policies or of a leak of inside information, advise Compliance immediately.

INVESTIGATIONS OF TRADING ACTIVITIES. From time to time, the Exchanges, the NASD and the SEC request information from the Firm concerning trading in specific securities. Requests for information should be referred directly to Compliance. You may be asked to sign a sworn affidavit that, at the time of such trading, you did not have any inside information about the securities in question. Your employment may be terminated if you refuse to sign such an affidavit. The Firm may submit these affidavits to the Exchanges, NASD or SEC.

STEPS YOU CAN TAKE TO PRESERVE THE CONFIDENTIALITY OF MATERIAL NON–PUBLIC INFORMATION.

If you are in a position within the Firm to access inside information, the following are steps you must take to preserve the confidentiality of inside information:

(1) Material inside information should be communicated only when there exists a justifiable reason to do so on a "need to know" basis inside or outside the Firm. Before such information is communicated to persons within the Firm, your department or another person you believe needs to know, contact your department manager or Compliance.

(2) Do not discuss confidential matters in elevators, hallways, restaurants, airplanes, taxicabs or any place where you can be overheard.

(3) Do not leave sensitive memoranda on your desk or in other places where they can be read by others. Do not leave a computer terminal without exiting the file in which you were working.

(4) Do not read confidential documents in public places or discard them where they can be retrieved by others. Do not carry confidential documents in an exposed manner.

(5) On drafts of sensitive documents use code names or delete names to avoid identification of participants.

(6) Do not discuss confidential business information with spouses, other relatives or friends.

(7) Avoid even the appearance of impropriety. Serious repercussions may follow from insider trading and the law proscribing insider trading can change. Since it is often difficult to determine what constitutes insider trading, you should consult with Compliance whenever you have questions about this subject.

YOUR OWN SECURITIES TRADING. If you have an account outside of the Firm and have not already done so, you must advise the CCO. This includes outside accounts in which you have a financial interest or direct the trading.

4.32 Prohibited Activities

Associated Persons are specifically prohibited by Company policies from the following:

1. In their personal capacity to act independently as an agent in the sale of securities for a client or any individual or firm other than the Company.

2. Warrant or guarantee the present or future value or price of any security or that any Company or issuer of securities will meet its objectives or obligations.

3. Agree to repurchase at some future time a security from a client for their own account, or for any other account.

4. Raise money, or participate in the raising of money for real estate syndications other than as an agent of the Company.

5. Raise money for charitable or political organizations without first informing the Company.

6. Act as personal custodian or trustee of securities, stock powers, money, or other property belonging to a client without Company authorization.

7. Borrow money or securities from a client without Company approval and within the limitations specified by Company and regulatory rules.

8. Accept gratuities from a client or anyone other than the Company.

9. Arrange for the extension or maintenance of credit to or for any customer other than in their capacity as an AP for a margin account.

10. Maintain a joint account in securities with any client or share any benefit with any client resulting from a securities transaction unless without securing the express written authorization from the Company.

11. Transfer any customer asset to own name or name of member of immediate family without permission of the CCO.

12. Enter into any business transaction jointly with a client without the specific prior written approval of the Company.

13. Forward or agree to forward confirmations or statements of account other than to the home or business address of the client.

14. Provide tax advice without disclosing the Company or the Associated Person is not a tax professional; or the practice of law or giving of counsel customarily received from attorneys. All representatives will refrain from distributing any legal forms unless they are stamped "Specimen."

15. Distribute unauthorized materials.

16. Distribute sales materials to individuals who have not been approved by the Company.

17. Distribute any sales material in any state where the Company is not registered as a Broker/ Dealer.

18. Pay an unlicensed person and/or split commissions with an employee of another Broker/Dealer firm without the approval of the operations and compliance officer(s) of the Company and the company whose employee is involved.

19. Use of correspondence used as sales literature with the general public 25 or more times without approval in writing by a principal of the Company.

20. Offers and sales of new issues of securities shall be restricted only to individuals who satisfy the investment or suitability requirements which have been established by the issuer of the securities.

21. In connection with the offer and sale of new issues of securities, all oral representations shall be restricted to matters set forth in the offering documents and other approved sales materials supplied to Associated Persons of and by the Company.

22. Sign documents on behalf of customers, even when doing so is meant to accommodate a customer's request. Customer signatures must be original by the customer on all documents.

23. Engage in high pressure sales tactics which may include excessive telephone calls, implying that a price may change on a security if the customer does not act immediately, or falsely representing that there is a limited supply of a security at a particular price.

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24. Make payments to customers of any kind to resolve an error or customer complaint. Errors and complaints must be brought to the attention of the employee's designated supervisor.

25. No employee may use the Firm's name in any manner which could be reasonably misinterpreted to indicate a tie-in between the Firm and any outside activity of the employee.

26. Employees are not permitted to deposit personal funds or securities in customers' accounts or deposit customers' personal funds or securities in employee accounts. The same prohibitions apply to withdrawals. Exceptions should be reviewed by Compliance.

27. Employees are not permitted to deposit personal funds or securities in customers' accounts or deposit customers' personal funds or securities in employee accounts. The same prohibitions apply to withdrawals. Exceptions should be reviewed by Compliance.

28. The Firm and its employees are prohibited from guaranteeing a customer against loss in any securities transaction. Designated supervisors are responsible for identifying prohibited guarantees in correspondence or other written communications with public customers. Options or written agreements that establish the future price of a transaction such as repurchase agreements are not included in this prohibition.

29. Employees are not permitted to sign documents on behalf of customers, even when doing so is meant to accommodate a customer's request. Customer signatures must be original by the customer on all documents.

30. Employees may not disseminate any information that falsely states or implies guarantees or approval of securities by the government or other institution such as government guarantee of securities that carry no such guarantee. The Securities Investors Protection Corporation ("SIPC") may not be misrepresented as a guarantor of a customer's account against losses from transactions

31. No employee may offer or solicit explicit inducements to or from employees or representatives of other institutions or foreign governmental or political officials to obtain business. Entertainment and gifts in reasonable amounts are not included in this prohibition and are discussed in the section titled "Gifts and Gratuities."

32. No employee may engage in activities that require registration (selling securities, soliciting accounts, trading, etc.)unless registered in the appropriate capacities. Questions regarding the need for registration should be referred to the CCO.

33. Securities regulations may not permit our Associated Persons to allow Custodians to effect transactions in, and withdraw, journal and transfer money from UTMA/UGMA Accounts after the beneficiaries have reached the age of majority.

    Regarding Custodians for UTMA/UGMA accounts where the beneficiaries have reached the age of majority, First Asset Associated Persons are to attempt to obtain the contact information for the beneficiary who has reached the age of majority and provide the proper documents to the beneficiary to register the account in their name. AP's are requested to identify such accounts in their periodic review of accounts and take action on the appropriate UTMA/UGMA accounts.

Associated Persons will certify annually to many of the above Prohibited Acts in an "Annual Representations & Certification by Associated Persons" and be maintained as part of Company's records for three years subsequent to termination.

4.33 Annual Compliance Meeting-FINRA RULE 3110(a)(7)

Name of Supervisor ("designated Principal"):	Chief Compliance Officer Designated Branch Office Managers and Producing Managers' Supervisors (see Section 3.2 and 3.5)
Frequency of Review:	Annual
How Conducted:	Web Based
How Documented:	Meeting records provided electronically by the vendor of the meeting
3010 Checklist:	3010(a)(7)
Comments:	

All Associated Persons shall fulfill the mandatory annual compliance meeting requirement at least once per year. Meetings are held through web service (third party) called QuestCE. QuestCE has in place, a method of recording the completion of the "Annual Compliance Meeting." Each slide of the presentation is read out loud to the AP on their device. To advance to the next slide, the AP must listen to the entire presentation of each slide. It is possible, also, to use a telephone or use the web to deliver the content of the compliance meeting. The APs shall have the ability to ask questions and receive an answer to their question and guidance concerning compliance issues relating thereto in a timely fashion regardless of the method of delivery. Generally, the exercise shall include a review of regulatory developments and other pertinent information. As evidence of attendance of such compliance meetings, attendance records will be maintained by the Company or the vendor that provides the "Annual Compliance Meeting" electronically on demand that reflect those who have completed the electronic version of the Annual Compliance Meeting

A significant factor that will affect the delivery of the Firm Element of Continuing Education is the relationship and location of the Associated Persons. There is only one Associated Person located on the physical premises of First Asset Financial Inc.'s home office. All of the other representatives are located at other locations. The remote locations of these representatives will not allow First Asset Financial Inc. the "luxury" of "single location" meetings, regular meetings, or even one large meeting with all representatives in attendance. Electronic delivery of the Firm Element of Continuing Education provides the Company with the following advantages:

-Ability to review status by single manager of firm
-Ability to purchase "third party" materials
-A "record" or "paper trail" of evidence of completion by
-No additional equipment required by Representatives
-Completion can be performed in time frame selected by Representative
-No travel is necessary by management or Representative for completion.
-Ease of use by Representatives

Consequently, since approximately 2012, the Firm has been using a reputable third party firm (QuestCE) to deliver the Annual Compliance meeting to its APs. The third party records the APs who successfully complete the Annual Compliance Meeting and provides that listing to FAF. FAF will monitor the list to determine completion or "attendance." If an AP joins the Company after July 1 of any year and they have transferred from another broker dealer, they may complete the annual compliance meeting for the following year and be considered to be in compliance with this requirement.

4.34 Annual Compliance/Questionnaire and Certification

The Company will conduct an annual compliance and regulatory survey (Annual Representations) of its Associated Persons in order to detect such occurrences of outside business activities, gifts, private securities transactions, etc. This will be reviewed by all Associated Persons of the firms and signed by each as evidence of the representations contained therein. In addition, each checklist will be maintained as part of the Company's records.

4.35 Violations of Procedures

Violation of the Company's rules and procedures, unless specified otherwise in any section herein, may result in disciplinary action, including fines, administrative charges and or termination.

4.36 Termination Procedures

Upon termination of any Associated Person, it shall be the responsibility of the CCO, or his designee, to promptly file a Form U5 with FINRA and mail a copy of said Form U5 to the terminated employee within thirty (30) days of termination. The Form U5 shall become part of the employee's permanent file. Any subsequent amendments to FormU-5 will also be filed within 30 days of learning of the need for such amendments.

Upon a request for termination/registration, the following procedures will be followed:

1. Promptly file the Form U-5 with the CRD;
2. Determine whether a disciplinary or complaint are required on the Associated Person's Form U-4 or Form U-5;
3. If #2 is invoked, it should be determined if such will necessitate inclusion in a quarterly filing of 4530 reports due on the 15th day of the month following the quarter end;
4. Forward a copy of Form U-5 to the Associated Person within 30 days of filing;
5. Place a copy of the form in said Associated Person's file;
6. A letter will be sent to the terminating Associated Person requesting that the Associated Person remove reference to the firm on answering devices, remove any advertising or signs (including return any signs referring to SIPC), cease doing any new business and to cease using the firm name in any communication.
7. Cease any commission payments to the Associated Person for any business placed after the termination date.

4.37 Continuing Education

In accordance with FINRA rules, all Covered Associated Persons, as that term is defined by the Rule, shall participate in Continuing Education, the frequency and complexity of which shall be determined based upon the following factors:

1. The existence and nature of customer complaints against the Covered Person;
2. The existence and nature of any regulatory actions against the Covered Person;
3. The existence and nature of any regulatory actions against the Company and or management thereof; and
4. Changes in business activities for the Covered Person (including but not limited to additions of new products) which have taken place within the previous twelve month period, or which are anticipated to take place within the following twelve month period.

The Continuing Education Program shall consist of two elements; the Regulatory Element which shall be administered and monitored by FINRA, and a Company Element which shall be administered and monitored by the Company. The CCO, or his Compliance Department designee, will have responsibility for ensuring both programs are administered and the proper records are maintained as evidence of participation and/or completion.

4.37.1 Regulatory Element of Continuing Education

Effective January 1, 2023, all registered persons, including individuals who solely maintain a permissive registration pursuant to Rule 1210.02, are required to complete the annual Firm Element.

In conjunction with this change, FINRA has also amended the CE rules to expressly allow firms to consider training relating to the anti-money laundering (AML) compliance program under Rule 3310(e) and the annual compliance meeting under Rule 3110(a)(7) toward satisfying an individual's annual Firm Element requirement.

In addition, FINRA has revised the current minimum Firm Element training criteria to require that the training cover topics related to professional responsibility and to the role, activities or responsibilities of the registered person.

Beginning Jan. 1, 2023, registered persons will be required to complete CE Regulatory Element annually by Dec. 31of each year going forward. Regulatory CE participants will receive content tailored specifically to each representative or principal registration category that they hold. Individuals who fail to complete their Regulatory Element within the prescribed annual deadline of Dec. 31 will be automatically designated as CE inactive by FINRA.

4.37.1.1 Requirements and Failure to Complete Consequences

APs will be required to sign on to their FINRA FinPro log in to complete the courses assigned by FINRA not later than December 31 of each year. Failure to do so will cause their license to be inactive.

The subject AP will be informed by FINRA/CRD as to what courses will be required of the Computer Based Training Session using his/her own computer. Further to the extent any covered individual fails to complete the Regulatory Element during the time period required, the company shall notify the individual that he or she is internally suspended from conducting a securities business until such time as he/she has successfully completed the Regulatory Element. Further, it shall be the responsibility of the CCO or his designee to notify an individual of the effective date of his/her internal suspension, to obtain the individual's acknowledgment of his/her suspension, as well as notification of the withholding of commissions until such time as he/she has complied with the Regulatory Element.

4.37.2 Firm Element

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

Subject matter may satisfy other continuing education requirements other than the firm regulatory element.

The Company shall also maintain records that track and/or evidence each covered person’s completion of the Company’s Firm Element training program. These records shall be regularly monitored by the Designated Principal or designee of the CCO and shall be responsible for maintaining copies of the Detailed Tracking and Management Reports as part of each Covered Person's personnel file for the Company, in accordance with SEC Rule 17a-3 and 17a-4.

4.37.3 Exemptions

There would be no exemptions for registered persons who deal with customers and receive commissions or who are first line supervisors in the securities industry except for new persons who join FAF after July 1 of each year by transferring from another broker dealer. It will be assumed that they have completed the “firm element” with their previous employer. It will not be required, but will be optional for these persons to complete the “firm element” for FAF. Clerical personnel, who may be registered or unregistered, are exempt from completing the Company Element if they receive no commission income.

4.37.4 Inactive CE Status

Any Covered Person who does not complete applicable Firm Element CE by 12-31 of the year in which the Company Element is required will be placed on Inactive CE status and will not be allowed to conduct securities transactions nor be paid any commissions until such time the CE requirement is satisfied.

4.37.5 Office Inspections

A record of any inspection will be maintained by the Company and for a period of three years.
If applicable to the location being inspected, that location's written inspection report must include, without limitation, the testing and verification of the member's policies and procedures, including supervisory policies and procedures in the following areas:

(i) safeguarding of customer funds and securities;

(ii) maintaining books and records;

(iii) supervision of supervisory personnel;

(iv) 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 Associated Persons, including the hand-delivery of checks; and

The firm will conduct inspections remotely as allowed by FINRA until 12-31-2023.

4.37.6 Limited Size & Resources Exception

Here are the factors used in determining that First Asset Financial Inc. should use the "Limited Size & Resources" Exception, provided the firm complies with FINRA Rule 3110(b)(6).

- ✔ There is no manager in the firm is that is not "producing."
- ✔ The firm has limited staff.
- ✔ The firm is considered "small" in regard to total income generated.
- ✔ The firm is considered "small" in regard to the number of Associated Persons with less than 50 Associated Persons
- ✔ The closeness and "overlap" of managers does not allow "independence" in the firm.
- ✔ Financial resources and personnel are limited at the firm.
- ✔ It appears that there is no one that is not senior to or otherwise independent of the producing representatives that meet the definition of "independent from" in the firm to perform the oversight.

The Company meets ALL of the above items. (Note a revision of Rule 3110 is due at the end of 2023.

The Company, at such time, they are approved, plans to participate in the remote office inspection program and developed procedures applicable to this process.

4.38 Being Named a Customer's Beneficiary or Holding a Position of Trust

References: **Regulatory Notice(s): 20-38**

Who: *Designated Principal*
When: *As Needed*
What: *Registered Person Named Customer's Beneficiary or Holding a Position of Trust for Custom*
Evidence: *New Account Form*
Retention Period: *Not Less Than Three (3) Years*
Date: *February 2021*

FINRA Rule 3241(a)(1) requires an Associated Person decline from being named a beneficiary of a customer's estate or receiving a bequest from a customer's estate unless one of the following conditions are satisfied:

- the customer is a member of the Associated Person's immediate family or
- upon learning of such status, the Associated Person provides written notice describing the proposed status to the firm with which the Associated Person is associated.
    - The firm can approve the request, disapprove the request or approve it with conditions or limitations on it.

FINRA Rule 3241(a)(2) requires that an Associated Person decline being named as an executor or trustee or holding a power of attorney or similar position for or on behalf of a customer unless one of the following conditions is satisfied:

- the customer is a member of the Associated Person's immediate family; or
- the Associated Person provides written notice describing the position and the person's proposed role to the firm with which the Associated Person is associated
    - the Associated Person does not derive financial gain from actin in such capacity other than from fee or other charges that are reasonable and customary for acting in such capacity

FINRA Rule 3241(b) requires that when a firm receives a written notice regarding an Associated Person being a beneficiary or in a position of trust, the firm must:

- perform an assessment of the risks created by the Associated Person's assuming such status or acting in such capacity, including but not limited to, an evaluation of whether it will interfere with or compromise the Associated Person's responsibilities to the customer and
- make a reasonable determination of whether to approve, approve with specific conditions or limitations, or disapprove it.

FINRA Rule 3241(b)(2) requires that the firm advise the Associated Person in writing of its decision to approve, approve with limitations or conditions, or disapprove.

FINRA Rule 3241(3) requires that a firm supervise the Associated Person's compliance with any conditions or limitations placed on the Associated Person's status once it has been assumed.

FINRA Rule 3241(c) defines "immediate family" as parents, grandparents, mother-in-law or father-in-law, spouse or domestic partner, brother or sister, brother-in-law or sister-in-law, son-in-law or daughter-in-law, children, grandchildren, cousin, aunt or uncle, or nice or nephew, or any other person who resides in the same household as the Associated Person and the Associated Person financial supports, directly or indirectly, to a material extent. The includes step and adoptive relationships.

The Firm requires all Associated Persons to submit a written request for approval prior to accepting any request to be a beneficiary of a customer's estate, receiving a bequest from a customer's estate, acting as an executor or trusting or holding a power or attorney (or similar position) on behalf of a customer. The Firm's Chief Compliance Officer or his designee will analyze any such request to ensure that such request does not interfere or compromise the Associated Person's responsibilities to the customer. In addition, the Firm's Chief Compliance Officer or his designee will provide the Associated Person with his written approval, disapproval, or approval with specific conditions or limitations.

The Firm will maintain copies of all written requests, responses and analysis documentation for a period of at least three years after the Associated Person's termination from the Firm.

Supervisory Control

Purpose: Review and approve or disapprove each submission where a registered person is being named as a customer's beneficiary or to a position of trust in compliance with applicable requirements.
Documentation: Annual compliance acknowledgement form; written approval of activity form (3 years after termination)
Responsibility: OSJ Managers; Compliance (oversight)
Frequency: Upon hire; upon request; as submitted

REFERENCE: FINRA Rule 3241 and Regulatory Notice 20-38

4.4 Supervision of the President

As there is no operational person in the organizational chart who is above the President, there is no "natural" flow of supervision for the President. Even though the President is the ultimately responsible person for the firm, FINRA, in the 2012 examination of the firm, recommended that a qualified principal review the President's outgoing customer correspondence, trades, account forms and direct transactions and document such review via initials, either manually or via a rubber stamp on each item. The "designated principal" that will perform these reviews will be listed in Exhibit B. The designee will be a qualified principal (Series 24) with more than five (5) years of securities experience. Due to the oversight function of the President, the designee may not be terminated by the President.

5. CUSTOMER ACCOUNTS

5.0 Introduction

The Company is an introducing broker and as such, utilizes the clearing firm, Hilltop Securities Inc. on a fully disclosed basis. Accordingly, the Company has on file a clearing agreement with said clearing firm. As such, each customer who opens an account through HTS Securities will be notified in writing upon the opening of the account of the existence of the clearing agreement between the Company and the clearing firm.

5.1 Compliance Chart

Name of Supervisor:	• Designated Supervisor • Compliance Review
Statutes	• SEC Rule 17a-3(a)(17) • US Patriot Act – Identity, Private Banking, Foreign Cores Accts • FINRA Rules 2310 and 3110(c) • '34 Act Rule 17a-3(17)(i)(A); FINRA Rules 2310(b) and 3110(c)] - Approval • FINRA Rules 3110(c)(1)(A) and (B) and 3010(c)(3)(C) • FINRA Rule 2262 – Control Relationship • FINRA Rule 2264 – Margin Disclosure • FINRA Rule 2266 – SIPC Disclosure • FINRA Rule 2267 – Investor Education and Protection • FINRA Rule 2269 – Participation or Interest in Primary or Secondary Dist • FINRA Rule 3110(f) – Predispute Arbitration Agmt • FINRA Rules 3110(c)(2)(C), and 3050 – Accts requiring notification to Employer • FINRA Rule 2070 – Transactions involving FINRA employees • '34 Act Rule 17a-3(a)(17); FINRA Rule 3112(a)(2)(B)] – Updating Acct Info/ Periodic Verification • Bank Secrecy Act and SEC Rule 17A-8 • FINRA Rule 3110(d)(2) – Complaints
Frequency of Review:	• When accounts are opened • Account reviews • 17A3 –every 36 months; upon change in acct notification • Training annually and as needed • When Customer Complaints are received
Actions	<u>Identity</u>: • Before approving an account, determine that customer identification (ID) verification information is included with the new account application and meets Company's requirements; • For non-documentary verification, check the information included with the new account application for completeness and consistency with other customer-provided information (name, address, phone number, taxpayer ID number, *etc.*) • Taxpayer ID • For unacceptable verification information (incomplete, inconsistent), return the application to the AP for further information or disapprove the account

	Suitability: • New Acct Form, Account Documents 17A3/Verification: • Letter sent to customers • Compliance Meetings • Ongoing – other actions Disclosures • Initial applicable disclosures • Any annual disclosures • Website disclosures Customer funds and securities • When a customer requests funds or securities to be disbursed or transmitted • When a customer submits an LOA Complaints: • File 3070 electronic report • Any follow up to complaint
Records	• New account records • Supervisor's approval • Any applicable Compliance logs • Compliance meeting records • Customer Compliant/ 3070 filing in CRD, related documentation • Disclosure records

5.2 Suitability

Notice 12-13

5.2.1 The Suitability Rule: FINRA Rule 2111

2111. Suitability

This rule was introduced with the filing of SR-FINRA-2010-039 which has been approved by the SEC. This rule became effective on July 9, 2012. Regulation Best Interest has expanded on and some superseded many of these regulations.

(a) A member or an Associated Person 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 member or Associated Person to ascertain the customer's investment profile. 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 member or Associated Person in connection with such recommendation.

(b) A member or Associated Person fulfills the customer-specific suitability obligation for an institutional account, the member 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 (2) the institutional customer affirmatively indicates that it is exercising independent judgment in evaluating the member's or Associated Person's recommendations. 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.

5.2.2 Analysis of FINRA Rule 2111 [Suitability]

A. General Rule
FINRA Rule 2111 requires a member or an Associated Person to 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 member or Associated Person to ascertain the customer's investment profile
B. Investment Profile
The Investment Profile is the tool that FINRA Rule 2111 requires to be used in suitability evaluations. FINRA Rule 2111 defines a customer's investment profile to include the following factors with respect to a customer:
(1) Age,
(2) Other investments,
(3) Financial situation and needs,
(4) Tax status,
(5) Investment objectives,
(6) Investment experience,
(7) Investment time horizon,
(8) Liquidity needs,
(9) Risk tolerance,
(10) Any other information the customer may disclose in connection with the recommendation.
C. Financial Ability Evaluation Required
FINRA Rule 2111 prohibits a member or Associated Person from recommending 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 member or Associated Person has a reasonable basis to believe that the customer has the financial ability to meet such a commitment.
(2) FINRA Rule 2111 Changes
(a) "Recommendation" [not transaction] triggers analysis
FINRA Rule 2111(a) brings within the suitability rule "recommended transaction or investment strategy," and interprets the term "investment strategy" broadly and states that this term "… would include, among other things, an "explicit recommendation to hold" a security or securities.
(b) the Company Interpretation
For the purposes of applying this interpretation to its procedures, the Company interprets the term "explicit recommendation to hold" as having application primarily to circumstances where the price of securities or the markets in general are falling, or where a security has been subject to business or regulatory issues. Discussions between Associated Persons and clients regarding the

disposition of securities in rising markets is generally, in our view, less about suitability and more about profit taking and tax issues.
(c) Supervisory Issues with FINRA Rule 2111
Supervision of transactions under prior law was triggered by transactions, for which there is a data stream. Supervision of recommendations not involving a transaction requires reliance on the Associated Person to advise the firm that a recommendation to hold has been made.
E. Recommended Transaction or Investment Strategy Triggers Analysis
(1) Recommended Transaction
An analysis of whether a transaction is a "recommended" transaction [for the purpose of application of the FINRA Rule 2111 to the transaction] would follow established prior law, as there is nothing in FINRA Rule 2111 to alter established law for this purpose.
(2) Recommended Investment Strategy
FINRA interprets the phrase "investment strategy involving a security or securities" broadly and states that this term "…would include, among other things, an "explicit recommendation to hold" a security or securities.
(3) Communications Excluded from Definition of "Recommendation"
FINRA has stated that the following communications are excluded from the coverage of Rule 2111 as long as they do not include (standing alone or in combination with other communications) a recommendation of a particular security or securities:
(a) General financial and investment information, including (i) basic investment concepts, such as risk and return, diversification, dollar cost averaging, compounded return, and tax deferred investment, (ii) historic differences in the return of asset classes (e.g., equities, bonds, or cash) based on standard market indices, (iii) effects of inflation, (iv) estimates of future retirement income needs, and (v) assessment of a customer's investment profile;
(b) 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;
(c) Asset allocation models that are (i) based on generally accepted investment theory, (ii) 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 (iii) 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," and
(d) Interactive investment materials that incorporate the above.

5.2.3 Primary Suitability Obligations

There are three primary suitability obligations, as follows:
(1) Reasonable Basis Obligation.
(a) FINRA Rule 2111.05 Requirement

5.2.3.1 Reasonable Basis Obligation

A reasonable basis conclusion requires that a

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 member's or Associated Person's familiarity with the security or investment strategy. A member's or Associated Person's reasonable diligence must provide the member 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.

5.2.3.2 The Company Compliance

The Company uses several methodologies for meeting its Reasonable Basis Obligations:
(i) The Company has a great number of Direct-Sales Agreements with Mutual Fund Companies and Variable Annuity Complexes. As of the date of this Amendment, most of these Agreements have been in place for more than five years. In each case, at the time of execution of the Agreement, the Company determined that each Company had in place adequate policies and procedures to oversee its business, a longstanding and reputable track-record for its products and services, and products that do not violate our stated scope of business. All new Direct Sales Agreements must be vetted and approved by the Company's President or the CCO. In its evaluation, the Company's President or the CCO relies upon criteria listed in, but not necessarily limited to, (ii) below.
(ii) All REITs, Private Placements, Limited Partnerships or other Alternative Investments (not on the HTS platform) must be vetted and approved by the Company's President or the CCO. The President or the CCO examines criteria such as(but not limited to) management track record, history of company, time in business, dependability of accounting and legal procedures, reasonableness and achievability of financial projections, past performance, both industry and non-industry overall business climate and both micro and macro-economic forecasts. For the past five years, the Company has a policy to not permit illiquid REITs, Private Placements, Limited Partnerships or Alternative Investments to be employed by APs. However, the Company MAY accept the transfer of any of these items previously sold by another broker dealer.
(iii) Hilltop Securities Inc.("HTS") the Company's clearing firm, offers mutual funds and certain other investments on its clearing platform that the Company Registered Reps have access to. Upon information and belief, HTS has performed its own due-diligence to assure compliance with the Reasonable Basis Obligation. That fact notwithstanding, types included on the HTS platform, i.e. "inverse-leveraged ETFs" that the President or the CCO deems unsuitable for most investors, understanding nonetheless that these investment vehicles might be suitable for sophisticated or institutional clients.
(iv) the Company relies on sources such as newswires, HTS bulletins,

electronic media, industry magazines and journals, SRO guidance and consumer alerts, newspapers, rating services and numerous other sources to identify companies, products or strategies that could trigger a “red-flag” for maintaining an investment’s suitability under the Reasonable Basis Obligation.

5.2.4 Customer Specific (Qualitative) Obligations

FINRA Rule 2111.05 Requirement
Customer Specific Obligations require that a recommendation is suitable for a specific customer, based on that customer’s investment profile as defined in FINRA Rule 2111(a) and restated in this procedure.
Quantitative Obligations
(a) FINRA Rule 2111.05 Requirement
The quantitative obligation to the customer requires that the number of recommended transactions within a particular period is not excessive in light of the customer’s investment profile as defined in FINRA Rule 2111(a) and restated in this procedure .
(b) the Company Compliance
Product specific surveillance [e.g. variable annuity surveillance] are designed to achieve compliance with the Quantitative Suitability requirements of FINRA Rule 2111.05.

5.2.5 Institutional Account Exemption from Customer-Specific Obligations

(1) Definition of Institutional Account
An institutional account is an account of
(a) a bank, savings and loan association, insurance company, or registered investment company;
(b) a state or SEC registered investment adviser…; or
(c) any other entity (whether a natural person, corporation, partnership, trust, or otherwise) with total assets of at least $50 million.
(2) Suitability Requirements for Institutional Accounts.
(a) General
A member or Associated Person fulfills the customer-specific suitability obligation for an institutional account, as defined in NASD Rule 3110(c)(4), if
(i) the member 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
(ii) the institutional customer affirmatively indicates that it is exercising independent judgment in evaluating the member’s or Associated Person’s recommendations. Such affirmation may be made on a
(1) trade by trade basis, or
(2) on an asset-class by asset-class basis, or
(3) in terms of all potential transactions for its account.

(b) Agent for Institutional 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.
Often the company has either no or only a limited number of institutional customers.

5.2.6 The Company Suitability Procedures

A. General
The purpose of these procedures is to ensure compliance with FINRA Rule 2111.

B. Recommendation as Trigger for Suitability Analysis
The following are defined as recommendations that will trigger a suitability analysis by the Associated Persons are:
(1) Recommendation to purchase a security;
(2) Recommendation to sell a security;
(3) Recommendation to "hold" a security or group of securities where:
(a) The price of the security or group of securities owned by the customer has declined over 15% of the original purchase price;
(b) The issuing entity for a security is experiencing regulatory or business issues.

5.2.7 Investment Profile Required for Suitability Analysis

An Investment Profile is required for a Suitability Analysis under these procedures. An Investment Profile is contained in the HTS New Account application for HTS accounts and in the First Asset Financial Inc. Account Application and Agreement for "direct" accounts.
(1) Recommendations in HTS Accounts within 3 years of account opening.
The HTS Account Application may serve as the Investment Profile within three years of account opening, as it is designed to capture the information required to make the suitability assessment required by FINRA Rule 2111.
(2) The Company Client Profile may serve as the Investment Profile within three years of account opening, as it is designed to capture the information required to make the suitability assessment required by FINRA Rule 2111.
(3) All Other Recommendations would be based on the original form taking any changes made in the account update form from HTS, mailed every 36 months (or sooner) to customers giving the customer the opportunity to update or change his/her/their investment profile/account form.

5.2.8 Suitability Considerations

For any recommendation covered by these procedures, the following factors shall be considered in determining client suitability.
(1) Age,
(2) Other investments,
(3) Financial situation and needs,
(4) Tax status,
(5) Investment objectives,
(6) Investment experience,
(7) Investment time horizon,
(8) Liquidity needs,
(9) Risk tolerance,

(10) Financial Ability
The financial ability basis constitutes a reasonable basis to believe that the customer has the financial ability to meet the recommended commitment.

5.2.9 Supervision of Suitability Determinations

For Recommendations Involving a Transaction
Client suitability for transactions (purchase or sale of a security) shall be reviewed and approved (or disapproved) by the assigned Principal.

5.2.10 Institutional Account Exemption

The suitability analysis required by subsection E above shall not be required for recommendations to institutional accounts provided an Institutional Account Suitability Certification, containing the information in the form set forth in SPM 7.3[E](2) below is executed by the owner of the account or its authorized representative and filed in the client file.
(1) Definition of Institutional Account:
An institutional account is an account of
(a) a bank, savings and loan association, insurance company, or registered investment company;
(b) a state or SEC registered investment adviser…; or
(c) any other entity (whether a natural person, corporation, partnership, trust, or otherwise) with total assets of at least $50 million.
(2) Institutional Account Suitability Certification
(a) Qualification Requirements
indicating that it is exercising independent judgment in evaluating the recommendation(s).

5.2.11 Product Specific Suitability Obligations

Special suitability obligations apply to particular types of securities.
Special Circumstances
Under special or emergency circumstances, the Company may issue firm wide instructions to Associated Persons, with respect to purchase and hold recommendations, and related issues.
Product Specific
The firm may require a special form or certain customer attributes to invest in specific products, i.e. private placements, inverse ETFs, etc.

5.3 New Accounts

All new accounts opened with the Company will require the Company's acceptance of such account. Acceptance will be acknowledged by the designated person's signing of all subscription agreements and/or New Account Forms. Customer Accounts originating in the home office shall be accepted by the CCO (or his designee) on behalf of the Company or the designated supervisor/principal for the OSJ.

5.3.1 New Account Process

1. Review new account information for **completeness**.

2. Make sure principal has signed new account form, together with and, preferable, after execution by responsible Associated Person.
3. Search OFAC list when opening the account
4. Input information to clearing firm, if applicable.
5. Record any checks received on the "Blotter" or Daily Activities log.
6. Enter any customer information on computer for HTS, if necessary
8. For “direct or application way” orders, the date received as well as the date transmitted should appear on the "Blotter."
7. Forward any applicable applications and checks to appropriate vendor (if check received, forward by noon the following day) for “direct orders.”
   For clearing firm orders the check may be “scanned” on their system.
8. For new accounts introduced to (established with) our clearing broker dealer (Hilltop Securities Inc. or HTS), the forms designated by HTS shall be used. For non-introduced accounts, the FAF (new) account form and the forms designated by the vendor will be used.

5.3.2 Customer Account Requests & Changes on Customer Paperwork

1. Any change to a customer account must be in writing from the client or verbal if from authorized person.
2. If **changes are made** to the FAF Account application or other forms **AFTER the customer(s) has signed the form**, such changes, updates, revisions, or additions shall be noted by one of the following: (a) the customers initials (b) the AP’s initials or (c) a supervising principal’s initials near the change(s). The changes can **ONLY** be made by verbal verification from a person who has knowledge regarding the change or by reliance on another customer-executed document. This should clearly identify any changes made **AFTER signatures were applied**. It is HIGHLY IMPORTANT that all APs are CONSISTENT regarding this policy. **Changes that cannot be made** after the signing of the application are (1) change in investment time horizon, (2) risk tolerance for market fluctuation or the "investment objectives" or under "Tell Me How You Intend to Us This Account...." and (3) the address of the customer without the customer’s initials or a supervising principal’s initials.
3. Account Registration change requests that deal with certain elements of the account must be approved by a principal prior to any new transactions.
4. Check requests must be processed the same day if before cutoff time.

5.3.3 Address Changes Verification Process

A "change of address" letter will be sent to the customer's old address. This function is generally performed by our clearing firm or the mutual fund/variable annuity company. In the rare instance that the customer's account is not held by either of these entities, it will be the responsibility of the Company to send such notice.
Address change requests are submitted to the home office and are reviewed and approved by the CCO.

5.3.4. Electronic Signatures

New accounts opened through Hilltop Securities Inc. may be opened with DocuSign’s eSignature process. This process includes verification by the customer.

5.4 FINRA Rule 3250-Designation of Accounts

Company shall not carry an account on its books in the name of a person other than that of the customer, except that an account may be designated by a number or symbol, provided Company has on file a written statement signed by the customer attesting the ownership of such account.

5.5 Bank Secrecy Act

With respect to each new account established by the Company, by persons residing or doing business in the United States, or a citizen of the United States, the Company shall within 30 days from the date such account is opened, secure and maintain a record of the taxpayer's identification number of the person on whose behalf the account is established; or in the case of an account of one or more individuals, the Company shall secure and maintain a record of the social security number of an individual having a financial interest in the subject account.

In the event that the Company has been unable to secure the identification required within the 30 day period specified, it will nevertheless not be deemed to be in violation of the Bank Secrecy Act or SEC Rule 17a-8, if:

(1) The Company has made a reasonable effort to secure such identification; and

(2) The Company maintains a list containing the names, addresses, and account numbers of those persons from whom it has been unable to secure such identification, and makes the names, addresses, and account numbers of those persons available to the proper authorities as may be requested.

The Company's personnel must insure that a W-9 information is obtained for each account established on behalf of a customer. If a W-9 is not obtained, the appropriate backup withholding will be applied by HTS Securities Inc. and a list of all outstanding W- 9's shall be maintained by the Company as a part of its books and records. The “W-9” information is normally contained in both the HTS and/or the Company’s “New Account Form.”

Where a person is a nonresident alien, the Company shall also record the person's passport number or description of some other government document used to verify the individual's identity.

The 30 day period provided for in the Bank Secrecy Act shall be extended where the person establishing the account has applied for a taxpayer identification or social security number on Form S-4 or S-5, until such time as the person maintaining the account has had a reasonable opportunity to secure such number and furnish it to the Company.

A taxpayer identification number for a deposit or share account required under the above paragraph need not be secured in the following instances:

(1) Accounts for public funds opened by agencies and instrumentalities of Federal, State, local or foreign governments;

(2) Accounts for aliens who are:

  (a) Ambassadors, ministers, career diplomatic or consular office, or

  (b) Naval, military or other attaché is of foreign embassies, and legations, and for the members of their immediate families.

(3) Accounts for aliens who are accredited representatives to international organizations which are entitled to enjoy privileges, exemption, and immunities as an international organization under the International Organizations Immunities Act of December 29, 1945 (22 USC Sec. 288), and for the members of their immediate families.

Every broker or dealer in securities will, in addition, retain as required, either the original or a microfilm or other copy or reproduction of each of the following:

(1) Each document granting signature or trading authority over each customer's account;

(2) Each record described in section 240.17a-3(a)(1), (2), (3), (5), (6), (7), (8), and (9) of Title 17, Code of Federal Regulations;

(3) A record of each remittance or transfer of funds, or of currency, checks or monetary instruments, investment securities, or credit, of more than $3,000 to a person, account, or place, outside of the United States.

(4) a record of each receipt of currency, other monetary instruments, checks or investment securities and of each transfer of funds or credit, of more than $3,000 received on any one occasion directly and not through a domestic financial institution, from any person, account or place outside the United States.

The Joint and Travel Rules

The joint rule requires that if the firm is involved in a wire transfer greater than $3,000 the firm must collect and retain certain information regarding the transfer depending on its role in the transfer and the relationship to the parties. The firm will also verify the identity of transmitters and recipients that are not established customers.

The travel rule requires intermediary parties to wire transfers greater than $3,000 to include all information received about such wire transfers in their retransmitted of the wire order.

The joint rule requires that when functioning as the transmitter's financial institution for an established customer the firm must be able to retrieve the information by account number and account name.

The following transmittals of funds are not subject to the requirements of the joint rule: Any transfer of less than $3,000; transmittals of funds where the transmitter and the recipient are any of the following: a bank, a wholly owned domestic subsidiary of a bank charted in the US; a broker dealer in securities; a wholly owned domestic subsidiary of a broker dealer in securities: the United States; a state or local government or a federal, state or local government agency or instrumentality.

5.6 Account and Activity Reviews

Customer Accounts will be reviewed on an ongoing basis by the CCO or his designee or the designated principal, to assist in detecting and preventing violations of, and achieving compliance with applicable laws, regulations and rules. Such review will be conducted for accounts by reviewing the Daily Activity Report from HTS. Evidence of such review will be the initials, via a stamp or manually, of the CCO or his designee on any blotter containing trade activity.

Margin Accounts may be maintained by the firm under the supervision of the CCO or his designee. The Company will follow the margin requirements of its clearing broker, Hilltop Securities Inc. The CCO or his back office designees will review any Reg T call reports and House call reports for margin accounts. Each designated AP and respective principal will be responsible for contacting the customer to meet all calls. Each respective principal will be responsible for notifying the clearing broker of any Reg T extensions.

Reviews will also be conducted to detect any customer residing in a state where the Company is not registered. In addition, a customer may notify Company they are moving to a state where Company is not registered. If there is no "deminimis" exemptions in the state and the Company chooses not to pursue registration in that state, a letter from the Compliance Department will be forwarded to the customer with instructions that the account is now deemed closed to new investments (sales only permitted) and informed that assistance will

render them in transferring the account. Unfortunately accounts in HTS cannot be marked as CLOSED or HOLD until account is transferred or Company is registered. The alternative is for the Company and AP to become registered in the appropriate jurisdiction(s).

Pursuant to **SEC Rule 17a-4(b)(6)**, the Company will maintain records of any 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 a corporation.

5.7 AML Procedures for New Accounts

See procedures under Section 7 of these Written Supervisory Procedures.

5.8 Accounts for Association and AMEX Employees

The Company currently does not maintain any Association or AMEX Employee ("employee") accounts. However, in the event it does in the future, the Company shall promptly obtain and implement an instruction from the employee directing that duplicate account statements be provided by the Company to the Association. The Company shall not directly or indirectly make any loan of money or securities to the employee other than those allowed by law. The Company shall not directly or indirectly give, or permit to be given, anything more than nominal value, as set forth in FINRA Rule 3220, to any employee who is responsible for any regulatory matter.

5.9 FINRA Rule 2070-Transactions Involving FINRA Employees

Pursuant to FINRA Rule **2070**, the Company will ensure:

(a) When it has actual notice that a FINRA employee has a financial interest in, or controls trading in, an account, the Company shall promptly obtain and implement an instruction from the employee directing the Company to provide duplicate account statements to FINRA.
(b) It does 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.
(c) Notwithstanding the annual dollar limitation set forth in Rule 3220(a), it does not directly or indirectly give, or permit to be given, anything above nominal value to any FINRA employee who has responsibility for a regulatory matter involving the Company. For purposes of this paragraph, the term "regulatory matter" includes, but is not limited to, examinations, disciplinary proceedings, membership applications and dispute-resolution proceedings.

5.10 FINRA Rule 3110(f)-Predispute Arbitration Agreements

Pursuant to FINRA Rule 3110(f), HTS sends a copy of the Predispute Agreement in its "Customer Brochure." The account form contains a predispute notice above the customer's signature(s). The time requirement for delivery of a copy of the customer agreement from the time of signing must be within 30 days of signing. In addition, the Company will provide customers who request a copy of any predispute arbitration clause or client agreement with a copy within 10 business days of the request. The changes to FINRA Rule 3110(f) approved by the SEC on November 22, 2004, become effective on June 1, 2005.

5.11 Suitability Considerations

Know Your Customer

References: FINRA Rule 2090
Regulatory Notice(s): 12-25, 11-25, 11-02
Who: Chief Compliance Officer
When: Daily / On-Going
What: Know Your Customer
Evidence: New Account Approval, Approval of Business Activity
Retention Period: Not less than five (5) years
Date: July 2012

FINRA Rule 2090 requires a firm to use reasonable diligence, when opening and maintaining any customer account, to know and retain the essential facts concerning a customer and the authority of each person acting on behalf of a customer.

5.12 Delivery and Acceptance of Checks and Securities

5.12.1 Checks Policy

Pursuant to net capital limits, Company does not hold customer funds or securities and therefore has the following procedures in place:

1. Checks received in an office must be forwarded to the intended recipient by noon of the following day.
2. Make copy of check for files and enter into Blotter
3. If check is for deposit into HTS, prepare for deposit and process through HTS/RemitPro for electronic deposit. Verify customer account numbers and make sure account numbers are on customer checks.
4. If check is to be forwarded to product vendor, forward in regular or overnight mail (or appropriate delivery service [UPS, FedEx, etc.]) along with any application materials. Maintain senders portion of delivery ticket in central location for proof of delivery if using a courier service.
5. Checks made payable to the Company instead of the intended recipient will be endorsed to the intended recipient. If it is a "first time" error a letter will be sent by the Company to the investor explaining the error with a request to no longer make checks payable to the Company but to the appropriate recipient. After the initial error, checks should be returned promptly to the customer for them to re-issue the check to the proper recipient unless it has been some time ago since the initial error.

5.12.2 Securities Certificates Received and Delivered

Any securities received by the Company, will promptly be returned to the customer for forwarding directly to the clearing firm themselves. Copies of the certificates forwarded by customer may be maintained in client file. This applies to stock certificates only. The AP may assist a customer in preparing certificates for mailing to HTS by providing a stock power, recording the account number on the certificate, copying the certificate, addressing and stamping the envelope, all in the customer's presence. However, the certificate or envelope must be returned to the customer for mailing. It is recommended that the AP suggest that the customer insure the envelope for 5%-10% of market value and inform the customer that they are solely responsible for the certificate(s) reaching their destination (normally HTS) and not the Firm.

5.12.3 Third Party Wire Policy

Wires sent to an entity other than the customer are considered a “third party” (TP). Caution must be exercised when sending/wiring money from a customer account to a TP so that the customer’s monies do not end up in the hands of a criminal element. TP wires are a common method of theft from a customer’s account, so extra care must be exercised in this case

If wiring funds from HTS, the Third Party Check Request & Authorization Form must be completed. HTS, generally does not allow third party wires. Exceptions are made for real estate closing statement, loan agreement and a few other, but their internal form must be completed and the customer contacted directly in person by the AP before wiring funds to a TP.

5.13 Currency and Foreign Transactions

It is a policy of the Company not to accept any cash payments for stock purchases or amounts to be credited to a customer's account. In addition, no checks drawn on foreign banks will be accepted. Any wire to or from a foreign destination must be approved by the CCO in advance. In the event any cash is ever deposited in error or any check drawn on foreign banks is deposited; the appropriate action will be taken as stated in the AML companion document.

5.14 Multi-State Registration Activities

New accounts shall be reviewed by the designated principal at each OSJ.

5.15 Fees Charged for Services

Pursuant to FINRA Conduct Rules, the Company will charge reasonable charges, if any, for such services including miscellaneous services such as collection of moneys due for principal, dividends, or interest, exchange or transfer of securities, appraisals, research on historical stock prices, organizing paperwork for a customer and other services. The Company will monitor such charges and any received from HTS for such transactions through the clearing firm. Any questionable charge will be immediately brought to the attention to the CCO or the designated principal for further investigation. Starting March of 2024, HTS will initiate a $75 charge for anyone receiving paper copies of any account documents except tax documents.

5.16 Discretionary Account Activity

The following procedures have been established in the event a discretionary account is approved when an Associated Person has discretion over a customer account that is solely a broker dealer account (i.e., not also an account with discretion from an affiliated Registered Investment Advisor {RIA]).

Transactions in discretionary accounts will be monitored for excessive activity. All orders placed for a discretionary account must be reviewed and initialed by the CCO or the designated principal. No account may be handled by a registered person of the Company unless a written permission has been granted by the Customer to the registered person, and a copy of that permission is on file in the customer's file or a form has been completed through the RIA granting discretion through the advisory relationship. It shall be the CCO’s responsibility to review any discretionary accounts attributable to the broker dealer.

Written Authorization - No discretionary activity may be affected on behalf of any customer's account unless prior written authorization has been obtained from the customer. Such authorization must contain the nature of the relationship with the customer, specific activities authorized and/or not authorized by the customer, age, and occupation of the customer, investment objectives of the account and signatures of the customer and the Associated Person.

The Company discretionary account form must be approved in writing by the CCO, PRIOR TO any discretionary activity on behalf of the customer. A copy of each discretionary account form must be maintained in the customer's file and a copy must be given to or sent to each customer.

Discretionary Transactions - Each discretionary transaction must be promptly approved in writing by the CCO or the designated principal. The principal may elect to approve the orders prior to execution, or may elect to approve discretionary offers soon after execution on the trade blotter.

Each discretionary order ticket must note that the transaction has been effected on a discretionary basis on behalf of the customer.

Excessive Activity - Discretionary transactions in a customer's account are strictly prohibited if they can be shown to be excessive in size or frequency given the investment objectives detailed in the discretionary account form.

Several factors will be considered when reviewing for excessive activity. These include: investment objectives, sophistication of the customer, age, financial resources, and reason for discretionary account status.

The Company discourages discretionary accounts at their broker dealer and suggests that an advisory account be considered in lieu of discretionary accounts.

5.17 Discretion Relating to Advisery Activity

FINRA personnel have stated that **discretionary documents are not required** of FAF (the broker dealer of record) when an Advisery Agreement (RIA firm) is in place for an account. It has been noted to the SRO (FINRA) that the Associated Person and the investment adviser representative (IAR) are one and the same person, hence the "discretion" is exercised under the RIA Agreement and not in context of the broker dealer (FAF). There has been no determination from FINRA as to whether the orders placed on behalf of such accounts should be marked solicited or non-solicited.

5.18 Online HTS Account Access *(8/10/09)*

Company grants customers online access to their Hilltop Securities Inc. clearing firm accounts through HTS current customer online services (eDelivery) and completion of said application. In addition, any customer wishing order entry must be approved by the applicable supervisor or principal. The Firm does **not currently allow customer order entry through the HTS system**. Customers not electing eDelivery of all account documents (except tax documents) will be assessed an extra charge for paper delivery.

5.19 Forwarding of Proxy or Other Materials

The Company does not carry customer accounts and therefore does not forward proxy or other related materials.

5.20 FINRA Rule 2140

Interfering With the Transfer of Customer Accounts in the Context of Employment Disputes

Neither the Company nor any Associated Person shall interfere with a customer's request to transfer his or her account in connection with the change in employment of the customer's Associated Person where the account is not subject to any lien for monies owed by the customer or other bona fide claim. Prohibited interference includes, but is not limited to, seeking a judicial order or decree that would bar or restrict the submission, delivery or acceptance of a written request from a customer to transfer his or her account.

5.21 ACATS

When an ACAT request is received at the FAF home office, the ACAT form is forwarded to HTS. If the ACAT is made to out First Asset Financial Inc. rather than HTS it will be returned to the broker who sent it or

to the customer. Should a customer request that their account be transferred the Company shall honor such requests in a timely manner to the degree possible. The Company shall require a properly executed ACAT form, which shall be forwarded to the clearing firm within one day of its receipt.

5.22 Transmittals and Withdrawals of Customer Assets

HTS policy dictates how withdrawals from customer accounts are handled. It is the APs duty to be sure that timely requests are made of HTS after a customer requests funds transmittal.

5.23 FINRA Rule 2090

The Rule requires the use of reasonable diligence, in regard to the opening and maintenance of every account, to know (and retain) the essential facts concerning every customer and concerning the authority of each person acting on behalf of such customer.

The Firm requires all Associated Persons and/or Associated Persons to use reasonable diligence when dealing with clients. Registered representatives and/or Associated Persons are required to make a concerted effort to obtain all required customer information needed to learn the facts of the pending transaction

5.24 Training for Senior Investors/Products

As part of the annual Firm Element of Continuing Education, elements will be included regularly to offer an opportunity for Associated Persons to receive training that could relate to their Senior customers or prospects. While the training may not directly address Seniors directly, for example, Product training, it could well be an element that may be "Senior related."

5.25 Senior Investor Guidelines

In order to address one of the most significant trends in our business – the aging of the population and, consequently, the growing number of our clients who are at or near retirement age, the Company has adopted the following guidelines when dealing with senior investors:

5.25.1 Senior Suitability

In addition to the standard suitability review for all accounts, additional attention should be focused on the following:

Investment time horizon. Older clients may have a shorter investment time horizon than younger clients. This fact may affect the client's ability to handle risk. When a senior client incurs investment losses, he or she may not have sufficient time to recoup those losses in the market. At the same time, the American population is living longer. A senior investor's portfolio may need to fund a retirement that lasts for decades. However, some seniors do not intend to use the funds in their lifetime but intend to pass it on to younger heirs which will affect the investment selection.

Changes in investment objectives. As clients retire, they often move from an "accumulation" mode into a "distribution" mode. Therefore, growth may be less important than a reliable income for many older investors.

Liquidity needs. Older clients may incur substantial expenses, particularly related to health care costs. These expenses may arise unexpectedly, so it is important for clients to have sufficient liquidity to meet both foreseeable and unforeseeable needs.

Possible changes in tax status. As clients retire, their tax status may change. Although it is the client's responsibility to consult his or her tax professional, Associated Persons should be sensitive to tax considerations when making recommendations to older clients.

Risk tolerance. As client's age and income levels may decrease with retirement, clients' appetite for assuming investment risks may decline as well. Associated Persons must take this into account and find investments that have a degree of risk clients will be comfortable bearing.

