



Investment Banking & Private Placements

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INVESTMENT BANKING: PUBLIC & PRIVATE OFFERINGS AND RESALES

In all the Company’s investment banking activities, personnel are required to adhere to the Company’s guidelines on preventing insider trading and the sharing of confidential information with unauthorized parties. On each deal, when appropriate, the designated Principal charged with deal oversight will ensure that confidentiality agreements are signed when deemed necessary and that only those individuals/outside contractors/etc. who require non-public information in order to meet their respective responsibilities will have access to such information. This designated Principal should maintain a list of these individuals /contractors/etc. for each deal, so that the Company is able to control the flow of confidential information and restrict access by unauthorized parties.

If any of the activities conducted by the Company’s personnel, whether in offerings, deal structuring or advisory services, constitute municipal advisory activities, we will amend/supplement related procedures.

1.1 Public Offerings

| | |
|----------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Name of Supervisor (“designated Principal”): | Designated Principal: CCO Designated New Issue Supervisor: |
| Frequency of Review: | Project Based; before and during an offering |
| How Conducted: | Review documents and filings for completion and accuracy. Review compensation arrangements. Attend Meetings |
| How Documented: | Due diligence files, selling agreements, FINRA/SEC filings, Correspondence, Compensation agreements |
| 3010 Checklist: | SEA Rule 10b-9; 15c2-4; Consolidated FINRA Rules 5110, 5121, 5130, 5131, 5141, 5160, 5190, 2310, 11880; Rule 1032 and Notices 12-32, 12-22, 12-19, 11-29, 10-60, 10-52, 10-49, 10-47, 10-10, 09-49, 09-41, 08-54, 08-57, 08-74; 05-65, 04-13, 04-20, 02-26 and 87-61; Securities Act Rules 100, 101, 102, 103, 104 and 105 under Reg. M; 415(a)(4), 433, among others |
| Comments: | |

The Firm may participate in the underwriting of corporate securities as a selling group member, or the Company will distribute shares/units in some offerings through allocations of shares from selling group members.

The designated Principal will monitor public offering activities in order to ensure compliance with SEC Regulation M, including Rule 101 and 102, which imposes restrictions on distribution participants. When participating in a distribution of listed and unlisted securities, the Company and its associated persons involved in the distribution are prohibited from bidding for or purchasing the securities in distribution. The designated Principal will monitor the public offering process closely in order to detect violations of this Rule, among others. Swift disciplinary action will ensue, if necessary.

All personnel conducting public offerings must hold the required licensing in accordance with Rule 1032. While Corporate Securities Limited Representatives and General Securities Representatives may offer corporate securities, they may not engage in Investment Banking activities (such as originating, structuring and pricing public securities

offerings) unless they hold the Series 79 registration (Investment Banking Representative). The designated Principal responsible for supervising the Company's public securities offering business must be registered as a General Securities Principal; to supervise Investment Banking activities s/he must also have the Series 79.

1.1.1 In General

A "public offering" may be loosely defined as any offering and/or sale of securities by an issuer or a "control person" to potential purchasers in a manner providing widespread communication. This definition embraces a spectrum of activities ranging from the formal, "underwritten" public offering of a large company's securities with underwriters, selling groups and allotments to informal offerings of specialty products such as partnerships, LLCs, unit trusts and the like. It also can include the retail sale of large blocks of "control" stock. The securities laws and regulations governing broker-dealers provide a formal process of filing, review and clearance of a Registration Statement by federal and state regulatory authorities before a "public offering" of securities may be made.

A prospectus or offering circular must be included in the Registration Statement and provided to each potential investor, containing a full and fair disclosure, before any sale can be made. The use and distribution of 'free writing prospectuses' is governed by Securities Act Rule 433. SEC defines a free writing prospectus as a written communication, including an electronic communication, that constitutes an offer to sell or a solicitation to buy securities in a registered offering by means other than the statutory prospectus. Rule 433 addresses qualified issuers and offering participants, filing requirements, distribution requirements and mandatory notifications (legends), and must be followed when applicable (see below for separate, related FINRA requirements).

The securities laws impose harsh penalties on broker-dealers, Registered Representatives, issuers, officers, directors, accountants, attorneys and others who participate in the distribution of "publicly offered" securities without following the registration and clearance rules. In many states, investors have an automatic right of rescission of any securities sold without proper registration or providing a cleared final prospectus.

If in any doubt exists about whether a transaction should be registered as a "public offering," the Compliance Department should be consulted immediately for a review.

There are several "hybrid" types of offerings which do not require full scale registration. These include:

Regulation A. The "Regulation A" offering is a permitted public offering up to a maximum of \$5 million which is pre-cleared through a regional office of the SEC and under the pre-filing requirements of the states where offered. An Offering Circular as cleared by the SEC Regional Office and states must be provided to

each potential investor.

"SCOR" Offering. This is a permitted public offering up to a maximum of \$1 million under the exemption provided by Rule 504 of regulation D (see below). The offering must be filed and cleared under special uniform SCOR regulations in each state where offered.

Typically, Reg A and SCOR offerings end up as "bulletin board" or "penny stock" offerings. Please be aware of the Company's policies set forth elsewhere in this Manual as to the offering and trading of these securities. The Company regards these offerings as subject to at least the same levels of "due diligence" as are required for other public offerings in which the Company is involved.

ALL THESE OFFERINGS, PUBLIC AND PRIVATE, INVOLVE THE COMPANY DIRECTLY OR INDIRECTLY WHETHER OR NOT THE COMPANY UNDERTAKES ANY FORMAL ROLE AS "UNDERWRITER" OR SELLING AGENT. UNDER NO CIRCUMSTANCES SHOULD ANY REGISTERED REPRESENTATIVE ATTEMPT TO INVOLVE HIMSELF/HERSELF IN ANY OFFERING, WHETHER PUBLIC OR PRIVATE, WITHOUT PRIOR DISCLOSURE, DISCUSSION AND APPROVAL IN WRITING BY THE DESIGNATED PRINCIPAL.

1.1.2 Roles of the Underwriter and Selling Group

The securities laws define an "underwriter" as any person, company or corporation who acts on behalf of an issuer or control shareholder in distributing securities to the public. Typically, in an underwritten public offering, a group of broker-dealers agrees among themselves (agreement among underwriters) to form a syndicate to "underwrite" the offering. This means that if any one underwriter is unable to take up its portion of the issue, the others will step in. The underwriters pick a "managing underwriter or underwriters" who bear the responsibility for organizing the offering, completing "due diligence," etc. (see below). These underwriters in turn agree with the issuer (underwriting agreement) to make the public offering. This will either be on a "firm commitment" (buy and re-sell) or a "best efforts" (agency) basis. These agreements are signed only AFTER all the clearances are obtained and the underwriters and the issuer meet to price the offering and list the securities for trading.

Other broker-dealers act as members of the "selling group." These brokers are not committed to underwrite the issue in a formal sense (although they may be "underwriters" under the strict statutory definition). They typically sign a "selling agreement" and get a straight commission for placing a portion of the issue with their customers. Under Consolidated FINRA Rule 5160, selling group (or selling syndicate) agreements must include the price at which the securities are to be sold (or the formula used to ascertain the price) and to whom and under what circumstances concessions may be allowed.

All underwriters (including members of the selling group) have liability to the buying public to perform a "due diligence" review of the offering material to make sure that it does not contain any misleading statements or omissions of "material fact." A "material fact" is any piece of information about the issuer and the offering which a reasonable investor could consider material in deciding whether to buy or sell.

The underwriting syndicate hires counsel who works with the managing underwriter(s), counsel for the issuer and the issuer's accountants to make sure that "due diligence" is complete and that all disclosures and clearances have been

properly made and obtained. All other broker-dealers (including the other underwriters and members of the selling group) rely on this work to demonstrate a responsible and reasonable course of dealing for the benefit of the investing public. Failure to observe common practices or to make a reasonable investigation can be the basis later on for extensive liability. Accordingly, great care must be taken to observe all the rules and requirements.

Of particular note is the long-established prohibition against using any selling material that (a) contains information about the issuer or offering that is not in the prospectus (unless it is a free writing prospectus that meets the requirements under Securities Act Rule 433 and the guidance under Notice 10-52) or (b) has not been reviewed and pre-cleared by FINRA (see below). Failure to observe these prohibitions can cause a whole offering to be recalled and severe monetary and other penalties to be imposed.

Whether acting as managing underwriter or member of the underwriting syndicate, the Company expects that each of its employees and Registered Representatives will be knowledgeable about the rules and will not engage in activity that could jeopardize this very demanding form of business.

1.1.3 The Company's Participation as Underwriter or Selling Group Member

In cases where the Company will participate in a public offering of securities, where a different company will serve as lead (managing) underwriter, prior to effectiveness of the registration statement describing in detail the securities to be offered by the issuer, the Company shall perform the following, at a minimum:

- Perform reasonable "due diligence";
- Ensure adherence to requirements to Consolidated FINRA Rule 5121 if the Company or other members of the selling group have conflicts of interest (see sub-section below);
- Obtain and review the registration statement, offering material, background documents, form of selling agreement, etc.;
- Review such items as the issuer's industry and its financial and management history, among others;
- Use, where appropriate, the advice and guidance of an attorney, accountant, and/or other "due diligence" experts in the issuer's specific industry;
- Attend any "due diligence meetings" or other sessions providing an opportunity to meet the management and ask questions about the issuer and the offering;
- Create a reasonably comprehensive "due diligence" file for the offering, containing copies of documents, records of meetings, telephone conversations, visits, etc.;
- Obtain and disseminate to prospective investors copies of the "red herring" preliminary prospectus and hold necessary information meetings related thereto;
- Ensure compliance with FINRA's communications rules relating to free writing prospectuses, when applicable.

After the effectiveness of the registration statement, the Company shall take the following actions:

- Ascertain that the final (pricing) amendment to the registration statement has been filed and the registration statement has become effective in each applicable jurisdiction (federal and state) before any sales are made;
- Obtain any final "cold comfort" or other documentation provided by the issuer or lead underwriter;
- Sign the underwriting agreement (or selling group agreement). When concessions or discounts are granted in a public offering, the Company should make proper disclosure of this fact: the selling syndicate agreement must contain this information. Concessions and discounts shall be extended only to member broker-dealers for services provided in a distribution and must meet the restrictions on reduced prices under Consolidated FINRA Rule 5141 (fixed price offerings), when applicable—see below for details;
- Ensure completion of required notifications and disclosures under Consolidated FINRA Rules 5160 and 5190 relating to offering participants, pricing and concessions;
- Provide a copy of the final prospectus to each offeree and purchaser;

- If the offering has a contingency, establish a proper escrow account as required by SEA Rule 15c2-4;
- Comply with allocation and distribution rules as summarized herein and found in Consolidated FINRA Rule 5131.

Agreement Among Underwriters: Consolidated FINRA Rule 5131 requires that the agreement between the book-running lead manager and other syndicate members requires (if not inconsistent with SEC Regulation M), that any shares trading at a premium to the public offering price that are returned to a syndicate member after secondary market trading commences:

- be used to offset the existing syndicate short position; or
- if no syndicate short position exists, the syndicate member must either:
 - offer returned shares at the public offering price to unfilled customers' orders pursuant to a random allocation methodology, or
 - sell returned shares on the secondary market and donate profits from the sale to an unaffiliated charitable organization with the condition that the donation be treated as an anonymous donation to avoid any reputational benefit to the syndicate member.

This requirement is intended to prevent syndicate members from realizing almost instantaneous and risk-free profits in these circumstances. The designated Principal will ensure that, when participating in new issue offerings, it is subject to an agreement including the requirements, above.

