J. Alden Associates, Inc.

37 West Ave. Suite 301
Wayne, PA 19087

Written Supervisory Procedures

Revision Date: June 12, 2026

Written Supervisory Procedures Manual – Principal Approval

Signature: _Karen Van Horn_____

Date of Approval: _June 12, 2026_____

Date of Termination of Use: _____
(maintain copy for 3 years from termination date)

I. TABLE OF CONTENTS

II. INTRODUCTION TO THE FIRM

Introduction to the Firm

J. Alden Associates, Inc. ("J Alden") conducts business in equities, corporate debt, options, underwriter or selling group participant, private placements, merger and acquisition advisory services, investment banking advisory services, limited partnerships in primary distributions, capital raising, mutual fund retailer, mutual fund wholesaling, variable annuities, municipal securities, municipal fund securities (529 Plans), placement agent and third party marketer for hedge funds, wholesaling structured products/offerings that include time deposits (CDs), research and receiving commissions from an unaffiliated broker/dealer for referrals of equities and corporate debt. These are the Written Supervisory Procedures of the firm.

FINRA Rule 3110 states: "Each member shall establish, maintain and enforce written procedures to supervise the types of business in which it engages and to supervise the activities of Registered Representatives and Associated Persons that are reasonably designed to achieve compliance with applicable securities laws and regulations and applicable rules of the Association."

The Written Supervisory Procedures Manual was written to comply with FINRA Rule 3110 and is intended as a guide for the firm to achieve and maintain compliance with the rules and regulations of FINRA and the SEC and is used to supervise the activities of the firm and its Registered Individuals and additional Associated Persons.

A copy of the Written Supervisory Procedures will be maintained at the Home Office and at any branch office location. Each Registered Person will be provided with a copy of the Written Supervisory Procedures Manual. Evidence of receipt of a copy of the manual is via a signed Acknowledgement and Certification Form (or similar form). This form attests that the Registered Person has received, read and understands the requirements within.

End of Section I

Introduction to the Firm

III. SUPERVISORY SYSTEM

A. Designation of Principals

Principals of the firm are as follows:

- **General Securities Principal**
  Principal: Peter Engelbach
  President, Principal, Options Principal
  CRD #201177
  Location: Doylestown, PA

- **General Securities Principal**
  Principal: Lee Calfo
  CEO, Principal, Executive Representative
  CRD # 4782334
  Location: Wayne, PA

- **General Securities Principal**
  Principal: Matthew Resch
  Muni Principal
  CRD # 3094276
  Location: Allentown, PA

- **General Securities Principal**
  Principal: Joseph Gladue
  CRD# 2444732
  Location: Wayne, PA

- **Financial and Operations Principal – Series 27**
  FINOP: Carol Ann Kinzer
  Chief Financial Officer, FINOP
  CRD# 4519471

- **General Securities Principal**
  Principal: Chris Coloracci
  CRD# 1678486
  Location: Doylestown, PA

The firm must appoint and identify to FINRA an Executive Representative who will represent, vote and act for the firm in all affairs of FINRA, receive FINRA mailings including FINRA Notices to Members, Regulatory and Compliance Alerts and updates to the FINRA Manual on behalf of the firm. The Executive Representative is FINRA's primary contact person for communication with the firm. The Executive Representative must be a Registered Principal and a senior manager within the firm. As indicated above, Lee Calfo is the Executive Representative of the firm.

Should the firm wish to change its Executive Representative, FINRA must be notified of the change via the electronic FINRA Contact System (FCS) available through the FINRA website. (The FINRA Contact System requires a login and is password protected.)

Mr. Calfo, or his designee, will review the Executive Representative designation and contact information on the FINRA Contact System on an

annual basis (by the 17th business day after the close of the calendar year) and, if necessary, update the executive representative information. This information will also be updated at any time a change is made to the contacts of the firm.

Back up to Mr. Calfo for FINRA contact is Karen Van Horn.

Please see the Designation of Supervisory Responsibilities included as an attachment to these Written Supervisory Procedures.

Responsible Principal Records

The firm will maintain a listing of each principal responsible for establishing policies and procedures of the firm and for the acceptance and approval of records. This record must be maintained for a period of six years, with the first two years readily accessible. See listing at the end of these procedures.