In addition, as part of knowing your customer, it is important to keep up-to-date information on the following factors as well:

Employment: *Is the customer currently employed? If so, how much longer does he or she plan to work? Is the client planning to work part-time in retirement?*
Expenses: *What are the customer's primary expenses? For example, does the customer still have a mortgage? Are they planning to travel once retired?*
Income Needs: *How much income does the customer need to meet fixed or anticipated expenses?*
Savings: *How much has the customer saved for retirement? How are those assets invested?*
Liquidity: *How important is the liquidity of income-generating assets to the customer? Does the client have liquid assets to meet anticipated and unanticipated needs?*
Goals: *What are the customer's financial and investment goals? For example, how important is generating income, preserving capital or accumulating assets for heirs?*
Health: *What health care insurance does the customer have? Will the customer be relying on investment assets for anticipated and unanticipated health costs?*

5.25.2 Communications with the Senior Public

All communication with the public must be truthful and in good taste, fair and balanced, and not project performance or promise specific results. (See Section 19 of these WSP for full procedures). However, FINRA, the SEC, and State regulators are increasingly focused on communications and seminars aimed at senior investors. Based on various studies and "regulatory sweeps," the regulators have identified a number of potentially inappropriate practices.

For example: "High Pressure Sales Tactics." This may include the use of language such as "Limited Seats Available," or "You must act now." Such language would be inconsistent with the Company's guidelines for communications.

Another example is lavish inducements offered to seminar attendees. These may include expensive meals or fancy door prizes. Meals and entertainment offered to clients must not be lavish. The focus must be on the content of the seminar – not the inducements.

The regulators are also concerned about misrepresentations regarding the nature of the seminar. Statements such as "Educational seminar -- Nothing will be sold" may not be appropriate if a product vendor will be presenting a particular product. Company policies prohibit any misrepresentations.

Finally, seminar presentations must not contain exaggerated promises, such as guarantees of high returns that cannot be substantiated. Again, Company policies prohibit any misrepresentations or exaggerations in client communications.

Consequently, Associated Persons must adhere to the following procedures as related in senior investors in particular:

• Any securities related communication geared specifically to a senior targeted audience must be pre-approved by the CCO or the Compliance department.

• All independent insurance agents should use caution using state permitted professional and senior designations. In addition, agents should avoid using the following:

Certifications or professional designations that they have not actually earned. Nonexistent or self-conferred certifications or professional designations or designations that imply a level of authority or expertise that the agent does not possess. Certifications or professional designations should not be used that are obtained from certifying or designating organizations that:

- Are primarily engaged in the business or instruction in sales or marketing;
- Do not have reasonable standards or procedures for assuring the competency of their designees;
- Do not have reasonable standards or procedures for monitoring and disciplining their designees for improper or unethical conduct; or
- Do not have reasonable continuing education requirements for their certificants or designees in order to maintain the certificate or designation.

Designations that may have a tendency to mislead purchasers into the impression that the agent is doing something other than selling life insurance or annuities.

Although sales be unrelated to securities or the Company's business, insurance licensed agents should be aware of the NAIC's Model Regulation on the Use of Senior-Specific Certifications and Professional Designations in the Sale of Life Insurance and Annuities which has now been adopted in whole or in part by most states.

5.25.2.1 Trust Contact Person-Rule 4532

Associated Persons are required to make a reasonable effort to obtain the name and contact information for a trust contact person upon the opening of a new customer account or when updating the account information for a customer.

5.25.3 Product Consideration for Seniors

While no product is, per se, unsuitable for senior investors, it should also be noted that changes to the investment time horizon, liquidity needs and/or risk tolerance of senior investors may affect the suitability of certain recommendations. Therefore, products having certain features warrant careful consideration with senior clients.

Prohibited Recommendations*: Associated Persons are prohibited from recommending any client from withdrawing equity from their home in order to purchase securities.*

5.25.4 Senior Red Flags

Diminished capacity and elder abuse are two problems that emphasize the particular vulnerability of many older clients. Diminished mental capacity, such as Alzheimer's disease and other forms of dementia, may impair a client's ability to make appropriate decisions regarding his or her portfolio. Elder financial abuse occurs when a person exploits a position of trust or influence in order to gain power over a senior citizen's assets. Below are some common "red flags" for diminished capacity and suspected elder abuse, as well as procedures for escalating these issues.

RED FLAGES:

Diminished Capacity: keep in mind this is not an all-inclusive list nor is one item alone indicative of the condition, however, these red flags are provided for assistance in noting developments that may occur with senior clients:

• Memory loss;
• Disorientation or confusion;
• Difficulty performing simple tasks;
• Difficulty speaking;
• Difficulty with abstract thinking;
• Misplacing items;
• Drastic mood swings;
• Changes in personality;
• Increased passivity; and
• Poor judgment.

For example, a client may repeat an order multiple times over several days without any apparent realization that he or she has already given you the order. Or, a client may appear disoriented or confused when you meet with him or her. If you notice such symptoms, your client may be suffering from diminished capacity.

Elder Abuse: occurs when somebody exploits a position of influence or trust over an elderly person to gain access to that person's assets, funds or property. Be aware of these red flags for potential financial exploitation:

• The elder's sudden reluctance to discuss financial matters. This includes signs of intimidation or reluctance to speak in the presence of a caregiver;

• Sudden, atypical, or unexplained withdrawals; drastic shifts in investment style; or other sudden changes to the elder's financial situation;

• Abrupt changes in wills, trusts, or power of attorney;

• Changes in beneficiaries on insurance policies or IRAs;

• Client is concerned or confused about missing funds in his or her account;

• Unusual or first-time wire transfers, especially to foreign countries;

• The elder is fearful of eviction or nursing home placement if money is not given to a caretaker; and

• Elders who appear to be receiving insufficient care despite having money.

• Increasing lack of contact with and interest in the outside world; and

• The elder's admission of financial or material exploitation or suspected exploitation.

Tactics may include:
- Cashing an elderly person's checks without authorization or permission;
- Forging an older person's signature;
- Misusing or stealing an older person's money or possessions;
- Coercing or deceiving an older person into signing documents (for example, a contract or will); and
- Improperly using a conservatorship, guardianship, or power of attorney.

For example, a caretaker coerces an elderly client to transfer cash to her. The caretaker threatens to have the client committed to a nursing home if he refuses.

An elderly client grants power of attorney to her son. The son makes speculative investments – hoping to increase his inheritance, but ignoring his mother's need for current income.
An elderly client requests a large wire transfer to make a "good faith" payment to secure his winnings in a lottery.

5.25.5 Escalation Procedures for Seniors

The Company strongly recommends Associated Persons at the account opening stage to encourage all clients to prepare for the future (power of attorney, guardianships or conservatorships, etc.). Obtain from the client an emergency or additional contact and when they would like us to contact them. Inform the client that in addition to the SEC 17a-3 letters they will receive, to keep the Firm informed of any changes to their circumstances.

5.25.6 Temporary Hold on Disbursement of Funds or Securities for Specified Adults-Rule 2165

It is the responsibility of each designated principal to oversee the activities of their Associated Person's senior investor activities, suitability, and product recommendations. However, in the event of any escalation issue, it will be the responsibility of the CCO to ensure that the proper procedures are followed.

Rule 2165 permits FAF to place a temporary hold on the disbursement of funds or securities from an account of a "specified adult" customer where "financial exploitation" is reasonably believed to have occurred or is occurring or has been attempted or will be attempted. FINRA Regulatory Notice 17-11 outlines the detail for Rule 2165 the specific firm action to be taken in this event, details of the action, circumstances, obligations and safe harbors available for said action.

5.25.6.1 The definition of a "specified adult"
a. a natural person age 65 or older
or
b. a natural person age 18 or older who the member reasonably believes has a mental or physical impairment that renders the individual unable to protect his or her own interests.

5.25.6.2 The definition of "financial exploitation" includes:

a. the wrongful or unauthorized taking, withholding, appropriation, or use of a specified adult's funds or securities.
or

b. any act or omission taken by a person including through the use of a power of attorney, guardianship, or any other authority, influence, over the specified adult, to: (i) obtain control, through deception, intimidation or undue influence, over the specified adult's money, assets or property; or (ii) convert the specified adult's money, assets or property.

5.25.6.3 Trusted Contact Person-Amendments to Rule 4512

The amendments to Rule 4512 require members to make reasonable efforts to obtain the name of and contact information for a trusted contact person upon the opening of a non-institutional customer's account or when updating account information for a non-institutional account in existence prior to the effective date of the amendments. The trusted contact person is intended to be a resource for the member in administering the customer's account, protecting assets, and responding to possible financial exploitation.
The amendments do not prohibit members from opening and maintaining an account if a customer fails to identify a trusted contact person, as long as the member makes reasonable efforts to obtain the information. Not all of the information need be completed on the account form, but some contact information will be necessary to contact the trusted contact if the need arises. Asking a customer to provide the name and contact information for a trusted contact person ordinarily would constitute reasonable efforts to obtain the information and would satisfy the rule's requirements.

5.25.7 General Firm Policy Regarding Changes on the New Account Form and Other Forms After Being Signed by the Customer

It is a common occurrence for items to missing or be in error on the customer "new account" form after it has been completed and signed. This is often more prevalent where a form is mailed to and completed by the customer himself/herself, yet occurs even when the Representative completes a form. For convenience of the customer and Representative, the firm allows items on forms to be completed or changed/altered based on the Representative's knowledge and/or customer's direct input. The changes can ONLY be made by verbal verification from a person who has knowledge regarding the change or by reliance on another customer-executed document. However, the changes must be initialed by either the customer, the Representative or a Supervising Principal. This practice should clearly identify any changes made AFTER signatures were applied However, there are changes that cannot be made after the signing of the application that include are (1) change in investment time horizon, (2) risk tolerance for market fluctuation or the "investment objectives" or under "Tell Me How You Intend to Us This Account...." and (3) the address of the customer without the customer's initials or a supervising principal's initials.
It is HIGHLY IMPORTANT that all Representatives are CONSISTENT regarding this policy. The most frequently areas not completed on "new account forms" include *number of dependents, Citizenship, address of employer* and others.

5.26 Customer Complaints

Name of Supervisor ("designated Principal"):	Designated Principal: the CCO
Frequency of Review:	Upon receipt of customer complaints (both verbal and written) or notice of events requiring disclosure; When informed of potential misconduct. Quarterly.
How Conducted:	Confirm notices sent to customers; Discussions with representatives about verbal complaints; Review of written customer complaints; Review of event disclosures; review of evidence of misconduct; Compilation of quarterly complaint information
How Documented:	Complaint files, including evidence of notices sent, written complaints, notes related to verbal complaints, and any supporting documentation; Disclosure event report to FINRA, if necessary; Notes, records on the subject of misconduct considered for reporting of internal conclusions. Quarterly statistical summary report to FINRA.

With respect to customer complaints, any complaint directed to or uncovered by the CCO will be entered as a matter of record and will be kept in the corporate office. The CCO shall be responsible for maintaining a record of all customer complaints and the disposition of same. The CCO will have the absolute right to determine the disposition of all customer complaints.

5.26.1 Nature of Complaints

Further, it shall be the responsibility of the CCO to timely report all customer complaint information and other specified events, electronically, to the FINRA/CRD in accordance with Rule 3070 of the FINRA Conduct Rules. In this regard, on behalf of the Company, the CCO shall promptly report within 10 business days of when the Company knows if ever the Company and or an Associated Person is:

1. Found to have violated any provision of any securities law or regulation, any rule or standards of conduct of any governmental agency, self-regulatory organization, or financial business or professional organization, or engaged in conduct which is inconsistent with just and equitable principals of trade; and the Company knows that any of the aforementioned events have occurred;

2. Is the subject of any written customer complaint involving allegations of theft or misappropriation of funds or securities or of forgery;

3. Is named as a defendant or respondent in any proceeding brought by a regulatory or self-regulatory body alleging the violation of any provision of the Securities Exchange Act of 1934, or of any other federal or state securities, insurance, or commodities statute, or of any rule or regulation hereunder, or of any provision of the By-laws, rules or similar governing instruments of any securities, insurance or commodities regulatory or self-regulatory organization;

4. Is denied registration or is expelled, enjoined, directed to cease and desist, suspended or otherwise disciplined by any securities, insurance or commodities industry regulatory or self-regulatory organization or is denied membership or continued membership in any such self- regulatory organization; or is barred from becoming associated with any member of any such self-regulatory organization;

5. Is indicted, or convicted of, or pleads guilty to, or pleads no contest to, any criminal offense (other than traffic violations);

6. 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 which was suspended, expelled or had its registration denied or revoked by any agency, jurisdiction or organization or is associated in such a capacity with a bank, trust company or other financial institution which was convicted of or pleaded no contest to, any felony or misdemeanor;

7. Is a defendant or respondent in any securities or commodities-related civil litigation or arbitration which has been disposed of by judgment, award or settlement for an amount exceeding $15,000. However, when the Company is the defendant or respondent, then the reporting to the FINRA shall be required only when such judgment, award or settlement is for an amount exceeding $25,000;

8. Is the subject of any claim for damages by a customer, broker, or dealer which is settled for an amount exceeding $15,000. However, when the claim for damages is against the Company, then the reporting to the FINRA shall be required only when such claim is settled for an amount exceeding $25,000;

9. Is associated in any business or financial activity with any person who is subject to a "statutory disqualification" as that term is defined in the Securities Exchange Act of 1934, and the member knows or should have known of the association. The report shall include the name of the person subject to the statutory disqualification and details concerning the disqualification.

10. Is the subject of any disciplinary action taken by the member against any person associated with the member involving suspension, termination, the withholding of commissions or imposition of fines in excess of $2,500, or otherwise disciplined in any manner which would have significant limitation on the individual's activities on a temporary or permanent basis.

In keeping with the requirements of Rule 3070 of the FINRA Rules, each Associated Person of the Company shall report within 48 hours to the Company the existence of any of the conditions set forth above. In turn, the Company shall report to the FINRA the existence of any of the conditions set forth above within 10 business days. In addition, any event filing required for Form BD and or Form U4 or U-5 must be immediately compared with the events above to determine if a 3070 disclosure filing must also be submitted in order to avoid any missed or untimely filings.

The Company, through the CCO shall also report electronically to the FINRA statistical and summary information regarding customer complaints by the 15th day of the month following the calendar quarter in which the customer complaint was received by the Company. For purposes of this section, "customer" shall include any person other than a broker or dealer with whom the Company has engaged, or has sought to engage, in securities activities, and "complaint" includes any written grievance by a customer involving the Company or a person associated with the Company. Customer complaint records will be maintained for three years.

5.26.2 Processing Customer Complaints

1. Make additional copies of customer complaint
2. Complaints need to be addressed promptly and any reply should be attached to file copies.
3. All applicable customer complaints should be reported to FINRA by the CCO via internet FINRA Rule 3070 program by the 15th day of the month following quarter end.

5.27 Disclosures

5.27.1 FINRA Rule 2262 – Control Relationship *(eff 12/14/09)*

If Company is controlled by, controlling, or under common control with, the issuer of any security, Company shall, before entering into any contract with or for a customer for the purchase or sale of such security, disclose to such customer the existence of such control, and if such disclosure is not made in writing, it shall be supplemented by the giving or sending of written disclosure at or before the completion of the transaction. In the case of any private placement, such disclosure shall be in the form of the offering memorandum given to customer.

5.27.2 FINRA Rule 2264. Margin Disclosure Statement

It shall be the responsibility of the CCO to ensure that no margin account shall be opened for any non-institutional customer unless, prior to or at the time of opening the account, the customer is furnished in writing or electronically, the clearing company’s Margin Disclosure Statement. The Margin Disclosure Statement may be contained in the HTS Securities, Inc. Customer Information Brochure, which is given to all new HTS Securities accounts or sent as a "stand alone" document.

5.27.3 FINRA Rule 2266 - SIPC Disclosure

It shall be the responsibility of the CCO to ensure all new customers receive, in writing or electronically, at the time of opening an account, information about SIPC, including the SIPC brochure by contacting SIPC and providing their website at www.sipc.org and telephone number (202) 371-8300. Such information will be provided via the FAF New Account Form or HTS's Customer Information Brochure. All advertising of a certain size or time length must include a notation that the Firm is a member of SIPC, e.g., "Member, SIPC or Member SIPC," or use of the "SIPC" logo found in the margin.

5.27.4 FINRA Rule 2267 - Investor Education and Protection *(eff 8/17/09)*

Company will provide new customers with FINRA website information which includes FINRA's Broker Check information (which can also be accessed by calling 800-289-9999 or www.finra.org/brokercheck) on the Firm's website.

5.27.5 FINRA Rule 2269 - Participation or Interest in Primary or Secondary Distribution *(eff 12/14/09)*

Company, acting as either a broker or dealer for a customer or for both such customer and some other person, and who receives or has promise of receiving a fee from a customer for advising such customer with respect to securities, shall, at or before the completion of any transaction for or with such customer in any security in the primary or secondary distribution of which Company is participating or is otherwise financially interested, give such customer written notification of the existence of such participation or interest.

5.27.6 FINRA Rule 2020-Use of Manipulative, Deceptive or Other Fraudulent Devices

Pursuant to Rule 2020, the Company 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

6. REGULATION S-P PROTECTION OF CUSTOMER INFORMATION & REGULATION BEST INTEREST (REG BI)

6.1 Introduction

Client information in the possession of a financial institution is governed by federal law and, in some cases state law. The Gramm-Leach-Bliley Act (GLB) and Regulation S-P require financial institutions to provide a notice to each customer that describe its policies and practices regarding the disclosure to third parties of nonpublic personal information. In general, the privacy notice must describe a firm's policies and practices with respect to disclosing nonpublic personal information about a client to both affiliated and nonaffiliated third parties and provide a client a reasonable opportunity to opt out of the sharing of nonpublic personal information about the client with nonaffiliated third parties. As part of its privacy notice, the privacy rule requires broker/dealers to include specific items of information, such as the categories of nonpublic personal information that the firm collects and the categories of third parties to which the firm may disclose the information.

In addition, the CCO is the designated Information Security Officer and will be responsible for the implementation of Regulation S-P. Responsibility for ongoing supervision of privacy procedures will be maintained by the applicable principals of each office.

First Asset Financial Inc. delivers the Privacy Notice to the customer initially with the copy of the new account form. As FAF does not share customer information with a non-related party, there is no "opt out" opportunity for the customer. The customer cannot choose to "opt out" of a process that does not occur. Hence the short privacy notice on the new account forms.

6.2 Compliance Chart

Name of Supervisor:	• Designated Supervisor
Statutes	• SEC Regulation S-P • SEC Regulation S-AM - Affiliates • FACT Act Sections 114 and 315 – Identity Theft/Red Flags
Frequency of Review:	• When accounts are opened - provide copy of Privacy Policy • Send notice of Privacy Policy to all customers when a significant change is made • As determined by the designated supervisor: training for employees • As necessary - establish procedures for protecting customer information and ensuring information is only shared when it is allowed • As necessary - when new technologies are adopted
Actions	• Send notice to customers when required • Test internal computer systems periodically • Ensure agreements with third parties receiving customer information reflect the third party firm's privacy policies and include a confidentiality agreement • Include maintaining confidentiality of customer information in employee training

	• If "eligibility information" will be received from affiliates, determine that Regulation S-AM requirements are satisfied
	• When new technologies involving customer information are adopted:
	  ○ Contact information officer to:
	  ▪ Determine whether appropriate technological precautions have been taken to protect customer information
	  ▪ Determine whether existing testing/audits will include the new technology and, if not, adjust testing program
	  ○ Review existing policies and procedures to determine if changes/additions are required
	  ○ Determine whether added training of employees is necessary and implement, if required

Records	• Current Privacy Policy • Record of annually providing notice to all customers they may receive it if requested (after the initial delivery to them) • Copies of signed agreements with third parties receiving customer information • Requirements for Regulation S-AM are satisfied if affiliate information is used for marketing • Records of reviews of outsourced services involving the privacy of customer information • Records of review of new technology involving customer information

6.3 Definitions

Consumer: An individual who obtains or has obtained a financial product or service from a financial institution.

Customer: A consumer who has developed a continuing relationship with a financial institution to provide products or services.

6.4 Delivery

The Company deliver a notice describing the firm's privacy policies to new customers.

6.5 Privacy Notices

The Company does not share customer information with non-related or non-essential parties. The customer information is not sold. One exception, as noted in the privacy notice, if the broker they are assigned to wishes to transfer their account, he may continue to have access to their information unless they choose for him/her not to do so. This allowance permits the customer to maintain the relationship with the AP without the AP violating the customer's privacy and is noted in the initial account document. Sharing with persons who work for other broker dealers owned by the same holding company is conducted as needed for service.

6.6 Information Sharing Arrangements

The Company may make Information Sharing Arrangements with its affiliates and with nonaffiliated third parties.

Affiliates. The Company may share consumers' and customers' information with its affiliates as long as that fact is disclosed in the privacy notices. Consumers and customers may not opt out of that information sharing arrangement.

Nonaffiliated Third Parties. If required by law enforcement agencies or regulatory bodies, FAF will share customer information as a point of law or regulation.

6.7 Introducing and Clearing Brokers

With regard to the information sharing arrangements between introducing brokers and clearing brokers, the regulation considers introducing brokers and clearing brokers as each having an individual relationship with consumers and customers. Regulation S-P recognizes that either the introducing broker or the clearing broker could share nonpublic consumer or customer financial information with third parties outside of the introducing/clearing relationship. The regulation will, however, permit the introducing brokers and clearing brokers to send one joint privacy notice to consumers and customers as long as the introducing and clearing brokers' privacy policies and notices are accurate for each institution.

6.8 Delivery of Privacy Notices

For a customer, the privacy notice will be delivered originally as part of the opening of a new account process and thus will be delivered by the Company prior to or simultaneously with the establishment of the customer relationship. Recognizing that many customer relationships with the Company may be established through telephone calls, Regulation S-P will permit the initial privacy notices to be given as part of a Customer Agreement Form even if the form is sent out after the request for service by a consumer or customer.

6.9 Protection of Systems and Customer Data

Associated Persons and employees are required to treat nonpublic personal information in a confidential manner. Access to nonpublic personal information must be limited by physical, electronic and procedural safeguards. Responsibilities and procedures include but are not limited to the following:

- Completed applications and related information should not be left where others can read or copy them.

- When not in the office or not using materials containing nonpublic personal information, such material must be kept in your files and not accessible on your desk ("clean desk" policy).

- Company computers and systems shall only be accessed through secured logins and password that shall be issued upon employment. Firewalls and other security systems are utilized to protect internal systems and data from unauthorized intrusions.

- Computers or other data-retaining equipment that retain customer information to be disposed of will be subject to clearing of hard drives and other repositories of data prior to disposal. If a computer will be reassigned to someone who is not authorized to view data stored on that computer, the hard drive will be cleared prior to reassignment. Flash drives and other portable data devices that will no longer be used or will be reassigned will be destroyed or cleared of all data prior to disposal or re-use.

- Nonpublic personal information may only be used for business purposes with respect to the Company's financial services relationships with the individual, such as new account forms, applications, or transactions requested by the individual.

- Only employees with a business "need to know" should be given access to nonpublic personal information. Customer file area is to be locked and secure after business hours.

- Nonpublic personal information about our customers may not be accessed out of curiosity, for anyone's personal use or where there is no business relationship with the customer or have any business need to know the information.

- Such information may be used to market additional products or services offered through the Company.

- Generally such information should not be disclosed to anyone other than the customer, employees of the Company or other financial institutions in connection with the processing of products or services offered by the Company. Some exceptions may be in the case of a minor, a customer's incapacity or death to provide information to a guardian or trustee, or as permitted or required by law such as compliance with a subpoena or inquiry from a government agency or regulator.

- The Company shall require all nonaffiliated organizations that come into contact with non-public confidential information (lawyers, accountants, printers, etc.) to conform to its privacy standards and will contractually obligate them to keep the provided information confidential and used as requested.

- When documents containing non-public financial information are to be disposed, they shall be destroyed by shredding or some other secure manner, which can prevent readable copies from being used.

- Requests for personal information will only be handled by Operations personnel who will verify requesters' identification (by calling the Requester's company to verify the nature of the request) PRIOR to divulging any information. In some instances, a written inquiry may be requested if concerned about the nature of the request and further due diligence performed to assess the legitimacy of the request. In addition, the applicable principal must be informed of the request through an email as a matter of record and to keep him/her apprised.

- Company shall deactivate any terminated employees logins/passwords, electronic building cards, etc. to prevent gaining access to customer information upon leaving the Company.

6.10 Information Breaches

6.10.1 In the event personal information is at risk, the Company will take the following precautions:

- Informing potentially effected person(s) of the breach by any and all measures available (i.e. phone, email, letter, etc.) and doing so as soon as possible;
- Monitoring any effected accounts for suspicious activity with possibility of freezing said account(s) with person(s)' authorization and knowledge;
- Contact effected person(s) for future transactions;
- Consult with effected person(s) regarding possible changes to account number and/or passwords.

In addition, should the Company suspect that an incident of identity theft has occurred or if it is notified by a customer that they suspect an identity theft, the designated principal or his designee shall contact the Company's legal department (if any) and compliance department. These departments shall commence an investigation and determine if an identity theft may have occurred. If the investigation determines that one may have occurred, Compliance and Legal shall notify the appropriate law enforcement agencies. (This includes the local Sheriff, the FBI, and Secret Service). The FTC serves as a clearinghouse for complaints against credit reporting agencies and credit grantors, referrals, and resources for assistance for victims of identity theft. They

should be notified if the suspected victim requests this type of assistance. Refer to “Title 18 USC 1028” and to “Identity Theft and Assumption Deterrence Act of 1998”.)

6.10.2 Electronic Information & Cybersecurity “Best Practices”

Wireless

●If using a wireless connection for a laptop or desktop computer containing customer information, the wireless unit should be in the “encryption” mode or other security device or software contained within the computer.

●Shut off your wireless connectivity or remove the wireless network card if you leave your computer unattended.

●Disable the wireless ad hoc mode. This is a setting that allows all wireless devices to find and communicate with other wireless devices within range.

All Computers

●All computers should have a “firewall” of some kind, if connected to the internet.
All computers that contain confidential customer information should have some type of “virus” protection.

●When using systems, such as the Hilltop Securities Inc. website, BE SURE TO LOG OFF WHEN FINISHED. Leaving the connection opens more possibilities of customer information theft. This site and other confidential sites should not be left open overnight. They should be logged off when the authorized person leaves the desk for the day or an extended period of time.

●You should not share your password information with others or record such information in an easily accessible location (like a “sticky note” on the computer screen!).

●Change your passwords regularly. Hilltop Securities Inc. Customer Information System requires at least a quarterly change in passwords.

●Be conscious of anyone “snooping” if you are using a laptop in a public place or a public computer (library, for instance).

●You should not store your passwords in a file on your PC or laptop—they are at risk if your computer is serviced or stolen.

●If on a network, only authorized users should be allowed to use the network and the network should have a password to access the network.

The above will be monitored annually, usually during an office examination.

6.11 Regulation S-AM - Limitations on Affiliate Marketing *(eff 6/01/10)*

Regulation S-AM limits use of certain information received from Company's affiliates to solicit a consumer for marketing purposes.

6.12 Identity Theft Prevention Program ("Program")

Pursuant to the Fair and Accurate Credit Transactions Act ("FACT Act) of 2003, the Company has determined that it is a "Financial Institution," however, its lack of identity theft incidences and its introducing broker/dealer status provides a lower risk level for identity theft to occur. The following procedures have been adopted to implement Sections 114 and 315 of the FACT ACT in order to detect, prevent and mitigate identity theft among the Company's clients and "Covered Accounts." the CCO, as the designated Information Security Officer, will be responsible for the development, implementation, review and approval of the Program and staff training. In addition, Company has adopted other procedures under Regulation S-P and Anti-Money Laundering that in conjunction with this Program will help prevent and mitigate identity theft.

The four elements of the Program are:

(1) Identify relevant red flags for the covered accounts that Company offers or maintain, and incorporate those red flags into its Program;
(2) Detect red flags that have been incorporated into Company's Program;
(3) Respond appropriately to any red flags that are detected to prevent and mitigate identity theft; and
(4) Update the Program and its red flags periodically to reflect changes in identity theft risks to customers and the Company.

6.12.1 Red Flag Definitions

Financial Institution: A depository institution or any other person that directly, or indirectly, holds a transaction account belonging to a customer

Transaction Account: An account that permits the account holder to make withdrawals for payment or transfer to third parties of securities or funds vial telephone transfers, check, debit card or other similar items.

Consumer: Refers only to Individuals.

Creditor: Any person who regularly extends, renews, or continues credit or regularly arranges for the extension, renewal or continuation of credit.

Covered Account under AML: Refers to 1) an account offered or maintained primarily for personal, family or household purposes that is designed to permit multiple payments or transactions; or 2) any other account for which there is a foreseeable risk to customers or safety and soundness of the member firm from identity theft, including financial, operational, compliance, reputation or litigation risks.

The following Program procedures have been adopted:

6.12.2 Method of Opening Accounts

Pursuant Section 5 for the Anti-Money Laundering and Customer Identification Program (CIP) procedures of the WSP, information obtained from customers at the account opening process include name, address, social security number, and date of birth, and driver's license information in order to verify identity. In addition, pursuant to SEC Rule 17a-3, HTS sends a letter is sent to the customer verifying investment objectives and account registration information. In the event the Company cannot establish a reasonable belief that it knows

the true identity of a customer, it will follow the CIP obligations, which may involve declining or closing an account. A full description of the account opening and CIP procedures may be found in Section 7.

Further, accounts are opened either directly with an issuer via direct application or electronically, via the Hilltop Securities Inc. proprietary software program. No Company accounts are opened directly by clients online. Verification of customer identification is usually with a state issued driver's license, although alternative identification sources may be used.

6.12.3 Methods for Accessing Accounts

Clearing firm accounts are accessed via a secured internet based software program that requires a password protected user identification with "dual verification." Passwords automatically expire and must be updated periodically, must contain alpha-numerical characters, and are case sensitive. Direct Application accounts may be able to be accessed through various websites, each with the customer's own user identification and password policies. Company policies require that user identification and passwords for all programs and entry to the network be kept confidential, unpublished, and contain alpha-numerical characters that are case sensitive.

Direct application way account files are held in paper form and electronic form at the home office and a "backup" in the Georgia office. The computer that they are held on is password protected.

6.12.4 Previous Experience with Identity Theft

At the implementation of the Program, the Company has not experienced any identity theft incidences nor been notified by a customer that they have been the victim of identity theft. However, as part of the ongoing monitoring of the Program, this will be taken into consideration when updating the procedures of the Program.

6.12.5 Service Providers Due Diligence

The Company understands that "outsourcing an activity function to a third party vendor" does not relieve the Company of the ultimately responsibility for compliance. Due diligence will be performed on any service provider that will have access to customer personal information. Pursuant to Regulation S-P procedures as well, service providers will be bound contractually, where applicable, and obligated to maintain appropriate safeguards that comply with federal regulations to protect the confidentiality, security and integrity of Covered Account information as well as agree to comply with the provisions of our Program or with their own procedures that are similar in purpose.

It is the intent of the Company that, after August 21, 2021, it will perform a due diligence process on the proposed vendor that may include some of the following as it deems appropriate:

1. vendors' financial condition, experience and reputation; familiarity with regulatory requirements, fee structure and incentives;
2. the background of Vendors' principals, risk management programs, information security controls, and resilience
3. the ability to comply with applicable regulatory requirements and undertakings (*e.g.*, Book and Records rules, including ESM Notification Requirements)?
4. evaluate the impact to your customers or firm if a Vendor fails to perform
5. Does our firm include individuals with the requisite expertise and experience in the due diligence process—including with respect to cybersecurity, information technology, risk management, business functions and relevant regulatory obligations—to effectively evaluate potential Vendors?
6. Is there a contract/agreement offered that includes the protection of non-public, confidential and sensitive firm as well as customer information

7. Does the proposed agreement require disclosure of relevant pending or ongoing litigation, and the performance expectations with respect to outsourced activities or functions?

Long term relationships with outside vendors of many years include the clearing firm, auditor, accounting service, email archiving firm, internet provider and a technology firm. All have worked well and, to our knowledge, have been within the perimeters of FINRA regulations.

6.12.6 Address Change Notifications

Address changes are initialed by the CCO as a process for approval at the home office. The address changes may be made by OSJs and branch offices, but submitted to the home office for approval. Address changes without home office approval are not permitted.

6.12.7 Red Flags *(eff 12/31/2010)*

6.12.7.1 Detection

Pursuant to the above Program assessment, Company has identified the following red flags, which may not be all inclusive and may be more relevant when combined with other factors. Detecting red flags is based upon the processes Company opens and handles accounts and customer information.

Indicators at the Account Opening Stage*:*

- A customer exhibits an unusual concern regarding the Company's compliance and requirements with respect to his/her identity, or furnishes unusual, suspect, or appear to be altered identification or business documents;
- Inconsistencies in information such as SS#, date of birth or suggests fraud, such as an address that is fictitious or used by other multiple accounts, a mail drop, a prison; or a phone number is invalid, or is for a pager or answering service, omits or is reluctant to provide information.
- New information for an existing customer does not match prior information or signatures on file.
- A customer appears to be acting as the agent for another entity but declines, evades or is reluctant, without legitimate commercial reasons, to provide any information in response to questions about the entity;
- A customer has difficulty describing the nature of his or her business or lacks general knowledge of his or her identity; and
- A customer only wants to provide a post office box for their address without providing a verifiable physical address.

Indicators Related to Account Activity*:*

- A customer engages in multiple transfers of funds or wire transfers that have no apparent personal or business purpose;
- Unauthorized transactions;
- Customer notice of identity theft, a fraudulent account has been opened, unauthorized access to their personal information due to a data breach or lost wallet, laptop, etc. for potential identity theft;
- A customer's account has unexplained or sudden extensive wire activity, where previously there had been little or no wire activity without any apparent personal or business purpose;
- A customer has a large number of wire transfers to unrelated third parties;
- For no apparent reason, a customer has multiple accounts under a single name or multiple names, with a large number of inter-account or third-party transfers;
- A customer engages in excessive journal entries between unrelated accounts without any apparent business purpose or relationship;

- A customer requests that a transaction be processed in such a manner so as to avoid the firm's normal documentation requirements;
- Subsequent to a change of address request for an account, Company is asked to add additional access means (such as debit cards or checks) or authorized users for the account;
- Mail from Company or clearing firm sent to a customer is returned repeatedly as undeliverable even though the account remains active or Company learns that a customer is not getting his or her paper account statements/confirms or other official documents.
- A customer exhibits a total lack of concern regarding risks, commissions, or other transactions costs;
- The Company receives a negative response to a customer's address change verification request. and
- Notice of an actual or suspected identity theft provided by a customer, law enforcement, Vendor or any individual or entity.

Both red flag detection and the escalation procedures below will assist the Company in the prevention and mitigation of identity theft.

6.12.7.2 Prevention & Mitigation

When Company has been notified of a Red Flag or detection procedures show evidence of a Red Flag, Company will take the steps outlined below, as appropriate to the type and seriousness of the threat:

- Notify the Compliance Department immediately and designated supervisor.

- Monitor, limit, or temporarily suspend, freeze activity in the account(s) until the situation is resolved, or do not open an account.

- Conduct additional verification such as contacting the customer, compare customer information with a credit reporting agency or obtaining copies of Form 1040 or financial statements.

- Alert applicable Associated Persons or BackOffice personnel to be mindful of unusual activity in other customer accounts.

- Contact the customer and, if appropriate, change the password and/or account number. For further and helpful information or by calling the FTC Identity Theft Hotline at 1-877-ID-THEFT (438-4338), TTY 1-866-653-4261, or writing to Identity Theft Clearinghouse, FTC, 6000 Pennsylvania Avenue, NW, Washington, DC 20580, or their website at http://www.ftc.gov/bcp/edu/microsites/idtheft/

- Notify custodian of the situation.

- Identify, if possible, the root cause of the account intrusion (i.e. which system was compromised, was the individual account hacked, was the customer the victim of identity theft) and determine whether the intrusion is isolated to one account.

- Contact the SEC at (http://www.sec.gov/contact/addresses.htm) – Denver Regional Office and our FINRA Coordinator, John Chapman, (816) 802-4745 In the event of an account intrusion, have the following information readily available if possible:

  - Company information and HTS information, if involved
  - Company name and CRD number

- Company contact name and telephone number
- Date(s) and time(s) of activity
- IP addresses used to access the account
- Security or securities involved (name and symbol)
- Time and date of the activity
- Details of the trades or unexecuted orders
- Details concerning any wire transfer activity
- Customer account affected by the activity, including name and account number
- Whether the customer has been or will be reimbursed and by whom

- If appropriate, contact law enforcement agencies, such as the FBI at www.ic3.gov (Internet Crime Complaints) or, if the U.S. mail is involved, the United States Postal Inspector at **(877) 876-3455**.

- Determine whether any unauthorized person has gained access to an account holder's personally identifiable information and, if so, whether the Company must provide a specific type of notification to the customer or others under state law regarding the loss of the customer's information. Some states require notice to the Attorney General or other state law enforcement agencies if a customer's "personally identifiable financial information" has been compromised (TX Attorney General – Consumer Protection Hotline **(800) 621-0508.**

- Determine whether the Company should file a Suspicious Activity Report (SAR) under the federal anti-money laundering provisions.

Suggested actions for customer compromised accounts can be found in Exhibit H.

6.12.7.3 FTC FACT Act Red Flags Grid

In addition to the information provided above, Company has added the FTC FACT Act Identification and Detection Grid below. The grid provides a helpful guide and examples of red flags as an additional tool for Company to use.

Red Flag	**Detecting the Red Flag**
Category: Alerts, Notifications or Warnings from a Consumer Credit Reporting Agency	
1. A fraud or active duty alert is included on a consumer credit report.	Verify that the fraud or active duty alert covers an applicant or customer and review the allegations in the alert.
2. A notice of credit freeze is given in response to a request for a consumer credit report.	Verify that the credit freeze covers an applicant or customer and review the freeze
3. A notice of address or other discrepancy is provided by a consumer credit reporting agency.	Verify that the notice of address or other discrepancy covers an applicant or customer and review the address discrepancy.
4. A consumer credit report shows a pattern inconsistent with the person's history, such as a big increase in the volume of inquiries or use of credit, especially on new accounts; an unusual number of recently established credit relationships; or an account closed because of an abuse of account privileges.	Verify that the consumer credit report covers an applicant or customer, and review the degree of inconsistency with prior history.
Category: Suspicious Documents	
5. Identification presented looks altered or forged.	Staff who deal with customers and their supervisors will scrutinize identification presented in person to make sure it is not altered or forged.

6. The identification presenter does not look like the identification's photograph or physical description.	Staff who deal with customers and their supervisors will ensure that the photograph and the physical description on the identification match the person presenting .
7. Information on the identification differs from what the identification presenter is saying.	Staff who deal with customers and their supervisors will ensure that the identification and the statements of the person presenting it are consistent.
8. Information on the identification does not match other information our firm has on file for the presenter, like the original account application, signature card or a recent check.	Staff who deal with customers and their supervisors will ensure that the identification presented and other information we have on file from the account, such as those listed to the left.
9. The application looks like it has been altered, forged or torn up and reassembled.	Staff who deal with customers and their supervisors will scrutinize each application to make sure it is not altered, forged, or torn up and reassembled.
Category: Suspicious Personal Identifying Information	
10. Inconsistencies exist between the information presented and other things we know about the presenter or can find out by checking readily available external sources, such as an address that does not match a consumer credit report, or the Social Security Number (SSN) has not been issued or is listed on the Social Security Administration's (SSA's) Death Master File.	Staff will check personal identifying information presented to us to ensure that the SSN given has been issued but is not listed on the SSA's Master Death File. If we receive a consumer credit report, they will check to see if the addresses on the application and the consumer report match.
11. Inconsistencies exist in the information that the customer gives us, such as a date of birth that does not fall within the number range on the SSA's issuance tables.	Staff will check personal identifying information presented to us to make sure that it is internally consistent by comparing the date of birth to see that it falls within the number range on the SSA's issuance tables
12. Personal identifying information presented has been used on an account our firm knows was fraudulent.	Staff will compare the information presented with addresses and phone numbers on accounts or applications we found or were reported were fraudulent.
13. Personal identifying information presented suggests fraud, such as an address that is fictitious, a mail drop, or a prison; or a phone number is invalid, or is for a pager or answering service.	Staff will validate the information presented when opening an account by looking up addresses on the Internet to ensure they are real and not for a mail drop or a prison, and will call the phone numbers given to ensure they are valid and not for pagers or answering services.
14. The SSN presented was used by someone else opening an account or other customers.	Staff will compare the SSNs presented to see if they were given by others opening accounts or other customers.
15. The address or telephone number presented has been used by many other people opening accounts or other customers.	Staff will compare address and telephone number information to see if they were used by other applicants and customers.
16. A person who omits required information on an application or other form does not provide it when told it is incomplete.	Staff will track when applicants or customers have not responded to requests for required information and will follow up with the applicants or customers to determine why they have not responded.
17. Inconsistencies exist between what is presented and what our firm has on file.	Staff will verify key items from the data presented with information we have on file.
18. A person making an account application or seeking access cannot provide authenticating information beyond what would be found in a wallet or consumer credit report, or cannot answer a challenge question.	Staff will authenticate identities for existing customers by asking challenge questions that have been prearranged with the customer and for applicants or customers by asking questions that require information beyond what is readily available from a wallet or a consumer credit report. Such items may include 1. Their listed emergency contact person; 2. Where their account is held; 3. Any Company communication they could site recently received; 4. Any other questions that may be unique to that person(s).
Category: Suspicious Account Activity	
19. Soon after our firm gets a change of address request for an account, we are asked to add	Verify change of address requests by sending a notice of the change to the old addresses so the customer will learn of any

additional access means (such as debit cards or checks) or authorized users for the account.	unauthorized changes and can notify us. A phone call may also be necessary if suspect.
20. A new account exhibits fraud patterns, such as where a first payment is not made or only the first payment is made for cash advances and securities easily converted into cash.	Review new account activity to ensure that any applicable first and subsequent payments are made, and that credit is primarily used for other than cash advances and securities easily converted into cash.
21. An account develops new patterns of activity, such as nonpayment inconsistent with prior history, a material increase in credit use, or a material change in spending or electronic fund transfers.	Review our accounts on at least a monthly basis and check for suspicious new patterns of activity such as nonpayment, a large increase in credit use, or a big change in spending or electronic fund transfers that Company is not already aware of.
22. An account that is inactive for a long time is suddenly used again.	Review our accounts on at least a monthly basis to see if long inactive accounts become very active by reviewing the blotters.
23. Mail our firm sends to a customer is returned repeatedly as undeliverable even though the account remains active.	Note any returned mail for an account and immediately check the account's activity and attempt to contact customer for address verification.
24. We learn that a customer is not getting his or her paper account statements.	Investigate and assist custody firm to determine a good address. For HTS accounts, they are moved to Inactive and to the Escheatment Report (to be turned over to the state treasurer.
25. We are notified that there are unauthorized charges or transactions to the account.	Verify if the notification is legitimate and involves a Company account, and then investigate the report.
Category: Notice From Other Sources	
26. We are told that an account has been opened or used fraudulently by a customer, an identity theft victim, or law enforcement.	Verify that the notification is legitimate and involves a Company account, and then investigate the report and follow the escalation procedures.
27. We learn that unauthorized access to the customer's personal information took place or became likely due to data loss (e.g., loss of wallet, birth certificate, or laptop), leakage, or breach.	Contact the customer to learn the details of the unauthorized access to determine if other steps are warranted and any other escalation procedures that may be applicable.

6.12.8 Review of Procedures

A review of this program will be conducted at least annually or sooner if determined necessary. Any changes in risk to customers and/or the soundness of the Company from identity theft will be determined and recorded as an amendment. Criteria for consideration will include any incidences of identity theft, changes in regulatory rules and regulations, changes in Company's methods to detect, prevent, or mitigate identity theft, or changes in types of Covered Accounts.

6.13 Cybersecurity for Customer Information Protection

Cybersecurity is important in protecting customer information. The firm has developed a manual on cybersecurity entitled First Asset Financial Inc. Guidelines for Cybersecurity, 2022 and it is contained under separate cover. All Associated Persons are encouraged to read it as it contains information regarding cybersecurity. This manual is available upon request. See also 6.10.2 for Cybersecurity "Best Practices."

1. **Wireless Security:**
    - Encryption and disabling ad hoc mode are good practices.
    - Use strong, unique passwords for wireless networks.
2. **Firewall and Antivirus:**
    - Keep software up to date, including firewalls and antivirus
3. **Logging Off:**
    - It is important of log off not only from websites but also from the computer itself.
4. **Password Practices:**
    - Do not sharing passwords. Use multi-factor authentication where possible.
    - Strong, complex passwords are important.

5. **Password Storage:**
    - Storing passwords in a file on a computer is risky.
6. **Network Security:**
    - As a reminder, be sure to secure Wi-Fi networks with strong passwords.
7. **Monitoring:**
    - Monitoring and review security logs regularly.

6.14 Regulation Best Interest (Reg BI)

[SEC final rule: https://www.sec.gov/rules/final/2019/34-86031.pdf; SEC small entity compliance guides: https://www.sec.gov/info/smallbus/secg/regulation-best-interest and https://www.sec.gov/info/smallbus/secg/form-crs-relationship-summary; SEC release announcing adoption of Reg BI with a link to the entire regulation: https://www.sec.gov/news/press-release/2019-89?mod=article_inline; FINRA Reg BI and Form CRS Checklist: https://www.finra.org/sites/default/files/2019-10/reg-bi-checklist.pdf; FINRA Regulatory Notice 19-26; FINRA website re Reg BI: https://www.finra.org/rules-guidance/key-topics/regulation-best-interest]

6.14.1 Summary of Key Requirements

The SEC adopted Regulation Best Interest ("Regulation BI"), in 2019 which established a new standard of conduct for the BD and natural persons who are Associated Persons (Associated Persons or APs) of the BD when making a recommendation of any securities transaction, account recommendation or investment strategy involving securities to a retail customer.

When APs are making such a recommendation to a retail customer, they must act in the best interest of the retail customer at the time the recommendation is made, without placing the APs or the Firm's financial or other interest ahead of the retail customer's interests. This is a change from FINRA's suitability standard, which does not have an explicit best interest requirement.

Reg BI's general obligation is satisfied only if the BD complies with four specified component obligations:

- ***Disclosure Obligation*:** provide certain required disclosure before or at the time of the recommendation, about the recommendation and the relationship between the BD, APs and a retail customer;
- ***Care Obligation*:** exercise reasonable diligence, care, and skill in making the recommendation;
- ***Conflict of Interest Obligation*:** establish, maintain, and enforce written policies and procedures reasonably designed to address conflicts of interest; and
- ***Compliance Obligation*:** establish, maintain, and enforce written policies and procedures reasonably designed to achieve compliance with Reg BI.

Regulation Best Interest Definitions

The following definitions shall apply for purposes of Reg BI and this section:

Retail Customer - means a natural person, or the legal representative of such natural person, who:

(i) Receives a recommendation of any securities transaction, account type or investment strategy involving securities from a broker, dealer, or a natural person who is an Associated Person of a broker or dealer (APs); and

(ii) Uses the recommendation primarily for personal, family, or household purposes.

Retail Customer Investment Profile - includes, but is not limited to, the retail customer's name, age, tax status, investment objectives, investment experience, investment time horizon, risk tolerance, and any other information the retail customer may disclose to the broker, dealer, or an Associated Person in connection with a recommendation.

Conflict of Interest - means an interest that might incline a broker, dealer, or a natural person who is an Associated Person of a broker or dealer, consciously or unconsciously, to make a recommendation that is not disinterested.

Legal Representative - includes the *non-professional legal representatives* of such a natural person, e.g., a non-professional trustee that represents the assets of a natural person. Reg BI would not apply when the legal representative is acting in a professional capacity as a regulated financial services industry professional retained to exercise independent professional judgment. Therefore, recommendations to registered IAs and BDs or corporate fiduciaries would not trigger Reg BI. On the other hand, recommendations to non-professional trustees, executors, conservators and persons holding power of attorney that represent natural persons are covered.

Receives and Uses - The SEC has stated that "use" means when, as a result of the recommendation:

- the retail customer opens a brokerage account with the BD, regardless of whether the BD receives compensation;
- the retail customer has an existing account with the BD and receives a recommendation from the BD, regardless of whether the BD receives or will receive compensation, directly or indirectly, as a result of the recommendation; or
- the BD receives or will receive compensation, directly or indirectly, as a result of that recommendation, even if that retail customer does not have an account at the firm (check and app/direct business).

Personal, Family, or Household Purposes - This phrase covers any recommendation to a natural person (retail customer) for his or her account, other than recommendations to a natural person (retail customer) seeking these services for commercial or business purposes. Reg BI would not cover, for example, an employee seeking services for an employer or an individual seeking services for a small business or on behalf of another non-natural person entity, such as a charitable trust.

Full and Fair - Sufficient information to enable a retail customer to make an informed decision with regard to a recommendation.

Recommendation - While Regulation BI does not define a recommendation; it is generally interpreted in a manner consistent with current broker-dealer regulations under the federal securities laws and FINRA rules. Factors considered in determining whether a recommendation has taken place include whether the communication could be reasonably viewed as ***a call to action*** and would influence a customer to purchase/sell a particular or group of securities. A recommendation also includes:

- **Account type recommendations** - account type recommendations are subject to Reg BI even if there is not a recommendation of a securities transaction. Account recommendations include recommendations of a securities account, as well as recommendations to roll over or transfer assets from one type of account to another (e.g., workplace retirement plan account to an IRA).
- **Explicit hold recommendations -** An explicit recommendation to hold is equivalent to a "call to action" in the sense of a suggestion that the customer stay the course with the investment. The rule would apply, for example, when an Associated Person meets with a customer and explicitly advises the customer not to sell any securities in or make any changes to the account or portfolio.
- **Certain implicit hold recommendations.** – Regulation BI does not impose a duty to monitor a retail brokerage account; however, if the BD or its Associated Persons agrees to provide account monitoring services, Reg BI will apply to any recommendations resulting from the account monitoring services. By agreeing to account monitoring services, the BD takes on an obligation to review and make

recommendations for the account on a specified, periodic basis. If the BD makes no recommendation on a periodic review, it is an "implicit hold" recommendation, subject to Reg BI, just as would an "explicit hold" recommendation. This is a departure from current suitability rules, in which implicit hold recommendations are not covered. (At FAF, brokerage Associated Persons are prohibited from monitoring brokerage accounts, that is a function and feature of FAF's advisory program not our brokerage service.)

If the BD or its APs voluntarily, and without any agreement with a customer, review the holdings in the retail customer's account for the purposes of determining whether to provide a recommendation to the customer, this voluntary review is not considered to be "account monitoring," and would not create an implied agreement with the customer to monitor the account. FAF follows this "review only" standard on retail customer brokerage accounts.

The SEC's adopting release identifies a list of activities which fall outside the scope of a recommendation including:

- General financial and investment information;
- Descriptive information about an employer-sponsored retirement or benefit plan;
- Certain asset allocation models; and
- Interactive investment materials that incorporate the exclusions.

6.14.2 General Obligations

Compliance with each of the following four component obligations is necessary to comply with Regulation BI.

6.14.2.1 Disclosure

The Reg Best Interest Disclosure Brochure supplement to the Form CRS and reflect more specific and detailed disclosures of all material facts relating to the scope and terms of the brokerage relationship with the retail customer. This Brochure is delivered to each new customer (one copy to JTWROS).

As a general matter, the Relationship Summary (Form CRS) reflects an initial layer of disclosure, the additional disclosure reflects more specific and additional, detailed layers of disclosure. However, FAF does not offer "alternative investments" or other "special product," so no additional disclosures are unnecessary as of June, 2020.

Responsibility	• Associated Person (Form CRS) • Designated Supervisor/Principal • the CCO or designee (review)
Resources	• Form CRS • Other resources regarding securities and accounts (confirms, statements, prospectus, offering documents, etc.) • Regulation Best Interest Disclosure Brochure (authored by FAF)
Frequency	• Brokerage: Initial delivery to **all existing FAF brokerage retail customers** was made in July, 2020 (requirement was within 30-days of filing CRS w/ regulators; • Brokerage: Form CRS are provided to **prospective and new retail customers** prior to or at the time of an account opening and/or a recommendation of an account type, securities transaction, rollover of assets, or an investment strategy involving securities is made; • Brokerage: When new products/services are proposed: o Review products and services to confirm necessary disclosures are provided to retail customers including possible standardized disclosures

	○ Consider the need for specific training • Brokerage: As soon as practicable, but no later than 30 days after a material change - update disclosures. • Other disclosures: as required
Action	• Identify necessary disclosures and other requirements for **new** products and services • Identify necessary disclosures as part of a review of **current** products and services • Update disclosures if there have been any material changes • Provide Form CRS to retail investors at time of a recommendation/account opening and within 30 days of material changes • Include review of disclosures in annual review of firm's procedures
Record	• Reviews of products and services and actions taken for disclosure • Review Conflicts Analysis, update disclosure documents as appropriate • Tracking of providing disclosures including version, date provided, to whom provided including Form CRS • CRM review • Website/Our Services/Disclosures review • Various other methods of disclosure (confirmations, monthly statements, account agreements, prospectuses, *etc.*)

6.14.2.2 Material Facts Regarding the Scope and Terms of the Relationship

The Reg BI Disclosure Obligation requires the BD or AP prior to or at the time of the recommendation, to provide the retail customer, in writing, full and fair disclosure of:

A. The BD and its AP must disclose when they are acting as a broker or dealer with respect to the recommendation. The BD should also address the context of names, titles, and marketing communications in the disclosure.