Settlement of Syndicate Accounts and Notification to FINRA: The Company, if acting as Syndicate Manager will ensure that Consolidated FINRA Rule 11880 is adhered to when settling syndicate accounts. Final settlement is due within 90 days following the syndicate settlement date and will account for itemized expenses relating to the offering. If the public offering is underwritten on a "firm- commitment" basis, the Syndicate Manager must, immediately, but no later than the scheduled closing date, notify the FINRA's Operation Department of any anticipated delay in the closing of such offering beyond the closing date in the offering document or any subsequent delays in the closing date previously reported to FINRA. The designated Principal will ensure compliance with this requirement when it applies to the Company.

1.1.4 Compensation Arrangements

Compensation arrangements in public offerings will be scrutinized with particular care. Underwriting compensation is defined under Consolidated FINRA Rule 5110 and includes underwriting fees and commissions, as well as stocks, warrants, options, finder's fees, consulting fees, and certain other items. Underwriting compensation for the six-month period prior to an offering's registration is subject to review by FINRA's Corporate Financing Department to determine if it meets the requirements of the Corporate Financing Rule.

In general, underwriting compensation must be fair and reasonable and is assumed to vary directly with the amount of risk assumed by the participating members and inversely with the dollar amount of the offering proceeds. Consolidated FINRA Rule 5110 describes "items of value" that, if received during the 180 day period before filing of the registration statement and up to the offering's effectiveness (the "review period"), are included in underwriting compensation. The Rule describes exceptions to items of value, including compensation from the private placements with institutional investors. Also excluded are listed securities, debt securities and derivative instruments, pooled investment vehicles, and cash compensation for providing a loan or M&A services, subject to certain conditions as set forth in the Rule. The Rule also contains a lock-up provision, restricting disposition of certain securities held by participating members. Corporate finance personnel are required to access Consolidated FINRA Rule 5110 when questions on compensation arise. Because FINRA has noticed a high degree of price uniformity in compensation arrangements, it has emphasized that coordinated pricing, exchange of information among underwriters and intimidating or anti-

competitive activity among broker- dealers involved in the business will result in disciplinary action. Compensation arrangements should be reviewed with the Compliance Department before final agreement and submission for regulatory review. Any evidence of coercion or intimidation should be reported immediately. Refer to the Section above entitled “Receipt of Non-Cash Compensation, Sales Incentives, Gifts and Gratuities” for a discussion of requirements related to non-cash compensation, as enumerated under the Corporate Financing Rule, Consolidated FINRA Rule 5110.

1.1.5 Underwriting/Offering Procedures and New Issue Pricing

The following procedures invoke regulation applicable to public offerings, including SEC Regulation M and its applicable Rules (for instance, Rules 100, 101, 103, and 104). The Regulation covers the persons selling securities, their affiliates, and others participating in a distribution, and includes definitions, exceptions and restrictions that may vary with each different offering. The designated Principal supervising public offerings will, in each separate offering, inform the persons participating in the offering of their obligations under Regulation M, and specifically, the applicable restrictions under Rule 101. Generally, Rule 101 makes it unlawful for any person engaged in a distribution to bid for or purchase any of the securities being distributed, or to attempt to induce any other person to bid for or purchase any security of the same class and series as that being distributed, any security immediately convertible or exchangeable for the securities being distributed, or any right to purchase any such security until the termination of that person's participation in the distribution. The complexity of Rule 101 requires extreme care to assure compliance with its terms. Apart from the regulatory sanctions that may be imposed for a violation of the Rule, an inadvertent purchase, the solicitation of a purchase, or the issuance of a research report could force the Company to drop out of or postpone its participation in an underwriting. The designated Principal, in his supervision of public offerings, will attempt to detect any violations of applicable restrictions under Regulation M (including Rule 101) and will conduct further investigations and impose disciplinary action, if necessary. Compliance with new issue pricing rules under Consolidated FINRA Rule 5131 is required, as well, as is described below in this sub-section.

The Pre-Filing Period. All offers, oral and written, to buy or sell securities which are the subject of the proposed offering are prohibited until the registration statement has been filed with the SEC. Any unusual publicity by the prospective underwriters or the issuer regarding the issuer's business or the prospects of the issuer's industry may be considered an offer or part of the selling effort and must be avoided. All releases of information concerning an issuer of securities or the securities to be sold, including any research reports prepared by employees of the Company, must be approved in writing by the head of the Corporate Finance Department, who will make a record of such approval.

The Waiting Period. During the waiting period between the filing of a registration statement with the SEC and the declaration by the SEC of its effectiveness, offers (“indications of interest”) are permitted but sales are prohibited. Thus, Registered Representatives can contact customers in order to solicit indications of interest concerning the purchase of the security. Such oral offers are permitted without restriction. Note, however, that communications transmitted by radio or television are not considered oral offers and are not permitted.

Written offers may be made in only two forms: either the preliminary or “red herring” prospectus, or a “tombstone ad.” The preliminary prospectus or “red herring” prospectus, which derives its name from a special legend printed on the cover page in red ink, is the only written material that may be used to solicit indications of interest. Any Registered Representative who writes to a customer and encloses a preliminary prospectus must be sure to make no comment on the securities except to give the expected offering date.

Recent rule changes have now made it possible to offer securities over the Internet by posting the prospectus

on a web page or other electronic forum. A detailed set of rules and procedures governs this activity, including those relating to free writing prospectuses. As long as they are observed, offers may be made. The normal rules apply relative to subscriptions, payment, etc. No security may be sold in any jurisdiction until all regulatory clearances have been obtained in that jurisdiction and then only by properly registered or qualified brokers or representatives.

It is the Company's policy to distribute a red herring prospectus for all offerings in which it participates to each customer who places an indication of interest at least forty-eight (48) hours before a registration statement is declared effective by the SEC, and confirmation of each indication must occur promptly after SEC effectiveness.

The designated Principal must review each indication of interest for preliminary blue-sky clearance and suitability and must approve intended recipients prior to mailings.

As promptly as possible after receipt of red herring prospectuses at the respective branch office (or Internet posting), Registered Representatives shall take the following steps:

- Receive approval for sending;
- Whether sent hard copy or electronically, include no details of the offering in accompanying correspondence;
- Insert business card or name and address into each communication;
- Maintain records of recipients of red herrings and communicate these names to the designated Principal.

The cover letter or e-mail to the customer, if any, must be limited to a statement that the preliminary prospectus is enclosed. No comment may be made with respect to the underlying company, the contents of the prospectus or other matters.

Effectiveness; The Post-Effective Period. The day before the filings become effective the underwriters' meet with the issuer and "price" the issue, put the prospectus and selling literature in final form and prepare to move forward with the "pricing amendment." Upon filing this amendment the SEC (or other regulatory body) makes the filing "final" and the underwriters are cleared to sign the agreements and sell the offering. At that point all "indications of interest" are converted into final "orders" and sales and trading can commence. See "New Issue Pricing and Allocations" below for related FINRA requirements.

Generally the managing underwriter places a "tombstone ad" in the papers and electronic media announcing the offering. The information that may be contained in a tombstone ad is generally limited to very basic information such as the identity of the security, its price, who will execute orders and from whom a prospectus may be obtained.

In the post-effective period offers and sales of the securities may be made to anyone. Representatives must deliver a copy of the final prospectus with sales of securities that are part of the Company's unsold underwriting allotment at all times and on any resales by dealers within ninety (90) days of effectiveness of the registration statement for initial public offerings and forty (40) days for other public offerings. Copies of the final prospectus must be delivered to all purchasers either prior to the delivery of the confirmation of sale or affirming the confirmation of sale.

Where the Company is acting as managing underwriter, it will "keep the books" on the offering in accordance with SEC and FINRA rules, noting all indications of interest, participations by underwriters and selling group members and processing orders. The Company will utilize its clearing firm to interact with the issuer, transfer agent and custodial bank in order to complete the allocation of securities to

customers/accounts and the receipt and payment of moneys from the offering, including any concession and commission payments. See procedures, below, relating to information that must be provided to issuers in the pricing process relating to limitations on concessions in fixed-price offerings. Records of the Company's activities as managing underwriter (including any net capital computations) are retained by the Company in accordance with its normal records retention policies set forth elsewhere in this Manual.

New Issue Pricing and Allocations: To promote greater transparency into the book-building process, certain disclosures about the demand for the issuer's securities must be provided to the issuer and its pricing committee. The Company, when acting as book-running lead manager, must provide the issuer's pricing committee (or, if none, its board of directors) with:

- (a) A report of indications of interest from institutional investors and a report of aggregate demand from retail investors; and
- (b) After the settlement date of the new issue, a report of the final allocation of shares to institutional investors and aggregate sales to retail investors.

Consolidated FINRA Rule 5131 describes the specific, required components of these reports.

If the IPO includes lock-ups or other restrictions on the transfer of the issuer's shares by officers and directors of the issuer, such restrictions *must* be applied consistently to include issuer-directed shares. Also, when the underwriter waives certain lock-up restrictions, it must comply with the notification requirements under Consolidated FINRA 5131: restrictions may not be waived without providing prior notice to market participants. At least two business days before the release or waiver of any lock-up or other restriction on the transfer of the issuer's shares, the book-running lead manager must notify the issuer of the impending release or waiver and announce the impending release or waiver through a major news service, except where the release or waiver is effected solely to permit a transfer of securities that is not for consideration and where the transferee has agreed in writing to be bound by the same lock-up agreement terms in place for the transferor. Any lock-up agreement applicable to the officers and directors of the issuer must stipulate this notification requirement. Also, another FINRA member or the issuer, itself, may make this public announcement.

The designated Principal will ensure that any obligations conferred to the Company under the Rule requirements described herein will be met and documented. In addition, he or she will monitor the return of any shares trading at a premium in order to comply with the requirements of the Agreement Among Underwriters described above. Records of the disposition of such shares will be maintained to evidence compliance.

"At-The-Market," "Best Efforts" and "All or None" Offerings: No Registered Representative shall represent to a customer that a security being sold in a public offering is being sold "at the market" unless the offering price of the security is based on the price of that security or another security of that issuer sold on a national exchange, or the Company's Corporate Finance Department informs the Representative in writing that the security is being offered "at the market."

The designated principal shall review all offering terms and conditions in order to assess whether contingencies exist requiring the establishment of an escrow account with an independent bank. The federal securities law (the Exchange Act) is very specific with respect to the required treatment of an escrow account maintained in an "all or none" or "part or none" offering.

The rules applicable to "all or none" or "part or none" offerings relating to the maintenance of an escrow account for a given offering are Rules 10b-9 and 15c2-4 of the Securities Exchange Act of 1934. Rule 10b-9 requires, in general, that in an "all or none" or "part or none" offering (as opposed to a "best efforts" offering) monies paid for the purchase of securities must be returned to the investors if the specified

number/dollar amount of securities is not sold within a specified time. In other words, the "all or none" or "part or none" offering requires specification of the number of securities and the time of the selling period. Both terms must be adhered to.

Rule 15c2-4 requires, in general, that the monies received from investors be deposited into a separate segregated bank account (Independent Bank as Escrow Agent) and held for the investors' benefit until the "all or none" or "part or none" terms have been complied with. If the terms of the offering are met, the money is to be transmitted to the issuer. If not, the monies are to be returned to subscribers.

The designated principal shall ensure that the following procedures are followed in the handling of escrow accounts for "all or none" or "part or none" transactions are as follows:

- When an "all or none" or "part or none" offering is commenced, an escrow agreement shall be created in conformance with SEC and FINRA guidance and requirements. This document shall be executed by the bank and by Alexander Capital LP if Alexander Capital LP is serving in the capacity as sole or lead placement agent. If Alexander Capital LP is acting only a selling group participant, it shall request a copy of the executed escrow agreement to confirm its conformance with SEC and FINRA guidance and requirements relating to such agreement. Alexander Capital LP will retain a copy of all escrow agreements on file to demonstrate compliance with Rule 15c2-4.
- An escrow account should be opened by the bank. The escrow account is governed by the escrow agreement. The account typically requires signatures of representatives of both the lead/sole placement agent and the Issuer before any checks can be issued from the account.
- Alexander Capital LP shall ensure that customers' are directed to make their payments payable to the escrow agent/account. Incoming monies should be deposited immediately into the escrow account, along with the purchaser's name, address, social security number and number of shares/units. Alexander Capital LP shall record all customers' payments received and forwarded to the escrow agent on its Customer Funds Received and Forwarded blotter.
- Upon the completion of the "all or none" or "part or none" terms of the agreement or upon the expiration of the specified time period, the escrow agent verifies that the terms of the escrow agreement have been or have not been met by the designated date and that the funds should be released from escrow. Alexander Capital LP will also confirm that escrowed funds are released to the issuer only in conformance with the terms of the offering and escrow agreement.
- During the offering process, Alexander Capital LP, if acting as sole/lead placement agent, will obtain and review monthly escrow account bank statements and reconcile such statements to customers' transactions. Alexander Capital LP will also review such statements in determining that the minimum offering amount is achieved through bona fide sales prior to the release of funds to the issuer. If Alexander Capital LP is a selling group participant, it shall verify that the lead placement agent is discharging this responsibility.
- The issuer then transmits written confirmation stating that a determination has been made that the conditions of the escrow have or have not been complied with and request a release of the funds. Upon receipt of the written confirmation described above, the funds are transmitted to the proper entity or persons. Alexander Capital LP will retain such written confirmation if it is acting as lead/sole placement agent.

- All documentation created by these procedures, with evidence of the designated principal's review, shall be retained in a segregated file for audit or regulatory review

1.1.6 FINRA Application and Notifications

Corporate Finance Rule: Filing Requirements. FINRA Rules require that at the same time as submitted to regulatory authorities, including the SEC, all public offering application materials (including registration statement, prospectus and selling material) be submitted for review to the Corporate Financing Department of FINRA along with a filing fee. The Department reviews the proposed underwriting terms and arrangements of proposed public offerings of securities for compliance with the requirements of Consolidated FINRA Rule 5110. The public offerings reviewed include initial and secondary offerings of unseasoned issuers, best efforts offerings of direct participation programs (DPPs) and real estate investment trusts (REITs), but generally exclude public offerings of seasoned issuers that are not broker-dealers or their affiliates and offerings of investment grade securities.

Neither the Company nor any associated person may participate in a public offering subject to the Rule, or to Consolidated FINRA Rules 5121 (Public Offerings of Securities With Conflicts of Interest) and 2310 (Direct Participation Programs), unless the documents and information specified in the Rule have been filed with and reviewed by the Corporate Financing Department. Typically, the book-running manager for the offering files the documents on behalf of th

participating member firms. When the Company, itself, is responsible for making filings and it uses a third party such as outside counsel, the designated Principal will review the content prior to filing to ensure the accuracy and completeness of all information.

Consolidated FINRA Rule 5110: (1) requires that members file certain information on offerings subject to Consolidated FINRA Rules 5110, 5121 and 2310--filings are made by entitled users through FINRA's electronic Public Offering System, via Firm Gateway; (2) provides that all public offering documents that are filed with the SEC through its Electronic Data Gathering and Retrieval (EDGAR) system are treated as filed with FINRA (but such documents must be linked through entry of the issuer's accession number in the Public Offering System); and

(3) reduces the number of offering documents that are required to be filed with FINRA for members that file manually instead of electronically through EDGAR. The Company has selected Joe Fitzgerald to act as the coordinator of Public Offering System filings for the Company, when required.

Filings required under Consolidated FINRA Rule 5110(b) must be filed no later than one business day after the registration statement or other offering documents are filed or submitted to the SEC, state securities commission or other regulatory authority, or if not filed, 15 days prior to the anticipated date on which offers will commence. The designated Principal must ensure that the managing underwriter, issuer or other member (or the Company itself) has made all required filings.

The JOBS Act permits emerging growth companies to file their initial public offerings confidentially with the SEC. The timely filing requirements in the Corporate Financing Rule apply to confidential filings as well as public offerings filed with the SEC through EDGAR. All filings with FINRA pursuant to the Corporate Financing Rules are nonpublic. The Public Offering System has a modified filing process for offerings that have been filed confidentially with the SEC and are not yet available in EDGAR.

Free Writing Prospectuses: The Company, if broadly distributing a free writing prospectus when participating in an offering, must adhere to the guidance under Notice 10-52. This Notice clarifies that such prospectuses are not exempt from the rules applicable to communications with the public. Therefore, compliance with Consolidated FINRA Rule 2210 must be ensured when the Company makes use of free writing prospectuses intended to be broadly disseminated. See the Section herein on "Communications with the Public" for additional details. Note that free writing prospectuses do not require filing with the Corporate Financing Department as described immediately above.

Notification Requirements for Offering Participants: The lead managing underwriters are required to make certain notifications under Consolidated FINRA Rule 5190. These notifications are for distributions of listed and unlisted securities that are covered securities subject to a restricted period under Rule 101 of Reg. M. If there is no managing underwriter, each distribution participant must file these notices unless one group member assumes that responsibility (in writing). If the Company is an issuer or selling security holder in such a distribution (per Rule 102 or Reg. M), it must make these notifications unless they have been made by another

party. The following table summarizes the notification requirements under Consolidated FINRA Rule 5190.

| Notification Requirement | Information Required | Notes | Time Frame | Form Used to Notify |
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| Determination of applicable restricted period, including contemplated commencement of restricted period 5190(c)(1)(A) | Whether 1-day or 5-day restricted period applies. Basis for this determination. Date and time of commencement of restricted period. List of distribution participants and affiliated purchasers (defined in Reg. M). | If 5-day period is specified, no written basis for determination is necessary. No longer required to submit reg. stmt. or other offering documents to Mkt. Reg. Dept. | No later than the business day prior to the first complete trading session of the restricted period. Shortened session (holiday) constitutes “complete” session. | Regulation M Restricted Period Notification |
| Determination that no restricted period applies under the “actively traded” securities exception 5190(d)(1) | Determination that no restricted period applies. Basis for such determination, including the security name and symbol. | For NASDAQ-listed securities, firms can rely on an Underwriting Activity Report (UAR) generated by FINRA’s Market Regulation Department as the basis for determining the applicable restricted period. | At least one business day prior to the pricing of the distribution. | Regulation M Restricted Period Notification Underwriting Activity Report Request Form (for NASDAQ listed sec’s) |
| Pricing of distribution (applicable to distributions subject to a restricted period and distributions of “actively traded” securities) 5190(c)(1)(B), 5190(d)(2) | Security name and symbol; Type of security; Number of shares offered; Offering price; Last sale before the distribution (<i>i.e.</i> , the last sale before pricing); Pricing basis; SEC effective date and time, | <i>Type:</i> common stock, preferred security, etc. <i>Pricing Basis:</i> a discount to the last sale price, a negotiated price, best efforts at the market, etc. <i>Trade date:</i> the first trade date that the shares from the distribution are available for trading in the aftermarket. <i>Restricted period:</i> the first and last trade dates of the | No later than the close of business the next business day following the pricing of the distribution. | Regulation M Restricted Period Notification |

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| | Trade date; Restricted period; and Distribution participants and affiliated purchasers. | actual restricted period) | | |
| Cancellation or postponement of distribution 5190(e)(1)(C) | Notice of cancellation or postponement. | Applicable where prior notice of commencement of restricted period has been provided to FINRA. | Immediately upon the cancellation or postponement. | Regulation M Restricted Period Notification |
| Intent to effect syndicate covering transaction (Rule 104 Reg M) 5190(e)(1) (NYSE Rule 5190(e).) | Notify of intent to engage in syndicate covering transaction; Security name and symbol; Date such activity will occur. | For all OTC equity securities. | Prior to engaging in activity. | Regulation M Notice of Intent to Impose a Penalty Bid and/or Effect a Syndicate Covering Transaction NYSE Rule 5190(e) notice if applicable. |
| Confirmation of syndicate covering transaction (Rule 104 Reg M) 5190(e)(2) | Confirm that firm has engaged in syndicate covering transaction; Security name and symbol; Total number of shares; and Date of activity. | For all OTC equity securities. | Within one business day of completion of the activity. | Regulation M Trading Notification |
| Intent to impose a penalty bid Rule 104 Reg M) 5190(e)(1) | Notify of intent to impose the penalty bid; Security name and symbol; Date such activity will occur. | For all OTC equity securities. | Prior to imposing the penalty bid. | Regulation M Notice of Intent to Impose a Penalty Bid and/or Effect a Syndicate Covering Transaction |
| Confirmation of penalty bid (Rule 104 Reg M) 5190(e)(2) | Confirm that firm has imposed penalty bid; Security name and symbol; Total number of shares; and | For all OTC equity securities. | Within one business day of completion of the activity. | Regulation M Trading Notification |

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| | Date of activity. | | | |
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Responsible parties must update any notification submitted to the Market Regulation Department, as necessary (*e.g.*, a manager would update the notification if distribution participants were added after the restricted period commenced or if a deal was oversubscribed and the over-allotment option was exercised). All notices must be submitted electronically through Firm Gateway by entitled CRD users within the required time periods. These notices must *not* be sent to FINRA’s Corporate Financing Department. The time frames expressed may be later if necessary under specific circumstances (for instance, with a PIPE offering commenced and priced on the same day). The designated Principal must contact FINRA, when applicable, to request exceptions. The designated Principal will ensure compliance with these requirements and should consult Consolidated FINRA Rule 5190, Regulation M and Notices 08-74, 11-40 and 12-19 for related details.

In addition to the standard SEC registered public offering material, offering material used in exempt Rule 504 and exempt intrastate public offerings must also be submitted for preliminary review. See Notice 00-12. Should the Company conduct intrastate offerings, the CCO will ensure compliance with all applicable provisions under SEC and State regulations, including Section 3(a)(11) and Rule 147 of the ’33 Act.

1.1.7 Offerings with Conflicts of Interest

Consolidated FINRA Rule 5121 governs public offerings by members that have conflicts of interest. The Company has a conflict of interest if:

- It is the issuer of the securities offered;
- The issuer controls, is controlled by or is under common control with the Company or its associated persons (see the rule for definition of “control,” generally defined as 10% or more ownership, including the right to receive securities within 60 days of the Company’s participation in the offering);
- At least 5% of the net offering proceeds, not including underwriting compensation, are intended to be: (i) used to reduce or retire the balance of a loan or credit facility extended by the Company, its affiliates and its associated persons, in the aggregate; or (ii) otherwise directed to the Company, its affiliates and associated persons, in the aggregate.
- As a result of the public offering and any transactions contemplated at the time of the public offering: (i) the Company will be an affiliate of the issuer; (ii) the Company will become publicly owned; or (iii) the issuer will become a member firm or form a broker-dealer subsidiary.

In summary, the Rule prohibits the Company (and any member in the offering) with a conflict of interest from participating in a public offering, unless:

- the nature of the conflict is prominently disclosed and

- a qualified independent underwriter (QIU) participates in the offering; or
- the member firm(s) managing the offering does not itself have a conflict (and is not an affiliate of a firm with a conflict); or
- the offered securities are exchange-listed and have a bona fide public market or are investment grade rated by a nationally recognized statistical rating organization.

Prominent Disclosure: The prospectus (or other such document) must disclose the nature of the conflict of interest and the name of the member firm acting as the QIU (if required) and a brief statement regarding the role and responsibilities of the QIU. This is required whether or not a filing with FINRA is required.