- Marketing Communications: The BD may state under certain limited circumstances that it provides "advice" or similar statements in marketing communications. However the statements must not be made in a manner that contradicts the disclosures required by Regulation BI and Form CRS, and should be reviewed in light of the Solely Incidental Interpretation (please reference the "Commission Interpretation Regarding the Solely Incidental Prong of the Broker-Dealer Exclusion from the Definition of Investment Adviser").

B. *That the BD or Associated Person is acting as a BD or an AP with respect to the recommendation.*

C. The material fees and costs that apply to the retail customer's transactions, holdings, and accounts, most of which are present in the clearing broker dealer "Customer Information Brochure" under "Schedule A."

D. The type and scope of services provided to the retail customer, including any material limitations on the securities or investment strategies involving securities that may be recommended to the retail customer. ***(Form CRS and Reg BI Disclosure Brochure)***

E. Material Facts Regarding Conflicts of Interest

All material facts relating to conflicts of interest that are associated with the recommendation are required to be disclosed. "Material facts" are facts a retail customer would consider important in making an investment decision. For example, material facts relating to conflicts of interest including, but not limited to, how APs are compensated and the benefits to a BD from recommending a proprietary

product (of which FAF has none!), payments from third parties and compensation method for recommendations. ***(Form CRS and account agreement)***

F. Other material facts relating to the scope and terms of the relationship with the retail customer which include (can be sent via email):

- *The general basis for a recommendation (i.e., what might commonly be described as investment approach, philosophy, or strategy); and*
- *Risks associated with recommendations in standardized terms.*

G. If necessary, other material facts relating to the scope and terms of the relationship.

Oral Disclosure
While disclosures must be in writing, in certain circumstances oral disclosures (no later than the time of the transaction) to supplement facts not reasonably known at the time written disclosure is made. Although not required by Regulation BI, the SEC encourages, as a best practice, following oral disclosures with timely, written disclosure summarizing the information conveyed orally.

Permissible Disclosures After Recommendation
The SEC's Small Entity Compliance Guide notes "in the limited instances where existing regulations permit disclosure after the recommendation is made (e.g., trade confirmation, prospectus delivery), the Associated Person may satisfy the Disclosure Obligation regarding the information contained in the applicable disclosure document by providing such document to the retail customer after the recommendation is made."

Disclosure Delivery
Disclosures are provided in a variety of ways, including (but not necessarily limited to) the following:

- Electronic mailings
- Form CRS Relationship Summary
- Monthly statements
- Account opening documents and account agreements
- Prospectus or Offering Documents

The BD and its APs will ensure that each retail customer receives the disclosures required by Regulation BI and that all communications with customers are consistent with the disclosure requirements of Regulation BI and Form CRS.

The Disclosure Obligation may be satisfied with existing documents provided to retail customers (e.g. account opening documents), with a standalone document or by some combination of both. The BD may use a layered disclosure, where more general information is supplemented by more detailed information either at the same time or subsequently. However, the total disclosures should constitute full and fair disclosure of the required information pursuant to Regulation BI Disclosure Obligation. Evidence of delivery of the disclosure to each customer must be maintained.

If the BD delivers the disclosure electronically, it must be consistent within the framework of the SEC's existing guidance regarding electronic delivery (SEC Release No. 34—37182). The "normal" course of business would be for the AP to deliver the documents to the customer at the time of opening the account with documents also emailed by the BD at a later time.

Registered representatives will record the date that the initial Reg BI/Form CRS disclosure documents and any subsequent Forms are delivered to their retail customers by:

- maintaining a record in the clearing firm system indicating the delivery date (Form CRS only);

- indicating the delivery date on the New Account Form or product application (Form CRS + Reg BI Disclosure Brochure);

The CCO or designee will monitor the delivery of Form CRS disclosures and confirm that the representatives are properly documenting the delivery as applications are received. The evidence of deliver of Form CRS can be confirmed by one of three documentations:

1. For "cleared business," there is a "Supplemental Account Form to Hilltop Securities New Account Application" document whereby the customer has signed a statement stating that they have received the Form CRS
2. For "direct accounts," there are two Form CRS's included as a part of the New Account Form. One has a place for the customer to initial that they have received the Customer copy of Form CRS
3. For either cleared or direct accounts that are missing 1 or 2 above, the firm will forward Form CRS to the customer vis USPS mail or via email. A log will be kept for these accounts as verification of providing the customer with Form CRS, though this is a rare occurrence.

Review / Updating Disclosure Documents
The CCO, or their designee, is responsible for periodically reviewing the disclosures required by Reg BI for accuracy and making any updates, as necessary. To assess compliance with this obligation, the CCO may review the following areas/documents to determine if the applicable disclosures provide the required information to retail customers:

- fee arrangements;
- trade-related disclosure agreements;
- account agreement and any amendments;
- securities products to ensure product changes are documented;
- conflicts of interest;
- commission schedules;
- incentives;
- bonuses; and
- non-cash compensation

The BD will provide retail customers with updated disclosures when previously provided disclosures become materially inaccurate or when new material information is available. The SEC's adopting release notes the updates should be made 30 days after the material change occurs or is otherwise identified.

6.14.3 Care

The Care Obligation requires the BD to exercise three components: reasonable diligence, care, and skill when making a recommendation to a retail customer. The Care Obligation incorporates and enhances principles and guidance that are also found in FINRA's Suitability Rule 2111 by imposing a best interest standard and explicitly requiring a consideration of risks, rewards, alternatives and costs.

Responsibility	• Designated Supervisor/Principal • COO or designee (review)
Resources	• Customer account information • Information about securities • CRM Review • Available reports

Frequency	• When recommendations are made • Other: as required
Action	• Communicate risks, costs, and other necessary information to APs • Review recommendations of transactions and opening of accounts
Record	• Order records • Account records • Reviews of orders and accounts with supervisor's record of supervision and actions taken, if any • CRM documentation

The care obligation is broader than the existing suitability standard because it: (1) explicitly requires that the recommendation be in the customer's best interest and that the BD and APs do not place their interests ahead of the customer; (2) explicitly requires that cost be a consideration; (3) applies the quantitative suitability requirement (recommending a series of transactions, avoiding excessive activity); and (4) requires the BD and APs to consider "reasonably available alternatives" as part of having a "reasonable basis to believe" that the recommendation is in the best interests of the customer.

The AP must exercise reasonable diligence, care, and skill to:

- understand the risks, rewards, and costs associated with recommendations of account types, securities products or related services, consider available alternatives and have a reasonable basis to believe that recommendation could be in the best interest of at least some retail customers;
- have a reasonable basis to believe the recommendation is in their customer's best interest; and
- have a reasonable basis to believe that recommended transactions are in the customer's best interest based on the customer's investment profile and does not place the interests of the BD ahead of the customer. This includes avoiding transactions that are excessive.

Where the AP making the recommendation is dually registered (i.e., an Associated Person of a broker-dealer and a supervised person of an investment adviser) the AP/IAR would need to make this evaluation taking into consideration the spectrum of accounts offered by the AP/IAR (i.e., both brokerage and advisory considering any eligibility requirements such as account minimums), and not just brokerage accounts. This is evidenced by the FAF form entitled "Customer RIA Adoption Form."

APs should document their rationale for recommendations, as well as documenting the process for making a recommendation. This documentation should include the securities or accounts that the AP recommends to the retail customer and product alternatives which were considered. Product cost cannot be the only consideration, but if a recommendation was provided for a more expensive product, the AP needs to be able to show why the recommendation is in the best interest of the customer.

The BD and its APs may limit the availability of some products and services to certain retail customers or groups of customers. In particular, the BD and AP should have an understanding of complex products, and recommendations of complex investments should be documented, particularly where a recommendation may seem inconsistent with a retail customer's objectives on its face. The care obligation applies to a series of recommended transactions (quantitative suitability) whether or not the BD exercises actual or *de facto* control over the account.

6.14.3.1 Factors To Consider

APs should ascertain the needs of the particular **retail** customer, then determine the security that would lead to meeting that **retail** customer's needs, and finally decide the securities that should be

recommended. **When making recommendations, the following non-exclusive list of factors (depending on the particular product or strategy recommended) may be considered:**

- The investment objective of the customer (their investment profile).
- What are the characteristics (including any special or unusual features) of the security or strategy?
- What are the initial and subsequent costs (if any, *e.g.*, surrender or redemption costs) of the security or strategy?
- How liquid is the security?
- What are the risks, volatility, and likely performance in a variety of market conditions (normal or stressed)?
- What is the expected return of the security?
- What are the financial incentives to recommend the security or investment strategy?
- Are there alternative investments or strategies, at lower cost, that may meet the customer's needs? More costly products may be recommended provided there is a reasonable basis to believe they are in the best interest of the customer. There is no obligation to recommend the "best" of all possible alternatives.

6.14.3.2 Recommending Types Of Accounts

APs should ascertain the needs of the particular retail customer, then determine the security that would lead to meeting that retail customer’s needs, and finally decide the securities that should be recommended. APs should have a reasonable basis for recommending accounts (margin, brokerage or advisory, IRAs, *etc.*). This includes the following considerations:

- services and products provided in the account;
- projected cost of the account;
- alternative account types available;
- services the retail customer requests; and
- the retail customer's investment profile. Profile elements include age, other investments, financial situation and needs, tax status, investment objectives, investment experience, investment time horizon, liquidity needs, risk tolerance, and any other information disclosed by the customer.

Each AP is responsible for ensuring that recommendations of account types and securities are in the best interest of the retail customer, considering the retail customer's investment profile and the potential risks, rewards, and costs associated with the recommendation. APs are prohibited from acting in a manner that would place their interests ahead of the customers. The retail customer’s profile is defined to include, but not limited to the retail customer’s:

- name
- age
- investment objectives;
- tax status;
- investment experience;
- investment time horizon;
- risk tolerance;
- liquidly needs; and
- any other information the retail customer may disclose in connection with a recommendation.

Associated Persons should obtain all relevant customer information to be able to understand the customers investment profile before making a recommendation that is in the best interest of that particular customer based on the facts and circumstances at the time the recommendation is made**.**

6.14.3.3 Costs

The AP should understand and consider the potential costs associated with the recommendation and have a reasonable basis to believe that the recommendation does not place the financial or other interest of FAF or AP ahead of the interest of the retail customer. While cost should be considered, it should never be the only consideration. Cost is only one of many important factors to be considered regarding the recommendation and that the standard does not necessarily require the "lowest cost option." APs need to consider costs in light of other factors and the retail customer's investment profile although cost should not be the only consideration, nor can reps satisfy their obligation by simply recommending the lowest cost option. However, reps must still consider the total potential costs associated with a given recommendation. These costs might include:

- Commissions
- Markups or markdowns
- Other transaction costs
- Sales loads or charges
- Advisory or management fees
- Other ongoing fees (such as 12b-1 fees)
- Redemption fees (such as deferred sales charges)
- And any relevant tax considerations

The impact of these costs needs to be assessed over the investor’s expected time horizon. While a firm may provide information on product mechanics, risks, and potential returns, the AP also is responsible for personally understanding any products or strategies that they plan to recommend.

6.14.3.4 Alternatives

Alternatives should be considered before making recommendations to a particular retail customer. This does not mean customers must be offered all alternatives or necessarily the lowest-cost alternative or the "single best" alternative. Reasonably available alternatives include considerations of, for example:

- An AP's customer base (including the general investment objectives and needs of the customer base)
- Investments and services available to the AP to recommend (including limitations due to the AP's licensing)
- Specific limitations on the available investments and services with respect to certain retail investors (*e.g.*, product or service income thresholds; product geographic limitations; or product limitations based on account type, such as those only eligible for IRA accounts)

APs must understand the potential risks, rewards, and costs associated with “reasonably available alternatives.” Before recommending an investment with a higher cost or higher risk, reps should consider any reasonably available alternatives that are less costly or that carry lower risk, as long as that alternative meets their client’s needs. This would apply to any special features that may be found in a given product and whether any reasonably available alternatives offer similar features.

6.14.3.5 Quantitative Suitability

Each Associated Person should have reasonable basis to believe that a series of recommended transactions, even if in the retail customer's best interest when viewed in isolation, is not excessive and is in the retail customer's best interest when taken together in light of the retail customer's investment profile. Representatives are prohibited from recommending or effecting a series of transactions that place the interests of the Associated Person or the Firm ahead of the retail customer.

Responsibility	• Designated Supervisor
Resources	• New account documents • Product applications, illustrations and related material • Records of transactions • Available reports • Disclosures
Frequency	• Upon occurrence

Action	• Identify active accounts and review which may include calculating:
	  ○ cost-to-equity ratio (percentage of return on the customer's average net equity needed to pay commissions and other expenses)
	  ○ in-and-out trading (sale of newly acquired investments)
	• Take action which may include:
	  ○ Review of account records
	  ○ Consult with AP
	  ○ Contact the customer

Record	• Review of active accounts including action taken • Review of initial account documents and approval of investments made by customers

The Designated Supervisor and the CCO or designee should ensure all recommendations in transactions undertaken by APs are reviewed in such a manner as to reasonably detect and deter any instances of sales practice abuses in retail customer accounts and is in the best interest of the customer. The CCO or designee will also periodically, but not less than annually, review customer account activity, customer account statements or other records of trading activity. Evidence of such reviews will be maintained, noting the accounts examined and any problems discovered. While conducting the review, the CCO or designee will review accounts, utilizing exception reports or other tools, for:

1. Suitability of recommendations;
2. In-and-out trading;
3. Excessive size or frequency of trades (i.e., "churning");
4. Excessively large positions in proportion to the account size;
5. Front-running;
6. Substantial trading profits or losses;
7. Unusual recommended transactions; and
8. Unauthorized transactions.

As part of the account review, the CCO or designee will discuss any accounts in question with the AP of record. The CCO or designee will utilize professional judgment as when to contact the client directly to verify the activity in the account and update suitability information on the new account form. The CCO or designee will

document and retain all reviews conducted and follow-up activities including notes, reports of any findings uncovered by further reviews or investigations.

Neither Reg BI nor the IA fiduciary standard prohibits recommendations of complex or risky products. But as previously stated, reps must consider whether less complex, less risky or lower cost alternatives might achieve the same objectives. The SEC feels that APs should generally apply "heightened scrutiny" when determining if a risky or complex product is in a client's best interest.

Examples of products where heightened scrutiny may be necessary include:

- Inverse or leveraged or volatility-linked exchange-traded products
- Margin trading
- Derivatives
- Crypto asset
- Penny stocks
- Private placements
- Asset-backed securities
- Reverse-convertible notes

Even if a client has the ability to take on higher risk, this does not automatically mean that a given product is in their best interest.

6.14.3.6 Material Limitations

Responsibility	• Designated Supervisor • COO or designee
Resources	• Records of products offered by FAF
Frequency	• Periodically, often annually
Action	• Identify customer segments or investments needs where FAF could potentially have difficulties in making recommendations in the customer's best interest due to the limited nature of product offerings
Record	• Records of reviews of products and customers

6.14.4 Conflict Of Interest

Conflicts of interest may exist between various individuals and entities, including the BD, supervised persons, and current or prospective customers. Any failure to identify or properly address a conflict can have severe negative repercussions for the BD, its supervised persons, and/or customers.

[FINRA website on conflicts of interest: https://www.finra.org/rules-guidance/key-topics/conflicts-of-interest]

Responsibility	• Designated Supervisor/Principal

	• the CCO or designee (review)
Resources	• Reviews of products and services • Review outside business activities • Review of incentive programs – for reference only – FAF does not do incentive programs.
Frequency	• As required when revised or adopted: review incentive programs • When new products or services are proposed • At least annually: review current products and services to review for potential conflicts of interest • Annually contained in Reg BI training and as necessary
Action	• Consider Conflicts Analysis • Review products and services for potential conflicts regarding compensation including, but not limited to: o Proprietary products/services if ever adopted (none currently) o Third-party products/services where FAF receives payment from the third party (none currently) o Non-cash compensation where APs are provided incentives to sell a product or service (none currently) o Differential or variable compensation (none that are not standard to the industry) o Compensation practices for new or existing APs (none applied) o Generally: overarching firm-wide conflicts; Associated Person related conflicts; material limitations (aware of none) • Document conflicts reviews including whether to mitigate, disclose and/or eliminate • Mitigation consideration for compensation issues include the following: o avoiding compensation thresholds that disproportionately minimize compensation incentives for employees to favor one type of account over another, or to favor one type of product over another, proprietary or preferred provider products, or comparable products sold on a principal basis, for example, by establishing differential compensation based on neutral factors o eliminating compensation incentives within comparable product lines o implementing supervisory procedures to monitor recommendations that are near a compensation threshold for firm recognition; involve higher compensating products, proprietary products or transactions in a principal capacity; or involve the rollover or transfer of assets from one type of account to another o limiting the types of retail customer to whom a product, transaction or strategy may be recommended o eliminating sales contests, sales quotas, bonuses, and non-cash compensation based on the sales of specific securities or specific types of securities within a limited period of time o modifying or eliminating certain compensation practices • Include conflict reviews in annual audits/reviews • Include Reg BI training of APs
Record	• Conflicts reviews/analysis and mitigation/disclosures • New product and service reviews • Records of training including when, who attended, and subjects

The BD's policies and procedures have been designed to identify and properly disclose, mitigate, and/or eliminate applicable conflicts of interest. The BD will eliminate, mitigate or disclose all conflicts associated with recommendations of account types and securities. Specifically, the BD will:

A. Eliminate, mitigate or disclose all conflicts associated with recommendations of account types and securities;

B. identify and mitigate any conflicts of interest associated with recommendations that create an incentive for an AP to place the interest of the Firm or the AP ahead of the interest of the retail customer;
C. identify and disclose any material limitations on products recommended (e.g., recommending only proprietary products or a specific asset class, products from a selected group of issuers);
D. eliminate sales contests, sales quotas, bonuses, and non-cash compensation that are based on the sales of specific securities or specific types of securities within a limited period of time.

However, written policies and procedures cannot address every potential conflict, so APs should use good judgment in identifying and responding appropriately to actual or apparent conflicts. Conflicts of interest that involve the BD and/or its APs, and customers, will generally be fully disclosed and/or resolved in a way that favors the long-term interests of customers over the interests of the BD and its APs. If anyone believes that a conflict of interest has not been identified or appropriately addressed, that employee should promptly bring the issue to the CCO's attention.

The BD will perform an initial conflict review on each new product or service. This review will be evidenced either in a memorandum or in the due diligence files.

New Product Procedures in Regard to Reg BI

Company will utilize the following guidelines when offering new products or existing products that are modified. The CCO will be responsible for reviewing and approving new products and the development of these procedures designed to avoid and detect conflicts and meet any regulatory requirements.

Once the determination has been made that a product constitutes a new product to the Company or its customers (by examining criteria such as whether it is offered to a new class of investors, offered by representatives new to the product, involves material modifications to an existing product, involves material operational or sales practice changes, or involves any conflicts) a review process will be conducted to determine whether a new product will be offered for sale.

The following questions could be important in the review process:

1. Who is the target investor – general or limited (if limited, what are the limitations)?
2. Is this product only offered by the Company or is it available from other competitors?
3. Which representatives will offer the product and what license is required?
4. Are there any particular suitability conditions or limitations for the product? (only accredited or have a particular objective or risk tolerance, sophistication level, set percentage of net wealth limit, etc.).
5. What is the products investment objective and what other products offer the same objective with similar or less risk?
6. What are the features of the product (benefits and risks – do the risks outweigh the benefits)?
7. How liquid is the product and is there a secondary market?
8. Are there any market or performance factors that determine the product's return?
9. What are the fees, sales charges, expenses, legal and tax implications, etc. to the investor and how do they compare to other products offered by the Company or competitors?
10. What is the compensation to representatives?
11. Are there any conflicts of interest arising from the sale of the product between the customer and representative or the Company? If any exist, how will they be addressed and/or disclosed to the potential investor?
12. What is the complexity of the product and how does that affect both the potential investor's understanding, suitability, and/or training of the product?
13. How will the Company and its representatives market the new product?

14. Is there a specific time period for the product or will it be offered continuously? If continuous, what periodic review or monitoring must be conducted if the product is approved?
15. Is there a Company Product Disclosure Form or a Product Sponsor disclosure form that will be provided to the potential investor to disclose risks, charges, fees, etc.?
16. What product or sales material will be provided?
17. Are there any other individuals assessing the new product's features and complexity and what are their qualifications?
18. Will there be any initial or ongoing training for representatives, back office, principals, etc. (when and how)?
19. Will the Company current systems support the new product or will new ones have to be created and initiated?
20. Are there any conditions that must exist for the continuation of the product?
21. What are the regulatory requirements or implications surrounding the new product?
22. Are there any other issues that need to be addressed that may be specific to this new product?

The review conducted by the Company (and the subsequent outcome) will be maintained as part of its books and records for as long as the new product is offered and then for a period of three years thereafter.

If available, due diligence reports should be obtained from a third party due diligence provider. While it is recognized that these companies do either suggest or not suggest the product be used by a broker dealer, they contain considerable material for due diligence and the person conducting the due diligence at these firms may have more experience than the management of FAF in investigating both the company making the offering and the offering itself. Often the "Lexis Nexis" search is of value on its own that may be performed by the third party due diligence provider. These reports can be used as a basis for conducting due diligence. Often times there are reports available both on the sponsor and the offering itself contained in two different reports with a different approach for each.

Other activities that can be useful include "webinars," personal visits and meetings with representatives of the sponsor.

6.14.5 Compliance and Training

The Company will establish, maintain, and enforce written policies and procedures reasonably designed to achieve compliance with Regulation BI.

Responsibility	• Designated Supervisor/Principal (the CCO) • COO or designee (review)
Resources	• Regulation Best Interest and Form CRS written procedures, documents • Conflicts Analysis review • Training program, Firm Element (Needs Analysis, written training place, evidence of training attendance and/or completion, Reg BI and Form CRS training content)
Frequency	• Annual: review conflicts of interest, compliance with Reg BI • Annual or as required: training
Action	• Confirm policies and procedures comply with Regulation BI as part of the annual review of procedures • Take corrective action which may include new disclosures, contact with AP and/or AP's supervisor, contact with customer, *etc.* • Confirm Form CRS is current and accurate and provided to customers • Include Reg BI and Form CRS requirements in annual audits/reviews of FAF's business

	• Provide training to new APs upon hire and all APs annually regarding the obligations under Regulation BI and Form CRS
Record	• Record of policy/procedure reviews and action taken, if any • Records of training including when, who attended, subjects

FAF conducts ongoing and annual reviews and training to achieve compliance with Regulation BI. It is the responsibility of APs to be familiar with these requirements and act in the customer's best interest at all times. Questions should be referred to Compliance.

Regulation BI training will be included in the Company's Firm Element continuing education program specific for its covered Associated Persons. At a minimum, the Company shall at least annually evaluate and prioritize its training needs and conduct training annually on securities recommendations using the best interest standard and specific requirements of the Company's code of conduct. This will be included in the Company's written training program. The Company will maintain the need analysis, written training plan and records documenting the implementation of training to ensure that Associated Persons are aware of Regulation BI requirements. The CCO will ensure that the Company the written continuing education program includes specific Regulation BI training and is offered to all covered persons in order to enhance the covered person knowledge.

6.14.6 Books and Records

The BD must meet record-making and recordkeeping requirements with respect to certain information collected from or provided to retail customers in connection with Reg BI. SEC Rule 17a-3(a)(35) requires for each retail customer to whom a recommendation of any securities transaction or investment strategy involving securities is or will be provided:

1. A record of all information collected from and provided to the retail customer pursuant to Reg BI to whom a recommendation of any securities transaction or investment involving securities is or will be provided, as well as the identity of each natural person who is an Associated Person, if any, responsible for the account [AP]; and

2. The neglect, refusal, or inability of the retail customer to provide or update any information described in paragraph (a)(35)(i) shall excuse the broker, dealer, or Associated Person from obtaining that required information.

SEC Rule 17a-4 requires the BD to retain all account record information required pursuant to SEC Rule 17a-3(a)(17) and all records required pursuant to SEC Rule 17a-3(a)(35), in each case until at least six (6) years after the earlier of the date the account was closed or the date on which the information was collected, provided, replaced, or updated.

The CCO or designee will ensure that the Company maintains the required Reg BI books and records for the period of time as described in SEC Rule 17a-4.

6.14.7 Form CRS

[SEC Form CRS instructions: https://www.sec.gov/rules/final/2019/34-86032-appendix-b.pdf; SEC FAQs on Form CRS: https://www.sec.gov/info/smallbus/secg/form-crs-relationship-summary; SEC Form CRS Relationship Summary Small Entity Compliance Guide: https://www.sec.gov/info/smallbus/secg/form-crs-relationship-summary]. SEC Form CRS Summary; Amendments to Form ADV (entire regulation) https://www.sec.gov/rules/final/2019/34-86032.pdf.

The SEC adopted Form CRS Regulations which included the creation of a new relationship summary disclosure, along with a Reg BI Disclosure, requirement:

- BD: As a standalone document for broker-dealers working with "retail customers."

Beginning July 1, 2020, there are ongoing delivery requirements for Form CRS + Reg BI Disclosure for prospects, new, and existing IA clients and BD customers. A copy of Form CRS for First Asset Financial Inc. can be found on Exhibit A.

Responsibility	• the CCO or Designated Supervisor/Principal
Resources	• Information about securities and types of accounts and services offered by the firm • New product and services reviews • Conflicts Analysis • Fees/Costs
Frequency	• When recommendations are made (as defined in this chapter) • Update and file with CRD as required
Action	• Provide Form CRS to retail customers when a recommendation is made and within 60 days of a material change to the Form • Post Form CRS to FAF's website and update as necessary • Include Form CRS in reviews/audits to confirm the form is being kept up to date; posted to the website; filed with the CRD; and sent to customers when there are material changes
Record	• Website postings

Form CRS is a relationship summary intended to clarify the relationship between the BD and the customer. Firms without retail customers (as defined under Reg BI) are not required to provide the form to customers or submit it to regulators. The form is required upon the first event that triggers the requirement.

Form CRS must be provided before or after the earliest of (i) a recommendation of an account type, a securities transaction, or an investment strategy involving securities; (ii) placing an order for the retail investor; or (iii) the opening of a brokerage account for the retail investor including, for example, when:

- An order is placed for the retail customer
- A new account is opened for a new customer
- A new account is opened for an existing customer
- A securities transaction or investment strategy is recommended
- A rollover is recommended from a retirement account into a new or existing account or investment
- A retail investor requests a copy (provide within 30 days)

FAF should follow certain requirements concerning the Form CRS including formatting, filing, delivery, updating, and recordkeeping requirements. The CCO, or their designee, will ensure that the following information is addressed, and remains current, in the Form CRS:

1. The relationships and services we offer to retail investors, including review, (brokerage) and investment authority.
2. A description of our fees and costs, including disclosures about the principal fees and costs that retail investors will incur, other fees and costs related to services and investments that retail investors will pay directly or indirectly, and examples of the categories of the most common fees and costs applicable to our retail investors (e.g., custodian fees, account maintenance fees, fees related to mutual funds and variable annuities, and other transactional fees and product level fees).
3. A description of the manner in which our financial professionals are compensated, including cash and non-cash compensation, and the conflicts of interest those payments create.

4. A description of any conflicts of interest, including incentives related to proprietary products, revenue sharing, and principal trading, as applicable.
5. If FAF or Associated Person has legal or disciplinary history.

The CCO, or their designee, is responsible for periodically reviewing Form CRS for accuracy and making any updates, as necessary. The Form CRS must be updated and filed with the SEC, via WebCRD, within 30 days after any information becomes materially inaccurate.

6.14.7.1 Form CRS Format

SEC Rules and the Instructions to Form CRS prescribe specific standards and formatting requirements for the Firm CRS. These include the number of pages, specific statements that must be included, formatting of certain headings and required text, and references to detailed information that is not full addressed in the Form CRS. The Form cannot exceed two (2) pages for a broker-dealer and four (4) pages for a dual registrant or affiliated broker-dealers and SEC Registered Investment Advisers. FAF is not a dual registrant, therefore is limited to two (2) pages. The CCO, or their designee, will ensure that the formatting of the Form CRS adheres to the Form CRS instructions.

6.14.7.2 Form CRS Updates

The Form CRS must be amended whenever any of the information in the Form becomes materially inaccurate or when additional material disclosures are required. The CCO or designee will amend the Form CRS as needed to ensure that FAF meets the regulatory requirements.

6.14.7.3 Form CRS Filing

FAF is required to file the initial Form CRS through the WebCRD/IARD on or before June 30, 2020. FAF mailed Form CRD within the 30 day window. FAF must also update Form CRS as business changes dictate and file the amended Form within 30 days of those material changes. Evidence of the filing is maintained in WebCRD. Simultaneously, the Company will post a current copy of its Form CRS to the FAF website, in a location and format that is easily accessible for our customers.

Upon completion of the initial Form CRS, and upon any subsequent amendments to the Form CRS, the CCO or designee will upload the Form CRS to the WebCRD/IARD. The CCO or designee will maintain copies of the Form CRS for the period proscribed in SEC Rule 17a-4, which is currently six (6) years.

6.14.7.4 Website and Electronic Delivery of Form CRS

Form CRS is prominently accessible on our FAF website. Although the vast majority (estimated at over 85%) of the Form CRS is delivered personally to the customer, FAF may also deliver Form CRS electronically. Electronic sending will be recorded by the designated archiver of FAF's email. That is currently Global Relay and will likely be so in the future.

6.14.7.5 Form CRS Initial Delivery

Form CRS must be provided to retail investors at the time of or prior to the establishment of an account or recommendation of securities. The initial deliveries will be by two methods (1) electronic and (2) mail via USPS. For electronic delivery or notification, it will be as a PDF attachment, with the attachment referred to in the body of the email and easily accessible by the customer. The Form CRS is being provided in hard copy via USPS mail, it should be the first among any documents that are delivered at that time. Evidence of delivery of Form CRS to each customer must be maintained. For future customers, they will be delivered directly to the

customer (estimated 90% in person or by 10% by email). The customer indicates receipt via their signature indicating so.

6.14.7.6 Form CRS Delivery to Existing Customers

FAF is required to deliver Form CRS to existing retail customers within 30 days following the initial compliance date (June 30, 2020), prior to establishing a new account, or within 60 days from the date when any information in the Form becomes materially inaccurate. FAF delivered Form CRS to customer July 13, 2020, well within the requirement.

Associated Persons must deliver the Form to existing retail customers before or at the time of:

1. The opening of a new account that is different from the retail investor's existing account;
2. A recommendation of a rollover of assets from a retirement account into a new or existing account or investment; or
3. A recommendation of a new brokerage service or investment that does not necessarily involve the opening of a new account and would not be held in an existing account (e.g., a first time purchase of a direct-sold mutual fund/ variable insurance product through a "check and application" process).

The CCO, or their designee, will deliver the relationship summary to existing retail customers within 30 days following the initial compliance date (June 30, 2020).

6.14.7.7 Form CRS Delivery to New Customers

Associated Persons must deliver the relationship summary to *new* retail investors before or at the earliest of:

1. A recommendation to a retail investor of an account type; a securities transaction; or an investment strategy involving securities;
2. Placing an order for the retail investor; or
3. The opening of a brokerage account for the retail investor.

APs will ensure that when the Form CRS is provided to retail customers it is the First document provided.

6.14.7.8 Form CRS Recordkeeping

SEC Rule 17a-4 requires FAF to maintain and preserve, in an easily accessible place, the following records until at least six (6) years after such record or relationship summary is created:

(i) all records of the dates that each relationship summary was provided to each retail investor, including any relationship summary that was provided before such retail investor opened an account, as well as

(ii) a copy of each relationship summary.

The CCO or designee will verify that FAF maintains the required Form CRS books and records for the period of time as described in SEC Rule 17a-4.

The affirmation of receipt of FORM CRS is accomplished in several ways. For "direct business," the New Account Application has a statement in it whereby the customer affirms that they have received Form CRS by their signature on the New Account form. The second may be by the customer initials on a copy of Form CRS. For "cleared business," if the AP uses the "Supplemental Account Form to Hilltop Securities New Account Application or the "H Packet," the customer will sign with their signature affirming that they have received Form CRS.

If either “direct business” or “cleared business” has no documentation of delivery of Form CRS, then FAF will either email Form CRS or USPS Form CRS, keeping a log of this activity. The date of delivery will be the date of the New Account form, the Supplemental Form or the date email or snail mailed to the customer.

6.14.8 Training

APs will receive training on "best interest" requirements, Form CRS and communicating FAF firm culture, specific requirements of FAF's code of conduct and its conflicts management framework.

Responsibility	• Designated Supervisor or • COO or designee
Resources	• In-house training materials • Outside vendors or materials
Frequency	• Annual; when new APs are hired; and as appropriate
Action	• Provide training on acting in a retail customer's best interest, FAF's culture, the Code of Conduct, and conflicts of interest in their mitigation and management
Record	• Record of subjects included in training, who attended, and when administered

6.14.9 Monitoring Accounts

The FAF BD does not provide ongoing monitoring of brokerage accounts to customers.

Responsibility	• Designated Supervisor
Resources	• Customer accounts that are monitored (not applicable to FAF brokerage accounts)
Frequency	• Ongoing as appropriate
Action	• Identify accounts to be monitored • Include review of monitoring in annual reviews, to ensure monitoring only occurs in advisory accounts
Record	• Monitored brokerage accounts • Annual reviews of FAF's business including monitoring

6.14.10 Recordkeeping

[Exchange Act Rule 17a-3(a)(35); SEC Use of Electronic Media: https://www.govinfo.gov/content/pkg/FR-1996-05-15/pdf/96-12176.pdf]

Records of all information collected from and provided to the retail customer are maintained in accordance with recordkeeping rules. Records are not required to evidence best interest determinations on a recommendation-by-recommendation basis. FAF also is not required to provide information regarding the basis for each particular

recommendation. Records of Form CRS will be retained for six (6) years after the earlier of the date that the account was closed or the date on which the information was collected, provided, replaced or updated.

Responsibility	• Designated Supervisor • COO or designee
Resources	• Provision of Form CRS to prospects, customers
Frequency	• As required under Form CRS requirements
Action	• Include reviewing/providing Form CRS in audit/review programs
Record	• Records of Form CRS and updates to the form (Version Control) • Record of filing with FINRA CRD • Record of audits/reviews of delivering Form CRS to clients/customers

6.14.11 Definitions

Affiliate: Any persons directly or indirectly controlling or controlled by FAF or under common control with FAF.

Best interest: The term "best interest" is explained through SEC guidance and interpretations and is not expressly defined. Whether a broker-dealer has acted in the retail customer's best interest in compliance with Regulation BI will turn on an objective assessment of the facts and circumstances of how the specific components of Regulation BI - including its Disclosure, Care, Conflict of Interest, and Compliance Obligations - are satisfied at the time that the recommendation is made (and not in hindsight).

Conflict of interest: A conflict of interest is an interest that might incline a BD or AP, consciously or unconsciously, to make a recommendation that is not disinterested.

Dually licensed financial professional: A natural person who is both an Associated Person of a broker-dealer registered under section 15 of the Exchange Act, as defined in section 3(a)(18) of the Exchange Act, and a supervised person of an investment adviser registered under section 203 of the Advisers Act, as defined in section 202(a)(25) of the Advisers Act.

Dual registrant: A firm that is dually registered as a broker-dealer under section 15 of the Exchange Act and an investment adviser under section 203 of the Advisers Act and offers services to retail investors as both a broker-dealer and an investment adviser. There are exceptions; for example, if a BD dually registered offers investment advisory services to retail investors, but offers brokerage services only to institutional investors, the BD is not a dual registrant for purposes of Form CRS. The Company is NOT a dual registrant.

Full and fair: Sufficient information to enable a retail customer to make an informed decision with regard to a recommendation.

Implicit or explicit recommendations: For accounts where there is agreed-upon account monitoring, if the BD makes no recommendation in a periodic review, it is an implicit "hold" recommendation subject to Regulation BI just as would an explicit "hold" recommendation. Absent an agreement to monitor an account, Regulation BI does not apply to implicit hold recommendations.

Legal Representative: includes the non-professional legal representatives of a natural person, *e.g.*, a non-professional trustee that represents the assets of a natural person. Regulation BI would not apply when the legal

representative is acting in a legal capacity as a regulated financial services industry professional retained to exercise independent professional judgment. Therefore, recommendations to registered IAs and BDs or corporate fiduciaries would not trigger Regulation BI. On the other hand, recommendations to non-professional trustees, executors, conservators and persons holding power of attorney that represent natural persons are covered. The definition does not apply to financial industry professionals.

Material facts (under Regulation BI): Information is material if there is a substantial likelihood that a reasonable shareholder would consider it important.

Monitoring accounts: An agreement between the BD and the customer to provide account monitoring services. Monitoring may be incidental reviews of accounts to make recommendations and does not require IA registration. Through Form CRS firms are required to advise customers if they provide account monitoring services. BDs do not have a duty to provide account monitoring.

Non-cash compensation: Non-cash compensation includes any form of compensation, including but not limited to merchandise, gifts and prizes, travel expenses, meals and lodging.

Personal, family, or household purposes: The phrase "primarily for personal, family or household purposes" covers any recommendation to a natural person for his or her account, other than recommendations to a natural person seeking these services for commercial or business purposes. Regulation BI would not cover, for example, an employee seeking services for an employer or an individual seeking services for a small business or on behalf of another non-natural person entity, such as a charitable trust.

Receives and Uses: The SEC has stated that "use" means when, as a result of the recommendation: (a) the retail customer opens a brokerage account with the BD regardless of whether the BD receives compensation; (b) the retail customer has an existing account with the BD and receives a recommendation from the BD, regardless of whether the BD receives or will receive compensation, directly or indirectly, as a result of the recommendation; or (c) the BD receives or will receive compensation, directly or indirectly, as a result of that recommendation even if that retail customer does not have an account at the firm.

Recommendation: Interpreted in a manner consistent with current BD regulation under federal securities laws and FINRA rules.

Relationship summary: A written disclosure statement (Form CRS) that should be provided to retail investors when a recommendation is made (as defined in Reg BI).

Retail customer: A natural person (regardless of their financial status, including those previously qualifying as "institutional accounts" under FINRA's suitability rule) or the legal representative of such person who: (a) receives a recommendation for any securities transaction or investment strategy from a broker-dealer or Associated Person (whether or not the recommendation results in a securities transaction); and (b) uses the recommendation primarily for personal, family, or household purposes.

7. ANTI-MONEY LAUNDERING

7.1 Introduction

This chapter explains Company's Anti-Money Laundering (AML) Program with an explanation of money laundering and guidance for all employees to detect money laundering. These policies and procedures will be updated when new rules are adopted or amended.

7.2 Compliance Chart

Name of Supervisor:	• the CCO - AML Compliance Officer
Statutes	• US Patriot Act • SEC Rule 17a-8 • Bank Secrecy Act • FINRA Rules 3310 (old 1160 and 3011(d) - AML Compliance Officer, 3011(c) – Testing
Frequency of Review:	• As required • When new accounts are opened • When addresses change • Annual - schedule, conduct, and follow up testing (unless firm qualifies for testing every two years) • Annual AML Contact info with FINRA • Ongoing – monitor activity • Ongoing – review new regulations
Actions	• Develop and maintain anti-money laundering program • Obtain senior management approval for the program and any changes to the program • Monitor (or designate monitoring) the activity of Company, Associated Persons, and customers to reasonably detect and prevent money laundering activities • Develop AML education program for employees and schedule training • File required reports • Retain required records • Provide contact information to FINRA and update contact information if necessary • Notify supervisor and AP, as appropriate, when an account or security is blocked • Notify OFAC by FAX within 10 days of blocking an account (clearing firm or other third party engaged by First Asset Financial Inc. will make filings where appropriate) • Identify risk factors and determine whether heightened scrutiny is warranted • Identify person(s) to conduct testing • Conduct testing • Report results to CCO in annual compliance report • Revise policies and procedures as necessary • Conduct follow-up to determine corrective action has been taken • Establish and maintain the Identity Theft Program • When red flags are identified, take corrective action
Records	• Independent testing results including who conducted and dates of review, results, and actions taken

	• Reports to CCO • Record of changes to policies and procedures • Record of follow-up actions • New Account Form • Computer Reports • OFAC Search Results • FinCEN reviews • Training records • Copies of reports filed • Accounts identified for heightened scrutiny and actions taken • Notes and other documented reviews are retained in a suspicious activity file • Red Flags identified; actions taken

7.3 AML Compliance Officer

the CCO is the designated Money Laundering Compliance Officer fully responsible for the Company's Anti-Money Laundering (AML) Program. His duties will include monitoring the Company's AML compliance, overseeing communication and training of employees, ensuring applicable recordkeeping, and ensure Suspicious Activity Reports (SARs) are filed, and the firm is in compliance with the USA Patriot Act. These procedures have been approved by the Senior Management of the firm, the CCO. the CCO and the two employees in the Home Office Back Office/Customer Service Department are responsible for the implementation and monitoring of the day-to-day operations in the Home Office; the designated principal in the branch offices. Company will review and update if necessary its AML contacts on a quarterly basis, within 17 business days following each calendar quarter, through the FINRA Contact System.

7.4 FINRA Rule 3310. AML Compliance Program

Company shall develop and implement a written anti-money laundering program reasonably designed to achieve and monitor its compliance with the requirements of the Bank Secrecy Act (31 U.S.C. 5311, *et seq*.), and the implementing regulations promulgated thereunder by the Department of the Treasury. Company's anti-money laundering program shall be approved, in writing by the CCO . This will be accomplished by establishing a manual separate from this WSP manual and will be called the First Asset Financial Inc. AML manual.

The anti-money laundering programs required by this Rule shall, at a minimum,

(a) Establish and implement policies and procedures that can be reasonably expected to detect and cause the reporting of transactions required under 31 U.S.C. 5318(g) and the implementing regulations thereunder;

(b) Establish and implement policies, procedures, and internal controls reasonably designed to achieve compliance with the Bank Secrecy Act and the implementing regulations thereunder;

(c) Provide for annual (on a calendar-year basis) independent testing for compliance to be conducted by Company personnel or by a qualified outside party, unless the member does not execute transactions for customers or otherwise hold customer accounts or act as an introducing broker with respect to customer accounts (e.g., engages solely in proprietary trading or conducts business only with other broker-dealers), in which case such "independent testing" is required every two years (on a calendar-year basis);

(d) Designate and identify to FINRA (by name, title, mailing address, e-mail address, telephone number, and facsimile number) an individual or individuals responsible for implementing and monitoring the day-to-day operations and internal controls of the program (such individual or individuals must be an Associated Person of the member) provided in Exhibit B and provide prompt notification to FINRA regarding any change in such designation(s); and

(e) Provide ongoing training for appropriate personnel.
(f) FinCEN & Other Federal Agencies
Any requests for information from FinCEN (Financial Crimes Enforcement Network) must be submitted as soon as possible, but not later than seven days, either by email at patriot@fincen.treas.gov, by calling the Financial Institutions Hotline (1-866-556-3974), or by any other means as requested by FinCEN. If required to complete a Subject Information Form as requested by FinCEN, it must be sent to FinCEN by electronic mail at sys314a@fincen.treas.gov, or if the firm does not have e-mail, by facsimile transmission at 703-905-3660.

Informing Federal Law Enforcement in Emergency Situations: the CCO will contact Federal law enforcement immediately by telephone if, in the course of performing due diligence or opening an account, it is discovered that:

* a customer is on the OFAC list;
* a customer's legal or beneficial account owner is listed on the OFAC list;
* a customer attempts to use bribery, coercion, undue influence, or other inappropriate means to induce the Company to open an account or proceed with a suspicious activity or transaction; and
* any other situation that the Company reasonably determines requires immediate government action.

Any other requests for information from enforcement agencies must be provided to the appropriate agency and made available when requested. Such information must be provided as soon as possible, but not later than seven days, after receiving a written enforcement request.

Any customer or potential customer on the OFAC list or a customer's legal or beneficial account owner is listed on the OFAC list must be reported to the OFAC Compliance hotline at (202) 622-2490.

FinCEN Terror Hotline: 866-556-3974

FinCEN Regulatory Helpline Number: 800-949-2732

US Attorney's Office: (713) 567-9000

FBI Office: (713) 693-5000; submit a tip to the FBI electronically at https://tips.fbi.gov/

SEC Office: (817) 978-3821/ SEC SAR Alert Message Line (202) 551-SARS 7277

Sanctioned Countries List:
http://www.treasury.gov/resource-center/sanctions/Programs/Pages/Programs.aspx

To file a Suspicious Activity Report (SAR):
The form SAR SF will be used and must be filed within 30 days of the Company's becoming aware of the suspicious activity and concluding, after conducting further due diligence that the suspicious activity cannot be explained and should be reported. If there is no suspect identified, an additional 30 days may be allowed to attempt to identify the suspect and file the SAR SF.

7.5 Grand Jury Subpoenas

We understand that the receipt of a grand jury subpoena concerning a customer does not in itself require that we file a Suspicious Activity Report (SAR-SF). When we receive a grand jury subpoena, we will conduct a

risk assessment of the customer subject to the subpoena as well as review the customer's account activity. If we uncover suspicious activity during our risk assessment and review, we will elevate that customer's risk assessment and file a SAR-SF in accordance with the SAR-SF filing requirements. We understand that none of our officers, employees or agents may directly or indirectly disclose to the person who is the subject of the subpoena its existence, its contents or the information we used to respond to it. To maintain the confidentiality of any grand jury subpoena we receive, we will process and maintain the subpoena by confidential discussion between the AML officer, the Chief Compliance Officer and the General Counsel. If we file a SAR-SF after receiving a grand jury subpoena, the SAR-SF will not contain any reference to the receipt or existence of the subpoena. The SAR-SF will only contain detailed information about the facts and circumstances of the detected suspicious activity.

7.6 Voluntary Information Sharing With Other Financial Institutions Under Section 314(b)

The Company will employ strict procedures both to ensure that only relevant information is shared and to protect the security and confidentiality of this information, for example, by segregating it from the firm's other books and records.

The Company also will employ procedures to ensure that any information received from another financial institution shall not be used for any purpose other than:

- identifying and, where appropriate, reporting on money laundering or terrorist activities;
- determining whether to establish or maintain an account, or to engage in a transaction; or
- assisting the financial institution in complying with performing such activities.

7.7 AML Training

The Company has provided annual training to Associated Persons on an annual basis to its APs. This normally will be included in the Firm Element of Continuing Education. However, FINRA has stated that the new Regulatory Element required annually can suffice for annual AML training for 2024 going forward.

8. TRADING POLICIES AND PROCEDURES

8.1 Introduction

These policies and procedures are adopted in an effort to assure:

(1) fair and equitable treatment of accounts both in priority of execution of orders and in the allocation of securities and the price obtained in the execution of block orders or trades;

(2) timeliness and efficiency in the execution of orders; and

(3) accuracy of the records maintained by the Company with respect to trade execution and maintenance of client account positions.

8.2. Compliance Chart

Name of Supervisor ("designated Principal"):	Designated Principal: the CCO And assigned supervisors/ designated Branch Office Managers if applicable (see Sections 3.5)
Frequency of Review:	Daily review of transaction activity
How Conducted:	Review of transaction documentation, including new account forms, investor profiles, transaction reports/blotters; disclosure documents, and related correspondence. Approve orders requiring approval, including new accounts, discretionary account trades, and orders for more than 10,000 shares.
How Documented:	Any necessary approval forms.
3010 Checklist:	3010 (d); 2510(d); Consolidated FINRA Rule 4515 CHECK
Comments:	4515 effective 12-5-11 CHECK

8.3 Authorization

Trades may only be executed by the trading desk or designated Associated Persons granted trading authority.

SEE EXHIBIT D FOR LISTING OF ASSOCIATED PERSONS AUTHORIZED FOR TRADING.

8.4 General Procedures

All cleared orders are normally executed based on computer via our clearing firm's (HTS) proprietary order entry system, MOmentum. If systems are "down" or communication outages are experienced, they may be "called in" to the trading desk of HTS.

All orders must bear the following information, whether executed or unexecuted:

Whether the order is short (long is default and assumed) [except for debt securities];
The terms and conditions of the order or any modification or cancellation;
The time of execution;
The price at which executed;
The identification of the person responsible for the account and the name of the person placing the order (usually a number assigned to the person);
The account(s) for which entered
An indication of whether the order is Solicited or Unsolicited. HTS electronic trade printouts may indicate ONLY if the order is "Solicited" and, if there is no indication, the order, by default, is

considered “Unsolicited.” Both are an option when inputting the order, but the choice does not necessarily show both on the printed “trade ticket.”

The electronic trade printout from the HTS system has been acceptable as a "trade ticket" whether it contains all of this information or not as regulators examine HTS and it follows that they have consented to the format of the trade printouts of the confirmations on the trade blotter.

A well-organized manual "trade blotter" is acceptable as a record of trade entry as well.

All customer orders are to be entered through the Company's main office or through approved-for-trading OSJ branch offices, and shall be reviewed and accepted on behalf of the Company by the CCO or his designee, or designated principal if applicable on the daily trade blotter from HTS. Only licensed back office personnel or an Associated Person can enter an order from a client.

No order will be accepted from any person other than the account owner, unless an acceptable power of attorney or trading authorization is on file.

8.4.1 Account Names or Designations

Pursuant to Rule 3110(d), before a customer order is executed, the account name or designation must be placed upon the memorandum or contained in the Momentum system for each transaction.

8.4.2 Order Review

Next day compare each trade with confirmation report from HTS for execution information (any discrepancy must be worked out with the clearing firm upon discovery), and notify principal of any short sales on non-margin stocks.

Cleared Blotter (Daily Activity) Review

The daily “cleared” trading activity is produced by the clearing firm (HTS) and retrieved by the home office on a daily basis. The trade activity is from the prior trading day and is reviewed by a Series 24 principal for any irregularities, inappropriate activity, over trading, evident errors, commissions in excess of 5% and other potential violation of regulations. This review is evidence by the initials, either manually or via a stamp, of the reviewer at the bottom of the page.

8.4.3 Extensions

Registered representatives with excessive extensions should be reported immediately to principal for review.

8.4.4 Margin Accounts

A HTS Margin Agreement must be signed by the customer for a margin account.
Required margin is set by industry rules and HTS. Margin calls are provided by HTS directly to the customer.
Margin calls may be met by either cash or securities.
Margin excess may be withdrawn or transferred to the SMA account which will result in a debit to the margin account and a credit to the SMA account. This procedure is affected by HTS.
Margin calls are emailed to our assigned cashier (or operations contact). Any requests would be forwarded to the applicable Associated Person and customer for instructions to handle.

8.4.5 Settlement of Securities

Settlement (T+2) began September 5, 2017 and is currently in place, however, starting May 28, 2024 T+1 will be instituted. Actions to address this change are not in place as of 12-31-23. As information comes from HTS, FINRA & the SEC, appropriate action will be taken.

Processes:
-Check HTS Requirement Reports daily for securities due and monies due.
-Contact the customer by phone if necessary to inform them of the pending requirement.
-Make sure securities/cash are in account on settlement day.
-Obtain any extensions if applicable.
-Trading stock prior to payment/settlement: Client cannot sell stock until it settles but must have money in by purchase side settlement otherwise account will be restricted for 90 days.

If applicable, the following processes can be employed regarding sellouts:

1. Day prior to sellout, notify Associated Person. Have Associated Person informed you of status of payment by client.
2. Request reference number for overnight or incoming wire, if applicable
3. If sellout is required, notify Associated Person, write up sellout ticket, and notify trading and the CCO. Some sellouts are performed by HTS, not FAF.
4. When trading confirms execution of sellout, notify Associated Person, and post on blotter.
5. Excessive Associated Person sellouts must be reported to principal.

8.4.6 Commission/Ticket Blotter

Retail trades for HTS are maintained in Momentum and retrieved for blotter by printing daily from the HTS system. Trades are reviewed daily to compare with confirm reports by FAF personnel.

8.5 Priority of Order Fill

Orders generally will be processed and executed on a first-in, first-out basis, in the order received by the trading desk.

8.6 Sale of 144 Restricted Stock

The following procedures must be adhered to for the sale of control or restricted securities:

Definitions:

Control Securities

Control securities are securities owned by affiliates of the issuer. Under Rule 144, an affiliate may sell control securities of the issuer without registration under the 1933 Act if all of the following requirements are met:

1. There is adequate current public information available about the company that issued the securities sold.

2. The quantity of securities that may be sold within any three-month period under Rule 144 is limited by a volume formula.