QIU: A QIU is not required if the member firm with a conflict of interest or its affiliate is not managing the offering; or if the offered securities have a “bona fide public market” or are “investment grade rated” or are securities in the same series that have equal rights and obligations as investment grade rated securities (*e.g.*, securities issued under a medium-term note program). When a QIU is required, the following apply:

- the QIU must participate in the preparation of the registration statement and the offering document and exercise the usual standards of due diligence with respect to the offering document;
- The QIU does not have pricing responsibilities;
- For offerings with co-or multiple lead managers responsible for due diligence, each manager must be conflict-free; otherwise the QIU and filing requirements apply;
- The QIU must agree to Securities Act Section 11 liability undertakings, must meet eligibility requirements relating to experience in managing offerings and its responsible associated persons must meet disqualification provisions (see Consolidated FINRA Rule 5121);
- The QIU may not receive more than 5% of the offering proceeds;
- The QIU cannot beneficially own, as of the date of its participation in the public offering, more than 5% of the class of securities that would give rise to a conflict of interest, including any right to receive any such securities exercisable within 60 days.

The Company may provide FINRA with its QIU qualification details and update that information annually; FINRA will rely on such information without requesting it in each offering.

Filing: Any offering that requires a QIU must be filed with FINRA’s Corporate Financing Department per FINRA Rule 5110; those without a QIU do not have to be filed.

Discretionary Accounts: The Company may not sell to discretionary accounts any security for the conflict exists, unless it has received specific written (or e-mailed) approval of the transaction from the account holder and retains documentation of the approval in its records.

Escrow Account: If the Company participates in a public offering of its own securities, all of the offering proceeds must be placed in an escrow account and not be released or used by the Company until it has filed with FINRA a net capital computation that meets ratio requirements in the rule. The Company must also disclose in the registration statement or offering document a date by which the offering is expected to be completed and the terms of breaking escrow.

The designated Principal will review the circumstances of all proposed offerings to determine if they would be considered public offerings with conflicts of interest, under Consolidated FINRA Rule 5121. He or she will then monitor the offering process to ensure the Company adheres to the requirements summarized herein. As with all offerings, records will be maintained to show compliance and supervisory oversight and approval.

1.1.8 Short Sales of Securities in a Public Offering

If a person had sold a security short during the Rule 105 restricted period, they are prohibited from purchasing the security from the underwriter or other broker/dealer participating in the public offering unless they meet one of the following exceptions: .

- A bona fide purchase of the same security is made prior to pricing as long as the short sales did not occur within 30 minutes of the close of regular trading hours on the last day prior to pricing. A bona fide purchase is defined as a purchase that is equal to or greater than the Rule 105 restricted period short sale; is reported pursuant to an effective transaction reporting plan; is made after the last Rule 105 restricted period short sale the day prior to the day of pricing; and has been executed during regular trading hours.
- The purchase is made in a separate account and decisions regarding transactions for the account are made separately and without coordination of trading or cooperation among or between accounts.
- The purchase is being made by an individual fund within a fund complex, or a series of a fund, and the short sale had been made by another fund within the same complex or a different series of fund.

The conditions surrounding these exceptions can be complex so Representatives are encouraged to contact the designated Principal if they have customers who made short sales during the restricted period.

1.1.9 At-The-Market Offerings

The Company may engage in “at-the-market” equity offerings of a firm’s securities. In these offerings sales prices are not fixed; rather, they are established during the course of the offering based on market conditions at the time of individual sales. SEA Rule 415(a)(4) describes these offerings as a primary offerings and are therefore subject to prospectus delivery requirements unless the provisions of Rule 153 apply (for purchasers who are BD’s). Therefore, the Company, when participating in such an offering, must deliver prospectuses to its customers. Certain other considerations should be noted and addressed by Company

personnel engaged in these offerings:

- The restricted period would commence one or five business days before the pricing of each sale and continue until the person's participation in the distribution is completed. In practice, the application of Rule 101 will essentially be the same as in the case of a fixed price offering, where one price is established for the entire distribution, because the activities of distribution participants are restricted during the entire course of offers and sales, whether the securities are sold at fixed or varying prices.
- At-the-market offerings may occur concurrently with other registered offerings of the issuer (i.e., shelf registrations for registered securities could be sold in acquisitions, firm commitment underwritings and at-the-market offerings all at the same time).
- The underwriter must be named in a prospectus that is part of the registration statement. If the registration statement becomes effective without naming the underwriter, a post-effective amendment (not a sticker supplement) must be filed.
- The amount of voting securities that may registered for an at-the- market offering is 10% of the aggregate market value of the issuer's outstanding voting stock held by non-affiliates as defined by Rule 405. The aggregate market value should be calculated on the basis of either the last sale price, or the average of the bid and asked price of such stock, as of a date within 60 days prior to the registration filing.
- The limitations on at-the-market offerings apply only to offerings by or on behalf of the registrant. A secondary offering by a control person that is not deemed to be by or on behalf of the registrant is not restricted by Rule 415(a)(4).

The Company, when engaged in such offerings, shall obtain written confirmation from the issuer that the offering complies with all applicable registration requirements and respective limitations. In addition, the designated Principal will ensure that all policies and procedures related to public offerings, as outlined above, are also followed where applicable. The CCO will maintain documentation related to the offering and will review sales activities for compliance with prospectus delivery and other applicable standards.

1.1.10 New Issue Allocations and Distributions: Prohibitions

When the Company participates in initial public offerings, for instance, when allocating and distributing new issues, the designated New Issue Supervisor named in the table above has responsibility for overseeing compliance with the following procedures, designed to address Consolidated FINRA Rule 5131. Records of all allocations made by the Company will be maintained and subject to supervisory review.

Quid Pro Quo Allocations: Consolidated FINRA Rule 5131 prohibits the Company from using an allocation of a new issue as a means of obtaining a “kick back” from the recipient in the form of excessive compensation for other services offered by the Company. As such, associated persons may not offer or threaten to withhold shares the Company allocates of a new issue as consideration or inducement for the receipt of compensation that is excessive in relation to Company services. This does not rule out allocating new issue shares to a customer because the customer has separately retained the Company for other services—as long as the customer has not paid excessive compensation for those services. The designated New Issue Supervisor will review allocations to determine whether abuses have occurred. Disciplinary action will be imposed when willful violations of this policy have been deemed to occur.

Spinning: Consolidated FINRA Rule 5131 also prohibits allocations of new issues to executive officers and directors of current, and certain former or prospective, investment banking clients. Because such

persons are often in a position to hire member firms, like the Company, on behalf of the companies (called ‘issuers’ here for clarity) they serve, allocating new issues to such persons creates the appearance of impropriety and has the potential to divide the loyalty of the agents of the issuer (*i.e.*, the executive officers and directors) from the principal (*i.e.*, the issuer) on whose behalf they must act.

It is strictly prohibited for the Company’s investment banking personnel to have any involvement or influence, directly or indirectly, in the new issue allocation decisions of the Company. In the following instances shares of a new issue may not be allocated to any account in which an executive officer or director of a public company or a covered non-public company (as defined in the Rule), or a person materially supported by such executive officer or director, has a beneficial interest:

- Where the issuer is currently an investment banking services client of the Company or the Company has received compensation from the issuer for investment banking services in the past 12 months;
- Where the person responsible for making the allocation decision knows or has reason to know that the Company intends to provide, or expects to be retained by the issuer for, investment banking services within the next 3 months; or
- Where there is an express or implied condition that such executive officer or director, on behalf of the issuer, will retain the Company for the performance of future investment banking services.

This spinning prohibition does not apply to allocations directed in writing by the issuer, its affiliates or selling shareholders—so long as the Company has no involvement or influence, directly or indirectly, in the allocation decisions of the issuer, its affiliates or selling shareholders with respect to such issuer-directed allocations. Also, the spinning prohibition does not apply to allocations of new issues to certain types of accounts—generally consistent with the types of accounts excepted from the restrictions imposed by Consolidated FINRA Rule 5130 (numbers 1-3 and 5-10 in the list of exemptions). The Rule, however, permits allocations of new issues to an account in which the collective beneficial interests of executive officers and directors of the issuer and persons materially supported by them in the aggregate do not exceed 25% of such account.

The Company may rely on written representations obtained within the prior 12 months from the beneficial owner of an account as to whether such he/she is an executive officer or director (or person materially supported by an executive officer or director) and if so, the company or companies (‘issuers’) on whose behalf he or she serves. The initial representation must be an affirmative representation, after which the Company may rely on annual negative consent letters. All representation letters should be presented to the designated Principal for review. No allocations will be approved without confidence that this spinning prohibition has been met. If firm personnel believe that any representation letter is inaccurate, they should consult their supervisors who will make a determination. The Company may not rely on letters deemed or believe to be inaccurate.

The designated Principal will make sure copies are maintained of all records and information relating to whether an account is eligible to receive an allocation of a new issue. These records must be maintained for at least three years following the Company’s allocation to each account.

Flipping: The term “flipping” refers to the practice of selling new issues into the secondary market at a profit within 30 days following the offering date. Because these sales create downward pressure on the secondary market trading price, underwriters and selling group members may seek to discourage such sales. Under most syndicate selling agreements, a managing underwriter is permitted to impose a “penalty bid” on syndicate members to reclaim the selling concession for allocations that were flipped. Separately, and independent of any syndicate penalty bid, some firms have sought to recoup selling concessions from particular brokers when their customers—typically retail customers—flip a new issue. The incentives created by linking a broker’s compensation to whether or not a customer holds onto a particular security position has the potential of favoring institutional investors at the expense of retail customers.

Consolidated FINRA Rule 5131 prohibits the Company and its associated persons with from directly or indirectly recouping, or attempting to recoup, any portion of a commission to an associated person for selling shares of a new issue that are subsequently flipped by a customer, unless the managing underwriter has assessed a penalty bid on the entire syndicate.

The designated Principal is responsible for ensuring compliance with his Rule, as well as ensuring that records relating to penalty bids under SEA Rule 17a-2(c)(1) are maintained as required, in addition to records regarding any penalties or disincentives assessed on the Company's associated persons in connection with a penalty bid.

The Rule's prohibition against market orders in new issues prior to secondary market trading is included in the "Trade Desk" section.

1.2 Private Offerings

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| Name of Supervisor ("designated Principal"): | Private Placements Principal: CCO |
| Frequency of Review: | Periodically throughout offerings, including upon offering materials completion; receipt of subscription documents and checks; etc. |
| How Conducted: | Ensure reasonable due diligence and customer suitability analyses Supervise document filing requirements |
| How Documented: | Maintain copies of documents, correspondence Initials on blotters/purchase agreements; memorandum distribution logs Records of filings with Private Placement Filing System, when applicable; notes on exemptions |
| 3010 Checklist: | Sections 3(b) or 4(2) of 1933 Act; Regulation D; SEA Rules 10b-9 and 15c2-4, Consolidated FINRA Rules 5110, 5122, 5123; Rule 1032, MSRB Notice 2011-37 and -52, Notices 08-57, 09-27, 09-41, 10-22, 12-40 |
| Comments: | See Section on Member Private Offerings for requirements related to offerings in the Company as issuer. |

The Company may act as placement agent as syndicate/selling group member, lead manager or underwriter in select private placements of the following types of securities: debt, equity, and/or rights to purchase securities. The Company may participate in the following types of offerings: contingency ("all or none" or "part or none"), best efforts, or firm commitment underwritings, etc. [The Company may also offer securities known as "PIPES" (private investments in public equities)—see the related sub-section, below. No associated person may conduct private placements not approved by the designated Principal, who must approve all offerings prior to the Company's engagement in any offering. Offerings outside the scope of approved types of offerings may require FINRA. The designated Principal will make this determination when considering respective offerings for approval and will, working with the CCO, request FINRA approval as necessary

A "private placement" is an offer and/or sale of securities not involving a public offering. Private offerings do not require registration with the SEC under the 1933 Act. Private placements are not permitted to be sold by means of general advertising or solicitation. They are often more complex products as compared with other securities and their relative investor risks and tax consequences may have a wide range of implications.