3. The securities must be sold in ordinary broker's transactions, defined as no solicitations of buy orders by either the selling customer or the selling broker. Under certain circumstances, a Rule 144 seller may sell his securities directly to a "market maker.. The *term market maker* includes OTC traders or a securities dealer positioning blocks of listed stocks.

4. Filing of the Notice of Proposed Sale of Securities (Form 144), when required, must be accomplished on or before the day of sale (filing should be done by selling firm).

Restricted Securities

If restricted securities are to be sold, Rule 144 may be employed to effect the sale provided that:

1. Each of the above four requirements is met, **and,**

2. The securities must have been fully paid for and beneficially owned for at least one year.

General Guidelines:

1. Make sure the above conditions apply;
2. Contact HTS Stock Transfer & Receipt Department to notify them of customer's intent to sell their 144 stock;
3. In most cases, customer will have to obtain a Legal Opinion from the Issuer's Counsel;
4. Have customer sign Rule 144 Seller Letter (can be obtained from HTS);
5. Have customer send his certificate(s) and items #3 and #4 above to:
   HTS Securities, Inc.
   Stock Transfer and Receipt
   Attn: 144 Stock Sale
   1201 Elm Street #3500
   Dallas TX 75270

8.7 Direct Application & Check Transactions

No Associated Person may forward any applications and checks directly to vendors without first obtaining supervisory review and approval and back office processing. Normal procedure is to send any "application way" or other type of order to the immediate supervisor and, after review and approval, the order is sent on to the vendor or placed. However, and exception can be made whereby the AP faxes or emails the order (by secure email) to the supervisory principal, who reviews and, if appropriate, approves the order, and the AP can then send the order directly to the vendor. This is often done when there is a "timing" element involved such as due date for IRA's, etc. If there are problems with the order, those are resolved prior to the signature page being return the AP. The AP is not allowed to transmit the order until the approval has been received.

8.8 Personal Trading and Prohibitions

Principals and designated employees of the Company may execute orders on behalf of the Company, their own accounts or other accounts, however, it is a regulation of the Company that they must avoid security transactions and activities for these accounts which might conflict with or be detrimental to the interests of clients, or which are designed to profit by market effect. These rules should not be construed in any way that would place the Company's clients in a disadvantaged trading position. FINRA Rule 5320 (a) prohibits a practice called "trading ahead of customer orders." While the Company does not discourage Associated Persons (AP) from purchasing the same equity securities as customers, an AP should not place their order first when buying or selling the same security as the customer when in close (within ½ hour) time proximity. The customer's order should be placed first and then the APs order at least 30 minutes later. To do otherwise is a violation of FINRA Rule 5320 and subjects the AP to possible disciplinary action. Obviously to hold a

customer's order without immediately executing the order is a violation as well. To place orders in a such a manner that would disadvantage a customer and favor the order of an AP may also be also be a violation of FINRA Rule 2010.

Personal trading of APs are reviewed quarterly at a minimum. Personal trades can be made for commission "at cost" for the Company without regard to the office "minimum commission." This is not deemed to affect the 5% rule minimum as this is considered a courtesy the Firm extends to the employees or independent contractors.

Orders purchase at one time (bulk order) and then spread the single purchase to various customer accounts under either a brokerage transaction with "discretionary" papers in place, or an investment advisery account with a discretion agreement with the registered investment advisery firm in place would not be considered a violation of 5320 if an Associated Person's transaction were included in the original "bulk purchase/sale" of the security.

8.9 FINRA Rule 5280-Trading Ahead of Research Reports

Company will not establish, increase, decrease or liquidate any inventory position, if ever applicable, in a security or a derivative of such security based on non-public advance knowledge of the content or timing of a research report in that security. In addition, Company does not maintain a research department and therefore there is no relative information to flow between Company personnel.

8.10 Hot Issues

FAF does not participate in new underwritings, so this issue does not apply.

8.11 Commingling

Company employees are not permitted to place customers' checks or money intended for transactions involving securities into their own bank account or insurance business account, regardless of the amount of money or the length of time involved. Mishandling customer funds could result in prosecution by state or federal criminal agencies.

8.12 Purchase and Sale of IPOs of Equity Securities

FAF does not participate in new underwritings of equity securities, so this issue does not apply.

8.13 Conflicts of Interest

APs should avoid even the appearance of conflict, let alone any actual conflict of interest, in transactions with their customers.
Choosing one product over another, whereby both products may meet the customer's needs and objectives, but one has a higher commission than the other can be considered a "conflict of interest." Choosing a class of shares for mutual funds or variable annuities can be a "conflict of interest."

8.14 Parking Securities and Maintaining Fictitious Accounts

Holding or hiding securities in someone else's or a fictitious account is misleading and strictly prohibited.

8.15 Personal Trading Review

The Company will review personal trading on a quarterly basis. Quarterly statement will be reviewed by the CCO or his designee for violations of any industry or Company rules. Outside personal trading accounts are reviewed quarterly.

8.16 Proprietary Trading

Currently, the firm is a $5,000 net capital broker/dealer and thus does not conduct any proprietary trading. There is a limited amount of trades that can be conducted by this type of broker/dealer (10).

8.17 Entry and execution of retail orders would follow the following procedures:

The CCO or other approved designees will enter orders promptly as received into HTS' order entry system called Momentum. Order tickets would be checked for completeness by the system. It is possible for other listed orders may be entered verbally as needed with Hilltop Securities Inc.

Over the counter orders, retail NASDAQ agency or principal orders would be executed at best possible prices for all customers. The bid prices less a commission or commission equivalent markdown for a seller and the offer price plus a commission or commission equivalent markup would be the outside guidelines for execution of agency and principal customer orders. There may be occasional exceptions to this guideline as trading conditions may warrant for non-routine orders considering the size of the order in relation to the liquidity in trading volume.

Principal and agency orders for any Non-NASDAQ over the counter securities (OTC Markets Group [fka Pink Sheets]) and foreign securities) would be subject to the stringent "Designated Securities" transaction rules and regulations. Transactions in designated securities will only be permitted by exemption under SEC Rule SEC 15g-1. If available, quotations from at least three market makers would be obtained for principal and agency customer orders or the function would be conducted by the trading desk at HTS. The firm would only execute non-NASDAQ over the counter transactions on a riskless principal basis.

8.18 Review of Executed Orders

All executed orders would be reviewed on the daily "blotter" provided by HTS by the CCO. The Company shall not charge any principal markups/markdowns, whether riskless or at risk, greater than 5%. Any exceptions would be required to be approved by the CCO and the conditions precedent to the exception must be noted in the Company's records to document the basis of granting of such exception. The markup/markdown on debt securities must be disclosed on the trade confirm in a manner prescribed by FINRA regulations.

Investment grade municipal securities principal and agency transactions would be executed in accordance with MSRB Rule G-30. The normal markup/markdown would not be greater than 2.0%. Municipal bond transactions would also be executed at an aggregate bond price (including any markdown or markup). However, any markups/markdowns higher than the foregoing guidelines for municipal securities must be approved by the CCO and Associated Person shall document the conditions precedent to the exception in support of granting of such exception.

Government securities would normally be traded with no more than a 1 point spread. CMOs would normally carry no more than a 2.5% markup/markdown. However, any markups/markdowns higher than the foregoing guidelines for CMOs must be approved by the CCO or his designee, and he shall document the conditions precedent to the exception in support of granting of such exception.

8.19 Reporting transactions in NASDAQ National Market System by a "Non- Registered Reporting Member."

Given that the Company is a Non-Registered Reporting Member, where the Company effects a transaction with another FINRA Member Company, the Company shall only be required to report where the Company is representing the sell side of the transaction, otherwise the Registered Reporting Market Maker shall be responsible for reporting all transactions, or the Non-Registered Reporting Member on the sell side of the transaction. The Company shall also be required to report in transactions between the Company and a customer

8.20 HTS Inventory Account

Pursuant to clearing firm requirements, the Company must utilize an inventory account to process customer fixed income orders for record keeping purposes only. Company does not hold positions in this account. Company processes dealer side of order first and then customer order. Any sales credit or markup/markdown is reviewed at the time the order is entered by the Trading Department as well as by the CCO on the daily blotters. Any balance that may remain in the inventory account (other than the markup/markdown) would not only be detected by Company but should also be detected by the clearing firm P&S Department. If there are security positions in the accounts after trade date, it indicates an error. It is NOT the intention of FAF to hold securities positions overnight. This has rarely happened in the past and is almost always an HTS error.

8.21 Short Sales Activities

With respect to all short sale trading activities, the Company shall adhere to the following policies as it pertains to same. Prior to affecting a short sale for a customer's account, the Company shall determine the availability to borrow such security to cover said position.

All short sale orders will be routed to the clearing firm for execution

The Company will review the trade reports to determine whether a sale is long or short in accordance with Rule 3b-3 and Rule 3350 (Short Sale Rule) of the FINRA Conduct Rules. For purposes of this section and Regulation SHO, the definition of a short sale shall be a sale of a security that the seller does not own at the time the order is entered, or any sale that is consummated by the delivery of a security borrowed by, or for the account of, the seller, and a sale of a security where an exchangeable security is owned unless the exchange process has already begun(i.e. convertible preferred shares). In determining whether the seller is long or short overall, the Company shall net all of the seller's positions in the security, as is required in short sales for exchange-listed securities.

Under Regulation SHO, all sales must be marked as long, short, or short exempt. Orders marked as short or short exempt will require the person entering the order to note how they made affirmative determination that the stock is available to short. In HTS/Momentum, the user will be able to enter one of the following: 1) Easy to Borrow – selected if the user referenced the Easy to Borrow list via Momentum/Report Distribution; 2) Manual – selected if HTS Stock Loan Department was contacted and asked to perform the locate of the shares (866-797-4150); or 3) Market Maker – selected if the order is being entered by a bona fide market maker in the stock and the order is part of a bona fide market making transaction and is therefore exempt. Orders marked “long sale” indicate that the stock is long in the account or that you can reasonably expect to have good delivery by settlement date. The Company must note on the ticket that the seller can deliver the security in a negotiable form by settlement date and where the customer holds the security, or who the Company can borrow the security from at the time of the sale. Further, in accordance with the Board of Governor's Interpretations of FINRA Conduct Rules with respect to "Affirmative Determinations", the Company shall adhere to the following requirements,

(a) Customer short sales. Neither the Company nor any Associated Person shall accept a "short" sale order for any customer in any security unless the Company or Associated Person makes an affirmative

determination that the Company will receive delivery of the security from the customer or that the Company can borrow the security on behalf of the customer for delivery by settlement date. This requirement shall not apply, however, to transactions in corporate debt securities.

(b) To satisfy the requirement for an "affirmative determination" contained in subsection (a) and (b) above for customer and proprietary short sales, the Company or an Associated Person thereof must keep a written record which includes:

(i) if a customer assures delivery, the present location of the securities in question, whether they are in good deliverable form and the customer's ability to deliver them to the Company within three (3) business days; or

(ii) if the Company or Associated Person locates the stock, the identity of the individual and firm contacted who offered assurance that the shares would be delivered or that were available for borrowing by settlement date and the number of shares needed to cover the short sale.

Prior to entering a short sale transaction on the MOmentum system, where the customer has not assured delivery, all Associated Persons of the Company shall be required to make an Affirmative Determination through the Company's clearing broker.

8.22 FINRA Rule 5240-Anti-Intimidation/Coordination *(eff 06/15/09)*

Pursuant to just and equitable principles of trade and Rule 5240, Company shall not engage in any of the following:

(1) coordinate the prices (including quotations), trades or trade reports with any other member or person associated with a member, or any other person;

(2) direct or request another member to alter a price (including a quotation); or

(3) engage, directly or indirectly, in any conduct that threatens, harasses, coerces, intimidates or otherwise attempts improperly to influence another member, a person associated with a member, or any other person. This includes, but is not limited to, any attempt to influence another member or person associated with a member 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 a market maker or market participant.

8.23 Designated Securities Transactions

For purposes of this section, the term "Designated Security" shall mean a non-NASDAQ over-the-counter equity security that sells for less than $5 per share issued by a company with less than $2,000,000 in net tangible assets.

Associated Person should assume that any unlisted securities priced less than $5.00 per share may be subject to the penny stock requirements.

The CCO, the designated principal, or their designee shall be responsible for all transactions in designated securities and compliance with SEC Rule 15c2-6. Currently, it is the Company policy that we do not recommend any purchases for designated securities, however, from time to time, may execute an unsolicited request for a designated security transaction. It is recommended that the AP obtain a signed form from the customer regarding the non-solicitation aspect of penny stocks they purchase. A customer may use the same form for multiple purchases of “penny” stocks or designated securities.

8.24 Description of REITs:

When offering REITS, Associated Persons must consider the following:
the suitability of recommending a REIT, consider the investor's investment objectives and need for income and the risks of the REIT including the use of leverage.

8.25 Suitability of REIT Transactions

FINRA Rule 2310(b)(2) – Direct Participation Programs (Requirements – Suitability)
Associated persons, in recommending the purchase, sale or exchange of a REIT, are required to have reasonable grounds to believe, on the basis of information obtained from the customer concerning their investment objectives, other investments, financial situation and needs, and any other information known by the firm or Associated Person, that:
 the customer is or 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 customer has a fair market net worth sufficient to sustain the risks inherent in the REIT, including loss of investment and lack of liquidity;
 the REIT is otherwise suitable for the participant; and
 document the customer's suitability through the new account form/customer account agreements, suitability questionnaires (if required), subscription agreements, and any disclosure/acknowledgement forms, if applicable, that are required to be completed by the customer.

8.26 ETF – Exchange Traded Funds (ETFs) and ETNs

8.26.1 Description of Traditional and Non-Traditional ETFs and ETNs

ETFs are typically registered unit investment trusts or open-end investment companies whose shares represent an interest in a portfolio of securities that track an underlying benchmark or index. 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 or multiples of the opposite of the performance of the index or benchmark they track. Most leveraged, inverse, or leveraged-inverse ETFs (responsive ETFs) "reset" daily, meaning that they are designed to achieve their stated objectives on a daily basis. Due to the effect of compounding, the performance of responsive ETFs 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.

8.26.2 Suitability of ETFs

Registered representatives must understand both traditional and non-traditional ETFs. With leveraged and inverse ETFs Associated Persons must understand the terms and features of the funds, including how they are designed to perform, how they achieve that objective, and the impact that market volatility, the ETFs use of leverage, the customers intended holding period will have on their performance. Each ETF product must be determined as suitable for the specific customer to whom it is recommended.
Accordingly, when recommending ETFs, Associated Persons must consider the following:
• What the ETF tracks to determine suitability for the customer;
• ETFs are not suitable for a customer who wants to make regular periodic investments since each transaction will generate a commission cost;

• ETFs may be subject to temporary price disparities during times of highly volatile markets when ETF shares may trade for significantly less than the value of the underlying assets;
• For most ETFs, holdings are transparent, i.e., an investor will know what is being held by the ETF by the makeup of the tracked index. However, in the case of an actively-managed ETF, knowledge of investments may not be available to investors;
• ETFs may have lower annual expenses than traditional funds; however, investors incur commission costs for each purchase and sale in the market;
• ETFs do not offer dividend reinvestment plans which are available from regular mutual funds;
• ETFs that track narrow sector or foreign market indexes can be highly concentrated and highly volatile or might fail to track their indexes properly. They also may have higher fees than ETFs based on broader indexes;
• Where a commodity such as oil underlies the fund, it is important that the customer understands how the ETF is impacted by changes in price of the underlying commodity; and
• ETFs may not perform consistent with what they track.

8.26.3 Non-Traditional ETFs

With non-traditional ETFs has come regulatory concern. FINRA has commented and released a number of restrictions on the use of certain non-traditional ETFs. Therefore, it is imperative that APs understand non-traditional ETFs. Non-traditional ETFs expanded the concept to allow for the implementation of a wider variety of investment approaches. Non-traditional ETFs commonly use investment strategies like leverage and inversion. They also track a variety of commodities indices or use complex financial derivative strategies. Non-traditional ETFs routinely invest in futures, options on futures, forward contracts and swap agreements to achieve their investment objectives.

Leveraged ETFs: Leveraged ETFs seek to deliver multiples of the performance of the index or benchmark they track. Most leveraged ETFs "reset" daily, meaning that they are designed to achieve their stated objectives on a daily basis. Leveraged ETFs may not perform consistent with what they track.

Inverse ETFs: Inverse ETFs seek to deliver the opposite performance of the index they track. Often called short-funds, they seek the inverse results of board indices or more sector focused indices like commodities, currencies or any other narrower benchmark. Inverse ETFs are also used as a way for investors to hedge exposure to or even profit from downward moving markets. Most inverse ETFs "reset" daily, to achieve their stated objectives on a daily basis. Inverse ETFs may not perform consistent with what they track.

These types of ETFs are discouraged by the Company as they do not "track" their benchmark on a longer term and often expose customers to greater risk perimeters.

8.26.3.1 Leveraged Inverse ETFs:

As the firm's policy, Associated Persons are prohibited from recommending leveraged ETFs in which the prospectus does not recommending for holding more than one day without adverse pricing against the appropriate index. Any exception to this policy must be granted by the CFO in writing. However, to accommodate customers, unsolicited transactions of inverse, leveraged or other select non-traditional ETNs, trades are permitted if the customer completes a Company form that indicates that the trade(s) is unsolicited by an FAF Rep.
An exception to this policy would include any order made from a registered investment advisor representative (IAR). IAR orders are marked "solicited" due to the discretionary nature of the advisory contract and are able to be accepted without any additional forms or paperwork. The "solicited" is marked for ALL discretionary advisory accounts for every trade.

FAF will consider an IAR to have a “fiduciary relationship” with the customer and, notwithstanding the nature of inverse/leveraged ETFs, have the customer’s best interest as the basis for the trade. This would include IAR’s from any Registered Investment Advisor (RIA) or any broker dealer. It should be noted that FAF is NOT a registered RIA.

8.26.3.2 Exchange Traded Notes (ETN)

ETNs are not equities or index funds, but they are unsecured debt obligation. ETNs track baskets of fixed income securities or debt that secured by a creditor. They allow investors to buy an obligation that trades on an exchange and can also be sold short like ETFs. However, ETNs are backed by the full faith and credit of the issuer, so if the issuer defaults, the investors
become another creditor. The Company has not participated in the sale of ETNs and is likely not to do so in the future.

8.26.4 Due Diligence

FINRA’s suitability rule requires that before recommending the purchase, sale or exchange of a security, Associated Person must have a reasonable basis for believing that the transaction is suitable for the customer to whom it is being recommended to.
Accordingly, Associated Persons must conduct due diligence on the product. The due diligence on ETFs should include, but not limited to:
• What the ETF tracks (index, securities, benchmark, commodities, and etc.)
• How they are designed to perform
• How they achieve their objective
• Impact of the ETFs performance from market volatility
• Use of leverage
• The holding periods suitable for the investor
Once the general product suitability has been determined, Associated Person must conduct a customer specific suitability analysis based on the necessary financial information and tax status as well as assessing investment objectives obtained from the customer.
The firm’s policy is to discourage Associated Persons from recommending any leveraged or inverse ETFs or ETNs.

8.26.5 Communications with the Public Regarding ETFs

All communications materials and presentations both written and verbal, used by the firm regarding traditional, leveraged or inverse ETFs must present a fair and balanced picture of both the risks and benefits of the funds, and may not omit any material fact or qualification that would cause such a communication to be misleading. Retail and institutional communications regarding ETFs must be submitted to the firm’s CCO prior to its use. The firm’s CCO will submit the materials to FINRA as required.

8.24.6 Supervision of ETFs

All Associated Persons perform appropriate customer specific suitability analysis; all promotional materials are accurate and balanced; and all FINRA and SEC rules are followed.
OSJ Supervisors are responsible for enforcing the firm’s policies and procedures; and
transactions

8.25 Limit Order Procedures

The Company does not execute orders. All limit orders are forwarded to Hilltop Securities Inc. for routing or display. If a customer requests that a limit order not be displayed, the request shall be forwarded to Hilltop Securities Inc. along with the order.

However, it is a policy of the Company that in keeping with the Board of Governor's Interpretation of FINRA Conduct Rule 2010 and FINRA Conduct Rule 2320 ("Best Execution Rule") to the extent the Company acts as a market maker and handles customer limit orders, whether received from customers of the Company or from customers of another broker/dealer, the Company shall not trade at prices equal to or superior to that of the customer's limit order without executing the limit order. Further, the Company shall not rely on any so called "safe harbor" to trade ahead of a customer limit order. Currently, the Company does not act as a market maker. In addition, the Company does not trade for its own account and therefore the **Manning Rule** does not apply. The Company does not receive payment for order flow.

Any limit order a customer requests not be reflected amongst competing quotes will be honored.

8.26 Best Execution

References: FINRA Rule 5310, MSRB Rule G-17, MSRB Rule G-18

Regulatory Notice(s): 12-13, 10-42, 10-26

Who: *Chief Compliance Officer (the CCO)*
When: *Annual and As Needed*
What: *Best Execution*
Evidence: *Order Ticket and Reports*
Retention Period: *Not less than five (5) years*
Date: *May 2014*

FINRA Rule 5310 requires broker-dealers to use reasonable diligence to ascertain the best inter-dealer market for all transactions. FINRA Rule 5310 prohibits the interjection of a third party between the broker-dealer and the best available market, except where the broker-dealer can demonstrate that the total cost or proceeds from a transaction was better than the prevailing inter-dealer market.

FINRA Rule 5310 defines "reasonable diligence" as the following factors:

- Character of the market for the security (e.g. price, volatility, relative liquidity, and pressure on available communications).
- Size and type of transaction.
- Number of markets checked.
- Accessibility of the quotation.

In addition, the SEC has stated that the best execution obligations further require a broker-dealer that routes customer orders for execution to regularly and rigorously assess the quality of competing markets to assure that the order is directed to markets and market makers that provide the most beneficial terms for their customer orders.

MSRB Rule G-17 requires all broker-dealers to deal fairly with all persons and not engage in any deceptive, dishonest, or unfair practice.

MSRB Rule G-18 requires all broker-dealers to make reasonable efforts to obtain a price for all customers that is fair and reasonable in relation to prevailing market conditions.

The Firm's Chief Compliance Officer or his designee is responsible to ensure that the best inter-dealer market is obtained for all transactions. In addition, the Firm prohibits the interjection of any third party between the firm and the best available market; unless the total cost or proceeds from the transaction are better than the prevailing inter-dealer market and the firm can demonstrate this.

If the Firm accepts a customer limit order it must protect such order and ensure that best execution is obtained. Best execution can be defined as the broker-dealer's obligation to conduct a regular and rigorous assessment of all available markets to ensure that customer orders are executed in a "timely manner" at the best available price.

FINRA guidelines require executing broker-dealers to execute customer orders or executable limit orders in less than 60 seconds under normal market conditions. Unusual market conditions can include the market open, the resumption of trading after a market halt, or any other unusual situation that disrupts normal trading activity. All executing broker-dealers must realize that even 60 seconds may be too long to execute a marketable order. All executing broker-dealers should establish and enforce written supervisory procedures to ensure that the firm conducts "regular and rigorous assessment" of all available markets to ensure that all customers receive "Best Execution."

Pricing. The Firm does not execute trades. The Firm routes all orders to its clearing firm for execution. It shall be the responsibility of the executing firm to verify that the best price is being obtained. In evaluating best execution, the Firm reviews the clearing firm or executing dealer's compliance with this requirement.

Three-Quote Rule. The Firm does not execute trades. The Firm routes all orders to its clearing firm for execution. It shall be the responsibility of the executing firm to comply with the three-quote rule. In evaluating best execution, the Firm may request evidence of the clearing firm or executing dealer's compliance with this rule.

8.27 Trade Shredding

"Trade shredding" is a term used to describe situations whereby large customer orders for securities (or multiple orders which might be otherwise suitable for aggregation to reduce transaction costs) are split into multiple smaller orders for the primary purpose of maximizing payments or rebates to the firm or its Associated Persons. This practice is strictly prohibited by FINRA Rule 5290.

The Designated Principal, in his or her reviews of trade activity, will ensure adherence to this Rule's prohibitions and requirements. He or she will also ensure that the Firm has in place, and adheres to, written policies and procedures developed to prevent and detect potential violations of this type.

Order Routing: The Firm executes all its transactions through its clearing firm and therefore does not conduct order routing. The Firm expects that its clearing firm will periodically assess the quality of competing markets to assure that order flow is directed to markets providing the most beneficial terms for the Firm's customers' orders.

8.28 Regular Reviews

The Firm has implemented procedures to ensure at the Firm conducts regular reviews of the quality of the executions of its customers' orders.

The focus of the Firm's analysis is to determine whether any "material" differences in execution quality exist and, if so, to modify the Firm's routing arrangements or justify why it is not modifying its routing

arrangements. This analysis compares the quality of the executions the Firm is obtaining via current order routing and execution arrangements (including the internalization of order flow) to the quality of the executions that the Firm could obtain from competing markets and market centers. Accordingly, the Firm must evaluate whether opportunities exist for obtaining improved executions of customer orders.

Factors considered by the Firm in reviewing and comparing the execution quality of its current order routing and execution arrangements to the execution quality of other markets and market centers are as follows:

- Material differences in execution quality, including price improvement opportunities. The SEC has defined price improvement as the difference between the execution price and the best quotes prevailing in the market at the time the order arrived at the market or market maker.
- Material differences in price disimprovement (situations in which a customer receives a worse price at execution than the best quotes prevailing in the market at the time the order arrived at the market or market maker).
- The likelihood of execution of limit orders.
- Other material differences in execution quality such as the speed of execution, size of execution, and transaction cost.
- Customer needs and expectations.
- The existence of internalization or payment for order flow arrangements (which must not interfere with a firm's best execution obligation.)

As an introducing firm, the Firm requests quarterly from its executing broker-dealer a copy of any analyses that the executing broker-dealer has done (either on its own or by a third-party vendor) to evaluate the execution quality of customer orders that the Firm routed to the executing broker-dealer for execution. The Firm maintains records of all reviews for a period of at least three yeas

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The Company does not specify routing of any equity or option orders and does not receive any payment for order flow. The Company will rely on the third party report on best execution of orders submitted to the clearing firm (Hilltop Securities Inc.). This report will be reviewed by senior management of the Company on a quarterly basis.

8.29 Payment for Order Flow

First Asset Financial Inc. does not currently receive payment for order flow.

8.30 Order Execution and Routing Practices

8.31 SEC Rule 606 Disclosure of Order Routing Information

The CCO will be responsible to ensure that the Company complies with SEC Rule 606 or that it is exempt.

Exemption
The Company does not make any routing decisions or directs orders on behalf of customers. No trades through Hilltop Securities Inc. (HTS) are routed back to the Company. The orders are placed through the clearing firm (HTS) and the routing decisions are made by HTS, not the Company. The majority, if not all, of this section does not currently apply to the Company.

Market Center and Order Routing Reporting

References: SEC Rule 11Ac1-5

SEC Rule 606

Regulatory Notice(s): 01-44, 01-30, 01-16

Who:	*Designated Principal*
When:	*As Needed*
What:	*Market Center and Order Reporting*
Evidence:	*Reports*
Retention Period:	*Not Less Than Three (3) Years*
Date:	*December 2009*

Under Rule 11Ac1-5, market centers that trade national market system securities will be required to make available to the public monthly electronic reports that include uniform statistical measures of execution quality. Rule 11Ac1-5 defines the term 'market center" as any exchange market maker, OTC market maker, alternative trading system, national securities exchange, or national securities association.

SEC Rule 606 requires all broker-dealers make publicly available for each calendar quarter a report on its routing of non-directed orders in NMS stocks that are submitted on a held basis and of non-directed orders that are customer orders in NMS securities. Such report must be broken down by calendar quarter and posted on an internet website that is fee and readily accessible to the public for a period of three years from the initial date of posting. In addition, SEC Rule 606 requires that such report be publicly available within one month after the end of the quarter address in the report.

SEC Rule 606 also requires that every broker dealer disclose to its customer, upon request:

- Orders in NMS securities that ate submitted on a held basis;
- Orders in NMS securities that are submitted on a not held bases (broker dealer is no not required to provide the customer report);
- Orders in NMS securities that are option contracts, the identity of the venue to which the customer's orders were routed for execution in the six months prior to the request, whether the orders were directed or non-directed orders, and the time of the transaction, if any that resulted from such orders.

SEC Rule 606 requires that a broker dealer notify customers at least annually, in writing, of the availability of the request for information. Such disclosure is required to be provided to a customer within seven business of receiving request.

In addition, broker-dealers must respond to customer requests for individual information on customer orders that were routed for execution in the six months prior to the request, whether the orders were directed or non-directed, and the time of the transactions, if any, that resulted from such orders.

Directed Order: a customer order that the customer specifically instructed the member to route to a particular venue for execution.
Non-Directed Order: any customer order other than a directed order.
Held Order: customer orders in NMS securities that a broker-dealer must attempt to execute immediately.
Not Held Order: customer orders in NMS securities that provide a broker-dealer with price and time discretion in the handling of such orders.
The Firm operates pursuant to the (k)(2)(ii) exemptive provision of SEC Rule 15c3-3. The Firm introduces all customers and transactions on a fully disclosed basis to its clearing Firm. All transactions are entered by the Firm's representative through its back-office applications that are connected directly to the Firm's clearing firm. Therefore, the Firm does not execute orders as a result, the Firm does not 'route' orders.

The Firm relies on its clearing firm's routing disclosure and statistics . The Firm has a link on its website that once clicked, the link will automatically take the user to the Firm's clearing firm's quarterly routing statistics.

The Firm's Chief Compliance Officer or his designee will ensure that this link remains functional on at least a quarterly basis (by no later than 30 days after the end of a calendar quarter) by testing the link. The Firm's Chief Compliance Officer or his designee will retain a pdf file of the screen to evidence that the link is functional and that the clearing firm has posted the most recent calendar quarter's data timely.

Should the Firm receive a request from a customer regarding the statistical information related to the routing of the Firm's orders, the Chief Compliance Officer or his designee will provide the customer the instructions, via email, on how the customer can access the Firm's routing statistics.

8.32 SEC Rule 605 – FINRA Rule 5310-Regulatory Notice 15-46-- Best Execution

Company relies on the best execution practices of Hilltop Securities Inc. (HTS) and the Rule 605 reports. The Company is an introducing member firm and not a Market Participant nor does it share in any Plan revenues with Market Participants. The Company does not direct trades, but relies on its clearing firm, Hilltop Securities Inc. to execute all of its securities orders. A "Best Execution" review is conducted quarterly by the Company and relies on a third party report for information regarding Hilltop's performance for trades. Review is indicated by the initials or signature (via stamp or written) of the principal.

8.33 Market-Wide Trading Halts

During market-wide trading halts resulting from the triggering of circuit breakers, the CCO will be responsible to ensure that customer orders will be handled in the same manner as they would have been handled during other regulatory trading halts concerning only individual stocks.

During market-wide trading halts of durations that will allow trading to resume on that same trading day, pending and new customer orders will be forwarded to the appropriate market for execution upon the resumption of trading. This should be done unless the member receives contrary instructions from the customer during the halt.

During market-wide trading halts with durations that will close the market for the remainder of the trading day, pending and new customer orders should be treated as follows:

Absent customer instructions to the contrary, orders that are pending at the time of the halt, and new orders received after the halt has commenced will be treated as "*Good Till Canceled*" orders and be held by the company for execution at the reopening of the next trading session.

"At-the-Close" orders (including "Market-at-Close" orders) pending at the time trading is halted will be treated as canceled orders. The company will not accept, or forward to a market, any new orders related to closing prices received during a trading halt.

FINRA Rule 5260 - Prohibition on Transactions, Publication of Quotations, or Publication of Indications of Interest During Trading Halts (eff 12/14/09)

Company and Associated Persons shall not, directly or indirectly, effect any transaction in any security as to which a trading halt is currently in effect. If FINRA closes trading in a security pursuant to its authority under Rule 6120(a)(3), Company may trade through other markets for which trading is not halted. In addition, Company or Associated Persons do not engage in transactions in futures and therefore cannot directly or indirectly effect any such transactions during a regulatory trading halt that is currently in effect.

8.34 Stock Volatility

During extreme market conditions the CCO will ensure that the firm treats all customers fairly and will provide clear disclosure to customers regarding the risks of volatility and volume concerns that may impact the company's ability to process orders in a timely and orderly manner.

Registered representatives will disclose that high volumes of trading may cause delays in execution and executions at prices significantly away from the market price quoted at the time the order was entered. They will also disclose the difference between limit and market orders. Customers will be reminded that market orders must be executed fully and promptly without regard to price, therefore the execution may be significantly different from the current quotes. Registered representatives will inform customers that limit orders offer price protection but the order may not be executed.

Customers will also be informed by Associated Persons at applicable times of order discussion that system problems may arise so that orders cannot be placed and that market losses may result. Representatives will also discuss the company's plan to attempt to alleviate this situation.

Hilltop Securities Inc. will notify firm who will then notify customers if it raises the maintenance margin requirements for volatile stocks. A record of any such notice will be kept with firm's permanent records of correspondence for three years.

8.35 Prohibited Trading Transactions

8.35.1 Introduction

The designated supervisor responsible for reviewing transactions should review transactions in an effort to identify these types of prohibited transactions. Specific reviews by Compliance or areas other than the designated supervisor are indicated in the appropriate sections. Efforts are made to detect the following:

8.35.2 Prearranged Trading

An offer to sell coupled with an offer to buy back at the same or a higher price, or the reverse, is a prearranged trade and is prohibited. Options or written agreements such as repurchase agreements are not included in this prohibition.

8.35.3 Adjusted Trading

Adjusted trading is a prohibited practice that involves the sale by a customer of a security to a broker–dealer at a price above the prevailing market price and the simultaneous purchase of a different security at a price greater than its market value. This may be requested in instances where a bank or other fiduciary does not want to realize a loss on their books and engages in a scheme to avoid, disguise or postpone losses. Federal banking regulators have stated that adjusted trading by federal financial institutions is an unacceptable and unsuitable investment practice.

8.35.4 Overtrading or Undertrading

These are transactions at prices in excess of or below the prevailing market. Customer transactions must be executed at a price reasonably related to the market; overtrading and undertrading is not permitted

8.35.5 Wash Transactions

Transactions between two accounts with no market risk and where there is no beneficial change in ownership may be considered a “wash sale.” Customers sometimes request cross transactions for tax purposes between accounts with the same owner. Such transactions may violate rules and tax losses may be disallowed by the IRS.

There should be no pre–arrangement or guarantee of execution price for both sides of the transaction where there is no change in beneficial ownership. All such transactions should be executed at the risk of the market.

8.35.6 Cross Transactions

Firms and their employees may not engage in a practice of effecting cross transactions for the purpose of supporting or maintaining the market price of a security..

8.35.7 Orders at the Opening or Close

Orders entered at the opening or close of the market for purposes of influencing the price of a security are prohibited. Each AP must be ever mindful of the presence of a pattern of orders/transactions that could constitute Marking the Opening/Marking the Close. Such practices fall within the proscription “any manipulative, deceptive or other fraudulent device or contrivance,” violative of the FINRA’s Rules of Business Conduct.

8.35.8 Parking Securities

“Parking” is a prohibited practice where a trade or series of trades are affected for a person or entity and held in another person's or entity's account to disguise the investment activities of the original person or entity.

9.7.9 Churning

Churning of a customer's account is prohibited. The term “churning” has a number of elements including:

Control of the account by the AP Excessive transactions

Intent to defraud which may be defined as the AP acting in the AP's own interest contrary to the customer's interest

An account that is “active” does not necessarily denote churning. An account's activity must be reviewed individually when reviewing for churning including the customer's objectives and the customer's control of the account.

8.3510 Prohibition against Acting on Knowledge of Other Orders

The Firm and its employees may not enter orders for their own account to benefit from their knowledge of customers' orders in a particular security (“front running”). This includes orders in securities that are derivatives (options, warrants, etc.) of the security being purchased or sold by the customer.

8.3511 Simultaneous Buy and Sell Orders

Customers are prohibited from placing simultaneous or near simultaneous buy and sell orders in contravention of SEC Rules.

8.36 Extended Hours Trading

Company prohibits customers from engaging in extended hours trading and does not allow customers to open or trade accounts online. In the event Company determines it will allow any extended hours trading in the future, customers would be furnished the appropriate risk disclosures pursuant to FINRA Rule 2265

8.37 FINRA Rule 5230
Payments Involving Publications that Influence the Market Price of a Security

Company or Associated Persons shall not directly or indirectly, give, permit to be given, or offer to give, anything of value to any person for the purpose of influencing or rewarding the action of such person in connection with the publication or circulation in any electronic or other public media, including any investment service or similar publication, web site, newspaper, magazine or other periodical, radio, or television program of

any matter that has, or is intended to have, an effect upon the market price of any security. These prohibitions shall not apply to compensation paid to a person in connection with the publication or circulation of:

(1) a communication that is clearly distinguishable as paid advertising;
(2) a communication that discloses the receipt of compensation and the amount thereof in accordance with Section 17(b) of the Securities Act; or
(3) a research report, as that term is defined in NASD Rule 2711.

8.38 Insider Information and Chinese Wall Procedures

Name of Supervisor ("designated Principal"):	Chief Compliance Officer Respective product sales supervisors
Frequency of Review:	Continuous; daily
How Conducted:	Review daily transaction report; Review of personal transactions; Field inquiries from regulators; Personal supervision of activities; Consultations with counsel; Referrals to regulators, if necessary
How Documented:	Investigation records; Records of all consultations; Initials via stamp or manually written on daily transaction records; Notation in files of action taken

The firm does not originate underwritings at the current time. If it did, the following would apply.

All Associated Persons of the Company are expressly prohibited from misusing "inside" or nonpublic "proprietary" information as such terms are defined herein for purposes of this section. No Associated Person may purchase or sell a security or cause the purchase or sale of a security for any account while in possession of inside information relating to that security. Further, no Associated Person may recommend or solicit the purchase or sale of any security while in possession of inside information relating to that security. No Associated Person may disclose inside information to others, except disclosures made in accordance with the Company's policies and procedures to other Company personnel or persons outside the Company (such as the Company's outside legal counsel or the client's attorneys or accountants) who have a valid business reason for receiving such information. Any person engaged in research activities and or corporate finance activities who may become privy to insider information is restricted from acting upon such information and should bring such information to the direct attention of the CCO.

Associated Persons engaged in research activities should not discuss unreleased information, opinions, recommendations, or research analysis in progress with Company Associated Persons engaged in trading or sales activities, other than the CCO, or any person within or outside the Company who does not have a valid business need to know the information.

Generally, research persons should not submit unreleased research information, opinions, recommendations, or analyses to Associated Persons engaged in investment banking activities for prior approval. All such materials should be forwarded to the CCO for review, approval and dissemination.

Employee-Related Account or "Covered Account"- "Covered accounts" are defined to include any account introduced or carried by a member firm that is held by:

(i) the spouse of a person associated with the member;
(ii) a child of the person associated with the member or such person's spouse, provided that the child resides in

the same household as or is financially dependent upon the person associated with the member;
(iii) any other related individual over whose account the person associated with the member has control; or
(iv) any other individual over whose account the associated person of the member has control and to who's financial support such person materially contributes.

8.39 Chinese Wall Procedures

It is unlikely that Chinese Wall Procedures would apply to FAF and its APs as FAF does not initiate underwritings, create new underwritings nor participate in new common stock underwritings as per current policy of Hilltop Securities Inc.

In the remote case that FAF should create, initiate, or participate in a new common stock underwriting or other underwriting on a "firm" basis, all Associated Persons should take the following steps to safeguard the confidentiality of inside information:

a) Do not discuss confidential information in public places such as elevators, hallways, restrooms or at social gatherings;

b) To the extent practicable, limit access to the Company's offices where confidential information could be observed or overheard to Company Associated Persons with a business need for being in the area;

c) Avoid using speakerphones in areas where unauthorized persons may over hear conversations;

d) Where appropriate, maintain the confidentiality of client identities by using code names or numbers for confidential projects;

e) Exercise care to avoid placing documents containing confidential information in areas where they may be read by unauthorized persons and store such documents in secure locations when they are not in use;

f) Destroy copies of confidential documents no longer needed for a project or not otherwise required to be maintained under federal securities laws;

g) Associated Persons engaging in meetings with corporate officers of companies for the purpose of gathering information for research reports or follow up meetings with companies shall maintain written notes of said meetings including but not limited to: (1) the names of Company representatives and of corporate officers of the subject company in attendance; (2) the time, date and location of the meeting; (3) the purpose of the meeting; (4) notes of conversation between the corporate officers and Company representatives in attendance; (5) copies of any handouts or other written materials given to Company representatives in attendance; and

h) The Company shall maintain a file containing a list of all research reports, statistical sheets and other written materials issued within the previous 12 month period to customers of the Company. Copies of such materials shall also be maintained in the files of the Company.

8.4. Day Trading

8.4.1 Day Trading Defined

The Company does not currently engage in "day trading," but if this type of activity is adopted the following procedures will be adopted:

The day trading rules define "day trading strategy" to mean "an overall trading strategy characterized by the regular transmission by a customer of intra-day orders to effect both purchase and sale transactions in the same security or securities." FINRA believes that this definition includes those instances where an individual regularly transmits one or more purchase and sale (*i.e.*, "round-trip") transactions in a single day. In addition, although as a practical matter, day trading typically requires electronic delivery of orders, the definition of "day trading strategy" includes orders transmitted by non-electronic means, such as by telephone or in person. A member of FINRA will be subject to the day trading rules if it affirmatively promotes day trading activities or strategies through advertising, training seminars, or direct outreach programs. For instance, a firm generally will be subject to the day trading rules if its advertisements address the benefits of day trading, rapid-fire trading, or momentum trading, or encourages persons to trade or profit like a professional trader. A firm also will be subject to the new rules if it promotes its day trading services through a third party. Moreover, the fact that many of a firm's customers are engaging in a day trading strategy will be relevant in determining whether a firm has promoted itself in this way.

8.4.2. Opening Day Trading Accounts

The Company will not approve an account for day trading unless it meets the following requirements:

- The customer has been given the Day trading Disclosure Statement;
- The primary investment objective for the account is speculative or trading;
- The customer states that the account is not being funded with retirement savings, student loans, second mortgages, emergency funds, funds set aside for purposes such as education or home ownership, or funds required to meet their living expenses, and the Associated Person opening the account and the principal accepting the account have no reason to believe otherwise;

Day trading appears suitable for the customer when the following are considered:

- The customer has the financial resources to engage in day trading considering his estimated annual income from all sources, estimated net worth (exclusive of family residence), and estimated liquid net worth;
- Tax status;
- Employment status;
- Marital status and number of dependents;
- Age;
- Investment and trading experience and knowledge (e.g. number of years, size, frequency of transactions)

- Generally, an account will not be approved for day trading unless the funds used to open the account are less than 20% of the customer's net worth exclusive of family residence and the fund's total $25,000 or more. All exceptions must be documented by the principal approving the account with a memo to file stating why this requirement is being waived and what other factors make day trading suitable for the customer. The Designated Principal or designee must then approve the account in writing. (If a day trading account is a margin account, the $25,000 minimum cannot be waived per NASD Rule 2520).

8.4.3. Day Trading on Margin

Rule 2520 deals with the margin requirements of customer accounts and Notice to Members 01-26 described amendments to the Rule as it pertained to "pattern day traders". Under the amendments, "pattern day traders" are defined as those customers who day trade four or more times in five business days. If day trading activities do not exceed six percent of the customer's total trading activity for the five-day period, the First Asset is not required to designate such accounts as pattern day traders. The 6% threshold is designed to allow First Asset to exclude from the definition of pattern day trader those customers whose day trading activities comprise a small percentage of their overall trading activities.

The Company's clearing firm has developed and implemented software that enables the company to monitor each customer's day trading margin requirements, to communicate to the customer what their day trading buying power is for the day, and whether or not a customer exceeds their day trading buying power on a given day. (Note: Once the software described in the "Risk Control" section is implemented, customers should not be able to trade beyond their buying power.) This shall be evidenced by a letter from the clearing firm attesting that such software has been implemented, tested, and is functioning properly. The letter shall be signed by the assigned principal to evidence that this procedure has been implemented.

8.4.4. Day Trading Risk Disclosure Statement Documentation

If a customer indicates to the company that he intends to engage in day trading as defined above, he shall be given two copies of the "Day trading Risk Disclosure Statement." The company shall ask the customer to provide it with an acknowledgment by signing and dating one of the copies, and such shall be placed in the customer's file. If a signed copy is not received from the customer within 15 days of opening the account. A memo to file indicating such shall be placed in the customer's file, and it shall be signed by the person who actually placed the Disclosure Statement in the envelope to be mailed.

8.5. CATS Requirements

References: FINRA Rule 6800 Series

Regulatory Notice(s): 21-21, 20-41, 20-31, 20-20

Who:	*Chief Compliance Officer (the CCO)*
When:	*As Needed*
What:	*OATS Requirement*
Evidence:	*Time Clock and Synchronization Logs*
Retention Period:	*Not Less Than Three (3) Years*
Date:	*September 2021*

The Consolidated Audit Trail, as outlined in the CAT NMS Plan, is a collaborative endeavor between US exchanges, FINRA and industry members to fulfill the SEC's mandate to develop a more robust auditing system. The overall goal of the plan is to implement an audit trail that will capture both customer and order information across all NMS and OTC Equity Securities. Per the SEC's guidelines, this information must encapsulate an order's entire lifetime, including creation, cancellation, modification, execution, and allocation. Unlike FINRA's previous system, OATS, there are no exemptions for which firms are required to report trade data: both small firms and non-members must submit to CAT.

The CAT applies to all US exchanges and Firms, including Alternative Trading Systems (ATSs), registered with an SRO and unlike the Order Audit Trail System (OATS), there are no broker-dealer exemptions from reporting

requirements. Any broker-dealer that is a member of a national securities exchange or Financial Industry Regulatory Authority (FINRA) and handles orders must report to CAT. Eligible securities include NMS stocks, listed options, and over-the-counter (OTC) equity securities. Firms need to report market transaction data (Reportable Events) to the CAT in a format(s) specified by the Plan Processor, approved by the Operating Committee and compliant with Rule 613. Scope and timelines are further discussed in section 3 of this Guide. These events cover the end-to-end lifecycle of a trade, including but not limited to, quotes, original receipts or originations of an order, modifications, cancellations, routing, receipts of a routed order execution (in whole or in part), and ultimately order allocations.

HTS performs the CAT reporting for the Company. As an introducing broker dealer, the Company relies heavily on its clearing firm to perform the functions of CAT, but realizes, that ultimately, the Company is responsible for the elements of CAT.

FINRA Rule 6800 Series (**Consolidated Audit Trail Compliance Rule),** Industry Members must report the execution of an order, in whole or in part ("order execution events") to the Central Repository. Industry Members must report time fields required by this Rule using the same timestamp granularity that they use to report order execution.

Firms that must register for the CAT include any:

- member of FINRA or a national securities exchange that handles orders or quotes in NMS stocks, OTC equity securities or exchange listed options; and
- third-party CAT reporting agent that is or will be authorized to submit data to the CAT on behalf of an industry Member.

The CAT rules do not provide for any firms to be excluded or exempted from the CAT reporting obligation

FINRA Rule 6810 provides definitions for terms used throughout FINRA Rule 6800 Series.

FINRA Rule 6820 contains the FINRA requirements for Clock Synchronization related to CAT.

FINRA Rule 6830 requires a firm to record and electronically report to the Central Repository specific details for each order and each Reportable Event.

FINRA Rule 6840 requires a firm to report specific customer information.

FINRA Rule 6850 requires a firm to submit to the Central Repository information sufficient to identify the firm.

FINRA Rule 6860 requires that a firm record and report Industry Member Data to the Central Repository with time stamps in milliseconds, or in finer increment if the firm's order handling or execution systems utilize time stamps in increments finer than milliseconds.

FINRA Rule 6865 states that if a firm engages in a pattern or practice of reporting Reportable Events with time stamps generated by Business Clocks that are not synchronized according to requirements, this may be considered a violation of this Rule.

FINRA Rule 6870 requires a firm a firm to transmit data to the Central Repository as required under the CAT NMS Plant.

FINRA Rule 6880 addresses the connectivity and acceptance testing related to CAT.

FINRA Rule 6890 requires a firm to maintain and preserve records of the information required to be recorded under this Rule 6800 Series 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" as defined in SEA Rule 17a-4(f)(1)(i) or by means of "electronic storage media" as

defined in SEA Rule 17a-4(f)(1)(ii) that meet the conditions set forth in SEA Rule 17a-4(f) and be maintained and preserved for the required time in that form.

FINRA Rule 6893 requires that a firm record and report data to the Central Repository as required by this 6800 Rule Series in a manner that ensure the timeliness, accuracy, integrity and completeness of such data.

FINRA Rule 6895 outlines the compliance dates for the various requirements associated with the FINRA 6800 Rule Series.

8.6 Market Access Risk Management

References: SEC Rule 15c3-5

Regulatory Notice(s): 01-44, 01-30, 01-16

Who: *Chief Compliance Officer*
When: *As Needed*
What: *Market Access Risk Management*
Evidence: *Reports*
Retention Period: *Not Less Than Three (3) Years*
Date: *March 2017*

SEC Rule 15c3-5 requires that broker-dealers with market access, or provides a customer or any other person with access to an exchange or alternative trading system through use of its market participant identifier, to establish, document, and maintain a system of risk management controls and supervisory procedures that are reasonably designed to manage the financial, regulatory, and other risks associated with this business activity. **The Company does not provide other broker-dealers with market access, or provide a customer or any other person with access to an exchange or alternative trading system through use of its market participant identifier and consequently this rule does not apply to our minimum capital broker dealer at this time, but if it ever does the following procedures will be employed.**

SEC Rule 15c3-5 requires that a firm's risk management controls and supervisory include:

- Financial Risk Management Control and Supervisory Procedures:
  - Prevent the entry of orders that exceeds appropriate credit or capital thresholds in the aggregate for each customer and reject orders if the order exceeds the credit or capital thresholds based on HTS's preset thresholds.
  - Prevent entry of erroneous orders, by rejecting orders that exceed price and size parameters, on an order-by-order basis or over a short period of time, or that indicates duplicate orders.

- Regulatory Risk Management Controls and Supervisory Procedures:
  - Prevent the entry of orders unless there has been compliance with all regulatory requirements that must be satisfied on a pre-order entry basis.
  - Prevent the entry of orders for securities for a broker, dealer, customer or other person if such person is restricted from trading those securities.
  - Restrict access to trading systems and technology that provide market access to persons and accounts pre-approved an authorized by the broker or dealer. Pre-approval is required by the clearing firm, HTS via a form submitted by and signed by a principal;
  - Assure that appropriate surveillance personnel receive immediate post-trade execution reports that result from market access

In addition, SEC Rule 15c3-5 requires a firm establish, document, and maintain a system for regularly reviewing the effectiveness of the risk management controls and supervisory procedures.

- the firm is required to review, no less than annually, the business activity of the firm in connection with market access to assure the overall effectiveness of such controls and procedures.
- the firm's Chief Compliance Officer (or equivalent officer) is required to annually certify that the firm's risk management controls and supervisory procedures comply with the requirements and that the firm has conducted the review.

The Firm does not have or provide any customer or person direct access to an exchange or alternative trading system through the use of its market participant identifier. The Firm understands that before conducting such business activities, the Firm must first establish and implement written supervisory procedures that address the approval and review this business activity.

9. COMMUNICATIONS WITH THE PUBLIC

9.1 Introduction

COMMUNICATIONS WITH THE PUBLIC FINRA RULE 2210
DESIGNATED SUPERVISOR: the CCO

1. **Retail communication** - Any written communication, including electronic, distributed or made available to more than 25 retail investors within any 30 calendar-day period
2. **Correspondence** - Similar to retail communication, but is limited to 25 or fewer retail investors
3. **Institutional communication** - Any written communication, including electronic, distributed or made available only to institutional investors, such as banks, insurance companies and registered investment companies, among others. A firm's internal communications are not covered by this definition

9.2 Compliance Chart

Name of Supervisor:	Designated Supervisors or Principal (the CCO)
Statutes	FINRA Rule 2210 – Advertising & Sales Literature FINRA Rule 2210(c) – Special Filing or Approval Requirements FINRA Rules 2211 and 3110(c)(4) – Outgoing Correspondence FINRA Rule 3110(d) – Incoming Correspondence FINRA Rule 2211(b)(1)(A) – Requiring Approval Prior to Sending FINRA Rule 2266 – SIPC information
Frequency of Review:	As required
Actions	Review proposed advertising or sales literature Make revisions as needed Provide requestor with approved copy or notify of disapproval Review of Emails
Records	Copies of reviewed materials, including the reviewer's initials via a stamp or manually written, are retained in an Advertising file

9.2 Prohibited Communication/Advertising

All registered persons are **prohibited** from using the following methods of advertising:

A. Any advertising related to security futures retail communications
B. Advertisements or communications with the public involving bond mutual fund volatility ratings
C. Advertisements or communications with the public involving options retail communications used prior to the delivery of the Options Disclosure Document

D. Advertisements or communications with the public involving registered investment company retail communications that include performance rankings or investment company rankings that are not generally published or that are created by the investment company.
E. Advertisements or communications with the public involving that involve public direct participation programs
F. Advertisements or communications offered to the public involving investment analysis tools or templates for written reports produced by the tool.
G. Advertisements or communications with the public involving CMOs
H. Advertisements or communications with the public involving registered derivatives
I. Distributing any research report authored by a Firm registered person to the public

9.3 Retail Communications

Retail communication is defined in FINRA Rule 2210 (a)(5) as any written (including electronic) communication that is distributed or made available to more than 25 retail investors within any 30 day calendar-day period.

An appropriately qualified Principal shall approve each retail communication required to be filed with FINRA before the earlier of its use or filing with FINRA. The principal registration required to approve particular communications depends upon the permissible activities for each principal registration category. Not all communications are subject to FINRA filing.

There is an exception from the principal pre-use approval requirement if, at the time that a firm intends to publish or distribute the material: (1) another firm has filed it with FINRA and has received a letter from FINRA stating that it appears to be consistent with applicable standards; and (2) the firm using the communication in reliance on this exception has not materially altered it and will not use it in a manner that is inconsistent with the conditions of the Advertising Regulation Department's letter.

It should be noted that sales scripts intended for use with retail customers are considered retail communications rather than internal communications. Therefore the term Retail Communications includes telemarketing and other sales scripts used with more than 25 retail investors within a 30 calendar-day period.

There are three other exceptions to the pre-use approval, as long as the communications are supervised in the same manner as Communications (see above). These communications include: (1) any retail communication that is excepted from the definition of "research report," unless the communication makes any financial or investment recommendation; (2) any retail communication that is posted on an online interactive electronic forum; and (3) any retail communication that does not make any financial or investment recommendation or otherwise promote a product or service of the firm.

9.4 CORESPONDENCE

The definition of correspondence includes written letters, electronic mail messages and market letters. This covers any type of communication distributed to 25 or fewer investors (whether or not they are customers) and also includes handouts distributed to 25 or less investors in any 30 day calendar period.

The firm may still supervise retail communications that fall within the definition of "market letter" in the same manner as correspondence unless the communication makes a financial or investment recommendation. If the communication makes a financial or investment recommendation, it must be approved prior to use. Correspondence does not require principal pre-approval as long as it does not make any financial or investment recommendation or otherwise promote a product or service of the firm. Correspondence must be maintained for

a period of three years from the date of last use. The records must include the name of the person who prepared each such communication. The record must also include the following information:
-a copy of the communication and dates of first use
-information concerning the source of any statistical table, chart, graph or other illustration used in the communication

Form letters may be approved once and future copies sent to customers without additional approval if used without revision. The approved form letter and the names and addresses of addressees should be included in the branch's correspondence files.

Incoming Correspondence
All incoming correspondence may be opened and reviewed by someone authorized by the designated supervisor. This review includes correspondence identified as "Confidential." Incoming mail that obviously is not customer correspondence (bank statements, advertising, etc.) will not be opened and will be forwarded directly to the recipient.

9.5 Institutional Communications

Institutional communications is defined as any written (including electronic) communications that is distributed or made available only to institutional investors (as defined In FINRA Rule 2210(a)(4)). Institutional communications are subject to the same content standards as other communications and correspondence and are subject to the same supervision and review as

Although Institutional Communications does not include Internal Communications, it should be noted that "Internal Communications Only" or "Broker Use Only" includes communications that are strictly distributed to internal members of the firm and does not include any materials developed for training of internal personnel. The Company should supervise any internal communications and maintain them for the appropriate period of time.

Institutional Communications must be maintained for a period of three years from the date of last use. The records must include the name of the person who prepared each such communication. The record must also include the following information:

- a copy of the communication and dates of first and last use
- the name of any registered principal who approved the communication and the date of approval
- in the case of an institutional communication that is not approved prior to first use by a registered principal, the name of the person who prepared or distributed the communication; and
- information concerning the source of any statistical table, chart, graph or other illustration used in the communication

The firm currently has no institutional customers.

9.6 Filing Review and Requirement

9.6.1 Review, Approval and Recordkeeping

The information presented here is meant to assist both Associated Persons and compliance staff in determining their obligations when creating, distributing and reviewing communications materials. The following steps should be taken:

1. Determine the nature of the recipient: retail investor (i.e., natural person), institutional investor, or fellow employee/Associated Person.
2. Determine number of recipients and time frame for delivery: will it exceed 25 recipients in 30 days?
3. Determine, based on the subject matter and content, all specific review, approval, disclosure, recordkeeping and/or filing requirements— reference tables below and other guidance provided throughout this manual and in regulatory publications if necessary.

Certain communications, including communications for certain registered investment companies that include self-created rankings, retail communications concerning security futures and retail communications that include bond mutual fund volatility ratings must be filed with the Advertising Regulation Department at least 10 business days prior to first use and to withhold them from use until any changes specified by the Advertising Regulation Department have been made.

FINRA also requires that retail communications concerning registered investment companies and public direct participation programs to be filed within 10 business day of first use. Further, ALL retail communications concerning closed-end registered investment companies and continuously offered (interval) closed-end funds must be filed with FINRA within 10 days of first use. The rules also requires firms to file within 10 business days of first use templates for written reports produced by or retail communications concerning an investment analysis tool.

Retail communications concerning CMOs that are registered under the Securities Act of 1933 must be filed within 10 business days of first use. In addition, the following must be filed within 10 business days of first use: (1) all retail communications concerning any security that is registered under the Securities Act of 1933 and that is derived from or based on a single security, a basket of securities, an index, a commodity, a debt issuance or a foreign currency. The purpose of this provision is to require the filing of retail communications concerning publicly offered structured or derivative products, such as exchange-traded notes or registered grantor trusts that currently are not required to be filed. If a firm has filed a draft version or "story board" of a television or video advertisement pursuant to a filing requirement, then the firm must also file the final filmed version within 10 days of first use or broadcast.

The rule also required that a firm must provide with each filing the actual or anticipated date of first use, the name and title of the registered principal who approved the communication and the date that the approval was given, along with the registered principal's CRD number.

The rule also provides that a firm's written and electronic communications may be subject to a spot-check procedure and that firms must submit requested material within the time frame specified by the Advertising Regulation Department.

There are certain exceptions to the filing requirements, mainly relating to material that has been filed previously and that are not materially changed and those which are related to recruitment or changes in a firm's name, personnel, electronic or postal addresses, ownership, offices, business structure, officers or partners, telephone numbers or concerning a merger with or acquisition by, another firms.

9.6.2 Filing with FINRA Advertising Review Department

The table immediately below summarizes the requirements for filing communications with FINRA's Advertising Review Department (called "ARU" herein). The information presented here is meant to assist both

Associated Persons and compliance staff in determining the Company's filing obligations when preparing communications for distribution.

After determining the nature of communications and following the procedures above for internal review and approval, designated personnel must take the following steps:

1 Determine if filing is required;
2. Ensure approval by authorized, designated Principal has taken place prior to filing;
3. Gather all required components (see below);
4. Make filing in accordance with FINRA's online instructions;
5. If pre-use filing is required, prohibit use or distribution of material until ARU has responded; revise material if directed to do so by ARU; if material is rejected, revise and resubmit;
6. If post-use filing is required, and if ARU requires revision, ensure material is revised prior to re-use or distribution;

Keep records of ARU reviews and correspondence.

9.7 CONTENT STANDARDS

9.7.1 All communications must be based on principles of fair dealing and good faith.

In addition, firms are prohibited from omitting any material fact or qualification if the omission, in light of the context of the material presented would cause the communication to be misleading. The rule also prohibits a firm from making any false, exaggerated, unwarranted or misleading statement or claim in any communication and prohibits the publication, circulation or distribution of any communication that the firm knows or has reason to know contains any untrue statement of a material fact or is otherwise false or misleading. The rule also expressly prohibits promissory statements or claims. Information may be placed in a legend or footnote only in the event that the placement would not inhibit an investor's understanding of the communication.

All communications must be clear and must not be misleading within the context in which they are made, and they must provide balanced treatment of risks and potential benefits and be consistent with the risks of fluctuating prices and the uncertainty of dividends, rates of return and yield inherent in investments.

9.7.2 Predictions and Projections of Performance

Communication are prohibited from predicting or projecting performance, implying that past performance will recur or making any exaggerated or unwarranted claim, opinion or forecast, but permits a hypothetical illustration of mathematical principles, provided that it does not predict or project the performance of an investment or investment strategy. It is also allowed to provide projections of performance in reports produced by investment analyst tolls that meet the requirements of NASD IM-2210-6 and research reports on debt or equity securities including price targets under certain circumstances.

9.7.3 Comparisons and Disclosure of a Company's Name

Any comparison in a communication 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.

9.7.4 All Communications for Securities Must

(1) disclose the name of the firm; (2) reflect any relationship between the firm and any non-member or individual who is also named in the communication and (3) if the communication includes other names, reflect which products and services are offered by the firm.

9.7.5 Tax Considerations

All references to tax-free or tax-exempt income must indicate which income taxes apply, or which do not, unless income is free from all applicable taxes, and provide an example of income from an investment company

investing in municipal bonds that is free from federal income tax but subject to state of local income taxes exempt from income tax when tax liability is merely postponed or deferred, such as when taxes are payable upon redemption.

9.7.6 Disclosure of Fees, Expenses and Standardized Performance

Communications with the public, other than institutional sales material and public appearances that present the performance of a non-money market mutual fund must disclose the fund's maximum sales charge and operating expense ratio as set forth in the fund's current prospectus fee table.

9.8 Testimonials

9.8.1 Testimonial Description

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. Further, any communication that includes a testimonial concerning the investment advice or investment performance of a firm or its products must prominently disclose the fact that (1) the testimonial may not be representative of the experience of other customers; (2) the testimonial is no guarantee of future performance or success; and (3) if more than a nominal sum is paid ($100) the rule requires disclosure of the fee paid.

9.8.2 Recommendations

Certain conflicts of interest must be disclosed when making recommendations.

Retail communications are prohibited from referring to past specific recommendations of the firm that were or would have been profitable to any person. However, a retail communication or correspondence may set out or offer to furnish a list of all recommendations as to the same type, kind, grade or classification of securities made by the firm within the immediately preceding period of not less than one year. The list must provide certain information regarding each recommended security and include a prescribed cautionary legend warning investors not to assume that future recommendations will be profitable.

9.9 Public Appearances

Although public appearances are no longer a separate communication category, they must meet the same standards that apply to all communications with the public, such as the requirements that they be fair and balanced and not include false or misleading statements. Public Appearances are not subject to the principal pre-use approval requirements, nor must they be filed with FINRA.

9.9.1 Procedure for Advertising or Sales Literature

Advertising or Sales Literature material from outside sources shall be submitted to the Designated Supervisor and Compliance Officer no later than 10 days prior to the intended use of the materials. A copy of the Advertising shall be returned to the individual indicating either approval or changes to be made to the materials. If changes are required, the piece should be re-submitted for approval. No materials shall be used until they meet conditions on which the approval is based.

9.9.2 Seminar Procedure

For seminars, a copy of the invitation and a record of each person who has been invited to the seminar, along with any agenda or sales materials which are presented or mailed to the invitees must be presented to the Designated Supervisor for approval. All materials except the record of attendance must be presented for approval PRIOR TO USE,

9.10 Review Of Incoming Correspondence

Electronic mail is subject to specific procedures for review; see the sections Electronic Mail and Electronic Communications Policy.

The following guidelines for review apply:
ANY correspondence identified as "Confidential" will be opened and reviewed.

Complaints will be immediately forwarded to the AP's Designated Supervisor and to Compliance.

Checks or securities will be immediately forwarded to the appropriate personnel for processing.

Original customer correspondence will be retained. Original customer correspondence will be forwarded to the Designated Supervisor for review, initialing, and filing, if required.

9.10.1 Offices Without Resident Supervisors

For offices without a resident registered supervisor, copies of all incoming, written correspondence from customers relating to their account must be forwarded to their Designated Supervisor.

9.10.2 Personal Mail

Employees should direct all personal mail to their home address. Personal mail received at an office location is subject to incoming correspondence and electronic mail review policies.

9.10.3 Personal Mail Arriving at Office Location

During an on-site examination, it is considered a "best practice" for all firm related incoming written correspondence to be opened and reviewed by the examiner if possible. This review includes letters, facsimiles, courier deliveries, and other forms of written communication.

9.10.4 Internal Communications

Internal Use Only
Printed or electronic information marked ***internal use only*** may not be sent or otherwise provided to individuals outside the Company.

9.10.5 Conference Calls, And Other Internal Communication Systems

Supervisors should question the participation of outsiders and exclude them from conference calls or web meetings unless participation is specifically permitted.

9.10.6 Monitoring, Audit And Control

Electronic communications through First Asset's systems are the property of First Asset. First Asset will monitor and audit electronic communications at any time for appropriate business usage, standards and compliance with this policy and applicable procedures.

9.10.7 E-Mail

All outgoing e-mail communications transmitted through First Asset 's system automatically include standard disclosures regarding the Company's identity and other necessary or required disclosures. See 9.12. for content of the disclosure. Employees are prohibited from maintaining outside e-mail accounts for business purposes because they cannot be adequately monitored.

9.10.8 System Maintenance

As part of routine maintenance, e-mail messages that are of a certain age or file-size will be automatically deleted from our local email. These messages will, however, be archived and retained in accordance with regulatory requirements by a third party, currently Global Relay.

9.10.9 Attachments to Emails

In order to avoid downloading a computer virus, APs or office personnel should not open attachments unless they are familiar with the source.

Restrictions On Unsolicited E-Mails [CAN-SPAM Act of 2003]

Federal law imposes restrictions on commercial e-mail, particularly unsolicited "mass" e-mail messages. "Commercial electronic mail" includes any electronic mail message primarily for the purpose of sending a commercial advertisement or promotion of a commercial product or service. It does not include electronic mail relating to transactions or where there is a relationship between the sender and the recipient.

9.10.10 Internet

Personnel may not post any Company advertising or any business-related information.

The Company maintains a corporate Web site as its official Internet presence (www.FirstAssetFinancial.com).

Personnel may not post information to the Internet containing any of the following:

a. references to or information about the Company other than its name, address and phone number,
b. communications involving investment advice,
c. references to investment-related issues, or
d. links to any of the above, other than to the firm's web site

This includes posting such information to the Internet through such means including, but not limited to, the World Wide Web, Electronic Bulletin Boards, File Transfer Protocol (FTP) sites or any other method to establish their own Internet presence.

9.11 Social Networking Sites

Social network sites, such as Facebook, Instagram, Twitter (now "X") and LinkedIn, allow individuals to (1) construct a public or semi-public profile within a website and (2) form relationships with other users of the same website who access their profile. Individuals use these websites to communicate with other individuals within their network. As such, any business communications through these websites are subject to FINRA rules governing advertising and public appearances that protect the investing public from false or misleading claims and representations. FINRA's rules require the Firm to supervise its Associated Persons' participation in these sites for business purposes, which presents recordkeeping and monitoring. The Firm does allow the use of LinkedIn, Twitter, and Instagram when archived through our archive email provider, Global Relay. The Firm does NOT permit the use of these sites when the representative has not archived them through Global Relay. Associated person are not permitted to participate in any other social network site, or in any blogs or chat rooms for the Company securities purposes. If an Associated Person desires to use LinkedIn, he or she must:

- **Updates -** Submit any changes or updates to Summary Profile, Summary, Specialties, Job History, Education, Interests, Honors and Awards to the CCO for PRIOR approval (before it is posted). All Facebook pages have been reviewed and are considered approved as of January 6, 2016.
- **Password Protected -** Ensure the profile page is NOT publicly available (password protected)

First Asset Financial Email - Use only the corporate email address— NO personal email or IM address. Employees are prohibited from maintaining outside e-mail accounts for business purposes because they cannot be adequately monitored

- **Connection for Facebook -** Invite First Asset Financials the CCO and his or her Supervisor to be a 'connection'
- **Groups —** Associated persons may join and/or create groups
- **Public Appearances —** Using any of the following LinkedIn features is considered a public appearance:

Network Updates, Creating Network Update Comments, Creating Network Update Reply, Q&A, Posting to a Group, and Creating a Group Discussion. As such, participation is subject to the general standards that apply to all customer communications (see About Customer Communications in the Customer Communications section of the WSPs). APs must also:

- Print out a copy of the update or post and submit to his or her supervisor for review and approval (does not require pre-approval)
- Copies must be maintained in the branch office compliance files
- To avoid potential suitability issues, APs are PROHIBITED from mentioning specific funds or securities

- **Recommendations and other Third Party Posts —** Associated persons must obtain PRIOR WRITTEN APPROVAL before making a 'recommendations' or prior to any business related static post to a third party site. APs are PROHIBITED from soliciting, editing, drafting or other involvement in business related third party posts to the AP's site.

9.11.1 LinkedIn Profile

First Asset does, however, allow its Registered Reps to access the internet site called, "LinkedIn" with limited use. The "LinkedIn" internet site is a business oriented social networking site used for professional networking purposes. It can be used by Associated Persons for professional use and can only post the following information:

Name of the Registered Rep
Address
Telephone number
Business e-mail address,
Place of employment, and
Products or "Skills"

Before any Registered Rep can operate a "LinkedIn" networking internet site, the AP must interface with Global Relay, allowing Global Relay access to their LinkedIn account. Additionally, questions have been added to the annual compliance questionnaire requiring each Registered Rep to provide information to Compliance regarding the operating of a "LinkedIn" internet site, if applicable. Failure to follow these rules may result in a fine, suspension or termination. Global Relay may charge a fee over and above email charges to monitory LinkedIn. As the AP has no control over the “Endorsements” section of the profile, that area need not be approved.

9.11.2 Twitter

The same is true with "Twitter." In order for First Asset to monitor postings on Twitter. The AP must "connect" Twitter with Global Relay, so that monitoring of the account may be achieved. The use of "prohibited" social networking sites on the First Asset network is not intended to address the use by individuals of social media sites for personal reasons on your personal devices away as long as those sites are not used for securities business purposes. Global Relay will charge an extra fee to monitor Twitter, now known as “X.”

9.11.3 Facebook

Facebook usage is permitted as long as:

1. Only the firm name is mentioned in the profile as a place of employment.
2. Postings are purely personal in nature and business topics are not posted or discussed.
3. There are no links to the firm website.
4. First Asset Financial Inc. is named as a "friend" (the CCO or other designated person) of the site to allow spot check monitoring of the sight.

9.11.4 Chat Rooms

As interactive, extemporaneous conversations, chat rooms are considered a public forum. Participation in chat rooms is **prohibited.**

9.11.5 Failure To Comply

Failure to comply with this policy will lead to disciplinary action. Noncompliance may generate one or more of the following:

-Oral and/or written warning or notification of violation communicated to the individual involved and their supervisor.
-Suspension of electronic communications privileges permanently or for a set period of time.
-Written warning to the employee's file.
-Suspension from work.
-Education course related to the infraction, and paid for by the employee.
-Regulatory disciplinary action or censure.
-Termination of employment.

9.11.6 Consent To Policy

Use of the Company's electronic communications systems represents the employee's consent to the terms outlined in this policy, including consent for First Asset to monitor and audit content and/or usage.

9.12 Information Required On Outgoing Electronic Mail

The following information must be included on all outgoing e-mail:
The Company's name and address
Name of sender
Branch location or (if non-branch) the home office location or OSJ location
Phone number
E-mail address of sender (Company e-mail only)

The Company requires its employees to include the following disclosure on all e-mail transmissions: *Always speak to a live person for trades or investment orders. Trades & other time sensitive information should not be sent via E-mail or left on voicemail. First Asset employs an E-mail monitoring program for the review of all domain email. Nothing in the content of this E-mail should be considered a specific investment recommendation or tax or legal advice.....or something similar to this.*

9.13 Designated Reviewer

A designated reviewer is permitted by FINRA Rule 3110.07 and 3110.08. The Reviewer's responsibilities include the following:

All incoming and outgoing e-mail transmissions are automatically copied to our third party vendor Global Relay (as of mid-2012). The Global Relay picks random samples of email and those that contain "key words" and also will randomly sample those incoming and outgoing communications. Those will be reviewed during the month by the CCO or his designee and a log will be maintained of such reviews. Inappropriate business communications are to be referred to the CCO's attention. This includes internal electronic communications received or sent. In addition to the random and “key word” sampling of email, the firm may choose to review a majority of the business email. If this practice is followed, the review of email will change from “risk based” to a detailed review of business email. It is recommended that a manual log of the email review be kept in addition to the verification obtainable from Global Relay.

Monitoring Procedures

Electronic mail supervisory procedures will be monitored by Compliance as follows:
-Inappropriate mail referred by branches or departments will be reviewed and disciplinary action, if appropriate, will be taken and recorded in the employee's file.
-Compliance will review "filtered" electronic communications identified by software used by First Asset for that purpose.
-Outgoing business correspondence that appears questionable will be referred to the Branch/department supervisor for follow up with the sender.
-Customer complaints will be handled in accordance with the Company's complaint procedures.
-Compliance may, at its discretion, conduct an electronic audit of an employee's computer to determine the types of computer files retained.

9.14 E-Mail Policy Violations

When a message is discovered that violates the Company's policy, Compliance will take the following action:
-Review the employee's file to determine if there have been other violations and whether the employee has responded appropriately.
-Notify the employee, with a copy to the employee's supervisor, of the violation.
-Determine disciplinary action that might be required, if any.

9.15 Record Retention

Copies of incoming and outgoing electronic communications are to be retained in an archive file consistent with requirements for other incoming and outgoing correspondence. Actions taken by Compliance regarding inappropriate communications will be recorded in memo or other written format and retained in the employee's registration file (if registered) or personnel file (if not registered).

9.16 Education And Training

First Asset uses a number of methods to educate its employees regarding the Company's policies regarding electronic communications. Current employees acknowledge their understanding and agreement with the Policy by executing the First Asset Annual Certification Form.

The Company (Firm) Element continuing education program and/or annual compliance meeting for registered employees will periodically include training regarding Electronic Communications. Periodically First Asset will attempt to distribute reminders to employees regarding the Policy.

9.17 Special Reviews

As part of First Asset 's supervision of APs, Compliance may impose different standards of review that may include review of all incoming and outgoing correspondence regardless of form, pre-approval, or other special reviews.

9.18 Instant Messaging

FINRA Notice to Members 03-33 requires member firms to treat instant messaging consistent with the requirements to supervise any other form of e-mail messaging. Instant messaging can be either correspondence or sales literature. In either event, supervision, review and retention procedures must be followed. Since it is extremely difficult to supervise, review or retain instant messages, the Company will not permit the use of instant messaging for securities related business.

9.19 Bulletin Boards, Web Sites And Other Electronic Communication Systems

The use of computer bulletin boards, web sites, or other electronic communication systems on the Internet for the purposes of advertising or soliciting business is subject to the same requirements for approval as other forms of written communications with the public. Participation in electronic communication systems must comply with requirements in this section.

9.20 Company Web Site

First Asset has established a web site, www.firstassetfinancial.com. Any information to be included on the web site requires the prior approval of Compliance. If information is generated from the home office, approval is automatically approved.

9.21 Associated Person Web Sites

APs are not permitted to establish personal web sites to solicit or conduct business on behalf of First Asset without prior written approval from Compliance.

Participation in other web sites to conduct the Company's business (other than approved participation in the Company's web site) through linking with the Company's Official website is NOT permitted. However, a link may be used on an AP's outside business web site for the Company web site with Compliance approval.

9.22 Identification Of Sources

When using communications not prepared under the direct supervision of the Company, it is necessary to identify, on the communication, the person or entity that prepared the material. This includes research reports obtained from outside sources. Normally, the web line at the bottom of the page will be sufficient identification if a web page is used. The will give the recipient the location of the web page and allow him or her to investigate the source further, if desired.

9.23 Media Contact Is Limited To Certain Authorized Employees

The Company is sometimes contacted by media representatives (television, radio, newspapers, magazines, and other types of media). Employees who are contacted by media representatives are not permitted to comment but must refer the representative to the CCO.

Individuals authorized to speak to the media are expected to make comments consistent with good taste and the Company's opinion or position on matters discussed.

9.24 Requests For Information From Outside Sources

First Asset and its employees are sometimes contacted by outside parties such as regulators (SEC, FINRA, exchanges, state and other regulators), attorneys and governmental agencies (e.g., the IRS) that request information about customer accounts, Company activities, or an individual employee's activities.

Information regarding customer accounts, the Company and its employees is considered confidential and may be released only to those authorized to receive it. Any requests from outside parties (other than the principal or authorized person on behalf of an account requesting information on the account) should be immediately referred to Compliance for response. This includes requests received in any form whether written, by phone, or in person. This also includes visits by regulators. Proof of identification should be requested and Compliance immediately notified.

9.25 Sales Seminars & Related Advertising/Sales Literature

All sales seminars, applicable advertising and sales literature to be presented must be pre-approved by the CCO at least 3 days PRIOR to the event along with any sales literature to be used (including invitation and recipients). See also 9.9.2

9.26 Use of FINRA Logo

Company and Associated Persons are prohibited from using the FINRA logo in any advertising, sales literature, marketing materials or any manner. However, the use "Member FINRA" or "FINRA Member Company" or similar statements are permitted in such materials so long as it is in non-logo format. A link to FINRA's website is maintained on Company website in a non-logo format to meet regulatory requirements.

9.27 Cold Calling and Do Not Call

Although it is the Company's general policy not to conduct cold calling, the Company shall make and maintain a centralized do-not-call list of persons who do not wish to receive telephone solicitations or wireless communications from the Company or its Associated Persons in accordance with Rule 3110 of the FINRA Conduct Rules and MSRB Rule G-39. Company will adhere to the Federal Trade Commission's National Do-Not-Call Registry.

Further, in accordance with FCC rules for cold-calling solicitations, Associated Persons shall:

(1) be prohibited against making any cold calls before 8:00am or after 9:00pm at the called party's location;
(2) shall provide the called party with the name of the caller, the name of the Company and any agent for whom the call is being placed, a telephone number and address for contacting the caller (if requested), and that the purpose of the call is for solicitation of securities transactions or services;
(3) any national do-not-call list must be referenced in order to ensure any name appearing in the Gorilla database or other cold calling list does not appear on such national listing, must honor that request for a period of five years and honor a person's do-not-call request within a reasonable time from the date such request is made. This period may not exceed thirty days from the date of such request;
(4) Shall record/disclose or to mark such names as "No Calls" in the Gorilla database;
(5) Training: any personnel engaged in cold calling will be trained in Company and Regulatory procedures prior to engaging in such activity;
(6) No outside telemarketing source may be utilized.

Further, calls to customers for Company related activity or business does not apply to these requirements. Any Do-Not-Call list shall be maintained under the direct supervision of the designated principal at each OSJ or a file should contain a statement that Cold Calling is not engaged in by the office supervised by the OSJ.

9.28 Regulatory Communication

All regulatory inquiries whether written or oral are to be directed to the attention of the CCO, for response. Further, all responses and other correspondence will be handled by the CCO, or his designee, or legal counsel for the Company, and the representative will make no statements on behalf of the Company, to any person in a regulatory agency, unless specifically authorized to do so by the Company.

9.29 Text Messaging

Text messaging must be treated consistent with the requirements to supervise any other form of e-mail messaging. Text messaging can be either correspondence or sales literature. In either event, supervision, review and retention procedures must be followed. Since it is difficult to supervise, review or retain text messages, the Company will permit the use of text messaging for securities related business if, and only if, it meets the definition of correspondence as defined by FINRA Rule 2210 AND meets the exception of 2210 of "any retail communication that does not make any financial or investment recommendation or otherwise promote a product or service of the firm." For example, texting to confirm appointments, etc. would be acceptable while texting product features would not. Other than the preceding, the firm does not allow texting with customers regarding business purposes.

9.30 Personal E-Mail Accounts

The use of personal e-mail accounts for securities related business is strictly prohibited without the prior written permission of a registered principal. To the extent the use of a personal e-mail account is permitted, all e-mails must also be copied to the Associated Person's Company e-mail address and will be subject to the review standards of all other electronic communications.

9.31 Holding Customer Mail as per FINRA Rule 3150

This rule allows a firm to hold a customer's mail for a time period specified by the customer's written instructions if the Company meets several conditions. The Company may hold mail for a customer provided that the Company:

a. Receives instructions from the customer that include the time period during which the Company or its clearing firm or fund company is requested to hold the customer's mail. If the time period included in the customer's instructions is longer than three consecutive months (including any aggregation of time periods from prior requests), the customer's instructions must include an acceptable reason for the request (e.g., safety or security concerns). Convenience is not an acceptable reason for holding mail longer than three months;

b. In addition, the Company must be able to communicate, as necessary, with the customer in a timely manner during the time the firm is holding the customer's mail to provide important account information (e.g., privacy notices, the SIPC information disclosures required by FINRA Rule 2266 (SIPC Information)).

9.32 General Communications with the Public

- All Company confirmations and account statements must indicate clearly that the broker/dealer services are provided by the Company
- As long as the omission of the disclosures required by paragraph (c)(4)(B) of Rule 2350 would not cause the advertisement or sales literature to be misleading in light of the context in which the material is presented, such 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, on-line computer services, or ATMs; and
    - signs, such as banners and posters, when used only as location indicators.

Accordingly, it shall be the responsibility of the CCO or designee to review all advertising, sales literature and customer disclosures for compliance with the disclosures under Rule 2350(c)(4)(B).

10. RECORDKEEPING & OPERATIONS

10.1 Introduction

It is the Company's intent to conduct all recordkeeping and operations in a sophisticated and ethical manner and to comply with regulatory rules and requirements. SEC Rule 17a-3 identifies the types of books and records to be retained by Company and 17a-4 identifies the period these records are to be retained. SROs also specify certain record requirements. Designated supervisors are responsible for retaining required records for areas under their supervision. Company introduces its transactions on a fully-disclosed basis to its clearing firm and therefore will rely on the clearing firm to retain certain records regarding Company's accounts and transactions.

10.2 Compliance Chart

Name of Supervisor:	• Designated Supervisors or Principal is presented in Exhibit E
Statutes	• SEC Rule 17a-3 and 17a-4 – books and records (34 Act Section 240) • FINRA Rule 1150 – Executive Representative • SEC Rule 15c3-1, 15c3-3 (Rule 3140), 17a-11 – financial reporting • FINRA Rule 2270 – Disclosing Company financial condition • FINRA Rule 2263-Form U-4 Arbitration Disclosure • FINRA Rule 1122-Filing of Misleading Membership or Registration Information • FINRA Rule 4110 – Capital compliance • FINRA Rule 4140 – Audit • SEC Rule 17a5(f) – Designation of Accountant • SEC Rule 17f-1 and 17f-2 – Lost, stolen, missing securities; and Fingerprint requirements.
Frequency of Review:	• As required • Daily • Monthly preparation of reports, financials • Focus Reports • Annual Schedule I, Renewals
Actions	• Develop internal system or choose a vendor or other third party that meets rule requirements • Contract with an independent third party download partner, if appropriate • Notify DEA when initiating electronic storage and provide third party representation • Issue passwords to authorized personnel and disable passwords for terminated employees or those no longer requiring access • Take corrective action internally or with outside vendor if anomalies are detected
Records	• Contracts with vendors or other third parties, if any • Fidelity Bond Policy • Notification(s) to DEA • Archived Email

	• Applicable Rep files, records • financial files and records • Reviews

10.3 Financial and Operational Records

All accounting records should be maintained on a daily basis in order to comply with the regulations relative to net capital requirements and other regulated practices in this area. In accordance with Schedule C of the FINRA By-Laws the Company designates its Financial and Operations Principal responsible for the financial reporting duties specified in SEC Rules 17a-3 and 17a-4 and with the primary responsibility for books and records under section (c)(v) contained therein. The Financial and Operations Principal is designated in Exhibit E with financial records residing in Georgia.

On an annual basis, the Financial and Operations Principal (FINOP) shall review the annual certified audit as to its compliance with SEC and FINRA rules and regulations and ensure it is filed and received by the 60th calendar day following year end (plus any extensions). Such review and approval shall be evidenced by the FINOP's or his officer designee's dated execution of each annual audit report. A copy of each year's executed annual audit report shall be made a part of the Company's permanent files.

The FINOP and/or his designee are responsible for the electronic filing and supervision thereof. The CCO is responsible for Form BD amendments and the proper and timely filing of FINRA and Regulatory fees and assessments and the record retention of such.

On a quarterly basis, the FINOP shall review and/or prepare the FOCUS IIA Report, currently under exemption (k)(2)(ii) pursuant to SEC Rule 15c3-3 (Rule 3140), and such other financial reports as may be required to be filed with the SEC, FINRA or state regulatory agencies. Such review and approval shall be evidenced by the FINIOP's dated initialed execution of each FOCUS IIA Report.

On a quarterly basis (or more frequently if necessary), the FINOP, or his designee shall review and/or prepare a Net Capital Computation and Statement of Aggregate Indebtedness pursuant to SEC Rule 15c3-1, and such other financial reports as may be required to be filed with the SEC, FINRA or state regulatory agencies. Pursuant to our PAIB Agreement with our clearing firm, the Company may include our clearing deposit as an allowable asset for net capital computation purposes pursuant to SEC Rule 15c3-1 provisions. Such review and approval shall be evidenced by the FINOP's initialing of each monthly Net Capital Computation with Statement of Aggregate Indebtedness. The CCO shall also review the bank reconciliation and sign the reconciliation each month no more than 10 business days after the preceding month. A copy of each month's Net Capital Computation with Statement of Aggregate Indebtedness, reflecting evidence of review and approval by the FINOP shall be made a part of the Company's permanent files.

If the Company's net capital declines below the minimum amount required pursuant to S240.15c3-1, it shall give notice in accordance with **SEC Rule 17a-11** by means of telegraphic or facsimile transmission of such deficiency that same day to the national and regional Commission offices and the DEA office.

Pursuant to Rule 2270, the Company shall make available to inspection any bona fide regular customer, upon request, the information relative to the Company's financial condition as disclosed in its most recent balance sheet prepared either in accordance with Company's usual practice or as required by state and regulatory securities laws, or any rule or regulation thereunder. (*Rule only applies to members who have possession of customer's cash and securities.)* The Company is exempt from Rule 2280 (Investor Education and Protection) due to it does not carry customer funds or securities.

The CCO will review all FINRA assessments and fees when received and ensure that they are paid on a timely basis.

10.3.1 FINRA Rule 4110(c)(1) – Withdrawal of Equity Capital

Company shall not withdraw equity for a period of one year from the date when equity capital is contributed, unless permitted in writing by FINRA. However, Company is not precluded from withdrawing profits.

10.3.2 FINRA Rule 4110(d)(4) – Using Ready Market Securities for Loans

Any agreement related to the determination of a ready market for securities based upon the securities being accepted as collateral for a loan by a bank under SEA Rule 15c3-1(c)(11)(ii), must be submitted to and be acceptable to FINRA before the securities may be deemed to have a "ready market."

10.3.3 FINRA Rule 4140 – Audit Pursuant to Rule 4140

Pursuant to Rule 4140, the Company shall cooperate with any request from FINRA who may at any time, due to concerns regarding the accuracy or integrity of a member's financial statements, books and records or prior audited financial statements, direct any member to cause an audit to be made by an independent public accountant of its accounts, or cause an examination to be made in accordance with attestation, review or consultation standards prescribed by the AICPA. Such audit or examination shall be directed pursuant to authority exercised by FINRA's Executive Vice President charged with oversight for financial responsibility, or his or her written officer delegate, and shall be made in accordance with such requirements as FINRA may prescribe. Any member failing to file an audited financial and/or operational report or examination report under this Rule in the prescribed time shall be subject to a late fee as set forth in Schedule A Section 4(g)(1) to the FINRA By-Laws.

10.3.4 Designation of Accountant

The CCO is responsible for ensuring the filing of the notice of designation of accountant with the SEC principal office, SEC regional office, and FINRA if there is a change in accountants. Normally FAF's agreement is of a continuous nature. If such agreement should terminate, a notice filing to FINRA and the two SEC offices must be filed within 15 days of termination or when a new accountant has been designated. Company shall maintain a record of such notices as part of its books and records.

10.3.5 Expense Sharing Arrangements

The SEC specifies requirements for incorporating an expense-sharing agreement into a broker-dealer's operations and how these agreements are recorded in the broker-dealer's financial records. Company's FINOP is responsible for ensuring Company complies with the SEC's guidelines in the use of such agreements. In addition, Company's FINOP is responsible for notifying its Designated Examining Authority (DEA) if any expense-sharing agreement does not record each of the expenses it incurs relating to its business on the reports it is required to file with the SEC or with the DEA. The notice will include the date of the agreement and the names of the parties to the agreement; a copy of the agreement will be provided to the DEA upon request. Company will notify its DEA if it establishes a new agreement or amends any existing agreements. Company will maintain as part of its books and records a copy of any such agreements. The FINOP designated in Exhibit E is the responsible individual for any expense sharing disclosures.

10.4 Preparation and Processing Corporate Records

The Company, or its clearing agent, as applicable, shall make and keep current the following books and records relating to the Company's 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 (including certificate numbers), all receipts and disbursements of cash and all other debits and credits. Such records shall show the account for which each such transaction has been effected, the name and amount of securities, the unit and aggregate purchase or sale price (if any), the trade date and the name or other designation of the person from whom purchased or received or to whom sold or delivered;
2. Ledgers (or other records) reflecting all assets and liabilities, income and expense and capital accounts;
3. Ledger accounts, by its clearing firm, HTS Securities, Inc., (or other records) itemizing separately as to each cash and margin account of every customer and of the Company, all purchases, sales receipts and deliveries of securities and commodities for such accounts and all other debits and credits to such accounts;
4. Ledger, by its clearing firm, HTS Securities, Inc., (or other records) reflecting the following as applicable:.

a. Securities in transfer;

b. Dividends and interest received;

c. Securities borrowed and securities loaned;

d. Monies borrowed and monies loaned (together with a record of the collateral and any substitutions in such collateral);

e. Securities failed to receive and failed to deliver;

f. All long and short securities record differences arising from the examination, verification, count and comparison pursuant to 1934 Act Rule 17a-13 and Rule 17a-5; and

g. Repurchase agreements and securities subject thereto;

5. A securities record or ledger, through its clearing firm, HTS Securities, Inc., reflecting separately for each security, as of the clearance dates, all "long" and "short" positions (including securities in safekeeping and securities that are the subject of repurchase or reverse repurchase agreements) carried by the Company for its account or that of its customers or others, and showing the location of all securities long and the offsetting position to all securities short, including long securities count differences and short securities count differences classified by the date of the physical count and verification in which they were discovered, and in all cases the name or designation of the account in which each position is carried;
6. A memorandum of each brokerage order, and any other instruction, given or received for the purchase or sale of securities, whether executed or unexecuted. Such memorandum shall show the terms and conditions of the order or instructions and of any modification or cancellation, the account for which it was entered, the time of entry, the price at which executed and, to the extent feasible, the time of execution or cancellation. Orders entered pursuant to the exercise of discretionary power by the Company or any employee shall be so designated. The Momentum electronic report may be utilized for this recordkeeping requirement;
7. A memorandum of each purchase and sale for the account of the Company, showing the price, and to the extent feasible, the time of execution, and where such a purchase or sale is with a customer other than a broker or dealer, a memorandum of each order received, showing the time of receipt, the terms and conditions of the order and the account in which it was entered if ever applicable;

8. Copies of confirmations of all purchases and sales of securities, including copies of 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 Company. Copies of confirmations may be maintained electronically via the Momentum software system of HTS Securities, Inc. in each customer's account;
9. A record of each cash and margin account with the Company, by its clearing firm, HTS Securities, Inc., indicating:

a. The name and address of the beneficial owner of the account;

b. Except with respect to exempt employee benefit plan securities (but only to the extent such securities are held by employee benefit plans established by the issuer of the securities), whether a beneficial owner of securities registered in a name other than that of such beneficial owner objects to disclosure to issuers of his or her identity, address and securities positions; and

c. In the case of a margin account, the signature of such owner;

10. A record of all puts, calls, spreads and other options in which the Company has any direct or indirect interest or which the Company has granted or guaranteed, containing, at a minimum, an identification of the security and the number of units involved, if ever applicable;
11. 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, pursuant to 1934 Act Rule 15c3-1;
12. A questionnaire or application (a Form U-4 may be used) for employment executed by each "Associated Person" of the Company, which shall be approved in writing by an authorized representative of the Company and shall contain, at a minimum, the following:

a. His or her name, address, social security number and the starting date of his or her employment or other association with the Company;

b. His or her date of birth;

c. A complete statement of his or her business connections for at least the preceding ten years, including whether such employment was part-time or full-time;

d. A record of any denial of membership or registration, and of any disciplinary action taken, or sanction(s) imposed, upon him or her by any federal or state agency, or by any national securities exchange or national securities association, including any finding that he or she was a cause of any disciplinary action or had violated any law;

e. A record of any denial, suspension, expulsion or revocation of membership or registration of any broker-dealer with which he or she was associated in any capacity when such action was taken;

f. A record of any permanent or temporary injunction entered against him or her or any broker-dealer with which he or she was associated in any capacity at the time such injunction was entered;

g. 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 or counterfeiting or extortion, and the disposition of the foregoing; and

h. A record of any other name by which he or she has been known or which he or she has used.

If such "Associated Person" was or is an Associated Person of the Company, or his or her employment had been approved by the FINRA or any stock exchange, then retention of a full, correct and complete copy of any and all applications for such registration or approval shall satisfy these requirements.

13. A record of all FINRA and MSRB fees and assessments paid

10.5 FINRA Rule 1010-Uniform Form Filing

Company shall file all forms required by Article IV, Sections 1, 7, and 8, and Article V, Sections 2 of the FINRA By-Laws through the electronic process or such other process FINRA may prescribe to the Central Registration Depository (CRD). Company identifies the CCO as the person authorized to make filings on behalf of Company, however another designee (who need not be registered) or third party by agreement, may be issued authorization for such filings. the CCO shall ultimately be responsible for the supervision over such activities and that such filings are properly executed.

10.5.1 Form U-4 Filing Requirements

Company shall retain individuals' manual signature for each initial or transfer Form U-4 or changes to disclosure questions. However, in lieu of manual signatures for amended disclosures, Company may forward a copy of any changes to Associated Persons, prior to filing, for their review and receive a written acknowledgement (may be electronic) from such persons that the information to be filed has been received and reviewed. Any other administrative amendments to Form U-4 (such items as the addition of state or self-regulatory organization registrations, exam scheduling, and updates to residential, business and personal history) do not require a manual signature but Company will forward any copy of such change to applicable persons per their request. If for some reason, Company cannot obtain person's manual signature due to the Associated Person's refusal to acknowledge such information, is on active military service or otherwise is unavailable during the period provided for filing of such amendments under of the FINRA By-Laws), Company shall enter "Representative Refused to Sign/Acknowledge" or "Representative Not Available" or a substantially similar entry in the electronic Form U4 field for the Associated Person's signature.

FINRA Rule 2263-Form U-4 Arbitration Disclosure

When Associated Persons file an initial or transfer Form U-4 that requires a manual signature, Company will provide the Arbitration Disclosure as mandated by Rule 2263 pertaining to the predispute arbitration clause to applicable Associated Person before they sign the Form U-4.

10.5.2 Fingerprint Cards

Company shall promptly submit fingerprint cards within 30 days of filing an electronic Form U-4 for any person as required.

10.5.3 Form U-5 Filing Requirements

Company shall retain all initial and amended Form U-5s for a period of three years, the first two years readily accessible.

10.6 FINRA Rule 1122-Filing of Misleading Membership or Registration Information

Neither Company nor any Associated Person shall 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 thereof.

10.7 Clearing Agreement

Company introduces its accounts and customer transactions to its clearing firm, Hilltop Securities Inc., Inc. fka Southwest Securities, Inc., on a fully disclosed basis. Customers receive a clearing firm Information Brochure that discusses the relationship and discloses certain account information. Company has executed a clearing agreement consistent with regulators' requirements and will amend its clearing agreement when necessary. Any new clearing agreement or amendment will be submitted to its designated SRO for review and approval.

10.8 Fidelity Bond Coverage

The Company maintains fidelity bond coverage as required and which covers at least the following:

1. Fidelity
2. On premises
3. Forgery and alteration (including check forgery)
4. Securities loss (including securities forgery)
5. Cancellation rider providing that the insurance carrier will use its best efforts to promptly notify the FINRA, Inc. in the event the bond is cancelled, terminated or substantially modified.

The Company will review its coverage annually 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. Any adjustments will be made not more than 60 days after the anniversary date of the issuance of the bond. The Company will report any cancellation, termination, or substantial modification to the FINRA within ten business days of such occurrence.

10.9 Preservation of Records

The Company, or its clearing agent, as applicable, shall preserve for a period of not less than six (6) years, the first two (2) years in an easily accessible place, the following records:

1. Blotters (or other records of original entry);

2. Ledgers (or other records) reflecting all assets and liabilities, income and expense and capital accounts;

3. Ledger accounts (or other records) itemizing separately as to each cash and margin account of every customer and of the Company, all purchases, sales receipts and deliveries of securities and commodities for such accounts and all other debits and credits to such accounts; and

4. A securities record or ledger reflecting separately for each security as of the clearance dates all "long" or "short" positions carried by the Company for its account or for the accounts of its customers or others, and showing the location of all securities long and the offsetting position to all securities short, and in all cases the name or designation of the account in which each position is carried.

The Company or its clearing agent, as applicable, shall preserve for a period of not less than three (3) years, the first two (2) years in an accessible place, the following records:

1. Ledgers (or other records) required to be made pursuant to 1934 Act Rule 240.17a-3(a)(4); (in Georgia)

2. Memoranda of brokerage orders required to be made pursuant to 1934 Act Rule 240.17a-3(a)(6) through the Momentum system;

3. Memoranda of purchases and sales required to be made pursuant to 1934 Act Rule 240.17a-3(a)(7);

4. Copies of confirmations of all purchases and sales of securities required to be made pursuant to 1934 Act Rule 240.17a-3(a)(8) through the Momentum system;

5. Records of each cash and margin account with the Company required to be made pursuant to 1934 Act Rule 17a-3(a)(9);

6. Records of all puts, calls, spreads and other options required to be made pursuant to 1934 Act Rule 17a-3(a)(10);

7. All checkbooks, bank statements, canceled checks and cash reconciliations; (in Georgia)

8. All bills receivable or payable (or copies thereof), paid or unpaid, relating to the business of the Company; (in Georgia)

9. Originals of all communications received and copies of all communications sent by the Company relating to its business (including inter-office memoranda and communications);

10. All trial balances, computations of aggregate indebtedness and net capital (and accompanying working papers), financial statements, branch office reconciliations and internal audit working papers relating to its business; (in Georgia)

11. 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 a corporation;

12. All written agreements (or copies thereof) entered into by the Company relating to its business, including agreements with respect to any account;

13. Records which contain the information required by 1934 Act Rule 17a-4(b)(8) in support of amounts included in the report prepared as of the audit date on Form X-17A-5 Part II or Part IIA;(in Georgia) and

14. With respect to broker-dealers subject to the requirements of 1934 Act Rule 15c3-3 concerning physical possession or control of fully paid and excess margin securities, a current and detailed description of the procedures followed by the Company to comply with the possession or control requirements of Rule 15c3-3.

The Company shall preserve, during its existence and that of any successor enterprise, all articles of incorporation or charter documents, minute books and stock certificate books.

The Company, or its clearing agent, as applicable, shall also preserve, for a period of not less than six (6) years after the closing of any customer's account, any account cards or records which relate to the terms and conditions with respect to the opening and maintenance of such account.

The Company shall also maintain and preserve in an easily accessible place:

1. Questionnaires or applications for employment executed by each "Associated Person" of the Company, which questionnaires or applications shall be approved in writing by an authorized representative of the Company and contain at least the information required by 1934 Act Rule 17a-3(a)(12), until at least three (3) years after the "Associated Person" has terminated his or her employment and any other connection with the Company;

2. All records required pursuant to 1934 Act Rule 17f-2(d) until at least three (3) years after the termination of employment or association of all persons required to be fingerprinted thereunder;

3. All records required pursuant to 1934 Act Rule 17f-2(e) for the life of the enterprise; and

4. Copies of all Forms X-17F-1A filed pursuant to 1934 Act Rule 17f-1 (Reporting and Inquiry for Missing, Lost, Counterfeit, Stolen Securities), all agreements between reporting institutions regarding registration or other aspects of Rule 17f-1, and all confirmations or other information received from the SEC or its designee as a result of any inquiry relating thereto, for three (3) years.

It shall be the responsibility of the CCO to maintain the appropriate books and records as set forth herein, the FINOP all financially related records, and to retain said records in accordance with the provisions of SEC Rules 17a-3 and 17a-4.

Amendments to SEC Rule 17a-3 and 17a-4

The Securities and Exchange Commission adopted amendments to Rules 17a-3 and 17a-4 [17 CFR 240.17a-3 and 240.17a-4] under the Securities Exchange Act of 1934 [17 U.S.C. 78, et seq.] on October 26, 2001. The amendments clarify and expand recordkeeping requirements with respect to purchase and sale documents, customer records, Associated Person records, customer complaints, and certain other matters, and require broker-dealers to maintain or promptly produce certain records at each office to which those records relate. The effective date of the amendments to Exchange Act Rules 17a-3 and 17a-4 is May 2, 2003.

The amendments expand and specify minimum requirements with respect to the records that broker-dealers must make, and how long those records and other documents relating to a broker-dealer's business must be kept. The amendments include the following:

The definition of "office." The amended rules define "office" as locations where one or more Associated Persons regularly conduct a securities business. The final rules provide that instead of maintaining records at a particular office, a broker/dealer may choose to produce records promptly upon request at the office to which the records relate or at another place as agreed to by the regulator. A broker/dealer is not required to maintain records at an office that is a private residence if only one Associated Person (or multiple Associated Persons if members of the same immediate family) regularly conducts business at office, the office is not held out to the public as an office, and neither customer funds nor securities are handled at the office. Instead, records pertaining to private residence offices may either be maintained at another location within the state of the office at the broker/dealer’s choosing or be produced promptly at an agreed upon location. The records that broker/dealers must create as to each

office include blotters, order tickets, customer account records, records with respect to Associated Persons, customer complaints, records evidencing compliance with SRO rules with regard to communications with the public, records of persons who can explain the information in the broker/dealer's records, and records of each principal responsible for establishing record keeping compliance procedures.

Customer Account Records. New Rule 17a-3(a)(17) requires the Company to create, for each account with a natural person as a customer or owner, an account record containing information prescribed by the rule. This rule also states that the requirement does not apply in situations where: (1) accounts are not subject to SRO suitability requirements; or (2) accounts have been inactive for 36 months. The Company will utilize HTS quarterly account statement to meet the 36 month requirement. As "statement stuffer" with certain customer information on it will be enclosed in the quarterly statement every 36 months. Returned forms will be updated with changed information in the customer's file.

Order Tickets. Rules 17a-3(a)(6) and 17a-3(a)(7) were amended to require that order tickets of each Associated Person responsible for the account, if any; and any other person who entered or accepted the order on behalf of the customer, or, if applicable, a notation that a customer entered the order on an electronic system. The Company's order ticket information is generated by a report through the clearing firm's MOmentum system and maintained in a file (notebook). The time the order is received is typically the time the order is entered, however, if there is a different time, it should be entered on the ticket report. The person who entered the order is maintained electronically in the MOmentum system based on the log in.

Associated Persons Records. To help regulators identify Associated Persons and where they work, amendments to Rule 17a-3(a)(12) require broker/dealers to create records of all offices at which each Associated Person regularly conducts business as well as of all identification numbers assigned to the Associated Person.

Communications with the Public. Under Rule 17a-3(a)(20), broker/dealers are required to make records that demonstrate compliance with applicable federal regulations and SRO rules on communications with the public that require principal approval.

Record Maintenance. Amendments to Rule 17a-4 clarify the periods of time that records described in Rule 17a-3 must be maintained. The amended rules also require that broker/dealers maintain other information, including the following:

for the life of the entity, copies of Forms BD and all amendments thereto;

for three years after the date of the report, each examination report and all reports that a securities regulatory authority has requested or required a firm to create;

for three years after the termination of use, all manuals describing the firm's policies and practices with respect to compliance and supervision; and

for 18 months after the date the report was generated, reports created to review unusual activity in customer accounts.

The definition of "unregistered office." Seven types of locations – often referred to as "unregistered offices" or "non-branch locations" – are excluded from the definition of "branch office": (1) any location that is established solely for customer service or back office type functions where no sales activities are conducted and

that is not held out to the public as a branch office; (2) any location that is the Associated Person's primary residence, subject to certain conditions; (3) any location, other than a primary residence, that is used for securities business for less than 30 business days in any one calendar year, subject to certain conditions; (4) any office of convenience, where Associated Persons occasionally and exclusively by appointment meet with customers, which is not held out to the public as an office; (5) any location that is used primarily to engage in nonsecurities activities and from which the Associated Person(s) effects no more than 25 securities transactions in any one calendar year (provided that any retail communication identifying such location also sets forth the address and telephone number of the location from which the Associated Person(s) conducting business at the non-branch locations are directly supervised); (6) the "floor" of a registered national securities exchange where a member firm conducts a direct access business with public customers; and (7) a temporary location established in response to the implementation of a business continuity plan. See FINRA Rule 3110(f)(2)(A)(i)-(vii).