Licensing and Registration: The Series 82 registration category is applicable to any associated person of the Company whose securities business is limited solely to effecting sales of private securities offerings. 82-licensed RR's may effect sales of private placement securities as part of a primary offering; they are not permitted to effect resales of or secondary market transactions in private placement securities (for which a general securities or other, limited license is required), nor are they permitted to engage in Investment Banking activities (such as originating, structuring and pricing private securities offerings) unless they hold the Series 79 registration (Investment Banking Representative). The designated Principal responsible for supervising the Company's private securities offering business must be registered as a General Securities Principal; to supervise Investment Banking activities s/he must also have the Series 79.

Private placement personnel should remember that doing business with a government entity or municipality, either as issuer or investor, may result in MSRB registration requirements. Certain financial instruments, including some characterized as "bank loans," may be municipal securities. If the Company serves as a placement agent for a "direct purchase" by a bank of municipal securities or as a placement agent for a "bank loan" that is, in fact, a municipal security, the Company is subject to all MSRB rules. The designated principal, when approving new business as described herein, should attempt to discern if it represents municipal business and must investigate and take action if necessary.

The Company's private placement business is supervised by its Private Placements Principal, whose detailed reviews of all documentation and sales activity ensure compliance with all applicable SEC and FINRA regulations.

1.2.1 Exemption from Registration

Private placements are conducted in reliance upon Sections 3(b) or 4(2) of the 1933 Act as construed or under Regulation D, or both. Issuers claiming an exemption from the 1933 Act carry the burden of proving that its activities come within that exemption. All Registered Representatives involved in private placements are required to be familiar with Reg. D. Notices, on Form D, are due within fifteen days after the first sale of securities in an offering under Reg. D—they are prepared by the issuer's counsel.

Regulation D contains a series of six rules, Rule 501 through Rule 506.

Rule 501 sets forth definitions and terms applicable to the regulation. State securities regulations ("Uniform Limited Offering Exemptions") usually parallel Regulation D, but often have more stringent requirements on issuers.

The most important definition is of the term "accredited investor." There are a number of categories of accredited investors who are not counted for purposes of determining a purchaser limitation. The main categories are:

- Financial institutions such as banks, insurance companies and investment companies as well as employee benefit plans;
- Any private business development company;

- Charitable organizations, including any college or university endowment fund, as well as other non-profit organizations with assets exceeding \$5,000,000;
- Directors, executive officers and general partners of the issuer;
- A business in which all equity owners are accredited investors;
- A trust with assets in excess of \$5,000,000, not formed to acquire the securities offered, whose purchases are made by a sophisticated person;
- Individuals with a net worth in excess of \$1,000,000 (including joint net worth with spouse but excluding the value of their primary residence); and
- Individuals with income in excess of \$200,000 in each of the two most recent years, or joint income with a spouse exceeding \$300,000 for those years and a reasonable expectation of the same income level in the year of the purchase.

Rule 502 describes general conditions applicable to the regulation. This Rule provides a "safe harbor" from the integration of sales of securities by the issuer made six months prior to or six months after a Regulation D offering, describes when and what type of disclosure must be furnished and provides guidance on limitations on resale.

Rule 503 provides a Uniform Notice of Sale Form (Form D) to be filed by the issuer for exemption qualification due 15 days after the first sale, then due every six months after the first sale and thirty days after the last sale.

Rule 504 provides an exemption from registration for offerings with an aggregate offering price within a 12-month period that does not exceed \$1,000,000. Rule 504 does not have a cap on the number of investors for the offering, has a minimum offering price of \$5 per share and allows for the payment of commissions. This Rule essentially shifts the administration of these smaller offerings to the State. The offerings, however, continue to be subject to the federal anti-fraud and civil liability provisions of the Securities Act of 1934.

Rule 505 is designed for offerings with an aggregate offering price limitation of \$5,000,000 in any consecutive twelve-month period, a limitation of 35 non-accredited investors, no limitation on accredited investors, commissions are permitted and general solicitation of sales is not permissible.

Rule 506 provides an exemption from registration similar to Rule 505 except there is no dollar limit on the amount raised and the issuer must reasonably believe, prior to making the sale that the non-accredited persons either alone or with their purchaser representatives understand the merits and risks of the investments.

Regulation D is interpreted as providing "transactional" exemptions to issuers only. An investor whose purchase was exempt from registration cannot resell his interest without establishing an independent basis of exemption. Additionally, some state securities regulations impose substantially more onerous limitations on issuers than Reg. D.

1.2.2 Due Diligence

As with all securities offerings, the Company must perform a "reasonable basis" suitability analysis of each private placement offering in order to determine that the offering is suitable for at least some investors. When recommending private placement securities to investors, the Company and its RR's must have essential information about the issuer and the securities offered. The amount of investigation, or 'due diligence,' expected of the Company will depend on certain factors, such as the Company's familiarity or

affiliation with the issuer, the nature of the targeted investors, the size and stability of the issuer, the presence of red flags and its role in the offering, among others. The designated Principal will determine the amount of due diligence required in any given offering and will ensure that an adequate investigation has been conducted, whether by Company personnel or another party (see below).

Reasonable Investigation Practices. To follow are what FINRA believes are reasonable areas of investigation in a Regulation D offering, as outlined in Notice 10-22. ALTHOUGH THE FIRM IS INCLUDING BELOW THE ENTIRE OUTLINE OF FINRA'S GUIDANCE IN THIS AREA FOR EDUCATIONAL PURPOSES, IT SHOULD BE UNDERSTOOD THAT THE FIRM WILL APPLY THE GUIDELINES ON A CASE BY CASE BASIS, DEPENDING ON THE SPECIFIC PARAMETERS AND NEEDS OF EACH SITUATION. IN OTHER WORDS, THE FIRM WILL APPLY THE FINRA GUIDELINES FOR EVERY CASE, BUT APPLY ONLY THE GUIDANCE AREAS APPLICABLE TO EACH SPECIFIC SITUATION:

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| Issuer and its management: Investigate the issuer's history and management's background and qualifications | Examining the issuer's governing documents, including any charter, bylaws and partnership agreement, noting particularly the amount of its authorized stock and any restriction on its activities. If the issuer is a corporation, determine whether it has perpetual existence. |
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| | Examining historical financial statements of the issuer and its affiliates, with particular focus, if available, on financial statements that have been audited by an independent certified public accountant and auditor letters to management. |
| | Looking for any trends indicated by the financial statements. |
| | Inquiring about the business of affiliates of the issuer and the extent to which any cash needs or other expectations for the affiliate might affect the business prospects of the issuer. |
| | Inquiring about internal audit controls of the issuer. |
| | Contacting customers and suppliers regarding their dealing with the issuer. |
| | Reviewing the issuer's contracts, leases, mortgages, financing arrangements, contractual arrangements between the issuer and its management, employment agreements and stock option plans. |
| | Inquiring about past securities offerings by the issuer and the degree of their success while keeping in mind that simply because a certain product or sponsor historically met obligations to investors, there are no guarantees that it will continue to do so, particularly if the issuer has been dependent on continuously raising new capital. This inquiry could be especially important for any blind pool or blank-check offering. |
| | Inquiring about pending litigation of the issuer or its affiliates. |
| | Inquiring about previous or potential regulatory or disciplinary problems of the issuer. Make a credit check of the issuer. |
| | Making reasonable inquiries concerning the issuer's management. Inquire about such issues as the expertise of management for the issuer's business and the extent to which management has changed or is expected to change. For example, inquire about any regulatory or disciplinary history on the part of management and any loans or other transactions between the issuer or its affiliates and members of management that might be inappropriate or might otherwise affect the issuer's business. |
| | Inquiring about the forms and amount of management compensation, who determines the compensation and the extent to which the forms of compensation could present serious conflicts of interest. Make similar inquiries concerning the qualifications and integrity of any board of directors or similar body of the issuer. |
| | Inquiring about the length of time that the issuer has been in business and whether the focus of its business is expected to change. |
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| Issuer's Business Prospects: | Inquiring about the viability of any patent or other intellectual property rights held by the issuer. |

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| Investigate the issuer’s business prospects and the relationship of those prospects to the proposed price of the securities being offered | Inquiring about the industry in which the issuer conducts its business, the prospects for that industry, any existing or potential regulatory restrictions on that business and the competitive position of the issuer. |
| | Requesting any business plan, business model or other description of the business intentions of the issuer and its management and their expectations for the business, and analyzing management’s assumptions upon which any business forecast is based. Test models with information from representative assets to validate projected returns, break-even points and similar information provided to investors. |
| | Requesting financial models used to generate projections or targeted returns. |
| | Maintaining a summary of the analysis that was performed on financial models provided by the issuer that detail the results of any stress tests performed on the issuer’s assumptions and projections. |
| Issuer’s Assets: Investigate the quality of the assets and facilities of the issuer | |
| | Visiting and inspecting a sample of the issuer’s assets and facilities to determine whether the value of assets reflected in the financial statements is reasonable and that management’s assertions concerning the condition of the issuer’s physical plants and the adequacy of its equipment are accurate. |
| | Carefully examining any geological, land use, engineering or other reports by third-party experts that may raise red flags. |
| | Obtaining, with respect to energy development and exploration programs, expert opinions from engineers, geologists and others are necessary as a basis for determining the suitability of the investment prior to recommending the security to investors. |

The extent to which Company personnel will perform some or all of these investigations will depend on the factors described above, and importantly, the Company’s role in the offering. While it is the designated Principal’s responsibility to determine the level of due diligence performed by the Company in each offering, the following expectations apply in general:

As Preparer of PPM/Lead Manager or Underwriter. Normally it is the syndicate manager or underwriter (“lead manager” herein) in an offering that prepares the private placement memorandum used to offer securities to investors. When the Company acts in this role (prepares the PPM, whether or not as lead manager), it is expected to perform and document full due diligence on the issuer and the securities, including investigations into the areas outlined above, to the extent they are applicable and deemed necessary.

When preparing the PPM or other offering document, the Company will investigate representations made

by the issuer: blind reliance on issuer statements or information is prohibited, as described below. Should the PPM be determined

to contain material misstatements and omissions, the Company or its associated persons may be accused of violating just and equitable principles under FINRA Rule 2010. Because the PPM or other offering document is a 'communication with the public,' the designated Principal or the Principal designated to review advertising must review the PPM prior to distribution for compliance with Consolidated FINRA Rule 2210.

As Syndicate or Selling Group Member. When acting in this limited role, the Company, rather than conducting its own thorough investigation, may rely on the investigation performed by the lead manager. To do so, however, the Company (specifically, the designated Principal and/or designated staff) must believe that the lead manager has the expertise and absence of conflicts to engage in a thorough and independent inquiry, and that it has performed such an inquiry in the respective offering. To acquire this assurance, the Company's designated personnel will meet with the lead manager, obtain a description of the manager's reasonable investigation efforts, and ask questions of the manager concerning the independence and thoroughness of the manager's exercise of its responsibilities. Should Company personnel have reason to believe that the syndicate manager has not addressed a particular issue, then the Company will be responsible for performing its own suitability analysis with regard to that issue. Personnel should consult the designated Principal to discuss their concerns; the designated Principal must ensure that the Company investigates and resolves any perceived investigative gaps.

Other Considerations: To follow are other areas of significance relating to due diligence. These topics may apply to the Company, whether it acts as lead manager or syndicate member.

Reliance on Issuer Information. Whether performing full or limited (gap) due diligence, the Company may not rely blindly on the issuer for information about itself, nor may it rely on the information provided by the issuer and its counsel in lieu of conducting its own reasonable investigation. The Company, when charged with performing due diligence, is required to exercise a high degree of care in investigating and independently verifying an issuer's representations and claims, particularly those that are obviously self-serving in the context of raising capital for new, speculative ventures. (However, when the issuer is a reporting company under the Securities Exchange Act, in the absence of red flags, the Company (if not an underwriter) typically may rely on the public company's current registration statement and periodic reports without further verification/investigation.)