10.10 Electronic Storage & Requirement for the Use of Electronic Storage

On October 12, 2022, the Securities and Exchange Commission ("Commission") adopted amendments to the recordkeeping rules applicable to broker-dealers. The amendments modified requirements regarding the maintenance and preservation of electronic records, the use of third-party recordkeeping services to hold records, and the prompt production of records.

Prior to the amendments, Rule 17a-4 required a broker-dealer to notify its DEA (for most broker-dealers, the Financial Industry Regulatory Authority) before employing an electronic recordkeeping system. The amendments to the rule eliminated this requirement, so that it is no longer necessary for a broker-dealer to notify its DEA before employing an electronic recordkeeping system.

The audit-trail alternative requires that a broker-dealer use an electronic recordkeeping system that maintains and preserves electronic records in a manner that permits the recreation of an original record if it is modified or deleted. A firm must maintain and preserve the records for the duration of their applicable retention periods in a manner that maintains a complete time-stamped audit trail that includes: (1) all modifications to and deletions of a record or any part thereof; (2) the date and time of actions that create, modify, or delete the record; (3) if applicable, the identity of the individual creating, modifying, or deleting the record; and (4) any other information needed to maintain an audit trail of the record in a way that maintains security, signatures, and data to ensure the authenticity and reliability of the record and will permit re-creation of the original record if it is modified or deleted.

The Company has elected the use of electronic storage for financial records and customer records in the third quarter of 2023. The records are kept by a third party in Georgia.

The Company will maintain, keep current, and provide promptly upon request by the staffs of the Commission or the FINRA, all information necessary to access records and indexes stored on the electronic storage media.

10.11 Backups

10.11.1 Onsite - Backup

On a daily basis, Company has a device that conducts onsite backup through a redundant hard drive of a "NAS" [Network Attached Storage] in a peer to peer network on which data files reside) for critical data files and maintains all revisions based on storage space. This "redundant drive" in it that represents the first line of defense for disaster recovery in the event a backup of data would need to be retrieved. In the event the device is not accessible due to an office disruption, the offsite data backup of iDrive would be the second line of defense.

Financial books and records data are located in McDonough, Georgia. The computer service there, RamTech (an off premise backup provider) provides backup services for the books and records relating to financial matters of the firm.

10.11.2 Offsite Data Backup

The Company uses iDrive for a nightly offsite backup of data. Feature includes delivery of data via disk overnight. RamTech provides backup services for the books and records relating to financial matters of the firm.

10.12 Change In Ownership, Control, Or Business Operations

When Company anticipates a material change in its business, Compliance will file requests for approval by the appropriate SROs. Events that require approval include merger with or acquisition of another broker-dealer or acquisition of 25% or more of the assets of another dealer; a change in ownership or control; and a material change in business operations. In addition, material changes include removing or modifying a membership agreement restriction; market making for the first time, adding business activities that require a higher level of minimum net capital, and engaging in activities beyond proprietary trading as defined in NASAQ rules.

Certain types of expansions are presumed not to be a "material change in business operations" and do not require FINRA approval. However, this safe harbor is not available to firms that, among other things, have a "disciplinary history" as defined in IM-1011-1. The interpretation must be consulted to determine what changes are not material and what constitutes disciplinary history precluding use of the safe harbor. If the Company operates under a Restriction Letter, it will conduct business consistent with the Letter and Compliance will contact FINRA if a change is necessary.

Record Retention/Destruction Chart
It shall be the Company's policy to follow the record retention requirements outlined below. All such records will then be destroyed upon expiration of such holding periods.

Description	**IRS # Yrs**	**SEC # Yrs**	**Ready Access**
Accounting Records			
Bank Statements, deposit slips	4	3	2
Commission Records and 1099s	4	3	2
Trial Balances	3	3	2
Checks and reconciliations	8	3	2
Payroll Reports (individual reports and earnings records)	8	3	2
Payroll Records (1099s, W-4s, W-2s)	4	3	2
Vouchers (for payment to vendors, employees, bills recd & pd)	8	3	2
Audit Reports and Financial Statements	P	3	2
General Ledgers and Journals	P	6	2
Records in support of audit (Focus IIA, etc.)		3	2
Aggregate Indebtedness computation		3	2
Net Capital computation (and working papers)		3	2
Internal Audit working papers		3	2
Subordinated Loans		3	2
Focus Reports		3	2
SIPC, FINRA, MSRB Assessments		3	2
Monies borrowed and monies loaned	6	3	2
Corporate Records			

Bylaws, charters and minute books	P	P	P	
Capital Stock and Bond records	P	P	P	
Compliance Records				
New Account Forms (must be kept 6 years after closing date)		6	6	
Lost and Stolen Security Agreement		3 (P)	3 (P)	
Confirmations		3	2	
Cash and Margin Acct Records		3	2	
Customer Complaint File				3
General Correspondence		3	2	
Order Tickets				
Extensions and Requests		3	2	
List of Personnel, APs, and assigned Principal		3	2	
List of branch offices and OSJs		3	2	
Litigation File		3	2	
144 Sales File		P	P	
Advertising and Sales Literature		3	2	
Underwriting/Distribution Files		3	2	
Selling Agreements		3	2	
Clearing Agreements		3	2	
Private Securities Transactions (approvals, correspondence, etc.)		P	P	
Transactions with employees of other broker/dealers		3	2	
AML and related records		3	2	
Personnel Records		5		
U-4, U-5, Employee and AP Agreements				
Fingerprints or CRD notices		3 yrs. after termination	Access now	
All claimed fingerprint exemptions		3 yrs. after termination	Access now	
CRD U-4 Status Report		3 yrs. after termination	Access now	
U-5 Status Report		3 yrs. after termination	Access now	
Employment Applications		3 yrs. after termination	Access now	
Regulatory		3 yrs. after termination	Access now	
FINRA:				
Restriction Letter				
Exam Letters		P	P	
Disciplinary Action		P	2	
Original Application		P	P	
SEC:		P	2	
Order granting registrations				
Original Application		P	P	
SEC Form BD and Amendments		P	2	
17 A-11 violations		P	2	
Correspondence				P
Market Making (currently Not/Applicable)		P	2	
15c2-11 filesrrent financial information on stocks the firm has market in)				
15c2-6 Letters and authorizations		3	2	
SOES Registration		3	2	

Municipals		P	P
Designation of supervisory principal under MSRB rules			
Payment of Initial MSRB fees and all renewals		P	P
Customer Complaints		P	P
Options		6	2
Advertising and Sales Literature			
Customer Complaint file or log		3	2
Option exercise procedure (carried by clearing firm)		P	P
Private Placements		P	P
Subscription Documents			
Subscription Log		6	2
Offering Memorandum		6	2
Escrow Account Agreement		6	2
		6	2
Correspondence		6	2
Offering (Issuer) files			6
Due Diligence		6	2
Selling Agreement		6	2

10.13 Use of Exception

References: FINRA Rule 4311
Regulatory Notice(s): 05-72, 99-57, 97-79, 94-7, 93-50, 92-32

Who: *Chief Compliance Officer*
When: *As Needed*
What: *Use of Exception Reports and Other Reports*
Evidence: *Miscellaneous Supporting Documents*
Retention Period: *Not less than three (3) years*
Date: *August 2009*

FINRA Rule 4311 requires a clearing firm to immediately and annually, provide any introducing firms a list or description of all reports (exception and other type of 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 firm. The introducing firm must promptly notify the clearing firm, in writing, of those specific reports offered by the clearing firm that the introducing firm requires to supervise and monitor its customer accounts. In addition, clearing firms must retain copies of reports requested and/or provided to the introducing firm.

FINRA Rule 4311 also requires that the clearing firm notify the introducing firm's chief executive and compliance officers, by no later than July 31 of each year, the reports offered to and request/supplied to the introducing firm. The clearing firm must also provide a copy of this notice to FINRA. FINRA Rule 4311 requires all clearing or carrying agreements entered into by a broker-dealer to specify the responsibility of each party with respect to:

- Opening, approving and monitoring customer accounts.
- Extension of credit.
- Maintenance of books and records.
- Safeguarding of funds and securities.
- Confirmations and statements.
- Acceptance of orders and execution of transactions.
- Customers are customers of the clearing firm.

- Customer notification pertaining to customer complaints.
- Reports which it offers to the introducing member to assist the introducing firm in the supervision of its activities, and the monitoring of customer accounts.
- The terms and conditions for the issuing of negotiable instruments directly to the introducing firm's customers using instruments for which the clearing firm is the maker or drawer.
- The submission of a clearing agreement to FINRA for review.
- The written notification to customers upon opening an account of the existence of the clearing agreement.

In addition, FINRA Rule 4311 requires a clearing firm to immediately and annually thereafter, provide an introducing firm with a list or description of all exception 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 provide written notice to the clearing firm stating which specific reports the introducing firm requires as part of its supervisory system.

10.14 Networking and Disclosures for Bank-Affiliated Broker Dealers-FINRA Rule 3160

Regulatory Notice(s): 10-21

Who: *Chief Compliance Officer*

When: *N/A*
What: *Customer Disclosure (Business on Premises of Financial Institution)*
Evidence: *N/A*
Retention Period: *Not Less Than Three (3) Years*
Date: *October 2010*

10.14.1 Customer Disclosure and Written Acknowledgement (Business on Premises of Financial Institution)

References: FINRA Rule 3160
Regulatory Notice(s): 92-56, 91-62, 91-26, 89-11, 88-65, 88-20, 87-43, 87-24, 86-68, 85-69
Who: *Chief Compliance Officer*
When: *N/A*
What: *Customer Disclosure and Written Acknowledgement (Business on Premises of Financial Institution)*
Evidence: *N/A*
Retention Period: *Not Less Than Three (3) Years*
Date: *February 2013*

The Company has no activity or location on the premises of a financial institution where retail deposits are taken, but if it ever does, the following will apply:

FINRA Rule 3160 requires that a firm establish and maintain a system to supervise the activities conducted by the firm on the premises of a financial institution where retail deposits are taken. FINRA Rule 3160 "financial institution" as any federal and state chartered bank, savings and loan associations, savings banks, credit unions, and the service corporation of such institutions.

Firm are also required to make reasonable efforts to obtain from each customer during the account opening process a written acknowledgment of receipt of the required disclosures.

The Firm does not conduct activities on the premises of a financial institution. The Firm understands that before conducting such business activities, the Firm must first establish and implement written supervisory procedures that address the approval and review this business activity.

10.14.2 FINRA Rule 3160 Activities at Financial Institution Location

FINRA Rule 3160 requests a broker-dealer that is conducting activities on the premises of a financial institution:

- Be clearly identified as the person providing broker-dealer serves and be distinguished from the services of the financial institution.
- Conduct the broker-dealer services in an area that displays clearly the broker-dealer's name.
- Maintain its broker-dealer services in physically separate location (to the extent practical) from the retail deposit-taking activities of the financial institution.

FINRA Rule 3160 requests that any networking agreements in place between the broker-dealer and the financial institution be in writing and set forth the responsibilities and compensation arrangements for each party. In addition, such networking agreement must stipulate that the supervisory personnel of the broker-dealer, (the SEC and FINRA) be permitted accesses to the financial institution's premises where the broker-dealer conducts its services and have the ability to inspect the books and records (and other relevant information) maintained by the broker-dealer with respect to its services.

FINRA Rule 3160 requires a broker dealer who is conducting activities on the premises of a financial institution to disclose in writing (or orally) at or prior to an account being opened that:

- The securities products are not insured by the Federal Deposit Insurance Corporation ("FDIC").
- The securities products are not deposits or other obligations of the financial institution and are not guaranteed by the financial institution.
- The securities products are subject to investment risks, including possible loss of the principal invested.

FINRA Rule 3160 also requires that all confirmations and statements clearly indicate that the services are provided by the broker-sealer. In addition, all advertisements and sales literature used to promote the services of the broker-dealer include the specific written disclosures regarding investment products not being FDIC insured, not guaranteed by a financial institutions and may be subject to loss of value.

The Firm does not permit activities to be conducted on the premises of a financial institution. The Firm understands that before conducting such business activities, the Firm must first establish and implement written supervisory procedures that address the approval and review this business activity.

10.15 Sales and Offers of Sales of Securities on Military Installation

References: FINRA Rule 2272
Regulatory Notice(s): 15-34
Who: *Chief Compliance Officer*
When: *As Needed*
What: *Sales and Offers of Sales of Securities on Military Installations*
Evidence: *N/A*
Retention Period: *Not less than five (5) years*
Date: *March 2016*

To date, the Company has not engaged in sales or offers of sales of security to any member of the U.S. Armed Forces or a dependent thereof, on the premises of a Military Installation, but if it ever does, the following would apply:

FINRA Rule 2272 requires that any firm engaging in sales or offers of sales of security to any member of the U.S. Armed Forces or a dependent thereof, on the premises of a Military Installation, disclose in writing (may be electronic):

- the identity of the member offering the securities,
- that the securities offered are not being offered or provided by the member on behalf of the Federal Government, and that the offer of such securities is not sanctioned, recommended or encouraged by the Federal Government.

In addition, FINRA Rule 2272 requires that a firm satisfy the suitability obligations imposed by other FINRA Rules when making a recommendation on the premises of a Military Installation to any member of the U.S. Armed Forces or a dependent thereof.

The Firm does not conduct business activities on the premise of any Military Installation. The Firm understands that it must have written policies and procedures implemented prior to conducting this activity.

10.16. Fairness Opinions

References: FINRA Rule 5150
Regulatory Notice(s): 08-57, 07-54
Who: *Chief Compliance Officer*
When: *N/A*
What: *Fairness Opinions*
Evidence: *Fairness Opinions*
Retention Period: *Not less than three (3) years*
Date: *October 2008*

The Company is not a publicly held company and does not normally engage in activities likely to require a fairness opinion, but if it would ever apply, the following would be engaged:

FINRA Rule 5150 requires certain disclosures within a fairness opinion whenever such fairness opinion has been issued to a firm's board of directors or public shareholders:

- If the member has acted as a financial advisor to any party to the transaction that is the subject of the fairness opinion, and, if applicable, that it will receive compensation that is contingent upon the successful completion of the transaction, for rendering the fairness opinion and/or serving as an advisor;
- If the member will receive any other significant payment or compensation contingent upon the successful completion of the transaction;
- If any material relationships that existed during the past two years or that are mutually understood to be contemplated in which any compensation was received or is intended to be received as a result of the relationship between the member and any party to the transaction that is the subject of the fairness opinion;
- If any information that formed a substantial basis for the fairness opinion that was supplied to the member by the company requesting the opinion concerning the companies that are parties to the transaction has been independently verified by the member, and if so, a description of the information or categories of information that were verified;
- Whether or not the fairness opinion was approved or issued by a fairness committee; and

- Whether or not the fairness opinion expresses an opinion about the fairness of the amount or nature of the compensation to any of the company's officers, directors or employees, or class of such persons, relative to the compensation to the public shareholders of the company.

In addition, FINRA Rule 5150 requires that a firm have written procedures for the approval of a fairness opinion, including:

- The types of transactions and the circumstances in which the member will use a fairness committee to approve or issue a fairness opinion, and in those transactions in which it uses a fairness committee:
- The process for selecting personnel to be on the fairness committee;
- The necessary qualifications of persons serving on the fairness committee;
- The process to promote a balanced review by the fairness committee, which shall include the review and approval by persons who do not serve on the deal team to the transaction; and
- The process to determine whether the valuation analyses used in the fairness opinion are appropriate.

The Firm does permit the use of fairness opinions. In addition, the Firm does not permit Associated Persons to draft or issue fairness opinions. The Firm understands that before conducting such business activities, the Firm must first establish and implement written supervisory procedures that address the approval and review this business activity.

10.17. Outsourcing

References: FINRA Rule 3110
SEC Rule 17a-3
SEC Rule 17a-4
Regulatory Notice(s): 14-10

Who: *Chief Compliance Officer*
When: *Annually and As Needed*
What: *Supervision of Outsourcing Activities*
Evidence: *Documents Produced by Outsourcing*
Retention Period: *Not less than three (3) years*
Date: *November 2014*

FINRA Rule 3110 requires a firm to have written supervisory procedures that are appropriately tailored to each firm's business structure. This includes all activities that a firm may outsource to a third-party vendor. FINRA Rule 3110 requires that the firm's written supervisory procedures include procedures to ensure that all activities conducted through outsourcing are compliant with applicable securities laws and regulations and rules. In addition a firm's procedures should include a due diligence analysis of its current or prospective third-party service provides to determine whether the third party service provider is capable of performing the outsourced activities. A firm also has a continuing responsibility to oversee, supervise and monitor the service provider's performance of covered activities.

The Firm will conduct due diligence on any third-party service provider prior to being engaged to determine whether the third-party vendor is capable of performing the duties to be contracted out. This due diligence includes a review of the third-party services via samples of products, a review of the individual's resume or qualifications, and a detailed list of activities to be performed by the third-party vendor. The Firm will maintain copies of all materials used to select a third-party service provider for a period of at least three years after the termination of such services.

In addition, the Firm's Chief Compliance Officer or his designee will review and approve in writing all materials produced by the third-party vendor prior to be implemented by the Firm. The Firm will maintain all materials created by the third-party vendor for a period of time required per FINRA and/or SEC Rules.

10.18 Financial and Operations Principal Duties and Responsibilities

References: FINRA Rule 1230(a)(4)
Regulatory Notice(s): 17-30
Who: *Financial and Operations Principal (FINOP)*
When: *As Needed*
What: *Duties and Responsibilities*
Evidence: *Firm Financial Records*
Retention Period: *Not Less Than Three (3) Years*
Date: *October 2018*

FINRA Rule 1230(a)(4) requires that a firm designate an individual as either a Financial and Operations Principal or an Introducing Broker-Dealer Financial and Operations Principal. The person so designated can be found in Exhibit E.

A Financial and Operations Principal and an Introducing Broker-Dealer Financial and Operations Principal shall be responsible for performing the following duties:

- final approval and responsibility for the accuracy of financial reports submitted to any duly established securities industry regulatory body;
- final preparation of such reports;
- supervision of individuals who assist in the preparation of such reports;
- supervision of and responsibility for individuals who are involved in the actual maintenance of the firm's books and records from which such reports are derived;
- supervision and performance of the firm's responsibilities under all financial responsibility rules promulgated pursuant to the provisions of the Exchange Act;
- overall supervision of and responsibility for the individuals who are involved in the administration and maintenance of the member's back office operations;
- any other matter involving the financial and operational management of the firm.

In addition, FINRA Rule 1230 requires that a firm designate a:

- Principal Financial Officer with primary responsibility for financial filings and those books and records related to such filings; and
- Principal Operations Officer with primary responsibility for the day-to-day operations of the firm's business, including overseeing the receipt and delivery of securities and funds, safeguarding customer and member assets, calculation and collection of margin from customers and processing dividend receivables and payables and reorganization redemptions and those books and records related to such activities.

In addition, any firm that self-clears, or that clears for other members, is required to designate separate persons to function as Principal Financial Officer and Principal Operations Officer. Such persons may also carry out the other responsibilities of a Financial and Operations Principal and an Introducing Broker-Dealer Financial and Operations Principal.

If a firm is limited in size and resources, it may, pursuant to the Rule 9600 Series, request a waiver of the requirement to designate separate persons to function as Principal Financial Officer and Principal Operations Officer.

Each firm that is an introducing member may designate the same person to function as Financial and Operations Principal (or Introducing Broker-Dealer Financial and Operations Principal), Principal Financial Officer and Principal Operations Officer. However, at this time, the Company chooses not to do so.

Each person designated as a Principal Financial Officer and/or Principal Operations Officer shall be required to register as a Financial and Operations Principal or an Introducing Broker-Dealer Financial and Operations Principal pursuant to paragraph (a)(4)(A) of this Rule.

Each person seeking to register as a Financial and Operations Principal shall, prior to or concurrent with such registration, pass the Financial and Operations Principal qualification examination. Each person seeking to register as an Introducing Broker-Dealer Financial and Operations Principal shall, prior to or concurrent with such registration, pass the Financial and Operations Principal qualification examination or the Introducing Broker-Dealer Financial and Operations Principal qualification examination.

The Firm has identified one individual designated at the Firm's FINOP in Exhibit E. This individual is identified on the Firm's Form BD and on the FINRA Contact System as required. The Firm's FINOP is responsible for preparing and submitting the Firm's required regulatory filings, as well as the supervision of all persons responsible for the preparation of the Firm's official book, records and back-office systems used to prepare such filings.

10.19. Clearing Agreements

References: FINRA Rule 4311
Regulatory Notice(s): 11-46
Who: *Financial and Operations Principal (FINOP)*
When: *As Needed*
What: *Clearing Agreements*
Evidence: *Clearing Agreement*
Retention Period: *Not less than three (3) years*
Date: *August 2011*

FINRA Rule 4311 requires all clearing or carrying agreements entered into by a broker-dealer to specify the responsibility of each party with respect to:

- Opening, approving accounts.
- Acceptance of orders.
- Transmission of orders for execution.
- Execution of orders.
- Extension of credit.
- Receipt and delivery of funds and securities.
- Preparation and transmission of confirmations.
- Maintenance of books and records.
- Monitoring of accounts.

10.20 Introduction 0.20. Disclosure of Firm's Balance Sheet Upon Customer Request

References: FINRA Rule 2261
SEC Rule 17a-5
Regulatory Notice(s): 10-21
Who: *FINOP*

When: *As Needed*
What: *Disclosure of Firm's Balance Sheet Upon Customer Request*
Evidence: *Cover Letter*
Retention Period: *Not Less Than Three (3) Years*
Date: *April 2010*

FINRA Rule 2261 requires that a firm make available for inspection information relative to the firm's financial condition as disclosed on its most recent balance sheet. FINRA Rule 2261 requires that a firm's balance sheet be provided in either paper or electronic form, provided the customer consents to the receipt of the balance sheet in electronic form.

FINRA Rule 2261 defines "customer" as any person who, in the regular course of business, has cash or securities in the possession of the firm.

SEC Rule 17a-5 requires a broker-dealer to promptly send a copy of the firm's financial statements to any customer who makes such request. In addition, the broker-dealer may not charge the customer for any charges related to fulfilling the request.

The Firm's Financial and Operations Principal or his designee is responsible to ensure that all customer requests for copies of financial statements are completed promptly. The Firm will maintain a copy of the cover letter to evidence that such request was completed. Copies of the cover letter will be maintained for a period of at least three years.

10.21. Assignment of Responsibility for General Ledger Accounts and Identification of Suspense Accounts

References: FINRA Rule 4523
SEC Rule 17a-3
SEC Rule 17a-4
SEC Rule 17a-5
Regulatory Notice(s): 10-21
Who: *FINOP*
When: *As Needed*
What: *Disclosure of Firm's Balance Sheet Upon Customer Request*
Evidence: *Cover Letter*
Retention Period: *Not Less Than Three (3) Years*
Date: *August 2011*

FINRA Rule 4523 requires that each firm designate an Associated Person to be responsible for each general ledger bookkeeping account and account of like function used by the firm, and that the Associated Person must control and oversee entries into each such account and determine that the account is current and accurate as necessary to comply with all applicable FINRA rules and federal securities laws governing books and records and financial responsibility requirements. The rule requires that a supervisor must, as frequently as is necessary considering the function of the account but, in any event, at least monthly, review each account to determine that it is accurate and that any items that are aged or uncertain as to resolution are promptly identified for research and possible transfer to a suspense account(s). The designation of this AP can be found in Exhibit E.

FINRA Rule 4523(b) requires that each carrying or clearing firm maintain a record of the name of each individual assigned primary and supervisory responsibility for each account as required by paragraph (a) of the rule. All records made pursuant to Rule 4523(b) must be preserved for a period of not less than six years.

FINRA Rule 4523(c) provides that each firm must record, in an account that must be clearly identified as a suspense account, money charges or credits and receipts or deliveries of securities whose ultimate disposition is pending determination. The rule requires that a record be maintained of all information known with respect to each item so recorded.

FINRA Rule 4523 requires a firm to maintain a record of the name(s) of the Associated Person assigned for the primary and supervisory responsibility for each account in the Firm's general ledger. Such records are required to be maintained for a period of not less than six years.

The Firm has assigned primary and supervisory responsibility over its general ledger accounts the Firm's FINOP. The FINOP must control and oversee entries into each account and determine that the account is current and accurate as necessary to comply with all applicable FINRA rules and federal securities laws governing books and records and financial responsibility requirements. Each assigned supervisor must review each account no less often than monthly to determine that the account is current and accurate; any items that become aged or uncertain as to resolution must be promptly identified for research and possible transfer to one or more suspense accounts.

10.22 Annual Audit

References: SEC Rule 17a-5
Regulatory Notice(s): 02-19
Who: *FINOP*
When: *Annually*
What: *Annual Audit*
Evidence: *Independent Audit Report*
Retention Period: *Not Less Than Six (6) Years*
Date: *August 2011*

SEC Rule 17a-5 requires every broker or dealer registered pursuant to section 15 of the Act to file annually, on a calendar or fiscal year basis, a report which shall be audited by an independent public accountant. Reports pursuant to this paragraph (d) shall be as of the same fixed or determinable date each year, unless a change is approved in writing by the designated examining authority for the broker or dealer. A copy of such written approval should be sent to the regional office of the Commission for the region in which the broker or dealer has its principal place of business.

The Firm shall file annually, on a calendar or fiscal year basis, a report that shall be audited by a PCAOB-registered independent public accountant qualified in accordance with SEA Rule 17a-5(d). This report must include a supplemental report as identified in SEC Rule 17a-5(e)(4) relating to the Firm's SIPC assessments when required under the SIPA. The report must include an oath or affirmation signed by a duly authorized party and shall be filed not more than sixty (60) days after the date of the financial statements. One copy of the report shall be filed with the SEC's regional or district office applicable to the Firm, the principal office of the Firm's designated examining authority; and each self-regulatory organization of which the Firm is a member. Two copies must be filed at SEC's principal office in Washington D.C. Certain states may also require a copy of audited financials. The FINOP must determine which states require this filing and ensure compliance with all required filings. Failure to file the required report will be a punishable violation under FINRA Rule 9552 and the Firm will be assessed late fees for filings made after the due date.

Annual audit reports should be filed in the form required by the recipients. Currently, the SEC requires paper filings and FINRA requires electronic filings via Firm Gateway. The oath or affirmation is submitted electronically to FINRA with the audit report and must be maintained in hard copy, with an original, manual and

notarized signature in the Firm's records along with the entire annual audit report. Supporting documentation for annual audit reports must be maintained for three years, per 17a-4(b)(8).

Should the Firm know that it is not prepared to meet its filing deadline, it may submit a written or verbal request to its FINRA Coordinator for an extension of time to file, no later than three business days prior to the audit due date. Requests must be accompanied by a written explanation and a letter from the auditor making certain representations. The FINOP is responsible for providing appropriate documentation and follow-up, and should reference finra.org for detailed information and guidance.

According to SEA Rule 17a-5(f)(3), the accountant hired by the Firm to conduct its annual audit must be independent to render an audit opinion on the Firm's financial statements. In keeping with the SEC's emphasis reiterated in Notice 02-19, the Company's audit firm cannot be in a position in which it is, or appears to be, auditing its own work—in other words, the auditor's independence must not be impaired and it is prohibited from providing accounting and bookkeeping services to the Firm. The Firm's auditor is permitted by the SEC to perform certain financial system services, only if the Firm has explicitly acknowledged its responsibility to actively maintain, monitor, and evaluate the financial information and reporting system.

The Firm's FINOP identified in Exhibit E will annually review the services provided by the Firm's outside auditor to ensure that the auditor's independence is not impaired. In addition, the FINOP will seek to obtain (or has obtained) an engagement letter from the auditor outlining the services to be provided and the respective responsibilities of both parties as well as a representation from the auditor that he or she is either a certified public accountant duly registered or a public accountant entitled to practice in good standing under the laws of his or his place of residence or principal office.

If the Firm changes its auditor, it shall file electronic notification regarding this change using the Financial Notifications link via the Financial Notifications link at http://www.finra.org/RegulatorySystems/RegulationFilingApplications/RegulatoryNotifications/index.htm. Notices must also be sent to the SEC as required under the Rule since the electronic notification only satisfies the notification requirements of FINRA.

10.23 Schedule 1: Report on Revenue and Expenses

Schedule 1: Report on Revenue and Expenses

References: SEC Rule 17a-10
SEC Rule 17a-5
SEC Rule 17a-4
MSRB Rule G-8(a)(x)
MSRB Rule G-9(b)(vii)
Regulatory Notice(s): 03-63, 98-34

Who: *Financial and Operations Principal (FINOP)*
When: *Annually and/or As Needed*
What: *Financial Reporting / Backup – Net Capital Computation - FOCUS*
Evidence: *Respective Books and Records*
Retention Period: *Not Less Than Three (3) Years*
Date: *December 2007*

SEC Rule 17a-10 requires broker-dealers to file Schedule I with their FOCUS Reports within 17 business days after calendar year-end.

Schedule 1 is a questionnaire that collects general information about the operations of a broker-dealer. This information includes the number of employees, the number of markets made, how the firm clears transactions,

and the types of revenue sources and amount of revenue (including revenue derived from activities related to municipal securities). The Firm's FINOP or his designee is responsible to file the Firm's Schedule 1 within 17 business days after the calendar year-end. The Firm maintains a printout of the submitted Schedule 1 for a period of not less than three years.

10.24 Mandatory Electronic Filing Requirements

References: FINRA Rule 4517
Regulatory Notice(s): 07-42, 06-61

Who: *Chief Compliance Officer (the CCO)*
When: *As Needed*
What: *Electronic Filings*
Evidence: *Respective Books and Records*
Retention Period: *Not Less Than Three (3) Years*
Date: *February 2015*

FINRA Rule 4517 requires a firm to file with FINRA all regulatory notices or other documents required to be filed in such electronic format as specified by FINRA.
The following notices are some of the required forms that must be filed with FINRA electronically:

- 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
- Rule 17a-11(e): Material inadequacy in accounting systems, internal controls or practices and procedures

The Firm's FINOP or his designee is responsible for the electronic filing of all FINRA regulatory notices (documents) relating to Rule 15c-3 & 17a-5. The FINOP or his designee will print out a copy of all notices filed electronic and initial to indicate his review. In addition, the Firm will maintain copies of all notices filed electronically and all supporting documentation.

11. INVESTMENT COMPANY SALES ACTIVITIES

11.0 Introduction

The policies and procedures in this section, where applicable, apply to the Firms business activities with regard to Unit Investment Trusts (UITs) and/or investment companies.

It shall be a policy of the Company that since most mutual funds are designed to be long-term investments rather than vehicles for quick, speculative profit-making, customers are to be discouraged from switching from one mutual fund "family" to another. Furthermore, an Associated Person should discourage a customer from chasing returns among fund families and frequently switching from one fund family to another. Generally, switches should only occur where there has been a clear change in the customer's investment objectives and the investment objectives of the fund into which the customer is switching meets their changed needs and objectives. If the current fund family offers a fund that meets the customer's needs, the customer should be made aware of this fact as he can usually switch funds within a fund "family" without incurring a sales charge. If the customer elects to switch families, he or she must be made aware of the potential economic consequences of such an action and the customer must also complete the Acknowledgment/Switch Form. Where an Associated Person submits Acknowledgment/Switch Forms from several customers within a 60-day period, the CCO or designee shall be responsible for contacting such customers to ensure that the customers were made aware of any economic disadvantages that could occur from the switch.

11.1 Compliance Chart

Name of Supervisor:	• Designated Supervisors or Principal
Statutes	• SEC Rule 17a-3 and 17a-4 – books and records (34 Act Section 240) • FINRA Rule 2830(k) and SEC Rule 12b-1 – Anti-Reciprocal Rule • FINRA Rule 2830(d) – Sales Charges, ROA • FINRA Rule 2830(m) – Prompt transmission of applications and pmt • FINRA Rule 2342 -- Breakpoints
Frequency of Review:	• As required • Daily trade blotters • Annual training
Actions	• Review information on mutual funds • Determine which fund companies' products to offer • Execute dealer agreements with mutual fund companies • Review any applicable advertising or sales literature • Provide education regarding mutual fund sales including prohibitions under the anti-reciprocal rule and review for violations • Develop and provide applicable disclosures to customers regarding mutual fund purchases • Review order records • Provide training to Associated Persons on mutual fund purchases
Records	• Selling Agreements • Trade blotters

	• Checks received and forwarded blotter • Customer account documents • Any advertising, sales literature, and correspondence • Training records

11.2 Suitability

Prior to making a recommendation, Associated Persons are required to have a reasonable basis for believing that the recommendation is suitable for such customer upon the basis of the facts, if any, disclosed by such customer as to other security holdings and their financial situation and needs. In making a recommendation to an institutional customer, Associated Persons are expected to consider the customer's capability to evaluate investment risk independently and the extent to which the customer is exercising independent judgment in evaluating a member's recommendation.
Associated persons are responsible for the undertaking the following considerations in the recommendations of investment company securities:
 the objectives of the fund relative to the investment objectives of the customer;
 the choice of class share relative to the time horizon of the customer and amounts purchase and to be purchase;
 the opportunity to participate in breakpoints;
 the potential use and the appropriateness of using letters of intent and rights of accumulation;
 the use of inverse or leveraged trading strategies (for exchange traded funds only);
 the choice of fund family and the ability to aggregate purchases for breakpoints;
 reinstatement privileges and the ability to purchase at net asset value in select circumstances;
 the costs and fees of various investment company securities; and
 other facts and circumstances material to the customer and the investment company security.

11.3 Dealer Agreements

Company executes dealer agreements with mutual fund underwriters. Company maintains records of dealer agreement arrangements. Associated Persons may only sell mutual funds in which the Company has such agreement or through its clearing firm who maintains such agreements.

11.4 Anti-Reciprocal Rule

Company is prohibited from favoring the sale of mutual funds based on revenues earned (directly or indirectly) from the investment company issuing the mutual fund. This includes:
-Directed brokerage, which is a practice where the investment company directs brokerage business to a broker-dealer to reward or compensate the dealer for selling its funds. This includes, directly referring brokerage transactions to the dealer that sells its funds and also "step-out" arrangements where brokerage is directed to another firm and then revenue is shared with the dealer selling the funds.
-Undisclosed revenue sharing, where the mutual fund company pays incentives to the broker-dealer to secure a prominent place in the selling dealer's distribution network ("shelf space").

If any Company person becomes aware of a prohibited activity, it should be reported immediately to Compliance. The selection and offer of mutual funds will comply with anti-reciprocal prohibitions. Specifically, Company will not:
-Sell shares of, or act as underwriter for, any investment company where Company is aware that the investment company or its investment adviser or underwriter have directed brokerage arrangements in place that are intended to promote the sale of investment company securities.
-Favor or disfavor sales of investment companies based on commissions received or expected and tied to sales;

-Require such commissions to sell the funds or offer commission to another broker-dealer relating to their sale of funds;
-Circulate information about commissions received from an investment company, other than to senior managers for purposes of managing Company's business;
-Sponsor or encourage an incentive campaign or special sales effort of another dealer financed by commissions received related to the sale of the funds;
-For retail sales, provide incentive or special compensation based on the amount of commissions expected to be received from the fund or another source;
-Establish recommended, selected, or similar preferred lists of investment companies if based on brokerage commissions;
-Allow Associated Persons and other sales personnel to participate in commissions received from investment company portfolio transactions; and
-Use the sale of investment company shares to negotiate the price or amount of brokerage commissions paid on investment company portfolio transactions.

These prohibitions do not prevent execution of investment company portfolio transactions that are not tied to sales of the investment company's shares. Associated Persons and managers may be compensated for sales attributable to them including the use of overrides, accounting credits, or other compensation, provided the extra compensation does not violate anti-reciprocal prohibitions.

11.5 Advertising and Sales Literature

All investment company advertising and sales literature must be reviewed and approved by the CCO or the designated supervisor prior to use. Typically investment company advertising and sales literature will have to be filed with FINRA along with the applicable filing fee. Associated Persons may use materials provided by the fund or Company approved materials. Any other advertising or sales literature must be approved by the designated supervisor prior to use.

Sales material provided by outside (third) parties such as newspaper or magazine articles, books or pamphlets, handouts, and other third-party provided material **must be reviewed and approved by Compliance prior to use**.

The following guidelines apply when using third-party sales material:

-Associated Persons may **not** suggest or infer that they authored investment-related books, articles, or other sales material not written by them.

-If Company or Associated Person has paid for the publication, production, or distribution of any communication that appears to be a magazine, article or interview, then the communication must be clearly identified as an advertisement.

-Sales material may **not** include titles other than those normally conferred by Company (account executive, financial consultant, *etc.*) unless previously approved by Compliance. Associated Persons particularly may **not** use titles inferring expertise in dealing with senior investors.

11.6 Prompt Transmission of Applications and Payment

Associated Persons are obligated to transmit mutual fund (and variable annuity) applications and customer payments to the designated office/application processor on the same day as they are received or by noon the following business day when accompanied with a payment if received outside of regular business hours.

Associated Persons who do not comply with prompt transmission requirements may be subject to disciplinary action. All applications and payments must be forwarded to the respective back office for handling and processing.
A ”blotter” is required to be kept by the AP at their location regarding the applications and payments. Said blotter is to be submitted semi-annually to the home office.

11.7 Closed End Funds

Closed-end funds are investment companies that issue a finite number of shares that trade in the open market, usually on a stock exchange. Because they trade like other stocks, requirements that apply to open-end mutual funds such as switch letters and prospectuses provided to all purchasers generally do not apply to closed-end funds. Certain features of mutual funds such as breakpoints, letters of intent, and rights of accumulation are not features of closed-end funds. As for all security recommendations, however, Associated Persons are responsible for making suitability determinations prior to making a recommendation to a customer.

11.8 Unit Investment Trusts (UITs)

UITs are investment company securities that invest in a fixed portfolio of securities such as corporate, municipal, or government bonds, mortgage-backed securities, common or preferred stock, or other investment company shares. Unit holders receive an undivided interest in both the principal and the income portion of the portfolio in proportion to the amount of money invested. UITs have a finite life that ends when all securities in the portfolio have matured or are liquidated per the terms of the trust.

11.9 Exchange Traded Funds (ETFs)

ETFs are open-end investment companies or unit investment trusts (UITs) listed on stock exchanges; they can be bought and sold throughout the trading day at the current market price. A typical ETF is based on specific domestic and foreign market indexes. An index-based ETF tracks the performance of an index by holding in its portfolio either securities replicating the index or a representative sample of the securities in the index. ETFs also track non-traditional investments such as commodities and currencies. Some ETFs track indexes inversely (i.e., the ETF rises when the index falls) and new ETFs are continually evolving.
Following are considerations when recommending ETFs:
Recommendations must consider what the ETF tracks to determine suitability for the proposed investor.
ETFs that track narrow sector or foreign market indexes can be highly concentrated and highly volatile or might fail to track their indexes properly. They also may have higher fees than ETFs based on broader indexes.
An ETF that invests in a sampling of the tracked index may not perform consistent with the index.
Some ETFs sell short, others use leverage, and others use a combination of the two. Some ETFs are more complex financial instruments that offer leverage or are designed to perform inversely to the index or benchmark they track, or both. Leveraged ETFs amplify daily index moves; short selling provides the inverse daily return of market indexes. Targeted leverage levels don't necessarily meet targets over long periods due to compounding returns. Investors in these types of ETFs must be willing to assume higher risk.
Some inverse ETFs track broad indices, some are sector-specific, and still others are linked to commodities or currencies.
ETFs are not suitable for a customer who wants to make regular periodic investments since each transaction will generate a commission cost. ETFs are more appropriate for larger lump-sum investments.
Some ETFs allow investors to cash out their investment with the issuer.
ETFs may be subject to temporary price disparities during times of highly volatile markets when ETF shares may trade for significantly less than the value of underlying assets. This risk is of particular concern to short-term traders.
ETF shares can be sold short and bought on margin.

For most ETFs, holdings are transparent, i.e., an investor will know what is being held by the ETF by the makeup of the tracked index. However, in the case of an actively-managed ETF, knowledge of investments may not be available to investors.
ETFs may have lower annual expenses than traditional funds; however, investors incur commission costs for each purchase and sale in the market.
ETFs may be more tax efficient than regular mutual funds. Since shares are traded in the secondary market, the ETF is not required to liquidate its portfolio to satisfy fund sales and therefore reduces generation of capital gains distributions to investors that result in tax liabilities each year.
ETFs do not offer dividend reinvestment plans which are available from regular mutual funds.

See 8.26.1, 8.26.2, 8.26.3 for additional information on ETFs.

11.10 FINRA Rule 2342-Breakpoints and Sales Charges

Further, it shall be a policy of the Company to prohibit the sale of mutual fund shares or UITs to prospective investors for an amount just below the point at which sales charges are reduced on quantity transactions unless the customer has been made aware of the economic consequences of such a purchase. Associated Persons are required to advise customers of the savings available in a purchase above the breakpoint.

Where an application for a purchase is submitted which may raise a breakpoint question either with respect to the current purchase itself, or in conjunction with prior purchases, and in all cases purchases that are $50,000 or greater, the designated principal at each OSJ shall be responsible for making an investigation, based on the information available from the prospectus, the customer's client file, account statements, and if through the clearing firm, the status and history to review the circumstances of such sale(s), including, where necessary, communication with the customer. Should the situation warrant, the CCO shall take remedial action on behalf of the Company. This action would be evidenced by a request to the mutual fund company for correction of any failure to provide the customer with breakpoints, rights of accumulation, family related account totals or a letter of intent.

General Guidelines:
It shall be a policy of the Company for representatives to disclose to customers the breaks in sales charges or price breaks and to ascertain the proper sales charge applied due to:

- letters of intent;
- rights of accumulation;
- multiple purchases by the customer in the same fund family on the same day;
- purchases of shares of different, but similar funds;
- aggregation of prior purchases of the same fund in the same account;
- waivers available for repurchasing fund shares;
- exchanging shares for another fund in the same fund family; and
- amounts just below the breakpoint level, when funds are available to meet the breakpoint discount.

The method of pursuing proper breakpoints for customers purchasing “A” class shares is accomplished for brokerage account purchases at HTS, by a functionality that has an ROA calculator and Breakpoint calculator at the bottom of the entry order screen (card).

11.11 Letters of Intent

Most mutual fund companies allow a sales charge discount if the investor states his intent to purchase a specified minimum number of shares over a period of time (letter of intent). Associated Persons must explain the term LOI to the customer and ascertain whether the customer wishes to participate in this option. Fund

applications, direct or electronic, provide a section for this option to be completed if applicable. In addition, most companies allow customers to aggregate purchases made, looking back 90 days to achieve quantity discounts (Retroactive Letter of Intent). Associated Persons must also ascertain from the customer if this option is applicable to their transaction(s).

11.12 Rights of Accumulation

Most mutual fund companies permit an investor to aggregate shares owned in related accounts in some or all funds in the fund family to reach a breakpoint discount. Funds typically allow investors to aggregate fund shares owned by a person or a group of persons related to the investor (family members or members of certain organizations). This option also gives a fund shareholder the ability to have earlier purchases of shares of funds in his/her accounts and in related accounts count towards the reduction of the sales charge on a current purchase. Note that some customers may decline to divulge such information, however, the Associated Person must make a reasonable effort to obtain such information. Some examples of ways that funds allow share purchases to be combined include:

- aggregation with prior A share purchases;
- aggregation with prior purchases of all share classes;
- aggregation with holdings of a spouse and minor children;
- aggregation with holdings of others (including one's grandchildren or domestic partner);
- aggregation with purchases in certain trust accounts;
- aggregation with the purchase of variable annuities; and
- aggregation with holdings in other accounts, such as IRA accounts and 529 Plans.

Letters of intent and rights of accumulation may be combined for further benefits. A customer may also receive a breakpoint discount on a single transaction that meets a breakpoint. If discovered in a supervisory review for a check for availability of such breakpoints it is discovered that they are justified, the Company will make a request of the fund company to correct the situation. The AP will be informed and warned against such practices in the future.

11.13 Exchange Transactions

Most fund families also offer investors a right to exchange their holdings of one fund within the fund family for another fund within the fund family, without an additional sales charge. Various conditions and restrictions may apply, depending on the fund family. The prospectus will outline the terms governing whether an investor can avoid paying a sales charge on an exchange. Some of those conditions and restrictions relate to:

- time frame (i.e. shares must be held for at least one day prior to the exchange);
- exchanges may be limited to the same class of fund previously held;
- exchanges may be limited to a maximum number per year; and
- fees may be charged for certain exchanges.

11.14 Selling Dividends

In presenting investment recommendations to clients, the Associated Person should be careful not to "sell dividends." This is the practice whereby a representative uses the fact that the fund in question is about to pay a dividend as a selling point.

11.15 Processing Orders

All mutual funds orders, whether through the clearing firm or direct, requires review of a principal. No Associated Person may enter an order directly unless authorized to do so as a back office function or by the principal. No clearing firm order may be entered through Momentum after 3:00 pm central time (and often it is often 2:30 pm) to avoid market timing and violation of FINRA Rule 2010 (unless, of course, the order is for the following day). In addition, the Momentum system prohibits a trade from being entered after that time as an additional prevention, or if entered after the "cut-off time" the trade will be conducted the next business day. Additionally, it shall be a policy of the Company that where a mutual fund is handled on a subscription basis, all applications and customer checks shall be forwarded the same day or no later than the following business day by noon to the Issuer.

11.16 Contingent Deferred Sales Charge ("CDSC)

In addition to the requirements for disclosure on written confirmations of transactions contained in Rule 2230, if the transaction involves the purchase of shares of an investment company that imposes a deferred sales charge on redemption, such written confirmation shall also include the following legend: "On selling your shares, you may pay a sales charge. For the charge and other fees, see the prospectus." Consistent with the confirmations generated by Hilltop Securities Inc., the legend shall appear on the front of the client confirmation. If the order is an "application way" order, the disclosure is contained in the prospectus.

11.17 Sales of Mutual Funds Under Multiple Class Pricing

As mutual funds are being offered pursuant to an increasing variety of sales charges and distribution/service fees, it is important for the Associated Person and the customer to not only choose a mutual fund that best suits the customer's investment objectives, but is also in the customer's best interest.
The Company has a policy that no Associated Person will sell a B share amount of greater than $25,000 without a signed customer disclosure document.

11.18 Disclosure of Facts & Circumstances

Associated persons, in assisting a customer in choosing a particular class of shares, should consider all relevant facts and circumstances, including, but not limited to: (a) the amount of money to be invested initially and over a period of time; (b) the current level of front-end sales load, CDSC and distribution/service fees imposed with respect to a particular class by the fund; and (c) any other relevant circumstances, such as the availability of purchases under letter of intent or pursuant to rights of accumulation or the availability of CDSC waivers upon redemptions of shares.

General Guidelines: There are instances where one method may be more advantageous than other alternative methods. For example, investors who would qualify for significant discount on a front-end sales load may determine that a Class A purchase is preferable to payment of either (i) any applicable CDSC imposed upon the redemption of Class B shares and the higher Class B distribution/service fees (which are imposed during the period prior to the conversion of Class B shares to Class A shares) or (ii) any applicable CDSC imposed upon the redemption of Class C shares and the higher Class C distribution/service fees (which are imposed indefinitely).

On the other hand, a customer whose order would not qualify for such a discount may wish to defer the sales load and have all his funds invested in Class B or Class C shares initially. If such a customer anticipates that he or she will redeem his or her shares within the first six years, the customer may determine that a Class C share purchase is preferable since there is no front-end sales load or CDSC after the first year.

In addition, customers who intend to hold their shares for a significant period of time should consider purchasing Class A or Class B shares since Class C shares pay ongoing distribution/service fees and do not convert into Class A shares.

Be advised that customers investing $1 million or more and certain retirement plans may not be permitted by the Fund Company to purchase Class C shares. In addition, any orders to purchase Class B shares for customers investing $1 million will likely be rejected by a fund company.

Class A shares may be sold at NAV (no front-end sales load) to certain persons and in certain instances as noted in the prospectus.

FINRA's or the SEC's expense analyzer are tools that can be utilized by both Associated Persons and/or the customer to evaluate the recommendation of a share class. The expense analyzers can be accessed at:

https://www.finra.org/investors/tools-and-calculators/finra-fund-analyzer-overview

-or-

http://www.sec.gov/investor/tools/mfcc/get-started.htm

11.19 NAV Transfers

Through a NAV transfer, certain mutual fund families allow the investor to purchase Class A shares of a mutual fund without paying a front-end sales charge, if the investor is using proceeds from the sale of a mutual fund in another mutual fund family for which a front-end or contingent deferred sales charge has already been paid.

11.20 Late Trading

FINRA Notice to Members 03-50 states in part: *"It is a violation of FINRA Rule 2010, and may be a violation of the federal securities laws and FINRA Rule 2020, for member firms and their Associated Persons to knowingly or recklessly effect mutual fund transactions that are priced based on NAV that is computed prior to the time the order to purchase or redeem was given by the customer. Furthermore, it may be a violation of FINRA Rule 2010 and the federal securities laws to knowingly or recklessly facilitate certain mutual fund transactions, such as market timing transactions, in conjunction with, or with the acquiescence of, a mutual fund sponsor, fund administrator, investment adviser, underwriter, or any other affiliated personnel where those other parties acted contrary to a representation made in the prospectus or statement of additional information pursuant to which the mutual fund shares are offered."*

For all practical purposes, it is not possible for a Company AP to participate in "late trading" or "market timing" based on the constraints under which mutual fund trading is conducted by APs registered with the Company.

Any questionable activity should be brought to the attention of the CCO and he shall investigate further with said review documented and initialed.

11.21 Market Timing

FINRA Notice to Members 03-50 states the following regarding market timing:
"...certain mutual fund companies represent in their prospectuses or SAIs that they engage in practices that are intended to prevent or control market timing transactions. Market timing transactions include mutual fund trades that occur when the purchaser or seller believes that the mutual fund's NAV does not fully reflect the value of the fund's holdings for example, when the fund has in its portfolio particular holdings, such as foreign or thinly traded securities, which are priced on a basis that does not include the most updated information

possible. In order to retard the efforts of investors who seek to profit on these pricing inefficiencies by executing mutual fund trades on a day when the NAV likely will not fully reflect the value of a fund's holdings and realizing the profit by trading the next day, some mutual fund companies have implemented measures to counteract the efforts of timers and have represented in their prospectuses or SAIs that they are conducting these measures. Consequently, where the mutual fund company and/or its affiliated persons have represented that they have taken steps to protect investors from market timers, a member firm and its Associated Persons may not knowingly or recklessly act in conjunction with, or with the acquiescence of, the fund and/or its affiliated persons to undertake, effect, or facilitate a market timing transaction."

Neither the Company nor its Associated Persons are permitted to collude with mutual funds and their affiliated persons to circumvent the mutual funds stated procedures. Designated principals or designees will attempt to detect such by reviewing correspondence (including e-mails). Large mutual fund transactions ($1,000,000 and over) will also be reviewed and if the fund experiences a large price change the day following the transaction, the designated principal shall investigate the trade. The results of the investigation shall be noted on the order ticket, trade journal, or via a memo. The reviewer shall initial the document that was reviewed and on which a notation was made to evidence their review. If the investigation does not yield a satisfactory answer for the reason and timing of the trade, the CCO shall take appropriate disciplinary action that includes any or a combination of: verbal warning, written warning, fine, suspension, loss of commissions for the trades in question, termination.

11.22 Redemption Procedures

Clients whose accounts are held at the fund can redeem shares directly with the mutual fund company otherwise, if held at Hilltop Securities Inc., they may incur a ticket charge for the handling of their redemption transaction. Redemptions are reviewed daily with all other orders. The AP may charge a fee for redemptions or exchanges up to $50 for exchanges and up to 1% for redemptions of funds NOT purchased through the firm or the AP. These limits are reviewed on each transaction by a principal and, if appropriate, approved. If inappropriate, action will be taken to correct the transaction.

11.23 Prospectus Reviews and Delivery

Most mutual funds are "open ended" which means that new shares are continuously being issued by the fund company at the public offering price. Consequently, these mutual fund shares are considered new issue securities and a prospectus must be delivered to all customers buying shares of the fund before the transactions settle. The customer will generally indicate the method of prospectus delivery on a direct order on the new account application. If the order is through HTS, they have committed to sending the prospectus to the customer upon receipt of the order. On "direct way" order all mutual funds provide a prospectus to the customer after receiving an application. HTS and/or the AP may deliver the prospectus via email if the customer provides an email address on the account form.

11.24 Non-Cash Compensation

It shall be the responsibility of the CCO to review all compensation arrangements with mutual fund sponsors to insure that they meet the following compensation requirements and restrictions on non-cash compensation arrangements.

(1) Except as described below, no Associated Person of the Company shall accept any compensation from anyone other than the Company. This requirement will not prohibit arrangements where a non-member company pays compensation directly to Associated Persons of the Company, provided that:

(A) the arrangement is agreed to by the Company;

(B) the Company relies on an appropriate rule, regulation, interpretive release, interpretive letter, or "no-action" letter issued by the Commission or its staff that applies to the specific fact situation of the arrangement;

(C) the receipt by Associated Persons of such compensation is treated as compensation received by the Company for purposes of the Rules of the Association; and

(D) the record keeping requirement in paragraph (3) is satisfied.

(2) No member or person associated with the Company shall accept any compensation from an offeror which is in the form of securities of any kind.

(3) Except for items described in subparagraphs (5)(A) and (B), the Company shall maintain records of all compensation received by the Company or its Associated Persons from offerors. The records shall include the names of the offerors, the names of the Associated Persons, the amount of cash, the nature and, if known, the value of non-cash compensation received.

(4) The Company shall not accept any cash compensation from an offeror unless such compensation is described in a current prospectus of the investment company. When special cash compensation arrangements are made available by an offeror to the Company, which arrangements are not made available on the same terms to all members who distribute the investment company securities of the offeror, the Company shall not enter into such arrangements unless the name of the Company and the details of the arrangements are disclosed in the prospectus. Prospectus disclosure requirements shall not apply to cash compensation arrangements between:

(A) principal underwriters of the same security; and

(B) the principal underwriter of a security and the sponsor of a unit investment trust which utilizes such security as its underlying investment.

(5) No member or person associated with the Company shall directly or indirectly accept or make payments or offers of payments of any non-cash compensation, except as provided in this provision. Notwithstanding the provisions of subparagraph (1), the following non-cash compensation arrangements are permitted:

(A) Gifts that do not exceed an annual amount per person fixed periodically by the Association and are not preconditioned on achievement of a sales target.

(B) 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.

(C) Payment or reimbursement by offerors in connection with meetings held by an offeror or by the Company for the purpose of training or education of Associated Persons of the Company, provided that:

(i) the record keeping requirement in paragraph (l)(3) is satisfied;

(ii) Associated Persons obtain the Company's prior approval to attend the meeting and attendance by the Company's Associated Persons is not preconditioned by the Company on the achievement of a sales target or any other incentives pursuant to a non-cash compensation arrangement permitted by paragraph (l)(5)(D);

(iii) the location is appropriate to the purpose of the meeting, which shall mean an office of the offeror or the Company, or a facility located in the vicinity of such office, or a regional location with respect to regional meetings;

(iv) the payment or reimbursement is not applied to the expenses of guests of the Associated Person; and

(v) 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 by paragraph (5)(D).

(D) Non-cash compensation arrangements between the Company and its Associated Persons or a non-member company and its sales personnel who are Associated Persons of an affiliated member, provided that:

(i) the Company's or non-member's non-cash compensation arrangement, if it includes investment company securities, is based on the total production of Associated Persons with respect to all investment company securities distributed by the Company ;

(ii) the non-cash compensation arrangement requires that the credit received for each investment company security is equally weighted;

(iii) no unaffiliated non-member company or other unaffiliated member directly or indirectly participates in the Company's or non-member's organization of a permissible non-cash compensation arrangement; and

(iv) the record keeping requirement in paragraph (3) is satisfied.

(E) Contributions by a non-member company or other member to a non-cash compensation arrangement between the Company and its Associated Persons, provided that the arrangement meets the criteria in paragraph (5)(D).

Generally, the "annual representations" will be included as statement from the AP stating that they have or have not received compensation from product providers.

11.25 Reviews

The Company reviews accounts for switching, order splitting, letters of intent and rights of accumulation by the following methods:

(a) Daily Blotter Reports from HTS should be reviewed for any account that has two or more mutual fund transactions to detect any of the above-mentioned practices.

(b) A daily review of mutual fund liquidations is performed on the HTS daily blotter. Questioned account activity should be investigated promptly and appropriate action should be taken.

During account reviews, account reviews should be evidenced by the reviewer's initials either manual written or stamped. The date is present on the HTS daily blotter at the top of the page. In addition, mutual fund correspondence is also reviewed at the same time that all correspondence is reviewed.

12. FIXED INCOME & GOVERNMENT SECURITIES

12.0 Introduction

These procedures apply to corporate debt securities and government securities. the CCO will have responsibility for supervising fixed income securities transactions in the home office and the applicable supervisor will be responsible for the OSJs. FAF has a clearing arrangement with HTS and relies on HTS for TRACE and OATS reporting. FAF realizes that even though this relationship exists that FAF is responsible for checking to be sure that HTS make the appropriate TRACE and OATS report and is ultimately responsible to assure the report is made.

12.1 Compliance Chart

Name of Supervisor:	• Designated Supervisors or Principal
Statutes	• FINRA Rule 2440 – Mark ups and downs • FINRA Rule 6700 series – TRACE reporting • Government Securities Act Amendments Of 1993
Frequency of Review:	• As required • Daily trade blotters • Annual training
Actions	• Review of order information • Review of TRACE reporting • Provide training to Associated Persons
Records	• Trade blotters • Order tickets • Training records

12.2 Suitability of Corporate Securities

FINRA Rule 2310/2111 – Recommendations to Customers (Suitability)
FINRA IM-2310-3 – Suitability Obligations to Institutional Customers
Prior to making a recommendation, Associated Persons are required to have a reasonable basis for believing that the recommendation is suitable for such customer upon the basis of the facts, if any, disclosed by such customer as to other security holdings and their financial situation and needs. In making a recommendation to an institutional customer, Associated Persons are expected to consider the customer's capability to evaluate investment risk independently and the extent to which the customer is exercising independent judgment.
An Associated Person in recommending corporate securities should consider, among other things, the following aspects:
 the type;
 the term;
 the yield;
 interest rate risk;
 investment/bond rating relative to the customer’s risk tolerance;
 yield relative to income needs of a customer;
 the frequency of any interest payments;

 the level or risk versus returns;
 the maturity date versus the customer’s investment horizon;
 call and redemption features of the security; and
 the credit-worthiness of the issuer.

12.3 Markups/Markdowns on Bonds (Fixed Income)

Rule 2232(c) requires members to disclose to a non-institutional customer the amount of markup or markdown the customer paid for a trade in a corporate or agency debt security, if the member also executes one or more offsetting principal trades in the same security on the same day.

Rule 2232(e) further requires members to disclose the time of execution, expressed to the second, for all non-institutional customer trades in corporate and agency debt securities. me trading day which in the aggregate meet or exceed the size of the customer trade.

Therefore, the fixed income trades of the Company with retail customers must disclose the amount of markup/markdown in a manner prescribed by FINRA regulations.

12.4 Parking of Securities

"Parking" is a process whereby a broker-dealer or Representative arranges for securities actually owned or controlled by one person, Company or corporation to be held or "parked" in street name or record name of another, giving the misleading impression that they are really owned by that other person, Company or corporation. Whether the device is called a "loan,” a "pledge" or a "transfer" the effect is the same: the person doing the "parking" has the capacity to exert ownership or control over the securities under an arrangement which allows that person to direct their sale, pledge, voting or other disposition as if he/she were the record owner. Often the person and those involved in this activity expect to benefit from an anticipated appreciation in value once the total transaction is accomplished.

It is a violation of SEC and FINRA rules (including the net capital rules) for a broker-dealer "park" securities. Any Associated Person involved in a scheme to "park" securities will be subject to severe disciplinary sanctions by the Company.

12.5 Adjusted Trading

Adjusted trading or overtrading which refers to an inappropriate practice involving the sale by a customer, usually a bank or fiduciary for an institutional or trust account, of a security to a broker/dealer at a price above the prevailing market value and the simultaneous purchase and booking of a different security at a price greater than its market value is strictly prohibited. Adjusted trading is not permitted by FAF.

12.6 Churning

“Churning,” which refers to executing trades in a client’s account for the primary purpose of generating commissions, is forbidden by FAF, and customer account reviews conducted by a member of the Compliance Department will take note of such activity. With regard to this issue, a report is generated by the clearing firm each week to aid the Principals in detecting excessive activity in client accounts.
The CCO will review daily trade blotters to detect churning or overtrading of accounts. As evidence of this review the CCO will initial, either manually or via an initial stamp, evidence of the review.
Note that an active account in which trades are truly "unsolicited" does not constitute "churning."

12.7 High Yield Debt

High yield debt, often called “junk bonds,” are unsecured notes with low credit ratings from all the major rating services. Junk bonds are often issued during a corporate restructuring. The credit ratings are low due to the fact that there is some significant doubt as to whether the issuer will be able to make the interest payments in a timely fashion and if the corporation can endure the restructuring.

When selling high yield debt, it is especially important that the product be suitable for the client. Prohibited sales practices as discussed in SEC Rules 10b-5 (manipulation and deceptive devices) are forbidden at FAF. No Associated Person or associated person shall edit, highlight, add or remove any information from any prospectus or other investment vehicles disclosure documents. Such conduct constitutes an act of fraud and will result in that employee’s termination ***with cause***.

Additionally, all prohibited transactions in connection with partial tender offers, as stated in SEC Rule 14e, will not be tolerated. This includes any manipulation of net long or short positions to participate in a tender, unauthorized short sales, or any act so conceived to interfere with a legitimate tender offer, alone or in concert with others.

High yield debt, due to the high risk and volatility of these securities, markups/markdowns may be allowed up to 5% or slightly higher. However, any markups/markdowns higher than 5% must be approved by the CCO. The CCO shall document the conditions to the exception in support of granting of such exception in writing and such notation should be attached to the trade ticket for the high yield debt.

12.8 Trade Reporting Compliance Engine (TRACE) *FIPS Rule Rescission*

The Trade Reporting and Compliance Engine (TRACE) is the FINRA-developed vehicle that facilitates this mandatory reporting. All broker/dealers who are FINRA member firms have an obligation to report eligible secondary market, over-the-counter transactions in corporate bonds to TRACE under SEC rules.

The CCO has the ultimate responsibility for ensuring that TRACE reports are submitted timely and accurately. Currently, the Company has engaged its clearing firm, Hilltop Securities Inc. (HTS) to submit TRACE order information on its behalf. The Company has submitted the proper TRACE Participation Agreement with HTS noted as the named Service Bureau, and the TRACE Order Form. HTS has agreed to report all required trades through the Trace System under First Asset’s MPID of “FAFI.”

The TRACE Rules provide the following:

1. fixed income transactions that must be reported under the new TRACE Rules are those OTC secondary market transactions involving a "TRACE-eligible security";
2. the term "TRACE-eligible security" means all United States dollar denominated debt securities that are depository-eligible securities; Investment Grade and Non-Investment Grade (as defined in the TRACE Rules); Agency debt issued by United States and/or an Agency or by a Government sponsored enterprise, foreign private corporations; and: (1) registered with the SEC; or (2) issued pursuant to Section 4(2) of the Securities Act of 1933 (Securities Act) and purchased or sold pursuant to Rule 144A under the Securities Act. TRACE eligible securities include unlisted convertible debt, unlisted equity-linked notes and similar securities (those that are listed on a national securities exchange must be reported to the appropriate equity trade reporting facility). A "foreign private issuer" is a foreign issuer that is not eligible to use the SEC's Schedule B for registering a debt offering in the U.S;
3. the term "TRACE-eligible security" specifically excludes money market instruments (“money market instruments” means a debt security that at issuance, has a maturity of one year or less); transactions in listed debt securities that are both executed on, and reported to, a national securities exchange; and

transactions in which the buyer and seller have agreed to trade at a price substantially unrelated to the current market for the debt security (e.g., to allow the seller to make a gift);

4. a member that is a party to a transaction involving a member and a non-member, including a customer, in a fixed income security that is a TRACE-eligible security must report the transaction to the FINRA;
5. when the party on the sell side and the party on the buy side of a transaction in a TRACE-eligible security are both members, both members must report the transaction to the FINRA;
6. the FINRA will disseminate transaction information relating to transactions in the following two types of securities:
    a. a TRACE-eligible security having an initial issuance size of $1 billion or greater that is Investment Grade at the time of receipt of the transaction report (except those securities that are issued pursuant to Section 4(2) of the Securities Act and purchased or sold pursuant to Rule 144A under the Securities Act); and
    b. a TRACE-eligible security that is designated as a Fixed Income Pricing System℠ (FIPS®) Mandatory Bond ("FIPS 50 security") immediately prior to the time that the FIPS rules (the current Rule 6200 Series) are rescinded; and
7. dissemination in the securities transactions referenced in 6 above will occur immediately after the transaction information is received by the FINRA.
8. information on *all* transactions in TRACE-eligible securities must be disseminated immediately upon receipt, except those transactions in TRACE-eligible securities that are purchased or sold pursuant to Rule 144A under the Securities Act of 1933 (Securities Act) (Rule144A transactions).

12.8.1 TRACE Reporting

Fixed income transactions that must be reported under the TRACE rules (“TRACE-eligible security") are those secondary market transactions in United States dollar denominated debt securities that are depository-eligible securities; Investment Grade and Non-Investment Grade issued by United States and/or foreign private corporations; and: (1) registered with the SEC; or (2) issued pursuant to Section 4(2) of the Securities Act of 1933 (Securities Act) and purchased or sold pursuant to Rule 144A under the Securities Act and are DTC eligible, including certain PORTAL debt securities.

“TRACE-eligible security" specifically excludes debt issued by a foreign sovereign or is a U.S. Treasury Security as defined in paragraph (p) of FINRA Rule 6700; mortgage-or asset-backed securities, collateralized mortgage obligations, money market instruments, and municipal securities.

12.8.2 Dissemination

The TRACE Rules provide that the Association will disseminate transaction information relating to transactions in two types of securities: (1) a TRACE-eligible security having an initial issuance size of $1 billion or greater that is Investment Grade at the time of receipt of the transaction report (except those securities that are issued pursuant to Section 4(2) of the Securities Act and purchased or sold pursuant to Rule 144A under the Securities Act); and (2) a TRACE-eligible security that is designated a FIPS Mandatory Bond immediately prior to the rescission of the FIPS rules.

Not all of the information that is reported will be disseminated. For each transaction, the FINRA will disseminate, or supply to vendors to disseminate, the following information: (a) the FINRA symbol for the fixed income security; (b) the CUSIP; (c) the date and time of trade execution; (d) price; (e) yield; and (f) quantity of bonds, subject to the following limitations. For a TRACE-eligible security having an initial issuance size of $1 billion or greater that is Investment Grade as referenced above, the actual quantity of the transaction (the total par value of the bonds purchased or sold) will be disseminated if the total par value of the reported transaction is $5 million or less; if the reported amount is greater than $5 million, a large volume trade dissemination cap identifier of "5MM+ will be disseminated instead of the actual quantity. For a

TRACE-eligible security that is designated as a FIPS Mandatory Bond as referenced above, the actual quantity of the transaction will be disseminated if the total par value of the reported transaction is $1 million or less; if the reported amount is greater than $1 million, a large volume trade dissemination cap identifier of "1MM+" will be disseminated instead of the actual quantity.

For each security, the highest price of the day, the lowest price of the day, and the "last sale" price of the day will be flagged with indicators for dissemination, when applicable. Certain modifiers may also be part of the information disseminated.

Immediately upon receipt of transaction reports between 8:00 a.m. and 6:30 p.m., Eastern Time, the Association will disseminate the transaction information. (Reports received earlier or later than the times set forth above are also subject to dissemination as set forth in greater detail in TRACE Rule 6250(c) and (d)).

The Association expects that more fixed income securities transactions will become subject to dissemination in the future. In order to expand the classes and types of fixed income securities that would become subject to dissemination, the Association will work with the Bond Transaction Reporting Committee (BTRC), a special committee of the FINRA that will be formed to analyze the effect that the dissemination of price and other information in certain TRACE-eligible securities transactions has upon the liquidity of those markets. Based in part on those results, the Association will determine a schedule for the dissemination of additional TRACE-eligible debt securities.

12.8.3 Order Tickets

Order tickets must be either scanned and emailed or called into HTS or entered directly into Momentum Trade Entry module. All TRACE orders must be reported in **Eastern Standard Time** to HTS for processing through the MOmentum system or through the HTS trade desk.

12.8.4 TRACE Reviews

The CCO will ensure that all Trace eligible securities are reported as required by FINRA Rule 6700 by the Company's clearing broker. The CCO should review the clearing broker's Trace reporting on a periodic basis through the FINRA TRACE website. Discrepancies will be brought to the attention of the clearing broker and the correction should be reviewed on the subsequent day after being reported. Such corrections should be documented and attached to the original order document.

12.9 Reverse Convertibles

Reverse exchangeable (Rex) or convertible securities are defined as a structured product that typically consists of a high-yield, short-term note of the issuer that is linked to the performance of an unrelated stock, basket of stocks or an index. Due to the higher likelihood of a basket of stocks reaching a ""knock-in" level, FAF Associated Persons are prohibited from offering a Rex that is dependent on a basket of stocks without specific written prior approval of the CCO. The maturity of the Rex is usually 3, 6, 9 or 12 months, although they can be up to 24 months.

A Rex is suitable only for customers who have indicated on their account form "growth" as at least one of their investment objectives. If the firm has customers with this investment objective, then the firm will be deemed to have at least some customers for whom a Rex is suitable. Furthermore, the particular individual investor should be comfortable with owning the underlying security should they end up owning them at a later date. A determination should be made by the Associated Person and the customer as to whether this is an acceptable option, should it arrive.

The Associated Person and retail customer should discuss the Rex to ensure that the customer makes an informed decision about whether or not to purchase a Rex. The discussion should contain such matters as the following:

> How the product works, including its payout structure, relevant information about the reference asset and the fact that the investor will not participate in any appreciation in the value of the reference asset, and that the receipt of the income will inure to the investor, regardless of the principal is returned or an alternative security is issued to the investor;

> The fact that the principal value of the investment is not guaranteed and it is possible t to suffer a loss on the investment; and

> The ability of an investor to sell the product prior to maturity, and the potential sales price, may depend on the willingness of the issuer or another party to maintain a secondary market;

> If the FAF Associated Person determines the investment objective of growth and/or speculation and the number of years investment experience exceed 5 in equity instruments, the customer need not have an option account open or applied for as these two factors would present reasonable grounds for believing the customer has such knowledge and experience in financial matters that he may reasonably be expected to be capable of evaluating these risks. Additional information on the customer's "New Account" form should be used in making this determination. Such factors as the customer's financial status, tax status, investment objectives and other information may be used in making such determination.

The Associated Person should be trained in a manner chosen by the CCO regarding the elements of a Rex prior to engaging in offering Rex's and that training verified by a test of some kind, either written or oral and documented in their personnel record as having obtained proficiency in the Rex product.

FAF is responsible to see that the customer receives a prospectus regarding the specific Rex purchased by the customer. Approval of the supervising principal on the trade ticket indicating the Rex and the customer will serve as approval of the customer's legibility to own a Rex. A part of the supervisory oversight will be a review of the customer's (New) Account Form to determine suitability.

The Company has not transacted business in Rex product for the past 10 years.

13. OPTIONS

13.1 Introduction

This chapter outlines requirements when offering options to customers. Key requirements include the following:

- APs and supervisors must be registered to sell and supervise options.
- Customers must submit an option agreement, and accounts must be approved for options trading levels.
- Writing uncovered options requires a separate disclosure and approval.
- Customers will be provided with a standard options disclosure document when option trading is approved either by personal delivery or electronic delivery.
- Customers are subject to position limits and methods of exercise disclosed in the agreement.
- Options communications require inclusion of the special risks associated with options.
- Compliance must approve discretionary accounts that will trade options.

13.2 Compliance Chart

Name of Supervisor:	• Designated Supervisor • the CCO • Compliance
Resources	• Customer Option Agreement • Order records • Daily Transaction Report
Statutes	• FINRA Rule 2360 • FINRA Rule 2220 – Options Communications
Frequency of Review:	• Daily as option trades or made or account option approvals
Actions	• Review option agreements and approve for appropriate trading level • Ensure option agreements are submitted for approval prior to the customer's first option transaction • Restrict accounts from further opening transactions where the customer's signed option agreement has not been received within 15 days of the first option transaction • Compliance: A qualified ROP will review accounts where the customer does not meet minimum criteria for the level of trading requested and approve or disapprove. • Ensure any options communication adheres to Rule 2220
Records	• Customer's signed Option Agreement signed and dated by the approving supervisor • Records of providing option disclosure document • Records of providing uncovered short options disclosure • Compliance written justification if an account is approved for a level of trading for which the customer does not meet minimum criteria • Transactions • Options Communications, Review and Approval

13.3 Option Accounts

The SROP and ROP shall have overall responsibility for options transactions. The SROP and ROP is identified in Exhibit B. All options trading must be routed through the home office. Prior to the first option trade, a completed option agreement must be approved by an ROP. In offices where no ROP resides, the local designated supervisor may approve the option account; however, an ROP must approve the account within 10 days of the local supervisor's approval.

Prior to an Associated Person accepting an initial order for the execution of a client's option transaction, the Associated Person must complete and sign an Option Information and Approval form and submit it to the ROP for approval. All option accounts are subject to final review and approval by the ROP, the Registered Options Principal. the ROP shall review and approve in writing all option accounts and Option Information and Approval forms.

The Option Information and Approval form is to be signed by the client prior to options trading in the client's account. The option form is to be signed and returned within 15 business days from the date the account is approved, in writing, for options trading. If the signed form is not received timely, the account will be restricted to liquidating option transactions only, until such time as a properly executed form is received and no commission credit will be given the Associated Person.

Accounts for non-natural persons (trusts, pension/profit sharing plans, corporations, etc.) require additional supportive documentation such as who is the designated individual within the institution authorized to act for it. If the account intends to effect options transactions other than covered call writing, the supportive documentation should disclose the specific strategies the account may affect.

Each account approved for option transactions will be furnished with a current Options Clearing Corp. (O.C.C.) Option Disclosure Document at the time the account is approved, entitled "Characteristics and Risks of Standardized Options" by print or electronic means.

Order tickets for option transactions will be marked "opening" or "closing." Orders for covered calls will be written on the same account type carrying the underlying stock position. All order tickets for option transactions should be reviewed and approved by the ROP as the Company's Options Principal. Such review and approval shall be evidenced by the ROP's initialing of each order ticket for options transactions.

Option orders conducted by a "dually registered person" under a registered investment advisor discretion agreement shall be considered to be a transaction initiated by the investment advisor and not the customer. For the degree of sophistication, the look is to the investment advisor representative.

13.4 FINRA Rule 2220. Options Communications (eff 12/14/09)

No member or Associated Person of the member shall use any options communications which:

(i) contains any untrue statement or omission of a material fact or is otherwise false or misleading;

(ii) 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;

(iii) contains cautionary statements or caveats that are not legible, are misleading, or are inconsistent with the content of the material;

(iv) would constitute a prospectus as that term is defined in the Securities Act, unless it meets the requirements of Section 10 of the Securities Act;

(v) contains statements suggesting the certain availability of a secondary market for options;

(vi) fails to reflect the risks attendant to options transactions and the complexities of certain options investment strategies;

(vii) fails to include a warning to the effect that options are not suitable for all investors or contains suggestions to the contrary; or

(viii) fails to include a statement that supporting documentation for any claims (including any claims made on behalf of options programs or the options expertise of sales persons), comparison, recommendations, statistics, or other technical data, will be supplied upon request.

13.4.1 Approval by a Registered Options Principal and Recordkeeping

All advertisements, sales literature (except completed worksheets), and independently prepared reprints issued by the Company concerning options shall be approved in advance by the Registered Options Principal. Correspondence need not be approved by a Registered Options Principal prior to use, unless such correspondence is distributed to 25 or more existing retail customers within any 30 calendar-day period and makes any financial or investment recommendation or otherwise promotes a product or service of the Company. All correspondence is subject to the supervision and review requirements. Any institutional sales material shall be reviewed by a Registered Options Principal prior to use.

Copies of options communications shall be retained by the Company in accordance with SEA Rule 17a-4. The names of the persons who prepared the options communications, the names of the persons who approved the options communications, and the source of any recommendations contained therein, shall be retained by the Company and be kept in the form and for the time period required for options communications by SEA Rule 17a-4.

13.4.2 FINRA Approval Requirements and Review Procedures

In addition to the approval required by the preceding section, all applicable advertisements, sales literature, and independently prepared reprints issued by Company concerning standardized options used prior to delivery of the applicable current options disclosure document or prospectus shall be submitted to the Advertising Regulation Department of FINRA (the "Department") at least ten calendar days prior to use (or such shorter period as the Department may allow in particular instances) for approval and, if changed or expressly disapproved by the Department, shall be withheld from circulation until any changes specified by the Department have been made or, in the event of disapproval, until such options communication has been resubmitted for, and has received, Department approval.

In addition, all options communications shall be subject to a routine spot-check procedure. Upon written request from the Department, Company shall promptly submit the communications requested. Company will not be required to submit communications under this procedure that have been previously submitted pursuant to one of the foregoing requirements: (1) options communications submitted to another self-regulatory organization having comparable standards pertaining to such communications; (2) communications in which the only reference to options is contained in a listing of the services of Company; (3) the options disclosure document; and (4) the prospectus.

13.4.3 Standards Applicable to Communications

Communications Regarding Standardized Options used Prior to Delivery of Options Disclosure Document
(A) Options communications regarding standardized options exempted under Securities Act Rule 238 used prior to options disclosure document delivery:
(i) must be limited to general descriptions of the options being discussed. The text may also contain a brief description of options, including a statement that identifies registered clearing agencies for options and a brief description of the general attributes and method of operation of the exchanges on which such options are traded, including a discussion of how an option is priced;
(ii) must contain contact information for obtaining a copy of the options disclosure document;
(iii) must not contain recommendations or past or projected performance figures, including annualized rates of return, or names of specific securities;
(iv) may include any statement required by any state law or administrative authority; and
(v) may include advertising designs and devices, including borders, scrolls, arrows, pointers, multiple and combined logos and unusual type faces and lettering as well as attention-getting headlines and photographs and other graphics, provided such material is not misleading.

(B) Options communications regarding options not exempted under Securities Act Rule 238 used prior to delivery of a prospectus that meets the requirements of Section 10(a) of the Securities Act must conform to Securities Act Rule 134 or 134a, as applicable.

13.4.4 General Standards of Options Communications

(A) No member or Associated Person of the member shall use any options communications which:
(i) contain any untrue statement or omission of a material fact or is otherwise false or misleading;
(ii) 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;
(iii) contains cautionary statements or caveats that are not legible, are misleading, or are inconsistent with the content of the material;
(iv) would constitute a prospectus as that term is defined in the Securities Act, unless it meets the requirements of Section 10 of the Securities Act;
(v) contains statements suggesting the certain availability of a secondary market for options;
(vi) fails to reflect the risks attendant to options transactions and the complexities of certain options investment strategies;
(vii) fails to include a warning to the effect that options are not suitable for all investors or contains suggestions to the contrary; or
(viii) fails to include a statement that supporting documentation for any claims (including any claims made on behalf of options programs or the options expertise of sales persons), comparison, recommendations, statistics, or other technical data, will be supplied upon request.
(B) Subparagraphs (vii) and (viii) above shall not apply to institutional sales material as defined in paragraph (a) of this Rule.
(C) Any statement in any options communications referring to the potential opportunities or advantages presented by options shall be balanced by a statement of the corresponding risks. The risk statement shall reflect the same degree of specificity as the statement of opportunities, and broad generalities must be avoided.

(3) Projections
Options communications may contain projected performance figures (including projected annualized rates of return) provided that:

(A) all such communications regarding standardized options are accompanied or preceded by the options disclosure document;
(B) no suggestion of certainty of future performance is made;
(C) parameters relating to such performance figures are clearly established (e.g., to indicate exercise price of option, purchase price of the underlying stock and its market price, option premium, anticipated dividends, etc.);
(D) all relevant costs, including commissions, fees, and interest charges (as applicable) are disclosed and reflected in the projections;
(E) 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;
(F) all material assumptions made in such calculations are clearly identified (e.g., "assume option expires," "assume option unexercised," "assume option exercised," etc.);
(G) the risks involved in the proposed transactions are also disclosed; and
(H) 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.

(4) Historical **Performance**
Options communications may feature records and statistics that portray the performance of past recommendations or of actual transactions, provided that:
(A) all such communications regarding standardized options are accompanied or preceded by the options disclosure document;
(B) 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;
(C) 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;
(D) all relevant costs, including commissions, fees, and daily margin obligations (as applicable) are disclosed and reflected in the performance;
(E) whenever such communications contain annualized rates of return, all material assumptions used in the process of animalization are disclosed;
(F) an indication is provided of the general market conditions during the period(s) covered, and any comparison made between such records and statistics and the overall market (e.g., comparison to an index) is valid;
(G) such communications state that the results presented should not and cannot be viewed as an indicator of future performance; and
(H) a Registered Options Principal determines that the records or statistics fairly present the status of the recommendations or transactions reported upon and so indicated on the report by original initials or stamped.

(5) Options Programs
In communications regarding an options program (i.e., 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 shall be disclosed.

(6) Violation of Other Rules
Any violation by a member or Associated Person of any rule or requirement of the SEC or any rule of the Securities Investor Protection Corporation applicable to member communications concerning options will be deemed a violation of this Rule 2220.

All Options sales literature or other options related materials must be approved in writing by the CCO as the Company's Options Principal, prior to distribution being made of said materials to clients. No approved options sales materials should be forwarded to any client or prospective client unless such client has been forwarded an Option Disclosure Document.

13.5 Allocation of Exercise Assignments

With respect to the Options Exercise Assignment Procedures to be utilized by the Company, all such trades shall be cleared through the Company's clearing broker, HTS, Inc. As such, the Company has adopted and shall follow HTS' (fka SW Securities, Inc.) Options Exercise Assignment Procedures. Furthermore, the customer, upon approval of the account for trading options, but no later than the time the option agreement is executed, shall be provided with a copy of said procedures. In the event the procedures for allocation change, the customer should be notified immediately.

13.6 Uncovered Options Positions

Transactions in uncovered options will not be permitted for retirement accounts. Account applications or updates must be approved by the option principal and marked specifically for uncovered options.

13.7 Positions Limits

Transactions are strictly prohibited pursuant to the levels specified in FINRA Rule 2860. Generally, the clearing firm will notify the Company of such positions, but it is ultimately the responsibility of the Company to monitor such positions.

13.8 Reporting of Options Positions

Pursuant to the provisions of Rule 2860(b)(5), the Company, if applicable, shall file with the FINRA a report for each account in which the Company has an interest, each account of a partner, officer, director or employee of the Company, and each customer, non-member broker or dealer account which has established an aggregate position of 200 or more option contracts (whether long or short) of the put class 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. Any applicable reports shall be in accordance with the above rule. As a $5,000 broker dealer the Company does not maintain position in options.

13.9 Customer Complaints

With respect to customer complaints, any options related complaint shall be entered as a matter of record by the CCO and should be kept in the corporate office in a separate options customer complaint file.

14. MUNICIPAL TRANSACTIONS

14.1 Introduction

These procedures outline requirements for complying with Company and regulatory obligations, including the MSRB (Municipal Securities Rulemaking Board) that apply to municipal securities transactions and their supervision. the CCO shall have overall responsibility for the supervision of all municipal securities transactions as the Designated Municipal Principal (DMP). All APs who solicit orders or sell municipal securities will be qualified as municipal securities representatives. Generally, individuals who successfully complete the Series 7 General Securities Sales examination will satisfy this requirement. The Company rarely conducts trades in municipal bonds, but only in 529 plans (deemed to be a "municipal security") or in mutual funds/ETFs comprised of primarily of municipal bonds.

14.2 Compliance Chart

Name of Supervisor:	• the CCO – Municipal Principal
Statutes	• SEC Rule 15c2-12 – disclosure obligations for both initial and secondary offerings • MSRB Rules (Including MSRB G-10) • FINRA Rules 1160 and 3310 - AML Compliance Officer • FINRA Rule 3011(c) – Testing
Frequency of Review:	• Ongoing – monitor activity • Ongoing – review new regulations
Actions	• Develop and maintain procedures • Review trades as per the daily HTS trade blotter or upon receipt of application way investments (529s) • Individual training as required • Retain required records • Provide contact information to MSRB annually and update contact information if necessary • Pay annual MSRB fee • Forward a copy of or a notice of availability of Official Statements (on EMMA) to customers purchases a new issue • Obtain Rule G-37 certifications annually • Revise policies and procedures as necessary
Records	• Transactions • New Account forms for suitability and review • Any Advertising/Sales Literature • Official Statements sent or EMMA notice log • Annual MSRB Fee paid • Municipal Securities Professionals • Annual certifications of political contributions • Any municipal complaints • Record of changes to policies and procedures

14.3 General

Each office conducting a municipal securities business shall be inspected by the CCO in accordance with MSRB Rule G-27, based upon the same schedule as office (branch and non-branch offices) projected by FAF and FAF shall maintain a written record of the dates and scope of its inspection.

Prior to an Associated Person accepting an initial order for the execution of a client's municipal transaction, the Associated Person must complete and sign a new account form and submit it to the municipal principal for approval. All information requested must be completed in accordance with Rule **G-8**(a)(xi) prior to the initial order being accepted. Prior to recommending to a non-institutional account a municipal security transaction the Associated Person should make reasonable efforts to obtain information concerning: the customer's financial status; the customer's tax status, the customer's investment objectives; and such other information used or considered to be reasonable and necessary in making the recommendation to the customer.

In order to determine the suitability of a recommendation in a municipal security transaction the Associated Person should have reasonable grounds based upon information available from the issuer of the security and based upon the facts disclosed by the customer or otherwise known about the customer believing that the recommendation is suitable.

Each transaction in municipal securities will be reviewed and approved in writing on a daily basis by the CCO to insure compliance with applicable MSRB, FINRA rules and laws governing such transactions. Accounts for non-natural persons (trusts, pension/profit sharing plans, corporations, etc.) require additional supportive documentation such as should designate the individual(s) within the institution authorized to act for it. If the account intends to effect municipal transactions the supportive documentation should disclose the specific investment objectives for the account.

All requests for account transfers must be received from the customer in writing. When a request is received by the Company, it shall be forwarded to Hilltop Securities Inc. no later than the end of the day. A copy of the written request and if applicable, mailing receipt shall be maintained in the customer’s file.

14.4 MSRB Rule G-3 - Apprenticeship

Any person who first becomes associated with the Company in a representative capacity without having previously qualified as a municipal securities representative, general securities representative or limited representative – investment company and variable contracts products shall be permitted to function in a representative capacity without qualifying pursuant to subparagraph (a)(ii)(A), (B) or (C) of MSRB Rule **G-3** for a period of at least 90 days, following the date such person becomes associated with the Company, provided, however, that such person shall not transact business with any member of the public with respect to, or be compensated for transactions in, municipal securities during such 90 day period, regardless of such person’s having qualified in accordance with the examination requirements of this rule.

14.5 MSRB Rule G-29 - MSRB Rules

Rule G-29 requires each municipal securities broker/dealer to keep a copy of all MSRB rules in each office where it conducts a municipal business and to make the rules available for examination by customers promptly upon his request. The Company shall comply with this requirement by maintaining Internet access to the MSRB’s web site (www.msrb.org) or by maintaining a hard copy of the rules at each OSJ.

14.6 MSRB Rule G-40 - "G-40 System"

The Company will maintain and update the Electronic Mail Contacts whenever changes occur. The Company appoints the CCO as its Primary Electronic Mail Contact. The CCO will be responsible for maintaining and verifying the accuracy of the information on file with the MSRB. Evidence of submission can be verified from the MSRB website as well as the email confirmation from the MSRB. Within 17 days from the end of the quarter, commencing with the September 30, 2005 quarter The CCO will review and update, if necessary, the electronic contact information and will evidence review and approval by initialing the printout. Contact information must be updated upon any change and reviewed annually.

14.7 MSRB Assessments and Fees

The DMP will review all MSRB assessments and fees when received and ensure that they are paid on a timely basis.

14.8 Transactions in Below-Minimum Denominations

An amendment to **Rule G-15** prohibits brokers, dealers and municipal securities dealers (collectively "dealers") from effecting transactions with customers in below-minimum denomination amounts (as determined by the bond contract), for securities issued after June 1, 2002. There are two limited exceptions to this rule. First dealers may purchase a below-minimum denomination position from a customer provided that the customer liquidates his or her entire position. Second, dealers may sell such a liquidated position to another customer but would be required to provide written disclosure, either on the confirmation or separately, to the effect that the security position is below the minimum denomination and that liquidity may be adversely affected by this fact. The amendment to Rule G-8 requires that, if such written disclosure is provided on a separate document, dealers retain such disclosure for a period of at least three years. This is the same amount of time dealers are required to retain customer confirmations.

The interpretation of **Rule G-17**, which applies regardless of the issuance date of the securities involved, states that any time a dealer is selling to a customer a quantity of municipal securities below the minimum denomination for the issue, the dealer should consider this to be a material fact about the transaction. The MSRB believes that a dealer's failure to disclose such a material fact to the customer, and to explain how this could affect the liquidity of the customer's position, generally would constitute a violation of the dealer's duty under **Rule G-17** to disclose all material facts about the transaction to the customer.

The DMP or his designee shall ensure the Company's compliance with this rule as part of the daily transaction review and as part of the confirmation review. The reviewer's supervision shall be evidenced by his initials on the reviewed document (i.e. order ticket, transaction log, confirmation, etc.) either written or stamped. The reviewed document shall be maintained for at least 3 years.

All municipal sales literature, correspondence or other municipal related materials must be approved in writing by the CCO, prior to distribution being made of said materials to clients, in accordance with MSRB Rule **G-27**(c)(vii)(A), (B) and (C) and a copy of all such materials will be maintained by the Company's home office in accordance with MSRB Rule **G-9**. No approved municipal sales materials will be forwarded to any client or prospective client unless such material has been approved in writing by the CCO.

All systems for the handling of municipal securities transactions by the Company through its clearing broker and the Company's written supervisory procedures as they relate to municipal securities transactions shall be reviewed at least annually by the CCO in accordance with MSRB Rule **G-27**(d).

The CCO shall be responsible for the Company's markups and markdowns on municipal securities transactions to insure compliance with FINRA Conduct Rules and related Interpretations of the Board of Governors. It shall further be a policy of the Company that markups/markdowns shall be consistent with that of Rule 2440 of the FINRA Conduct Rules. Specifically, it is the Company's intention to use prevailing inter-dealer prices, and in their absence the Company would use contemporaneous cost and in some cases they may be one and the same. The CCO shall be responsible for compliance with Rule 2440 of the FINRA Conduct Rules and MSRB rules relating to fair dealings with customers. In order to supervise the markups and markdowns utilized by the Company, the CCO or his designee shall review the firm's markups and markdowns, patterns of mark-ups and markdowns, the availability of the security in the market, the price of the security, the amount of money involved in a transaction, the firm's cost of providing such services to its customers.

14.9 MSRB Rule G-37 - Political Contributions

MSRB Rule G-37 specifies restrictions and requirements regarding political contributions to individuals who may influence the placement of municipal securities business as defined in the rule. The purpose of the rule is to sever any connection between political contributions and the awarding of municipal business. The rule does not prohibit political contributions; it does, however, prohibit Company from engaging in municipal business for two years with any issuer where contributions subject to this rule are made. Because Company does not want to be subject to a two-year restriction on its municipal business, employees are required to adhere to the requirements of the rule, and therefore consult with Compliance regarding any questions about the effect of the rule. APs have the opportunity annually to inform the Company if they have or have not made political contributions.

14.9.1 Definitions

Municipal Finance Professional – Any Associated Person engaged in:

- underwriting or trading
- financial advisory or financial consultant services for municipal issuers
- research or investment advice regarding municipal securities
- soliciting municipal securities business as defined in this section
- supervision of the above activities
- acting as CCO or a similar position
- serving on a dealer's executive or management committee

APs who sell municipal securities to individual investors are not included in this definition or the restrictions on political contributions.

This rule prohibits among other things, a dealer from engaging in municipal securities business with an issuer within two years after any contribution to an official of such issuer by the dealer, any municipal finance professional associated with the dealer, and any Political Action Committee controlled by the dealer or any municipal finance professional (Associated Person, officers, or solicitors of municipal securities), if the contribution does not meet the de minimis exemption. There is one de minimis exemption, such that, the prohibition does not apply if the only contributions to officials of issuers are made by municipal finance professionals entitled to vote for such officials, and provided each such contributions, in total, are not in excess of **$250.00** by each such municipal finance professional to each official of such issuer, per election (primaries and general elections are treated as separate elections for purposes of this section). This $250 limit also applies to any contributions to bond ballot campaigns (any fund, organization, committee that solicits or receives contributions to be used to support ballot initiatives seeking authorization for the issuance of municipal securities through public approval obtained by popular vote). Section (i) of the Rule provides a procedure whereby dealers may seek relief from the appropriate enforcement agency of the Rule **G-37** prohibition on

business, in limited circumstances. It shall be the responsibility of the CCO as the Municipal Securities Principal for the Company to familiarize all Associated Persons with the requirements of MSRB **G-37** and to monitor all political contributions made by Associated Persons of the Company and shall report any such contributions within thirty (30) calendar days after the end of each calendar quarter using MSRB Rule **G-37**. All employees will sign an attestation annually indicating any political contributions. These attestations will be reviewed by the CCO and initialed indicating said review.

14.9.2 Bank Dealer Departments

The Company has no bank dealer departments, but if it ever develops one, the following would apply: Further, in accordance with the MSRB Interpretations with respect to bank dealer departments, for most bank dealer departments which deal only in municipal securities, there are no individuals who meet the definition of executive officer within Rule **G-37**. To the extent an inadvertent or erroneous contribution is made by an Associated Person, that person shall promptly notify his/her supervisor in writing and the CCO, on behalf of the Company shall petition the MSRB for relief from the prohibitions on business. Such petition for relief from the ban on business shall include a detailed description of the steps taken by the Company to obtain a refund of the contribution, and a statement as to whether or not a refund has been received. Regardless of whether or not relief is granted by the MSRB of the ban on business, the Company shall still be required to report the contribution under Rule **G-37**, on Form **G-37** in accordance with the reporting requirements detailed above. Rule **G-37** does not define "municipal securities business" to include selling group member activities, therefore such activities would not be prohibited in the event of a contribution by an Associated Person of the Company. Further in accordance with Rule **G-37** and **G-38**, the Company is prohibited from making direct or indirect payments to any person who is not an affiliated person of the dealer for a solicitation of municipal securities business on behalf of the Company. Solicitation is defined as any direct or indirect communication with an issuer for the purpose of obtaining or retaining municipal securities business. The concept of solicitation under Rules **G-37** and **G-38** includes the element of intent in that the communication must have a purpose of obtaining municipal securities business.

14.10 Rule G-18 – Execution of Transactions

In accordance with Rule **G-18**, the Company when executing a transaction in municipal securities for or on behalf of a customer as agent, shall make a reasonable effort to obtain a price for the customer that is fair and reasonable in relation to prevailing market conditions. If acting as a "broker's broker," the Company shall be under the same obligation with respect to the execution of a transaction in municipal securities for or on behalf of a broker, dealer, or municipal securities dealer.

The Company ONLY purchases municipal bonds through its clearing broker dealer (HTS) and relies on HTS to provide prices for the customer that are fair and reasonable in relation to prevailing market conditions. Commonly, any municipal bond purchase would be made through HTS's MOmentum system using "BondPro." It is possible to use HTS's municipal bond desk for purchases as well. Again, the Company relies on HTS for fair pricing.

With respect to **SEC Rule 15c2-12** which was adopted by the SEC to deter fraud and manipulation in the municipal securities market by prohibiting the underwriting and the subsequent recommendation of securities for which adequate information is not available. Where the Company acts as a Participating Underwriter in a municipal securities underwriting, the Company shall not purchase or sell a municipal security unless it has made a "reasonable determination" that an issuer of municipal securities or an obligated person [1] has undertaken

[1] The significant obligor. SEC Rule 15c2-12 defines a significant obligor as "a person (including an issuer of separate securities) that is committed by contract or other arrangement structured to support payment of all or part of the obligations on the municipal securities."

in a written agreement or contract for the benefit of holders of such securities to provide certain annual financial information and event notices to various information repositories; and where the Company acts as an agent in the sale of municipal securities in the secondary market, the Company shall not recommend the purchase or sale of a municipal security unless it has been provided with reasonable assurance that the Company will receive promptly any event notices with respect to that security. In keeping with this provision, it shall be the responsibility of the CCO as the Municipal Securities Principal for the Company to obtain copies of any written agreement or contract as described above and shall maintain a copy of said document(s) in the Company's due diligence files with respect to such municipal security. In accordance with **SEC Rule 15c2-12**, the Company may look to provisions in the underwriting agreement or bond purchase agreement that describes the undertaking for the benefit of bondholders made elsewhere, such as in a trust indenture, bond resolution, or separate written agreement. In a competitively bid offering, such assurances may also be found in a notice of sale. Further, because the Rule prohibits Participating Underwriters from purchasing or selling securities in the absence of undertakings in a written agreement or contract, such agreement or contract would have to be in place at the time the issuer delivers the securities to the Participating Underwriter. the CCO will review the above documents and indicate said review in the due diligence file.

In keeping with the provisions of **SEC Rule 15c2-12**, the written agreement or contract shall clearly identify each person for whom annual financial information and notices of material events will be provided, by name of by the objective criteria used to select such persons and must specify: (1) the type of financial information and operating data to be provided as part of annual financial information; (2) the accounting principles used to prepare the financial statements and whether the statements will be audited; and (3) the date on which the annual financial information for the preceding fiscal year will be provided, and to whom it will be provided. The written agreement or contract must also provide for dissemination of the following information from an issuer or obligated person:

*****annual financial information for obligated persons to each nationally recognized municipal securities information repository (NRMSIR) and to any appropriate state information repository;

*****financial statements for each obligated person, when available, if not submitted as part of the annual financial information to each NRMSIR and to any appropriate state information depository. To the extent such financial statements are not audited, then a statement must be included describing the accounting principles and standards used in preparing such financials;

*****timely notice of these events, if material, to each NRMSIR or to the MSRB, and to any appropriate state information depository:

principal and interest payment delinquencies;
non-payment related defaults;
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 or events affecting the tax- exempt status of the security;
modifications to rights of security holders;
bond calls;
defeasances;
release, substitution, or sale of property securing repayment of the securities;
rating changes; and

timely notice of a failure of any obligated person to provide required annual financial information on or before the date specified in the written agreement or contract, to each NRMSIR or the MSRB, and to any appropriate state information depository.

The written agreement or contract may state that the continuing obligation to provide annual financial information and notices of events may be terminated for any obligated person when that person ceases to be an obligated person with respect to those municipal securities. It shall be the responsibility of the CCO, as the Municipal Securities Principal for the Company to review all documentation used in making a "reasonable determination" on behalf of the Company for the required disclosures and or provisions as set forth above and in SEC Rule 15c2-12.
Exemptions:

Short-Term Maturity Exemption. Offerings with a stated maturity of 18 months or less are exempt from the requirements with respect to providing the annual financial information. However, the provisions of the Rule relating to notices of material events apply to these offerings, absent another exemption.

Exemption from the Recommendation Prohibition. The Rule allows a broker/dealer to make recommendations in the secondary market of securities that were not subject to the underwriting prohibition. The Rule further provides that securities sold in an offering that is subject to the limited number of purchasers' exemption are not exempt from the recommendation prohibition.

A copy of the investor brochure will be delivered upon receipt of a customer complaint to the customer in accordance with Rule. A notation of the mailing or emailing of the brochure will be contained in the file that specifically deals with the customer complaint. A date of sending will be a part of that notation.

14.11 RTRS Transaction Reporting

All sales or purchases of municipal securities shall be reported in accordance with Rule **G-14** and **G-12(f)**, Transaction Reporting Procedures through its clearing firm. It shall be the responsibility of the CCO to review all purchases and sales to insure the proper reporting. The Company has reviewed all areas of its business activities to determine the effect of the amended reporting rules including policies and procedures and the volume of municipal activity affected by the new rules. The firm shall not distribute or publish, or cause to be published, any report of a purchase or sale unless it has reason to believe that the purchase or sale was actually effected and has no reason to believe that the reported transaction was fictitious or in furtherance of any fraudulent, deceptive or manipulative purpose. System outages should be reported to the MSRB at (703) 797-6600 with pertinent information related to the outage, including date and time of outage, when it was discovered and how it is being resolved. Periodic reviews of transactions will be conducted and saved in a specified file as evidence of review.

Confirmations shall be given or sent to the customer for each municipal transaction by the Company's clearing firm with the provisions set forth in **Rule G-15**.

The following practices are prohibited by employees of the company:

a. Improper use of municipal securities or funds held on behalf of another person.
b. Offer of guarantee or guarantee against loss.
c. Sharing in the profits or losses of an account unless it is in a private capacity in an investment partnership or joint account as long as the participation is based on a direct financial contribution made to the partnership or account.
d. Directly or indirectly, give or permit to be given anything or service of value, including gratuities, in excess of **$100**, per year to a person other than an employee or partner of such municipal securities

broker or dealer pursuant to the provisions of Rule **G8** and **G20**. In addition, these provisions, along with any non-cash compensation will conform to FINRA Rules 2710, 2820, and 2830 for similar guidelines and recordkeeping requirements.

14.11.1 MSRB Rule G-32-Customer Disclosure Requirements

In accordance with Rule **G-32** the Company will not sell any new issue in municipal securities to a customer unless the following is delivered to the customer no later than the settlement of the transaction:

1. a copy of the official statement in final form or if an official statement in final form is not prepared a written notice to that effect together with an official statement in preliminary form if any provided, however that if an official statement in final form is being prepared that qualifies for the exemption set forth in paragraph (iii) of section (d) (1) of the Rule 15c2-12, if the Company: *(New Issue Disclosure Reporting Period begins with the start of marketing of this new issue of securities by the broker-dealer or bank that is underwriting these securities for the issuer and ends 25 days after all of the securities in the new issue have been issued).*

-delivers to the customer no later than the settlement of the transaction a copy of an official statement in preliminary form, if any, and written notice that the official statement in final form will be sent to the customer within one business day following receipt by the Company.

-sends to the customer a copy of the official statement in final form, by first class mail or other equally prompt means, no later than the business day following receipt thereof by the Company.

-sends a notice advising the customer:

(1) how to obtain the official statement from EMMA, which notice may be combined, at the election of the broker, dealer or municipal securities dealer, with notice of the availability of the official statement from a qualified portal; and

(2) that a copy of the official statement will be provided by the Company or municipal securities dealer upon request.

Notwithstanding the provisions of subsection (a)(i) of Rule 32, the delivery obligation thereunder shall be deemed satisfied if the following conditions are met:

(A) the offered municipal securities being sold are not municipal fund securities; and

(B) the underwriter has made the submissions to EMMA required under paragraph (b)(i)(A) or (b)(i)(B)(1) of Rule 32; provided that the condition in this paragraph (B) shall apply solely to sales to customers by brokers, dealers and municipal securities dealers acting as underwriters in respect of the offered municipal securities being sold.

2. in connection with a negotiated sale, the following information concerning the underwriting arrangements: (a) the underwriting spread; (b) the amount of any fee received by the Company as agent for the issuer; (c) the initial offering price for each maturity in the issue that is offered or to be offered in whole or in part by the underwriters, including maturities that are not reoffered.

14.11.2 RTRS Trade Processing Guidelines *(01/26/09)*

It is unlikely that the Company will participate in offerings requiring RTRS Trade Processing, but if it does so, the provision of RTRS Trade Processing will be adopted.

14.12 Disclosures When Making Recommendations

APs are required to disclose material information to customers when recommending municipal securities, whether offered through and underwriting or for securities available in the secondary market pursuant to Rule 15c2-12 of the SEC Act of 1934. The MSRB maintains the Electronic Municipal Market Access system (EMMA) to make information available to the marketplace including official statements, issuer filings, and real-time transaction pricing.

For secondary market transactions, dealers are obligated to obtain, analyze and disclose all material facts known to the dealer through industry resources. This includes such information available from EMMA, however, simply directing the customer to the EMMA website is not sufficient disclosure. The obligation to disclose information for secondary market transactions includes the following:

- A complete description of the security including key terms and features that likely would be considered significant by a reasonable investor and facts that are material to assessing the potential risks of the investment (i.e. call features, non-standard features that may affect price or yield calculations, infrequent trading, tax status, etc.);
- Credit risk and rating including the rating or lack of rating, change of rating, identity of any credit enhancer or liquidity provider;

Disclosures must be made at the "time of trade" (at or before the point at which the investor and the dealer agree to make the trade). The Company Municipal Bond Disclosure Form may be used for this purpose, to obtain client authorization to receive information via email, and as evidence of disclosure. Such forms or any other proof of disclosure will be maintained in a central location.

14.13 Sophisticated Municipal Market Professionals (SMMPs)

It is the Company's policy to prohibit municipal transactions with SMMPs. When the Company has reasonable grounds for concluding that an institutional customer (i) has timely access to the publicly available material facts concerning a municipal securities transaction; (ii) is capable of independently evaluating the investment risk and market value of the municipal securities at issue; and (iii) is making independent decisions about its investments in municipal securities, and other known facts do not contradict such a conclusion, the institutional customer can be considered a sophisticated municipal market professional ("SMMP") and no transactions will be permitted.

14.14 Municipal Funds

Pursuant to MSRB **Rule G-17**, the Company and its Associated Persons shall deal fairly with all persons and shall not engage in any deceptive, dishonest or unfair practice when considering the appropriateness of day-to-day sales practices with respect to all municipal securities transactions including municipal fund securities.