Reliance on Counsel or Experts. The Company, whether performing full or limited (gap) due diligence, may retain counsel or other experts to assist in undertaking and fulfilling its reasonable investigation obligation. The designated Principal or other designed personnel must carefully review the qualifications and competency of all retained counsel and/or experts. Should Company personnel perceive of gaps or omissions in the due diligence results of retained counsel or experts, they must discuss the issues with the designated Principal, who will then take steps to address and resolve them. Turning a blind eye to shortfalls by outsourced parties is prohibited. THE FIRM WILL ENSURE THAT ANY AND ALL GAPS OR OMISSIONS WHICH ARE IDENTIFIED IN COUNSEL'S OR EXPERTS' DUE DILIGENCE ARE ADDRESSED EITHER BY RETAINING

ADDITIONAL COUNSEL OR EXPERTS IN THE AREAS OF THE GAP OR OMISSION IDENTIFIED OR BY REQUESTING THE CURRENT COUNSEL OR EXPERTS TO CONDUCT ADDITIONAL DUE DILIGENCE UNTIL THE GAP OR OMISSIONS ARE REMEDIED.

Affiliation with Issuer. The Company, if an affiliate of the issuer, must ensure that its affiliation does not compromise its independence as it performs any investigative work and is expected to resolve any conflict of interest. The Company should also be prepared to identify any conflicts of interest presented by other

parties responsible for due diligence/PPM preparation and should act according to the procedures herein concerning investigative gaps. (Also, see section herein on “member private offerings”: compliance with Rule 5122 must be assured in instances where the Company or its associated persons offer, in a private placement, unregistered securities in an entity controlled by or under common control with the Company.)

Red Flags. When performing full or limited due diligence, Company personnel must note any information encountered that could be considered a “red flag.” Red flags might consist of publicly available information or non-public information that is discovered during the course of the investigation. A broker’s consulting relationship with the issuer or the litigation history of the issuer’s senior management are examples of circumstances that may require investigation (and disclosure in the PPM). In addition, an issuer’s refusal to provide the Company (or any BD in the deal) with responsive and not out-of-date information that is necessary for thorough due diligence could itself constitute a red flag. Lastly, instances where issuers have not historically provided accredited investors with PPM’s in 505 or 506 offerings (even though not required) may be deemed red flags, depending on the circumstances.

The Company is expected to make further inquiries into perceived red flags as well as any substantial adverse information discovered about the issuer: such inquiries may require more action than simply relying on representations by issuer’s management, offering document disclosures, due diligence reports by issuer’s counsel, or even audited financial statements. When red flags exist that point to inaccuracies or worse, deliberately misleading or incomplete information, the Company has a duty conduct a further, independent investigation of the issue. All perceived red flags must be brought to the attention of the designated Principal, who will then take steps to address and resolve them through investigation. Turning a blind eye to red flags is prohibited.

Assistance in PPM Preparation. When the Company assists in the preparation of a PPM or other offering document, the document to which it contributed is considered a ‘communication with the public’ as described in this WSP manual. As such, the offering document must meet the standards of Consolidated FINRA Rule 2210 (fair and balanced, not misleading, etc.). The designated Principal or the Principal designated to review advertising must review the PPM prior to distribution for compliance with Consolidated FINRA Rule 2210. In order to approve of such communications, the Company will rely on its own investigative work or its faith in that of trusted third parties.

Documentation. The designated Principal is responsible for ensuring that, for all offerings in which the Company participated, records are maintained to evidence the Company's due diligence process, whether it is full-blown or limited in scope. Such records may include descriptions (dates, locations, attendees) of meetings conducted with parties such as the issuer, various counsel, accountants, consultants, industry experts, and/or other parties. Records may also include due diligence tasks performed; documents and other information reviewed; and the names of responsible parties in the offering, as well as supervisory approval of the offering materials.

1.2.3 Private Placement Offering Memorandum

Potential investors must be provided with an offering memorandum that makes extensive disclosure regarding the nature, character and risk factors relating to each offering. Although not subject to the pre-registration requirements of public offerings, private placements are subject to federal and state "anti-fraud" laws and regulations giving investors the right to claim damages and rescission in the event of false or misleading statements or omissions. Certain offerings will require submission of offering materials with FINRA, under Consolidated FINRA Rule 5123. See the sub-section below on "Filing Requirements" for details.

Approved Materials. As described above, if the Company prepares or assists in the preparation of the PPM, it must ensure compliance with Consolidated FINRA Rule 2210 on communications with the public. The designated Principal will determine the Company's responsibilities in any given offering and, when required, review and approve the PPM in accordance with the communications procedures in this Manual.

Regardless of the characterization of the PPM, in ALL offerings RR's must not distribute PPM's or other offering documents unless they have been approved for distribution to investors.

Additionally, any sales literature distributed by the Company concerning a private placement will generally be deemed to constitute a 'communication with the public,' *whether or not* the Company assisted in its preparation. Therefore, associated persons must seek pre-approval by the designated Principal of any items of sales literature they intend to distribute. Only approved items may be provided to potential investors.

The designated Principal is responsible for approving documents/sales literature for distribution and will record his or her approval via initials/date on a file copy of the item.

PPM Distribution. In certain cases, the issuer or lead manager will distribute PPM's to the Company's potential investors on its behalf. RR's must keep records of all requests made for PPM distributions and these records will be maintained with the final offering records.

In other cases, the Company itself will coordinate distribution of PPM's to potential investors. Because general advertising of private placements is prohibited, PPM distribution will be strictly monitored so that *only* pre-qualified

investors are in receipt of PPM's. All memorandums will be numbered; file copies will be labeled as such. A distribution control sheet will be created and maintained, which will include the memorandum numbers and the respective Representatives assigned. Potential investors receiving offering memorandums will be asked to sign a confidentiality agreement.

During the course of the offering, any supplementary or corrective material necessary to update the offering materials will be provided to potential investors by Representatives (or the issuer or lead manager, as the case may be). The designated Principal should verify that all such amendments have been sent to offerees and that the files are accurate and complete.

If a material change occurs in the offering that does not require a change in the offering docs. Notification (letter of authorization) from the existing subscribers acknowledging the change and their continued investment in the offering is required. This notification may be accepted in physical or electronic format ie email.

Existing subscribers who do not acknowledge the change will have their investment rejected and funds returned.

Note that FINRA's guidance in Notice 10-52 is not applicable to the Company's private placement business, since by definition, the broad dissemination of free writing prospectuses in private offerings would violate the limited distribution methodologies required in such offerings and by these procedures.

1.2.4 Offering Process & Suitability

The Company's offering of private placements begins after due diligence is complete (i.e., "reasonable basis" suitability is ensured as described above under "Due Diligence") and upon availability of approved offering documents. In conducting a private placement offering, Representatives shall adhere to the following:

- Cold calling is not permitted;
- General solicitation by means of advertisements is not permitted;
- No seminars or meetings may be held with regard to any current offering unless each invitee is known and qualified in advance; and
- No mention of any specific offering or past performance may be made at generic seminars.

Representatives, the issuer or lead manager will provide potential investors with the offering materials. Representatives considering whether or not to offer private placement securities to investors (and thus "recommend" the securities) must do a "customer specific" suitability analysis. The RR should take into account the investors' knowledge and experience. The fact that an investor meets the net worth or income test for being an accredited investor is only one factor to be considered in the course of a complete suitability analysis. RR's may not simply rely on an investor's self-accreditation to pre-qualify him or her as suitable. RR's must make reasonable efforts to gather and analyze information about the investor's other holdings, financial situation and needs, tax status, investment objectives and such other information that would enable the RR to make a suitability determination. The RR also should be satisfied that the customer fully understands the risks involved and seems able to take those risks. Only those persons deemed suitable may be provided with a PPM and other offering materials. In some cases, a purchaser representative will be required—the Registered Representative must make a judgment about the sophistication of the purchaser; the designated Principal should be consulted if doubt exists.

Despite exemptions under Rules 505 and 506 of Reg. D, to comply with antifraud provisions the Company requires that all potential investors receive the same offering information, whether they are accredited or not.

Personnel must maintain in investor or deal files all paperwork associated with evidencing the accredited status of investors and each respective customer suitability analysis. If the Company uses internal forms that mirror ‘new account forms’ for private placement investors, those forms should show the components to the suitability analysis and the RR’s and supervising principal’s approval signatures.

When an investment by an investor is accepted, he or she signs a Securities Purchase Agreement or Subscription Agreement. Since that document is akin to an ‘order ticket,’ the Company must keep copies for its records. Checks received will be reviewed for acceptability, recorded on the Company’s receipts blotter, and forwarded to the issuer (for non-contingent offerings) or individual bank escrow account (see below). The designated Principal will confirm that Form D and/or other required forms are filed, if applicable, on a timely basis by issuer’s counsel. The designated Principal shall ensure that a complete file of all documents related to each offering is maintained as part of the Company’s records, including records of each transaction process (i.e., dates commitments are received, closing dates, etc.), as required by SEA Rule 17a-3.

1.2.5 Investor Funds and Offering Termination in Contingent Offerings

A contingent offering in general is an offering whereby investor funds are deposited into a bank that has agreed in writing to hold all such funds in escrow for the purchase of said offering. The funds will be used for the purchase in an offering if and only if the minimum subscription amount is met during the allocated time period for that offering. Accordingly, if the minimum subscription amount is not met within a specific date, investor funds will be refunded immediately. The termination of a contingent offering is dependent on whether it is an “all or none” or “part or none” offering. The Company intends to conduct offerings using the “all or none” contingency standard (10b-9(a)(1)). The condition of the contingency offering will be met only when all of the securities being offered are sold at a specified price within a specified time, and the total amount due to the seller is received by him by a specified date. In addition, the Company intends to place offerings using the “part or none” contingency standard (10b-9(a)(2)). The condition of this type of contingency offering will be met only when a specified number of units of the security are sold at a specified price within a specified time, and the total amount due to the seller is received by him by a specified date. Personnel will use ‘best efforts’ while attempting to fully and adequately place investors in all contingency offerings.

When conducting a contingent offering, Company personnel must comply with the strict requirements under SEA Rules 10b-9 and 15c2-4 relating to the maintenance of an escrow account. SEA Rule 15c2-4 requires that in private contingency offerings, investor funds are to be forwarded to a broker-dealer and held in a segregated escrow account or held by in escrow by an outside bank. Those funds are to be held in escrow until the contingency is satisfied before the funds can be released to the issuer. Accordingly, the designated Principal or designee will

establish a relationship, in writing, with a bank, whereby the bank agrees to hold investor funds in an escrow account until the contingency offering subscriptions are met. The CCO (or designee) will establish written procedures related to the escrowed funds and will provide them to the bank. All escrow accounts will be segregated and logged, identifying the investor and the funds deposited. The written agreement must properly advise the bank that upon notice from the Company that the terms of the contingency offering have been met, they are to forward the funds to the issuer per the agreement’s instructions. A minimum

contingency offering may not be considered sold unless the securities are sold in bona fide transactions and that the purchase prices are fully paid (“received”). A bona fide investor is a purchaser who is independent of the issuer. A fully paid transaction occurs when all of the subscription funds are deposited and have cleared in the escrow account prior to the contingency offering’s closing. Funds are then considered “received.”

If a contingency offering’s requirements are not met—if minimum funds are not raised or if minimum funds are not raised within the offering’s timeframe--investor funds must be immediately refunded. The written agreement between the Company and the bank holding the escrowed funds must instruct the bank to refund all investor funds if the Company informs the bank that the terms of the contingency offering have not been satisfied.

The designated Principal will ensure compliance with these SEC rules by supervising the flow of monies and the status of offerings. Evidence of non-compliance will lead to further investigation and proper remedies, including disciplinary action if deemed necessary.

1.2.6 Private Investment in Public Equity (PIPE) Transactions

The Company may act as placement agent in select private placements of PIPES. A PIPE (Private Investment in Public Equity) is a private offering in which accredited investors agree to purchase restricted, unregistered securities of public companies. Only after the SEC approves the PIPE shares' registration are investors free to sell them on the open market. PIPE transactions may involve the sale of common stock, convertibles, preferred stock, convertible debentures, warrants, or other equity or equity-like securities of an already-public company.

A PIPE transaction may require shareholder approval if the securities will be offered at a discount or amount to 20% or more of the issuer’s outstanding capital stock (or represent 20% of the voting power of shareholders). Related restrictions are found in New York Stock Exchange Rule 312.03(c); Section 713 of the American Stock Exchange Company Guide; and Rule 4350 of FINRA Marketplace Rules. The designated Principal must ensure that that issuer has addressed these possibilities and has gained necessary approvals, where required, prior to engaging in an offering of PIPES.

PIPES are often more complex products as compared with other securities and their relative investor risks and tax consequences may have a wide range of implications. Investors must be accredited and are often personally known to the issuer's personnel and/or have been carefully pre-screened for suitability, sophistication, and ability to assume risk. RR’s must feel certain of such factors prior to continuing with a PIPES transaction.

When conducting transactions in PIPES, each RR is responsible for complying with all procedures and guidelines outlined in this Section on Private Placements; in addition, he or she must understand—and make sure the potential investor understands--the following characteristics of these types of investments.

Investor Funding: Investors will commit to a specified number of shares at a fixed price, with the closing conditioned upon, among other things, the SEC’s preparedness to declare effective a resale registration statement covering the resale from time to time of the shares sold in the private placement. Investors do not fund at the time of entering into the purchase agreement. Instead, the issuer then files a resale registration statement covering the resale from time to time of those securities by the PIPE investors. The transaction closes once the SEC has indicated its preparedness to declare effective the resale registration statement. An investor (purchaser) is named as a “selling stockholder” in the resale registration statement, which remains effective until shares may be sold under Rule 144(k).

Pricing Risks: The investor bears the risk from the time of pricing until the time of closing. The issuer is not obligated to deliver additional securities to the PIPE investor in the event of fluctuations in stock price or otherwise. The investor enters into a definitive purchase agreement with the company in which they commit to purchase securities at a fixed purchase price.

Limited Liquidity (Black-Out Period): In connection with a PIPE transaction, an issuer typically must keep effective a resale registration statement for two years. During this two year period, the issuer may suspend the use of a registration statement because the registration statement must be amended or corrected to remedy a material misrepresentation or omission. This suspension period often is referred to as a black-out period. During the black-out period, the PIPE purchaser will have limited liquidity, as they will not be able to avail themselves of the resale registration statement to resell the securities purchased in the PIPE transaction. It is important to note that PIPE shares are restricted and may not be resold—or sold short—prior to their effective registration. Representatives must make potential investors aware of this limitation.

Risk of Market Manipulation: Associated persons must attempt to keep all information relating to the proposed PIPE transaction confidential. Although the PIPE vehicle is not a product of inside information, the information relating to the PIPE transaction could serve to manipulate the price of that company's underlying stock. Any public broadcast and dissemination of the PIPE transactions to parties other than those contemplating investing in the PIPE transaction are prohibited and could adversely affect the underlying stock's price and risk the success of the PIPE transaction. Under Regulation FD (Fair Disclosure), the fact that an issuer is contemplating a PIPE transaction may itself constitute material nonpublic information—this information must be protected by the Company, its personnel and potential investors.

1.2.7 Filing Requirements

The Requirement, in General: The Company is required to comply with Consolidated FINRA Rule 5123, requiring submission of offering materials. The Rule calls for the Company, when it sells a security in a private placement, to submit to FINRA a copy of the PPM, term sheet or other offering document used in connection with the sale, or to inform FINRA that no such offering documents were used. Materially amended versions of the offering materials must also be filed. Filings are made via Firm Gateway on the Private Placement Filing System.

The Company must make the required filing within 15 calendar days of the first sale. If the Company is participating in the offering with another BD, it may rely on that BD to make the required filing on its behalf; it may also designate a third party such as a law firm or consultant to make the filings.

Exemptions: The Rule details exemptions to the filing requirement. Two types of exemptions apply:

1. Based on the *type of offering*. Examples include: exempted securities under Section 3(a)(12) of the Securities Exchange Act, Rule 144A and Reg. S offerings, certain subordinated loans, variable contracts and other annuity contracts/life insurance policies, registered investment companies, those filed with FINRA under other rules (such as the Member Private Offering Rule 5122), and others not listed here but included in Rule 5123: please review the Rule language. Crowdfunding offerings under the JOBS Act are also exempt.

2. Based on the *nature of the investors who purchased the securities*. If sales are made SOLELY to one or more of the following types of investors, the filing requirements do not apply:

- institutional accounts, as defined in Rule 4512(c);
- qualified purchasers, as defined in Section 2(a)(51)(A) of the Investment Company Act;

- qualified institutional buyers, as defined in Securities Act Rule 144A;
 - investment companies, as defined in Section 3 of the Investment Company Act;
 - an entity composed exclusively of qualified institutional buyers, as defined in Securities Act Rule 144A;
 - banks, as defined in Section 3(a)(2) of the Securities Act;
 - employees and affiliates, as defined in Rule 5121, of the issuer;
- knowledgeable employees as defined in Investment Company Act Rule 3c-5;
 - eligible contract participants, as defined in Section 3(a)(65) of the Exchange Act; and
 - accredited investors described in Securities Act Rule 501(a)(1), (2), (3) or (7).

(Importantly, there is no exemption from filing requirements for sales to accredited investors--that is, natural persons meeting the net worth/income thresholds in Reg. D, 501(a) or entities owned exclusively by accredited investors. If at least one such investor purchases the offered security and is not exempt under any other category, the Company must comply with the filing requirements.)

Compliance Procedure: The designated Principal or his/her designee should follow these steps for each private placement offering:

1. Determine if the offering, itself, is exempt under the Rule. If so, no filing will be required and the remaining steps do not apply. Exempt offering types are enumerated in Rule 5123(b)(2) through (14); as noted, crowdfunding offerings are also exempt. Keep records of this conclusion.
2. If the offering is not exempt, track securities sales and determine the nature of investors who purchased the securities. If sales in the offering were made solely to one or more types of investors exempt under the Rule, no filing is required and the remaining steps do not apply.
3. If not exempt, record date of first sale and due date for filing. File a copy of any private placement memorandum, term sheet or other offering document, including any materially amended versions, used in connection with the sale within 15 calendar days of the date of first sale. If the Company did not use offering documents, submit a filing to inform FINRA of this. Keep records of completed filings.
4. If relying on another BD/selling group member or a third party to make required filings, arrange to receive confirmation from the designated filer to ensure that the filing was made. Keep these records.
5. Continue to submit (or ensure submission of) materially amended offering documents when applicable. Keep records of completed filings.

For contingency offerings, the designated Principal or designee must determine the date of first sale for the sake of knowing when to make required filings. He or she will review the terms and conditions of the contract with the investor to discern the date on which the investor is irrevocably contractually committed to invest. Normally, this date will be either the date of the signed subscription or securities purchase agreement or the date of the investor's check.

In certain instances, the Company and fellow offerors (members of the selling group) may have differing filing obligations. For instance, if the Company sells an offering to a non-exempt investor, but another selling group member sells to solely exempt investors, the Company will have filing obligations and the other BD will not. The designated Principal should ensure that all filings are made as required when participating in a selling group.

The designated Principal must ensure that records are maintained to evidence compliance with these procedures. If these responsibilities are delegated, the designated Principal will evidence his/her periodic review of compliance by manual or electronic notation to the records.

1.3 Rule 144 Transactions: Restricted Securities

| | |
|----------------------------------------------|---------------------------------------------------------------------------------------------------|
| Name of Supervisor (“designated Principal”): | Trade Desk Supervisor: CCO |
| Frequency of Review: | Continuous; per transaction |
| How Conducted: | Receive requests for resale transactions; assess eligibility; review circumstances for red flags. |

| | |
|-----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| How Documented: | Records of transaction and notes on circumstances/eligibility review. Completed Deposited Securities/Resale Request Questionnaires Account Records |
| 3010 Checklist: | SEA Rule 144, Consolidated FINRA Rule 6600 and 6700 Series, Notice 01-19, 08-42, 08-57, 09-05, 10-26; http://sec.gov/rules/final/2007/33-8869.pdf |
| Comments: | |

Rule 144 offers a key exemption under the Securities Act of 1933 affecting the liquidity and transferability of securities. The rule permits a person who acquires “restricted” securities in a non-registered offering or an affiliate who holds restricted “control” securities to resell without being deemed a statutory underwriter engaged in a distribution. In the absence of compliance with Rule 144 or another exemption, securities must be resold through a registration statement pursuant to Section 5 of the 1933 Act. To constitute an exempt Rule 144 transaction, the resale of securities must satisfy strict holding periods and other limitations. Rule 145 extends similar principles to securities acquired in business combination transactions, such as reclassifications, mergers, consolidations and asset transfers. Rule 145 applies only to affiliates selling securities of a shell company. These Rules were revised in 2008 to ease respective restrictions.

In general, Company Representatives must not recommend or accommodate resales of 144 stock unless all applicable conditions under the Rules are met. To follow is a brief summary of some of these conditions:

| | |
|-----------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Holding Period Requirements for Restricted Securities of Reporting Companies | Affiliates and Non-Affiliates are subject to a six-month holding period during which no resales are permitted under Rule 144. |
| | After six months, Affiliates may resell if they comply with all Rule 144 conditions. |
| | After six months but before one year, Non-Affiliates may resell if they comply with the Rule 144(c) current public information condition. |
| | After one year, Non-Affiliates may resell without any restrictions. |
| Holding Period Requirements for Restricted Securities of Non-Reporting Companies | Affiliates and Non-Affiliates are subject to a one-year holding period during which no resales are permitted under Rule 144. |
| | After one year, Non-Affiliates may resell without any restrictions. |
| Form 144 Filing Thresholds | Affiliates must file a Form 144 if any proposed sale will involve more than 5,000 shares or an aggregate dollar amount greater than \$50,000 in any three-month period. |
| | Non-Affiliates are not required to file a Form 144. |

The Registered Representative handling this transaction is responsible for contacting the Trade Desk Supervisor or other knowledgeable principal to discuss the proposed transaction. He or she must be prepared to document the seller’s status (affiliate or non- affiliate) and eligibility to sell, and must document the determination made. All necessary documentation, including necessary forms, must be received prior to executing the transaction and be maintained in the client’s files. To follow are details on how Company personnel must attempt to determine eligibility for public sale.

Avoiding Illegal, Unregistered Distributions: Eligibility Assessment

Whether reselling unregistered securities for its own account or for a customer, the Company is required to make a determination that the securities qualify for the exemption under Section 4(2) of the Securities Act. That is, personnel are prohibited from selling securities that may constitute illegal, unregistered resales.

Even in unsolicited transactions, registered persons must inquire about the circumstances of the transaction, such as the relationship between the seller (customer) and issuer, and the nature, scope, size, type and manner of the offering. Specifically, it must be determined if the seller is: an issuer, person in a control relationship with an issuer, or an underwriter. The designated Principal must approve all resales based on the information gathered to substantiate eligibility.

The following questions are useful in determining preliminary eligibility:

- How long has the customer held the security?
- How did the customer acquire the securities?
- Does the customer intend to sell additional shares of the same class of securities through other means?
- Has the customer solicited or made any arrangement for the solicitation of buy orders in connection with the proposed resale of unregistered securities?
- Has the customer made any payment to any other person in connection with the proposed resale of the securities? and
- How many shares or other units of the class are outstanding, and what is the relevant trading volume?