14.14.1 Guidelines*:*

Associated Persons must be S7 licensed or if the municipal sales activity of the Associated Person is limited only to transactions in 529 Plans, then Series 6 license qualifies.

1. **Suitability of Recommended Transactions**: Under Rule **G-19**, recommendations to a customer for a municipal fund transaction must be based on reasonable grounds for believing that the recommendation is suitable based upon information available from the issuer of the security or otherwise and the facts disclosed by or otherwise known about the customer. Such factors to be considered in determining suitability are the

customer's financial status, tax status, and investment objectives, as well as any other information reasonable and necessary in making the recommendation. Municipal securities funds are designed for a specific purpose and Associated Persons should determine that this purpose generally matches the customer's investment objective.

2. **Advertising**: All municipal fund securities advertising must be submitted to the Home Office, prior to use, for approval by the Municipal principal, the CCO and will be evidenced by his initials that are either written or stamped Pursuant to MSRB Rule **G-21**, all advertisements must not publish its facilities, services, or skills with respect to municipal fund securities that is materially false or misleading, or publish any material about a municipal fund security known to be materially false or misleading. Any such advertisements produced by the Company will be maintained for a period of three years as a part of the Company's records.

14.14.2 529 Plans

1. **Suitability of Recommended Transactions**: Associated Persons must bear in mind the potential tax consequences of a customer purchasing a Section 529 Plan and that the customer's investment objective may not involve the use of such funds for qualified higher education expenses. In addition, if various fund classes are offered, information about the beneficiary and the number of years until funds will be needed would be relevant in weighing which fund class to choose for a municipal fund transaction. Consideration of any state income tax benefit that might be obtained by purchasing an in-state plan should be weighed against other benefits that might be provided by a recommended out-of-state plan, such as investment performance, investment choices, fees and expenses, or other factors. Excessive rollovers or transfers from one plan to another with such frequency as to lose the federal tax benefit are strictly prohibited. All 529 Plan transactions must be approved by the CCO as the Municipal Principal as evidenced either on the direct application or the New Account Form as either prior or post application approval. Approval can be post application to the fund, however, if copies are not forwarded to the home office for post approval, then the Associated Person will be warned with the first two infractions. Subsequently, when any infractions occur, the Associated Person will not be paid for the transaction and may incur a fine and/or termination at the discretion of the CCO.

2. **Disclosure**: Associated Persons must disclose to customers the tax treatment of the transactions. In addition to the federal tax treatment of withdrawals and the tax-deferral of the account, Associated Persons must disclose to a customer of an out-of-state Section 529 college plan that depending upon the laws of the customer's home state, favorable state tax treatment for investing in a Section 529 plan, may be limited to investments made in a Section 529 plan offered by the customer's home state. In addition, Associated Persons must disclose the different type of fund classes, if applicable, to a Section 529 plan and the consequences of each.

3. **Share Class**: The choice of share class for 529 plans should take into consideration the anticipated holding time and other factors. The age of the beneficiary of the plan will most likely determine the anticipated holding period. Generally 529 C share purchases may not be appropriate if the beneficiary is under 15 years of age and the money is to be used for higher education because the time horizon for invested assets is typically over 3 years. However, 529 plans (Qualified Tuition Programs) are now able to be used for eligible elementary and secondary school expenses. Previously, 529 plans were only approved for use in paying higher educational expenses. The anticipation of paying elementary and secondary school expense with 529 funds may make C shares appropriate for minors under age 15. These situations will be decided on a case by case basis by the CCO. Documentation of the rational for using C shares for persons under age 15 should accompany the application or follow the order.

4. **Complaints and Rule G-10:** The Municipal Principal will review all grievances involving the activities of the broker/dealer or any Associated Person with respect to any complaints involving municipal securities in a customer's account. A broker/dealer must keep a record of all written complaints and the action taken by the broker dealer. FAF must also provide to the customer a copy of the investor brochure (brochure designated by the MSRB) immediately upon receipt of a complaint by the customer (MSRB Rule G-10). Proof of sending the client the "investor brochure" must be attached to the complaint and maintained as a permanent record of the complaint. The MSRB's "investor brochure" can be obtained by ordering from the MSRB. (Use the MSRB Publications Order Form which is available in the MSRB manual, in MSRB Reports, by phone or downloaded off the Internet at the MSRB web site, www.msrb.org.)

14.15 Rule G-8 - Books and Records

In accordance with Rule **G-8**, the CCO is responsible person for ensuring the Company maintains the following municipal books and records: 1) Blotters, 2) Account records; 3) Securities records – through clearing firm; 4) Subsidiary records – through clearing firm; 5) Put options and repurchase agreements; 6) Records for agency transactions; 7) Principal transactions; 8) Syndicate transactions; 9) Confirmations and other notices to customers; 10) financial records; 11) customer account information; 12) Deliveries of Official Statements if applicable; 13) Political contributions and prohibitions on municipal securities business pursuant to Rule G-37; 14) Records concerning compliance with Rule G-20; 15) Records concerning Consultants pursuant to Rule G-38; 16) Telemarketing records and do-not-call lists.

14.16 MSRB Rule G-10

14.16.1 MSRB Rule G-10 requires that a broker dealer has in place:

A procedure, once each year, to provide notification of their registration with the SEC and MSRB; ii) the MSRB's website address; and iii) the availability of informational brochures for customers and municipal advisory clients and how to file a complaint to the appropriate regulatory authority. This notification may be done electronically or by written notice.

14.16.2 The Firm will place a notice on a quarterly customer statement once per year similar to the following:

Please be advised that First Asset Financial Inc. is registered with the United States Securities and Exchange Commission and the Municipal Securities Rulemaking Board ("MSRB"). The MSRB's website can be accessed at www.msrb.org. Please visit the MSRB website for its investor brochure that describes protections afforded to you by the MSRB, as well as for information on how to file a complaint with an appropriate regulatory authority.

There were no individual municipal bond trades in 2023.

15. PRIVATE PLACEMENTS, UNDERWRITINGS, INVESTMENT BANKING

15.1 Introduction

The Company has not in the past nor intends to offer private placements or distributions of new underwritings to customers, but if it did so, the following would apply**:**

This section provides information and procedures about private placements and the regulations that govern their offer and sale. A general understanding of private placements is helpful when considering whether to offer a specific issue to a customer. There are several general areas of requirements and limitations that affect most private placements.

- No general solicitation of purchasers
- Limits as to the size of certain offerings
- No advertising or general public meetings about specific private placements
- Issuers must provide information to potential investors
- Securities purchased are generally restricted as to resale
- Number of purchasers is restricted

All corporate securities offerings sponsored by the Company will be supervised by the CCO or his designee who will be responsible for the structuring, packaging and marketing of private placements to insure compliance with SEC Rules 15c2-4, 10b-9 and public offerings sponsored by the Company, if any.

15.2 Compliance Chart

Name of Supervisor:	• Designated Supervisor
Statutes	• SEC Regulation D – Private Offerings • SEC Rule 15c1-5, 15c1-6 - Disclosures • SEC Rule 15c2-4 – Escrow Accounts • SEC Rule 144 – Restricted Securities • SEC Rule 10b-10 – Riskless Principal Transactions • State Blue Sky Laws • FINRA Rule 5122 – PPs by Member Firm or Control Entities
Frequency of Review:	• As required
Actions	• Execute an agreement with the issuer • Conduct due diligence or engage counsel or other qualified person to conduct due diligence • Document the file regarding due diligence • Determine limitations on the offering, including integration issues and obtain representation letter from issuer if needed • Determine what information to provide to sales personnel • Form D Filings through Edgar Filing System

Records	• The deal file will include any offering information, the issuer agreement or Selling Agreement, any Escrow Agreement if applicable, and offering document. • Customer Account Documents • Customer Transactions • Escrow/Blotter Log

15.3 Private Placement Activities

FAF **has a policy of not conducing sales of private placement securities and have not done so for over 15 years. If FAF ever engaged in such private placement activity**, sections relating to private placement activities would be developed and added these WSPs.

15.4 Direct Participation Programs (DPP)

Currently, the Company has no participation in DPPs. The following are procedures as per **FINRA Rule 2310 – Certain Requirements for DPPs**, will be adopted at such time as DPP are offered for sale by the firm or its APs.

15.5 Underwritings

In relation to new underwritings, if it is the Company's intent from time to time to participate in the distribution of new underwritings the following policies would be applied. At such time, no participation will be conducted unless the underwriting complies with state and federal rules and regulations. In accordance with the exemptive provisions of **SEC Rules 15c3-1** and **15c3-3** the Company will participate in new underwritings on a "Best Efforts" basis. It is also the Company's intent to spend the time and effort necessary, based on its abilities, to research and evaluate each and every security vehicle which it intends to merchandise.

In order to prevent possible violations of **SEC Rule 10b-9** and FINRA Rule **5130**, it shall be a policy of the Company that no registered or non-registered Associated Person or their immediate family shall be allowed to participate in new equity issues that are immediately traded in the secondary market, without the prior approval of the CCO.

In accordance with, the Company shall provide written disclosure to potential customers any existence of control with the Issuer as prescribed in the rule before entering into any contract with or for such customer for the purchase or sale of such security.

All employee accounts and family related accounts (covered accounts) shall be reviewed by the CCO at the time of the underwriting to insure compliance with the free-riding and withholding provisions if applicable. Employee and Employee-related accounts will refrain from executing trades in securities in which the Company plans on participating in an underwriting for, within 3 days prior to the underwriting or selling group participation, without prior approval of the CCO. It should be noted that the clearing firm of the Company does not allow participation in underwritings or new issues of publicly held stock.

Further, the Company shall use its best efforts to inquire of an issuer as to whether any Associated Person of the issuer will be participating in the distribution of units or securities proposed to be offered by the Company. The Company shall take reasonable steps to require proof of compliance with **SEC Rule 3a4-1** by the issuer and its Associated Person(s). The Company shall further have its legal counsel review the transaction for compliance with **Rule 2420** of FINRA Conduct Rules.

The Company shall use its best efforts to perform a due diligence review of all prospective issuers prior to participating in the distribution of units or securities on behalf of such issuer, in an effort to determine that said issue is in compliance with **SEC Rules 10b-5** and **10b-6**. In addition, pursuant to FINRA **Rule 2310**, customer suitability shall be ascertained for any prospective purchasers.

In accordance with **SEC Rule 15c2-8**, the Company shall take reasonable steps to make available a copy of the preliminary prospectus relating to such securities to each of its Associated Persons who is expected, prior to the effective date, to solicit customers' orders for such securities before the making of any such solicitation by the Associated Person and to make available to each Associated Person a copy of any amended preliminary prospectus promptly after the filing thereof. The Company shall also take reasonable steps to make available a copy of the final prospectus relating to such securities to each of its Associated Persons who is expected, after to the effective date, to solicit customers' orders for such securities before the making of any such solicitation by the Associated Person, unless a preliminary prospectus which is substantially the same as the final prospectus except for matters relating to the price of the stocks, has been made available to the Company's Associated Persons.

The Company shall further cause to be forwarded or forward a copy of the preliminary prospectus to any person who is expected to receive a confirmation of sale at least 48 hours prior to the mailing of such confirmation, unless the transaction is otherwise exempt from such delivery requirements in accordance with Section 174 of the Securities Act of 1933 ("33 Act"). Further, the Company shall take reasonable steps to furnish to any person who makes written request for a preliminary prospectus between the filing date and a reasonable time prior to the effective date of the registration statement to which the prospectus relates. The Company shall also take reasonable steps to furnish to any person who makes written request for a final prospectus between the effective date of the offering and the termination date of such distribution or the expiration of the applicable 40 or 90 day period under section 4(3) of the '33 Act. Accordingly, it shall be the responsibility of the CCO to review the requirements of each offering as they relate to **SEC Rules 15c2-8** and **Section 174 of the '33 Act** and to oversee the distribution of prospectuses required thereunder.

During the course of the underwriting, the CCO shall review the daily trade blotters for any short sale transactions in securities for which a public offering of such securities is being made and which might be covered with securities subject to a registration statement under the '33 Act. Such transactions shall be reviewed for compliance with **SEC Rule 10b-21**. All customer records will be kept at the corporate office of the Company.

As the clearing broker dealer, HTS, does not participate in listed/otc equity underwritings, FAF does not conduct this kind of activity. HTS will do debt underwritings, both corporate and municipal, but, as of 4-15-2012, FAF has not participated in any such underwritings.

15.6 Rule 144 Sales

With respect to securities transactions subject to the restrictions of **SEC Rule 144**, it shall be a policy of the Company that, where the Company is not a market maker in the subject security, all such transactions shall be conducted on an agency basis only. All Rule 144 transactions shall be reviewed and approved by the CCO or his designee.

15.7 Rule 10b-10

With respect to all riskless principal transactions, all confirmations issued for said transactions shall clearly reflect the markup or markdown taken by the Company with respect to said transaction. To insure compliance with **Rule 10b-10**, all equity confirmations issued on riskless principal transactions shall be reviewed and approved by the CCO, his designee, or the designated principal. As per the First Asset Financial Inc.

Compliance Manual Ver. A, the mark-up/mark-down on equity riskless principal transaction must be disclosed to a retail customer in the transaction. This may be accomplished with a "trailer" on the confirmation generated by the clearing firm. When placing such a trade, a trailer must be entered on the trade screen disclosing the markup/markdown (whichever applies) in either "markup/markdown=cents per share," "markup/markdown =$X.XX/share" or a percentage, i.e. "markdown/markup=2% per share OR you may "drop" the "per share" on the line for "markdown/markup=2%." It is FAF's responsibility to provide the disclosure, NOT Hilltop Securities Inc. to provide the disclosure to the customer on the confirmation. A principal will review markup/markdown trades and initial the trade document as evidence of said review.

15.8 FINRA Rule 5130 - Restrictions on the Purchase and Sale of Initial Equity Public Offerings

The Company does not currently participate in the purchase and sale of initial equity public offers.

15.9 Regulation M

The Company does not participate in Regulation M offerings (secondary issue offerings).

15.10 Non-Cash Compensation

Definitions
The terms "compensation," "non-cash compensation" and "offeror" as used in this Section shall have the following meanings:
(A) "Compensation" shall mean cash compensation and non-cash compensation.
(B) "Non-cash compensation" shall mean any form of compensation received in connection with the sale and distribution of securities that is not cash compensation, including but not limited to merchandise, gifts and prizes, travel expenses, meals and lodging.
(C) "Offeror" shall mean an issuer, an adviser to an issuer, an underwriter and any affiliated person of such entities.

15.11 Restrictions on Non-Cash Compensation

In connection with the sale and distribution of a public offering of securities, no member or person associated with a member shall directly or indirectly accept or make payments or offers of payments of any non-cash compensation, except as provided in this provision. Non-cash compensation arrangements are limited to the following:

(A) Gifts that do not exceed an annual amount per person fixed periodically by the Board of Governors (currently $100) and are not preconditioned on achievement of a sales target.
(B) 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.
(C) Payment or reimbursement by offerors in connection with meetings held by an offeror or by a member for the purpose of training or education of Associated Persons of a member, provided that: (i) Associated Persons obtain the member's prior approval to attend the meeting and attendance by a member's Associated Persons is not conditioned by the member on the achievement of a sales target or any other incentives pursuant to a non-cash compensation arrangement permitted by subparagraph (d)(2)(D) of **Rules 2710** and **2810**; (ii) the location is appropriate to the purpose of the meeting, which shall mean an office of the issuer or affiliate thereof, the office of the member, or a facility located in the vicinity of such office, or a regional location with respect to regional meetings; (iii) the payment or reimbursement is not applied to the expenses of guests of the Associated Person; and (iv) the payment or reimbursement by the issuer or affiliate of the

issuer is not conditioned by the issuer or an affiliate of the issuer on the achievement of a sales target or any other non-cash compensation arrangement permitted by subparagraph (d)(2)(D) of Rule **2710** and **2810**.
(D) Non-cash compensation arrangements between a member and its Associated Persons or a company that controls a member company and the member's Associated Persons, provided that no unaffiliated non-member company or other unaffiliated member directly or indirectly participates in the member's or non-member's organization of a permissible non-cash
compensation arrangement; and
(E) Contributions by a non-member company or other member to a non-cash compensation arrangement between a member and its Associated Persons, provided that the arrangement meets the criteria in subparagraph (d)(2)(D) of Rule **2710** and **2810**.

APs have the opportunity to disclose whether non-cash compensation has been accepted on their "annual representation" forms. The forms are reviewed by the CCO after completion to detect any potential acceptance of non-cash compensation.

15.12 Responsible Municipal Principal

The Municipal Principal as stated in Exhibit B shall have the responsibility of supervising and approving such activities. The Company shall maintain records of all non-cash compensation received by the Company or its Associated Persons in arrangements permitted by subparagraphs (d)(2)(C)-(E) of **Rules 2710** and **2810**. The records shall include: the names of the offerors, non-members or other members 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 Company and its Associated Persons with subparagraph (d)(2)(C)-(E) of **Rules 2710** and 2810.

Further, the Municipal Principal shall be responsible for maintaining a listing of all underwritings in which the Company has participated, including the name of the underwriting, the allotment, retention, price per share, and the roll in which the Company acted (i.e. Selling Group Member or Underwriter). To date there have been no participation in such for the past ten (10) years.

15.13 Investment Banking

The Company does not currently, nor does it anticipate participating, in investment banking activities. Consequently, the areas of this section would only apply if the Company did participate in investment banking activities at some time in the future, but have no application currently. Any investment banking and corporate finance transactions conducted by Associated Persons and the Company and all correspondence dealing with said solicitation of such transactions with customers will be reviewed and approved by the CCO or his designee in writing. Further, all investment banking and corporate finance activity and transactions shall be reviewed by the CCO or his designee for compliance with FINRA Rules and Company policies designed to prevent unauthorized dissemination of confidential information in accordance with the Company's Wall Procedures to prevent Insider Trading violations. All related records will be maintained in accordance with respective regulations. At this time the Company does not engage in investment banking activities nor does it participate in any new issues of publicly traded stock. Therefore it is not required to file reports under FINRA Rule 3110(d).

IF the firm was to engage in investment banking activities, the following processes would be invoked:

Submissions to FINRA

References: FINRA Rule 5123
Regulatory Notice(s): 13-26, 12-40

Who: *Designated Principal*

When: *N/A*

What: *Submissions to FINRA*
Evidence: *N/A*
Retention Period: *Not Less Than Three (3) Years*
Date: *June 2013*

FINRA Rule 5123 requires that any firm that sells a security in a non-public offering in reliance on the available exemption from registration under the Securities Act must:

- submit to FINRA, or have submitted on its behalf by a designated member, a copy of any private placement memorandum, term sheet, or other offering document including any materially amended versions, used in connection with such sale within 15 calendar days of the date of the first sale
- notify FINRA that no such offering documents were used.
- provide required documents, retail communications, or notifications and related information by filing an electronic form in manner prescribed by FINRA.
- Exemptions: the following Member Private Offerings are exempt from the requirements of this Rule:
    - Offering 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; and
        - 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(h)(2)(D);
    - 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(11) 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.

The Firm's Chief Compliance Officer or his designee will determine whether an offering is exempt from the FINRA notification requirement. If an offering is exemption from the FINRA notification requirement, the Firm's Chief Compliance Officer or his designee will make a note to the file and include the exemption that makes the offering exempt from the filing requirement.

The Firm will file all necessary information with FINRA within 15 calendar days of the date of the first sale for any securities subject to this requirement. The Firm will also notify FINRA that no documents were used, in any case where a filing is required but no documentation was used in the transaction. The Firm will maintain a copy of all submissions made.

In instances where the Firm is not the sole distributor of the offering, and it is not exempt from the notification requirement, the Firm's Chief Compliance Officer or his designee will make reasonable effort to obtain information from the other selling firms. It is the intention of the Firm to not engage in such activity.

It should be noted that FINRA FAQ states that "if a designated firm fails to file the offering documents, none of the selling firms will have complied with Rule 5123. Selling firms should arrange to receive confirmation from the designated filing firm to ensure that the filing was made."

16. INSURANCE PRODUCTS

16.1 Introduction

This section outlines requirements and procedures when offering insurance products to customers. Insurance products include the following:

- Variable Annuities
- Variable Life Contracts;
- Fixed Annuities; and
- Indexed Annuities or Fixed/Equity Indexed Annuities

The designated supervisors have the responsibility for overseeing insurance transactions.

16.2 Compliance Chart

Name of Supervisor:	• Designated Supervisors or Principal
Statutes	• FINRA Rule 2320 – Variable Contracts • FINRA Rule 2821 – Deferred Variable Annuities
Frequency of Review:	• As required • Daily trade blotters • Annual training
Actions	• Review of order information • Review of TRACE reporting • Provide training to Associated Persons
Records	• Trade blotters • Application Documents • Tickets for Approval (Vas) • New Account Forms • Disclosure Forms and VA Worksheets • Insurance Sales Literature • Training records

16.3 Selling Agreements

All Insurance Products offered by the firm must be approved by the CCO or his designee. Such approval will be evidenced by a Selling Agreement and include which product/s offered by the sponsor will be utilized by the Company. Such Selling Agreement will be maintained by the Company and for three years subsequent to termination of the agreement. Insurance products considered "offered by the firm" are those insurance products that are considered "securities" by definition. These products are, generally, variable annuities and variable life insurance.

16.4 Variable Insurance Products

Variable annuities are a hybrid of insurance and securities products. A variable annuity is a contract between the investor and an insurance company, under which the insurer agrees to make periodic payments to the investor, beginning either immediately or at some future date. The purchase of a variable annuity contract by making either a single purchase payment or a series of purchase payments.

A variable annuity offers a range of investment options. The value of the investment as a variable annuity owner will vary depending on the performance of the investment options chosen. The investment options for a variable annuity are typically similar to mutual funds that invest in stocks, bonds, money market instruments, or some combination of the three are called "separate accounts."

Although variable annuities are typically invested in mutual funds (separate accounts), variable annuities differ from actual mutual funds in several important ways:

First, variable annuities let the investor to receive periodic payments for the rest of their life (or the life of your spouse or any other person designated). This feature offers protection against the possibility that, after retirement, the individual will outlive his/her assets.

Second, variable annuities have a death benefit. If the investor dies before the insurer has started making payments, the beneficiary is guaranteed to receive a specified amount – typically at least the amount of your purchase payments (with enhanced death benefits usually available) the beneficiary will get a benefit from this feature if, at the time of the insured's death, the account value is less than the guaranteed amount. At death, the "stepped up" cost basis for estate/income tax purposes is not available.

Third, variable annuities are tax-deferred. That means the investor pays no taxes on the income and investment gains from the annuity until they withdraw money. The investor may also transfer money from one investment option to another within a variable annuity without paying tax at the time of the transfer. When taking money out of a variable annuity, however, the customer will be taxed on the earnings at ordinary income tax rates rather than lower capital gains rates. In general, the benefits of tax deferral will outweigh the costs of a variable annuity only if you hold it as a long-term investment to meet retirement and other long-range goals.

There are different types of variable products with differing requirements. Key requirements are listed below:

>APs must have necessary licensing to sell variable products, including:
>securities licensing with FINRA securities licensing in the state where the customer resides (some states waive securities licensing to sell variable products)
>insurance licensing in the state where the customer resides or (in some states) where the transaction with the customer takes place APs must be familiar with features of variable products before recommending them and explain the features to the customer. Features may include a death benefit, fees and expenses, subaccount choices, special features, withdrawal privileges, and tax treatment.
FAF form VA-1 is an attempt to disclose some of these to customers. Each product must be reviewed because features vary considerably. Almost all insurance companies require some type of "training" prior to selling their product which is, generally, provided by the insurance company and FAF relies on that product training as adequate to sell the specific product perhaps coupled with many years of offering variable annuities by the AP.

Recommendations must be suitable considering whether features of the product meet the customer's investment needs. Firm form VA-1 must be completed with each variable annuity sale.
If replacing one annuity with another, a replacement form (VA-3) must be submitted and the exchange must be justified via the form.
There are specific requirements that apply to advertising and other communications about variable products, particularly regarding yield, dollar cost averaging, and other representations of return.

16.4.1 Suitability for Variable Contracts

Name of Supervisor ("designated Principal"):	CCO or Designated Branch Office Managers (see Section 3.2 and 3.5)
Frequency of Review:	As Needed
How Conducted:	Review of new account forms, order records, correspondence, and customer statements for consistency of investment objectives with financial status, prior investment experience, etc.
How Documented:	Initials on trade confirms by stamp or writing, and if necessary, notes added to client files and memos to compliance files.

In recommending the purchase of a variable contract, an Associated Person of the Company should have reasonable grounds for believing that the recommendation is suitable for such customer as to his or her other security holdings and as to his or her financial situation or needs. Suitability for these products must be assessed on a case by case basis by first the Associated Person and then the Designated Principal.

A suitability review must be conducted as evidenced by the VA-1 Form, the FAF Account Application & Agreement and, possibly, the VA-3. All the same requirements as with other products apply to variable insurance products, including OFAC search, driver's license copy, etc.

Switching from one contract to another similar contract will only be allowed if it can be shown that the client will benefit from the switch via the VA-3 Form. The Associated Person and the Designated Principal will 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 should be given to such matters as product enhancements and improvements, lower cost structures, surrender charges, etc.

When recommending a variable annuity, Associated Persons will make reasonable efforts to obtain comprehensive customer information through a Company account for that includes the customer's occupation, marital status, age, number of dependents, investment objectives, risk tolerance, tax status/bracket, previous investment experience, liquid net worth, and annual income. Retention of this customer information will be made in conjunction with the maintenance of basic customer account information.

The Associated Person will seek to ensure that the variable annuity application and any other information provided by the customer is complete and accurate, and promptly forwarded to a registered principal for review.

When a variable annuity transaction is recommended to a customer, the Associated Person and the Designated 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 sub accounts recommended to the customer are suitable.

Recommendations associated with variable contracts are subject to the same standards and supervisory procedures set forth in this manual relating to suitability and the requirements of FINRA Rule 2210. All

representatives recommending variable contracts shall receive training designed to ensure that customers, and particularly seniors, are offered suitable investments only
after the following information is gathered and analyzed: financial status, tax status, investment objectives, risk tolerance, and any other reasonable information necessary to the suitability decision. Specific training is usually required by almost all insurance companies prior to the sale of the policies. That function will be monitored by the insurance companies whose products are offered by a FAF Rep and not FAF.

FINRA Rule 2330 and Regulation Best Interest – Member's Responsibilities Regarding Deferred Variable Annuities-
Associated persons, in recommending the purchase of a variable product and initial subaccount allocations, are required to have a reasonable belief the transaction is suitable and obtain all required information and forms as required by the firm and regulations. In meeting these obligations, Associated Persons are required to do the following.

- Obtain financial and customer information required by the firm, including 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 required by the firm.
- Make a determination that the customer would benefit from certain features of the variable product, such as tax-deferred growth, annuitization, or a death or living benefit.
- Communicate to customers various features of the variable product, such as the potential surrender period and surrender charge; potential tax penalty if customers sell or redeem variable products 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; and market risk.
- Have a reasonable belief the particular variable product as a whole, the underlying subaccounts to which funds are allocated at the time of the purchase or exchange of the variable product, 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) and in the best interest of the particular customer based on the following information at a minimum: information concerning the customer's age, annual income, financial situation and needs, investment experience, investment objectives, intended use of the variable product, 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 registered person in making recommendations to customers.

16.4.2 Processing and Principal Review and Approval of Variable Annuities:

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 registered rep receives a complete and correct application package, a registered principal shall review and determine whether he or she approves of the recommended purchase or exchange of the deferred variable annuity. There is almost NEVER a place on a variable annuity application for approval of a principal. Generally, approval is evidenced by the initials of a principal somewhere on the application itself, generally where the broker dealer information is located either manually written or stamped. A registered principal shall 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 under suitability regulations. After the Associated Person receives a completed application and a check made out to the appropriate product sponsor (if appropriate), the application will be forwarded to the CCO or designee, for a suitability review and approval. The application and check (if any) will be forwarded to the product sponsor and a copy will be placed in the customer's file. The receipt and applications will be forwarded to the issuer. Checks must be forwarded to the sponsor on or

before noon of the business day following receipt by the representative. Contracts will be promptly forwarded to the recipient or AP (agent) upon receipt by the Company.

With prior approval, Associated Persons, may send the applications to the home office for approval via email or FAX. If approved, evidence of that approval will be returned to the Associated Person and they then can mail the application and check (if any) directly to the insurance company. This process is an "exception" and generally approved for items where time is of the essence. For example "deadline date" for IRAs or other retirement products, change in contract provision cut-off dates, etc.

16.4.3 Sales Charges

The company will not participate in the offering or in the sale of variable annuity contracts if the purchase payment includes a sales charge which is excessive:

(1) Under contracts providing for multiple payments, a sales charge shall not be deemed to be excessive if the sales charge stated in the prospectus does not exceed 8.5% of the total payments to be made thereon as of a date not later than the end of the twelfth year of such payments, provided that if a contract be issued for any stipulated shorter payment period, the sales charge under such contract typically should not exceed 8.5% of the total payments thereunder for such period.
(2) Under contracts where sales charges and other deductions for purchase payments are not stated separately in the prospectus the total deductions from purchase payments (excluding those for insurance premiums and premium taxes) shall be treated as a sales charge for purposes of this Rule, and shall not be deemed to be excessive if they do not exceed the percentage set forth above.
The Company 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 therefore in accordance with the provisions of the contract, and, if applicable, the prospectus, the Investment Company Act of 1940 and applicable rules thereunder. Payments need not be considered as received until the contract application has been accepted by the insurance company.
The Company 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 thereof, and, if applicable, the prospectus, the Investment Company Act of 1940 and applicable rules thereunder.

16.4.4 Compensation

In connection with the sale and distribution of variable contracts:

(1) Except as described below, the Company or any Associated Person will not accept any compensation from anyone other than the company. This requirement will not prohibit arrangements where a non-member company pays compensation directly to Associated Persons, provided that:

(A) the arrangement is agreed to by the Company;

(B) the Company relies on an appropriate rule, regulation, interpretive release, interpretive letter, or "no-action" letter issued by the Commission that applies to the specific fact situation of the arrangement;

(C) the receipt by Associated Persons of such compensation is treated as compensation received by the member for purposes of the Rules of the Association; and

(D) the record keeping requirement in paragraph (3) is satisfied.

(2) The company or any Associated Person will not accept any compensation from an offeror which is in the form of securities of any kind.

(3) Except for items as described in subparagraphs (4)(A) and (B), the Company will maintain records of all compensation received by the Company or its Associated Persons from offerors. The records shall include the names of the offerors, the names of the Associated Persons, the amount of cash, the nature and, if known, the value of non-cash compensation received.

(4) The Company or its Associated Persons will not directly or indirectly accept or make payments or offers of payments of any non-cash compensation, except as provided in this provision. Notwithstanding the provisions of paragraph (h)(1), the following non-cash compensation arrangements are permitted:

(A) Gifts that do not exceed an annual amount per person fixed periodically by the Association and are not preconditioned on achievement of a sales target.

(B) 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.

(C) Payment or reimbursement by offerors in connection with meetings held by an offeror or by a member for the purpose of training or education of Associated Persons of a member, provided that:

(i) the record keeping requirement in paragraph (3) is satisfied;

(ii) Associated Persons obtain the Company's prior approval to attend the meeting and attendance by a member's Associated Persons is not preconditioned by the member on the achievement of a sales target or any other incentives pursuant to a non-cash compensation arrangement permitted by paragraph (4)(D);

(iii) the location is appropriate to the purpose of the meeting, which shall mean an office of the offeror or the member, or a facility located in the vicinity of such office, or a regional location with respect to regional meetings;

(iv) the payment or reimbursement is not applied to the expenses of guests of the Associated Person; and

(v) 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 by paragraph (4)(D).

(D) Non-cash compensation arrangements between the Company and its associated persons or a non-member company and its sales personnel who are Associated Persons of an affiliated member, provided that:

(i) the member's or non-member'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 member;

(ii) the non-cash compensation arrangement requires that the credit received for each variable contract security is equally weighted;

(iii) no unaffiliated non-member company or other unaffiliated member directly or indirectly participates in the member's or non-member's organization of a permissible non-cash compensation arrangement; and

(iv) the record keeping requirement in paragraph (3) is satisfied.

(E) Contributions by a non-member company or other member to a non-cash compensation arrangement between a member and its Associated Persons, provided that the arrangement meets the criteria in subparagraph (4)(D).

16.4.5 Advertising and Sales Literature

Advertising and sales literature of variable products must provide a level of disclosure sufficient to allow the customer to make a fair and informed investment decision.

All advertising and sales literature concerning variable contracts shall be filed with the FINRA Advertising Department within 10 days after its first use or publication; however, such material shall be filed in advance of use whenever feasible. If any such material incorporates the use of rankings, it shall be filed with the FINRA at least 10 days prior to its initial use. The CCO or his designee will indicate his approval of the advertisement or sales literature not provided by the issuer by initialing the document and placing it in the advertising folder.

In light of the complexities and unique nature of variable products, it is essential that potential investors understand what they are being offered. Consequently, the Guidelines require that communications concerning variable products must clearly identify the product. Where product type is identified in a proprietary name, it is not necessary to include a generalized statement identifying product type. In order to prevent confusion in variable product sales material, no statement or presentation may indicate or imply that the product offered or its underlying account is a mutual fund. Although variable product separate accounts may ultimately be invested in mutual funds, there are significant material differences between a variable product investment and a direct mutual fund investment.

As products with potentially substantial tax penalties and charges for early withdrawal, variable products must not be presented by members as short-term, liquid investments. Any discussions or presentations concerning liquidity or accessibility to investment values must be balanced by disclosure of the impact of early withdrawal, such as sales loads, tax penalties, and potential loss of principal. Additionally, regarding the liquidity of variable life insurance products, a balanced presentation requires a discussion of the impact of loans and withdrawals on cash values and death benefits.

Guarantees by insurance companies, such as a minimum death benefit, a schedule of annuity payments, or a fixed return on the investment account, all depend on the claims-paying ability of the issuing insurance company, and thus must not be exaggerated. Associated Persons are prohibited from representing or implying that the investment return or principal value of the separate investment account is guaranteed, or that an insurance company's financial ratings apply to the separate account.

Pursuant to amendments made to the FINRA Conduct Rules regarding Group Variable Contracts (GVCs) in August 1996, all sales of GVCs must be submitted through the Company and presented for approval by the assigned principal. The new account form must be completed prior to sale as evidence of suitability review and approval. Any sales made prior to August 1996 are exempt from this requirement.

Fund Performance

In order to show how an existing fund would have performed, had it been an investment option in 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. Such 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 investing in a similar investment option available in a variable contract. The presentation of historical performance and future projections must conform to all FINRA and SEC standards and specifically with Rule 2210(d) and IM-2210-2. Attention must be given to including all elements of return and deducting applicable charges and expenses.

Presentations of past or anticipated future performance provided by insurance companies offering variable annuities are often call "illustrations" and those are subject to the regulations imposed upon insurance company from all regulatory sources.

16.4.6 1035 Exchanges

1035 exchanges are permitted under the Internal Revenue Code that permits a contract owner to exchange a variable annuity contract without paying tax on the income and investment gains on the original contract. All 1035 exchanges will require completion of the "Replacement Information" section of the Variable Insurance Product application form provided by the Insurance company and FAF's Form VA-3. Subsequently, the

principal will review all relevant factors to determine if such exchange is appropriate. Any inappropriate number of exchanges will be further reviewed by the CCO who will determine what course of action to take.

Recommendations – Specific Considerations Concerning Exchanges of Deferred Variable Annuities
Associated Persons, when recommending the exchange of a variable product, in addition to any initial subaccount allocations, must have a reasonable belief the transaction is suitable and in the customer's best interest, that customers have been disclosed of relevant information, and a customer would benefit from certain features of the variable product, as discussed above in the preceding section. In addition to the requirements of the above section, the Associated Person is responsible for having a reasonable belief the exchange is suitable. Particular scrutiny will be paid to sales to individuals of advanced age and where a customer's project investment amount is a substantial percentage of their net worth. The following factors should be considered:

- 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);
- whether the customer would benefit from product enhancements and improvements; and
- whether the customer has had another variable product exchange within the preceding 36 months.

16.4.7 Tax Implications of Variable Products

Customers should be notified of the tax disadvantages of variable products such as tax on any increase in value at ordinary income rates upon distribution, and inclusion of the entire value of the annuity in calculation of the estate tax, estate tax consequences of naming the insured as the owner of a variable life policy, potential tax penalty or excise tax for withdrawals prior to age 59 1/2., etc.

When an Associated Person recommends the purchase of a variable annuity for any tax-qualified retirement account (e.g., 401(k) plan, IRA), the Associated Person 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 Associated Person should 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. All applications and Variable Insurance disclosures will be maintained with the customer account information for at least three years and in a readily accessible place for at least two years.

16.4.8 Delivery of Variable Contracts

Variable Annuity Contracts should be sent to the home office directly from the insurance company, reviewed and certain portions copied. If not provided by the carrier, the home office will create a "delivery receipt" to demonstrate that the customer has received the contract that has been delivered by the AP. The AP is to forward a copy of that delivery receipt to the home office.

16.4.9 Forwarding of Applications and Payments

Applications and/or purchase payments and at least that portion of the purchase payment required to be credited to the contract for variable contracts shall be transmitted promptly to the issuer. The date the application and/or purchase payment is received will be logged on the blotter along with the date forwarded to the insurance company.

16.4.10 Twisting

"Twisting," which refers to executing trades in a client's account for the primary purpose of generating fees, is forbidden by the Company.

16.4.11 Redemption Procedures

Clients must be made aware that variable annuities are long-term investments and that getting out early can mean taking a loss. Many variable annuities assess surrender charges for withdrawals within a specified period, which can be as long as six to eight years. Also, any withdrawals before an investor reaches the age of 59 ½ are generally subject to a 10% tax penalty (excise tax) in addition to any gain being taxed as ordinary income.

Additionally, clients must be made aware that most variable annuities have a sales charge. Like Class B shares of mutual funds, most variable annuities shares typically do not charge a front-end sales charge, but they do impose asset-based "deferred" sales charges or surrender charges. These charges normally decline and eventually are eliminated the longer the contract is held. For example, a surrender charge could start at 7% in the first year and decline by 1% per year until it reaches zero.

16.4.12 Training

Registered representatives who will be engaging in variable annuity business will be generally required to be trained on each product by the insurance company. Additional training may be conducted through the "Firm Element" of continuing education.

16.5 FINRA Rule 2330: Deferred Variable Annuity Transactions

Rule 2821 was developed to enhance broker/dealer operations compliance and supervisory systems for variable deferred annuities which, because of their features and often complex contract options, can cause confusion for both the reps who sell them and the investors who purchase them.

(a) General Guidelines

(1) Application: The rule applies to the purchase or exchange of a deferred variable annuity and the subaccount allocations. This Rule does not apply to reallocations of 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 Section 3(a)(12)(C) of the Securities Exchange Act of 1934 or meets the requirements of Internal Revenue Code Sections 403(b), 457(b), or 457(f), unless, in the case of any such plan, a member or person associated with a member 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 member or person associated with the member makes such recommendations.

(2) 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.

(3) Definitions: For purposes of this Rule, the term "registered principal" shall mean a person registered as a General Securities Sales Supervisor (Series 9/10), a General Securities Principal (Series 24), or an Investment Company Products/Variable Contracts Principal (Series 26), as applicable.

Notwithstanding the foregoing, a registered principal may authorize the processing of the transaction

(i) If they determine the transaction was not recommended; and
(ii) That the customer, after being informed of the reason why the registered principal has not approved the transaction, affirms that he or she wants to proceed with the purchase or exchange of the deferred variable annuity.

The determinations required by this paragraph shall be documented and signed by the registered principal who reviewed and approved, rejected, or authorized the transaction.

16.6 Variable Life Insurance

Variable life insurance is a life insurance contract with an underlying investment component in securities investments. Variable life contracts include two types of policies: variable whole-life and variable universal life. Both allow the policyholder to invest part of the premium in mutual fund-like investment pools called sub-accounts which often include a broad selection of funds from major mutual fund companies. Variable whole-life policies require fixed premiums; variable universal life policies allow the policyholder to vary payments. Variable life insurance offers a death benefit, similar to traditional life insurance. The cash value generated by the investment element is not guaranteed by the insurance company and can fluctuate depending on the performance of the investments.

Customers must be advised of the risks of variable life insurance including the risk of loss in the underlying investments which may result in a cash value of the policy that is either too low to maintain the value of the death benefit or will become too low if the policyholder does not pay higher premiums.

If the insurance company provides proprietary disclosure forms for its VA product, it should be completed by the customer or Associated Person.
For variable life insurance contracts, has the customer's need for life insurance already been met?

APs should not recommend that customer finance a variable life insurance policy from the value of another insurance policy or annuity, such as through the use of loans or cash values, unless the transaction is otherwise suitable for the customer.

16.7 Fixed Annuity and Indexed Insurance Products

In addition to some of the same guidelines above with variable insurance products, fixed annuities or indexed insurance products also come under the same suitability guidelines pursuant to FINRA Conduct Rules. A suitability review must be conducted for each prospective purchaser as evidenced by the new account form along with principal approval for in-house Associated Persons. Due to recent actions of the National Association of Insurance Commissioners (NAIC), these insurance products now contain suitability information on the original application, This has not always been the case.

Prior to or simultaneous with any transaction with an insurance company, a general agent contract, if applicable, must be executed by the Company OR both the firm and the agent must be appointed with the applicable insurance company. Any checks received for an application must be entered into the Checks Received and Forwarded Blotter and forwarded.

16.8 Indexed Annuities

FAF does not generally offer Fixed Indexed Annuities or Equity Indexed Annuities (EIAs) through the Company, but allows APs to sell them as a part of their "outside business activities" (OBA) through their insurance activities as the EIAs have been determined not to be a security, but an insurance product only, not requiring a securities license to offer them. However, due to the language of Notice to Members 05-50 regarding the selling of unregistered indexed annuities, the Company has determined that some control regarding suitability and product should be exercised. The EIA sales are conducted "away" from the Company and are not supervised by the Company. Again, NTM 05-50 indicated that even though the Company would not be involved in the EIA sale, the Company should perform suitability review to be sure that the insurance policy was "suitable" for the insured. Consequently, the Company developed a form that is to be submitted with any policy application to be reviewed for suitability only. The policy is then sent to the receiving organization where it is processed and the commission check is paid directly to AP or his/her organization direct from the insurance company. This business is not placed through the Company and should not be considered as a liability of the Company.

16.9 Sale of "L" Class Variable Annuities

L shares normally offer a short period whereby a variable annuity is subject to surrender charges. However, L shares often have "mortality & expenses" (M&E) fees that are higher than other share classes. There also may be higher administrative fees for L share contracts. The L share contracts may offer a higher commission payout than other contracts with the same carrier.

Within the variable contract, insurance companies often offer "income riders." These riders offer various percentage rates of cash payout to the contract recipient. As these payout levels are based somewhat on the insurance company's return on their underlying investments, it is likely that the payout levels on the contracts would increase when interest rates rise. L share contracts often allow flexibility for investors to benefit from potential higher cash payouts from the insurance companies in the future if interest rates rise in a shorter period of time than longer surrender periods without suffering "surrender" or sales charges.

Beginning October 1, 2015 the sale of "L Shares" or similar classed shares may not be appropriate for policies with "income" riders. "L" class shares may be appropriate for accounts that state a 5 year or less time/investment horizon for the specific funds (separate accounts) invested. Evidence of the time/investment horizon may be evidenced by the FAF Account Form, VA1 Form or a separate written statement by the customer. If there are income riders or if there is a longer term investment horizon, then the contract will most likely be rejected. APs are encouraged to refrain from using L class contracts when offering variable annuities.

17. CERTIFICATES OF DEPOSIT

17.1 Introduction

This section addresses rules and procedures related to the offer and sale of Certificates of Deposit. Although not considered a security by the SEC or FINRA, many state securities boards deem them to be, including Kansas.

17.2 Compliance Chart

Name of Supervisor:	• Designated Supervisors or Principal
Statutes	• State Securities Board Rules • FINRA Notice To Members 02-28, 02-69
Frequency of Review:	• As required • Daily trade blotters • Annual training
Actions	• Review of order information • Review of New Account documents • Review of Disclosure Forms if applicable
Records	• Trade blotters • Account Documents • Disclosure Forms

17.3 Non-Callable CDs

Non-Callable CDs (Certificate of Deposit) are Federal Deposit Insurance Corporation or FDIC insured up to $250,000 for bank CDs and insured up to $250,000 by the National Credit Union Share Insurance Fund or NCUA for credit unions. Just as with callable CDs, non-callable CD purchasers must also be suitable for this type of investment. The same suitability review must be conducted for these type investors along with New Account procedures and principal approval. Trades are placed through the clearing firm's (HTS) MOmentum system using their proprietary trading platform called "BondPro." Trades also can be called into the HTS trade desk. All trades for CDs will be conducted in addition to the blotter provided by HTS, the AP will make out a manual "ticket" for the CD trade outlining all the aspects of the CD.

17.4 Callable Certificates of Deposit

Callable Certificates of Deposit ("CD") are insured as stated in 17.3. However, they can be called by the bank before they mature; therefore, they often offer a higher rate of interest. With callable CD's the bank does not permit the customer to withdraw funds until maturity but the CD can be sold in the secondary market without penalty. However, the customer must accept the risk of market fluctuation of the principal if sold in the secondary CD market. The callable, book entry, certificates of deposit will be cleared through Hilltop Securities Inc.

17.4.1 Suitability in Regard to Callable Certificate of Deposits

Callable Certificate of Deposits sold as securities require accurate disclosure as with any security. The callable CDs are sometimes sold to older customers that are on a fixed income. In addition to obtaining the regular customer account information, each customer must be informed that the bank may call the certificates before maturity. Their funds cannot be withdrawn until maturity. At customer request, they may be sold in the secondary market if there is a market for the particular CD, however, may incur loss of principal and interest. CD products exist that are more complex and riskier and are sometimes referred to as "long-term" CDs. These CDs generally have a maturity of several years (in some cases, 20 years) and sometimes carry a higher yield. However, they may also have any number of additional features that affect the rate of return and degree of risk for purchasers: for example, they may have variable interest rates, may be callable by the issuing bank, sometimes trade in a secondary market, and are subject to transaction costs not typically associated with a traditional CD. Importantly, these long-term CDs carry market risk to their principal value, unlike traditional bank CDs.

Depending on various factors, these CD products can, as a legal matter, be securities. The designated Principal is required to provide Registered Representatives with details on the characteristics and risk factors (as described in Notice 02-69) associated with long-term CD's and to ensure that Registered Reps are sufficiently knowledgeable prior to offering these products to customers. Prior to closing a transaction in long-term CD's, Associated Persons are required, as always, to assess and confirm the suitability of such transactions. In addition, the Representative must provide the customer with written materials describing the characteristics and risks of purchasing brokered CDs (either made available by the issuer, the clearing firm or prepared by the Company). These materials must be subject to review by the designated Principal to ensure their compliance with Consolidated FINRA Rule 2210 ("Communications With the Public"). Such material can be provided at the time of purchase with the confirmation or in advance of the transaction date.

The clearing firm must account for these CD products at fair market value on customer account statements. The clearing firm and the Company will disclose to customers that the value of brokered CDs is estimated and that their actual value may differ if customers elect to sell their brokered CDs in the secondary market.

17.4.2 Guidelines for the Suitability and Sale of Callable CDs:

In connection with the sale and distribution of callable CDs, Associated Persons must adhere to the following guidelines:

A thorough suitability review must be conducted by completing the HTS Account Form in full for a new customer. It is the Associated Person's responsibility to make a best effort attempt at gathering background information on a potential customer. It is vital to ascertain a customer's financial, employment, and other information. However, if a client will not disclose certain personal information, it must be indicated on the form and should be taken into consideration. This form must be completed prior to initiating a trade for a new customer.

A principal must review and approve the New Account form prior to executing a trade for a new customer. Subsequent to callable CD purchases for new buyers, the firm will forward the Confidential Customer Questionnaire that confirms the customer's understanding of their purchase and detect any problems. Copy of returned questionnaires will be maintained in a central location as well as in the customer file.

17.4.3 Advertising and Sales Literature

All callable CD advertising and sales literature must be reviewed and approved by the home office prior to use. All advertising and sales literature must provide a level of disclosure sufficient to allow the customer to make an informed investment decision. This includes the term of the issue to be prominently displayed close to the rate information and rates specified in A.P.Y. with "Annual Percentage Yield" spelled out. In addition, for callable CDs, it must be clear that only the Issuer can call in a CD and the purchaser. It must be disclosed that the purchaser may receive less than originally invested if sold prior to maturity.

In light of the unique features of callable CDs, it is essential that potential investors understand what they are being offered. Consequently, communications concerning callable CDs must clearly identify the product as such, including the term, and to prevent any confusion, no statement or presentation that may indicate otherwise.

18. BUSINESS CONTINUITY MANAGEMENT AND NET CAPITAL REQUIREMENTS

18.1 Introduction

Pursuant to a broker/dealer's fiduciary duty to its clients as well as expectations of its clients, the Company has developed the following business continuity plans to respond to emergencies, disasters, and contingencies. In addition, it is the Company's policy to respond to a Significant Business Disruption (SBD) by safeguarding employees' lives and Company property, making a financial and operational assessment, quickly recovering and resuming operations, protecting the firm's books and records, the CCO will be responsible for the development and implementation of these procedures designed to provide the strategic and operational framework to both review, and where appropriate, redesign the way the Company provides its products and services while increasing its resilience to disruption, interruption, or loss.

18.2 Compliance Chart

Name of Supervisor:	• Designated Supervisors or Principals
Statutes	• SEC Rule 17a-3 and 17a-4 – books and records (34 Act Section 240) • FINRA Rule 4370 – BCP and Emergency Contact (and Notices to Members 06-74 and 04-37)
Frequency of Review:	• As required • Annual review
Actions	• Maintain and update plan as needed • Implementation of Plan if disruption occurs • Provide Plan summary information to customers at account opening and offer annually • Post Plan information on Company Website and update as needed • Provide training to Associated Persons on BCP
Records	• Customer account documents • Annual offer to customers • Website

Name of Supervisor ("designated	Chief Compliance Officer Executive
Frequency of Review:	Upon creation/implementation of Business Continuity Plan and annually thereafter Annual review of contact person info (Exec. Rep).

How Conducted:	Review (or have reviewed) Business Continuity Plan to assess its continued viability; require changes when necessary to maintain an updated document. Review final, updated plan yearly. Confirm contact info has been provided to FINRA. (Exec. Rep.) • Maintain and update plan as needed • Implementation of Plan if disruption occurs • Provide Plan summary information to customers at account opening and offer annually • Post Plan information on Company Website and update as needed
How Documented:	Records of review and approval of original and revised versions. Annual offer to customers Website
3010 Checklist:	Consolidated. FINRA Rule 4370 SEC Rule 17a-3 and 17a-4 – books and records (34 Act Section 240) FINRA Rule 4370 – BCP and Emergency Contact (and Notices to Members 06-74 and 04-37)
Comments:	

18.3 FINRA Rule 4370. BCP & Emergency Contacts

Pursuant to Rule 4370, Company has created and will maintain a written business continuity plan (BCP) identifying procedures relating to an emergency or significant business disruption. This BCP manual uses the small firm template provided by FINRA and is contained in Exhibit G this WSP. Such procedures must be reasonably designed to enable Company to meet its existing obligations to customers. In addition, such procedures must address Company's existing relationships with other broker-dealers and counter-parties. The business continuity plan shall be made available promptly upon request to FINRA staff. Company shall update its plan in the event of any material change to the member's operations, structure, business or location. The BCP of First Asset Financial Inc. is contained in a separate document. The document is prepared from the template supplied by FINRA to small firms. It is available to the public upon request and on our website.

The business continuity management plans will be approved and reviewed at least annually by the CCO preferably on or before 12/31, but may be done in the first quarter of the following year so that the entire prior year may be taken into consideration. Revisions will be made as operations or business environments materially change including operations, structure, business or location or to those of our clearing firm. The BCP is attached as Exhibit G.

18.4 Minimum Net Capital Requirement

The Net Capital Rule requires a broker-dealer to maintain minimum net capital at all times and provides a standard computation method or an alternative computation standard of computing net capital. The minimum amount of capital that is required is based upon the type of business being conducted and the handling of funds and securities. The following is a summary of the net capital requirements under SEC Rule 15c3-1.

18.5 Net Capital

A broker-dealer operating under the $5,000 minimum net capital is restricted to effecting an occasional transaction for its own account (An occasional transaction is considered no more than 10 transactions in any one calendar year). Transactions in money market instruments are excluded from the 10-transaction limitation (A transaction is either a purchase or a sale).

First Asset Financial Inc. has always been operating as, and intends to continue, a “fully disclosed” broker dealer with a minimum requirement of $5,000.

These written supervisory procedures were approved by Robert (Bob) Hamman. These procedures are effective from the date approved until the date of their authorized revision, update or replacement:

Signature: 

Date these procedures became effective: December 31, 2023