To follow are some red flags that, if perceived, should be discussed with the designated Principal prior to progressing with a resale transaction:

- A customer opens a new account and delivers physical certificates representing a large block of thinly traded or low-priced securities;
- A customer has a pattern of depositing physical share certificates, immediately selling the shares and then wiring out the proceeds of the resale;
- A customer deposits share certificates that are recently issued or represent a large percentage of the float for the security;
- Share certificates reference a company or customer name that has been changed or that does not match the name on the account;
- The lack of a restrictive legend on deposited shares seems inconsistent with the date the customer acquired the securities or the nature of the transaction in which the securities were acquired;
- There is a sudden spike in investor demand for, coupled with a rising price in, a thinly traded or low-priced security;

- The company was a shell company when it issued the shares;
- A customer with limited or no other assets under management at the Company receives an electronic transfer or journal transactions of large amounts of low- priced, unlisted securities;
- The issuer has been through several recent name changes, business combinations or recapitalizations, or the company’s officers are also officers of numerous similar companies;
- The issuer’s SEC filings are not current, are incomplete, or nonexistent.

Required Procedure:

Obviously Eligible: In cases where the customer is well known to the Rep/Company, where a modest amount of widely traded securities are offered, and where the customer is known to be unaffiliated with the issuer, Company personnel may proceed with the transaction subject to the designated Principal’s supervision and approval. Notes in the account and transaction records should show the Principal’s approval and comments as to the Rep’s/Principal’s confidence in eligibility.

Not Apparently Eligible: In cases where the Company is offered a block (large or otherwise) of a little-known security by a customer whose relationship with the issuer is unknown, Reps must make inquiries to determine whether the proposed resale may be illegal. For all such offers to sell blocks of unregistered securities, the Rep must provide the customer with a Deposited Securities/Resale Request Questionnaire for completion. This procedure also applies to deposits of unregistered securities or large blocks of BB or Pink Sheet securities. The Rep must present the completed questionnaire to the designated Principal for review. If approved, the transaction/deposit may take place. If the Rep and designated Principal have reason to be suspicious about the transaction, they will bring it to the attention of the CCO and AML Compliance Officer for further review and follow- up. All documentation of attempted and completed transactions must be maintained with customer records.

Importantly, Company personnel may not simply rely on a seller’s representations or its counsel’s opinions to satisfy its eligibility concerns. Nor may the Company rely on a third party to undertake the necessary inquiry into eligibility. While outside counsel, clearing firms transfer agents, issuers and issuer’s counsel may provide valuable input into the process, it is the Company, itself, which must make the determination based on its inquiry. Also, the fact that securities have been issued by a transfer agent without a restrictive legend, or have been put into trading status by a clearing firm, does not mean those securities may be resold immediately and without limitation.

Secondary transactions in Restricted Equity Securities under Rule 144A are reportable to ORF: see Consolidated FINRA Rule 6622 and the Order Processing/Reporting section in this Manual. All secondary market transactions in TRACE-Eligible Securities (debt securities), unless otherwise exempt, must be reported to TRACE. Please refer to the sections on “Trade Reporting” and “TRACE Reporting” for details.

1.3.1 Restrictions on IPO Transactions

Consolidated FINRA Rule 5130 prohibits The Firm or a person associated with it from: selling, or causing to be sold, an IPO security to any account in which a restricted person has a beneficial interest; purchasing a new issue in any account in which the Company or

person associated with it has a beneficial interest; and continuing to hold new issues acquired by the Company as an underwriter, selling group member, or otherwise, except as otherwise permitted within the Rule.

See Section 10.5 above for a more detailed discussion.

1.3.2 Mergers & Acquisitions

| | |
|----------------------------------------------|----------------------------------------------------------------------------------|
| Name of Supervisor (“designated Principal”): | Designated Principal: CCO |
| Frequency of Review: | Continuous; per transaction |
| How Conducted: | Review contracts, fee agreements, due diligence records, fairness opinions, etc. |
| How Documented: | Signature or initials on contracts, fee agreements. |
| 3010 Checklist: | Rule 1032, Consol. FINRA Rule 5150; Notices 07-54, 09-41 |
| Comments: | |

While FINRA does not have specific rules governing all aspects of M&A advisory services provided by member BD’s, the Company has included these procedures to clarify its expectations of its M&A personnel and supervisors. While conducting its M&A business, the Company strives to maintain high standards of commercial and ethical conduct and just and equitable principles. The Company is dedicated to serving the best interests of its clients and complying with all applicable regulatory requirements.

The Company may conduct mergers and acquisitions (M&A) advisory services for its corporate clients. Services may consist of advisory work in connection with: merger and acquisition advisory services, sales, divestitures, recapitalizations, valuations and/or fairness opinions. All advisory work performed by the Company’s personnel must be subject to the terms of a negotiated, executed engagement letter signed by the designated Principal (or other, when permitted by the designated Principal). No member of the Company may conduct advisory services for clients that have not been approved by the designated Principal.

Certain activities performed or supervised by the Company’s M&A advisory personnel may create a registration requirement in accordance with Rule 1032. Personnel engaging in or supervising any of the following activities on behalf of the Company will require Series 79 licensing, in addition to any other licenses they are required to hold based on their other securities activities:

- 1) advising on or facilitating debt or equity securities offerings through a private placement or a public offering, including but not limited to origination, underwriting, marketing, structuring, syndication, and pricing of such securities and managing the allocation and stabilization activities of such offerings, or
- (2) advising on or facilitating mergers and acquisitions, tender offers, financial restructurings, asset sales, divestitures or other corporate reorganizations or business combination transactions, including but not limited to rendering a fairness, solvency or similar opinion.

The Licensing and Registration Principal will ensure all licensing requirements are met.

Services. M&A advisory services provided by the Company may include the following:

- M&A Representation, Buy-side: the Company may assist the buyer client in identifying the company to be acquired, valuing the target company, conducting due diligence, structuring the transaction and performing other, related services.
- M&A Representation, Sell-side: the Company may assist the seller client to identify prospective acquirers, determine a preliminary range of valuations, draft and distribute a descriptive memorandum, negotiate

transaction terms, coordinate due diligence visits and other services. The Company requires prospective acquirers to sign confidentiality agreements prior to allowing them access to any non-public information.

- Valuation Services: either on a standalone basis or in combination with other M&A services, appointed personnel will analyze comparable transactions, current market data, and financial projections prepared by the Company or the client in order to determine a range of estimated values. The designated Principal (or his/her designee) should review and approve all valuations before they are provided to clients.
- Fairness Opinions: in certain instances, fairness opinion may be issued to clients. Fairness opinions concern a transaction in its entirety, rather than on specific terms or conditions of a transaction, and are limited to the financial characteristics of the transaction. The opinions may be issued in cases where the Company represents buyers or sellers in change of control transactions. The designated Principal (or his/her designee) should review and approve all fairness opinions before they are provided to clients.

Due Diligence. M&A professionals must undertake a due diligence process in order to thoroughly examine the advisory client and its industry prior to providing M&A services. Due diligence practices should include interviews of management, visits to company facilities (if appropriate) and the careful examination of relevant factors, including, where applicable:

- Profile/Operational Structure: products and services, company history, departments/ divisions/subsidiaries, customers, suppliers, operational methods and physical plants.
- Industry: competitors, local and broader industry dynamics, market trends, cyclicity/seasonality and industry forecasts.
- Management and Employee Issues: organizational structure, biographical data regarding key officers/directors/employees, compensation and benefits plans, and union status.
- Financial Data: historical and projected financial statements, including interim results, R&D expenditures, inventories, order backlogs, recorded and contingent liabilities, litigation, significant contracts and organizational structure/tax status.

In conducting due diligence, Company personnel must determine what information (listed above or otherwise) is relevant to a particular assignment and must attempt to incorporate an analysis of all available, pertinent information.

When representing sellers, personnel may prepare a memorandum describing the client and communicating background information. This memorandum typically includes information that allows prospective acquirers to evaluate the acquisition opportunity prior to submitting non-binding expressions of interest or visiting the client. Personnel may not make any representation or warranty as to the accuracy or completeness of memorandum information and the designated Principal will ensure that memorandums include language disclosing that the memorandums do not represent offers to sell the company or its securities.

Fees. The purpose of the Company's M&A activity is to generate fee income by providing advisory services. All services will be subject to the terms of an engagement letter, describing the scope of the assignment, the fee arrangement and other specifics of the relationship between the Company and the client. The Company typically receives a success fee contingent upon completion of an assignment, with out-of-pocket expenses paid by the client. Such fees are typically based upon the size of the transaction and are due at closing. The Company may also receive retainer fees upon signing an engagement letter and periodically thereafter, which may be credited against any success fee. In the case of valuations, fees charged by the Company will be a fixed dollar amount not subject to the estimated valuation amounts; the designated Principal is charged with reviewing and approving all fees negotiated by Company personnel. This approval will be evidenced by his or her signature on the agreements or initials on agreements executed by other Company personnel.

Legal Issues. When services are provided to publicly-held clients or to investors in such companies, legal counsel may be required and retained to ensure compliance with appropriate rules and regulations regarding proxy solicitations or tender offers or other potential securities matters. Additionally, M&A transactions may present the risk of potential conflicts of interest. To address this situation and to attempt to prevent perceived conflicts, the Company shall disclose to its clients any relationships that it reasonably believes may create a conflict of interest or perception thereof.

Record Keeping. The Company shall maintain files for each M&A engagement including the following information, as appropriate:

- A signed copy of the engagement letter.
- A copy of all descriptive memorandums.
- Distribution ledgers, indicating the name of each individual receiving a copy of the memorandum, date of receipt, number of memorandum (if appropriate) and any other pertinent information.
- Copies of any confidentiality agreements.
- A copy of the final presentation made to the client's board of directors.
- A log of expenses, and any invoices for fees or expense reimbursement.

Principals in charge of M&A engagements will review the files of each engagement, on an on-going basis, to ensure that all required documents are being maintained.

Securities Offerings. When securities offerings are made by the Company in conjunction with M&A advisory services (for instance, offering privately-place debt securities in the context of a restructuring/recapitalization), all relevant procedures described in this Manual relating to securities offerings must be followed. No securities offerings are permitted without proper registration and supervisory approval, as herein described.

1.3.3 Fairness Opinions

The Firm may issue fairness opinions to its mergers and acquisitions customers relative to transactions involving a change of control of a firm through merger, acquisition or sale. These opinions when issued by the Firm must not provide information contrary to fact and must contain appropriate, quantitative disclosure when the Firm has reason to believe the fairness opinion may be provided to the firm's public shareholders. These disclosures must include:

- Whether the Firm will receive any compensation contingent on the successful completion of the transaction for acting as an adviser to any party in the transaction that is the subject of the fairness opinion for providing the opinion, acting as an advisor or providing any other services relative to the transaction. Note - Transactions also include subsequent related transactions that occur contingent to the transaction on which the fairness opinion is issued;
- Any material relationships that existed during the past years or any contemplated material relationships between the Firm and any party to the transaction that is

the subject of the fairness opinion that could result in the payment or receipt of compensation, other than de minimus fees;

- Whether the opinion was approved or issued by a fairness committee;
 - Whether the opinion addresses the fairness of compensation paid to any insiders relative to compensation paid to public shareholders; and
 - Whether the Firm has verified any information provided by the parties involved in the transaction with an independent third-party. Note - the Firm is not required to verify such information and if no verification is done, the disclosure would simply state that no such verification was made.

The designated Principal shall review all fairness opinions to determine that appropriate disclosures are included. He will evidence his review by affixing his initials and the date of review on a copy of the opinion that will be retained in the client's file.