Note: FINRA Rule 3110(b)(6) regarding Supervision of Supervisory Personnel requires that the firm must prohibit its supervisory personnel from supervising their own activities and reporting to, or having their compensation or continued employment determined by, a person the supervisor is supervising. This change became effective when FINRA changed the rule for supervision of all supervisory personnel, instead of just supervision of producing managers.

B. Designation of Offices of Supervisory Jurisdiction

J. Alden operates an office in Wayne, PA, serving as both the Home Office and an Office of Supervisory Jurisdiction.

Wayne PA Office: 37 West Ave, Suite 301 Wayne PA 19087
Doylestown, PA Office: 43 S Main Street, Doylestown PA, 18901
Bellmawr, NJ Office: 420 Benigno Blvd 1st Floor, Bellmawr, NJ 08301
Novi, MI Office: 27333 Meadowbrook Rd. Ste 110, Novi, 48377
Allentown, PA Office: 4029 W. Tilghman Street Ste. 203, Allentown, PA 18104
West Chester, PA Office: 1595 Paoli Pike Ste. 101, West Chester, PA 19380

If J Alden opens additional Supervisory Branch Offices, FINRA will be notified via Form BR. If necessary and required by FINRA Rule, approval to open additional offices will be requested from FINRA, via a 1017 filing.

C. Designation of OSJ/Branch Office Supervisors

Each Supervisory Branch Office must have at least one properly licensed, qualified individual who is designated as the manager of that branch office.

Chris Coloracci is the Supervisor of the Home Office and Supervisory Branch Office located in Doylestown, PA.
Kathleen Schroeder is the Supervisor of the Mellmawr, NJ Office.

Contact Person Record

Each office of the broker/dealer must maintain a record listing, by name and title, each person located at that office who, without delay, can explain the types of records the firm maintains at that office and the information contained in those records. J. Alden has

appointed Karen Van Horn as the individual who can explain, without delay, the types of records the firm maintains. This record must be maintained for a period of six years, with the first two years readily accessible.

D. Assignment of Registered Persons

At the time of employment with J Alden, Karen Van Horn will assign each Registered Person to a J Alden principal for supervision.

A continual listing of each Registered and Associated Person of the firm is maintained. This listing must include:

- Each office of the firm where the Registered or Associated Person regularly conducts securities business of the firm;
- The CRD number of the Registered or Associated Person; and
- Any additional internal identification number or code assigned by the firm to the Registered or Associated Person.

E. Associated Person Records

Each office of the firm maintains a list of all Registered and Associated Persons assigned to that office (where the Associated Person regularly conducts business of the firm).

For each Associated Person, the firm maintains a record of the following:

1. A list of every office where the Associated Person regularly conducts securities business, the Associated Person's CRD Number, and any internal identification number or code assigned to the Associated Person by the firm. *(Retained for a period of three years after the Associated Person has terminated employment with the firm.)*
2. Each purchase and sale of a security attributable to that Associated Person for compensation purposes; the amount of compensation for each purchase or sale, if monetary, a description of the compensation, if non-monetary; and all agreements pertaining the relationship between the firm and each Associated Person. *(Retained for a period of three years, with the first two years readily accessible.)*

F. Determining Qualifications of Supervisory Personnel

Per FINRA Rule 3110, it must be determined that all supervisory personnel are properly registered and qualified to supervise their designated areas of responsibility.

Mr. Calfo, or his designee, will investigate each person considered for a supervisory position. Investigation will include:

- Review of CRD record
- Review of securities qualification exams successfully passed
- Resume
- Form U4
- Background Investigation

The principal will review the records and notation will be made as to whether the individual is approved or disapproved for supervisory duties.

G. Annual Compliance Meeting

Per FINRA Rule 3110, at least annually, the firm's President will meet with all Registered Representatives and additional Associated Persons of the firm, either individually or

collectively, in an interview or meeting, at which time compliance matters are discussed regarding the business of the firm and the activities of its Registered Representatives, as well as the rules, regulations and requirements of FINRA, the SEC, the states, as well as the firm's own policies and procedures.

The Annual Compliance Meeting/Interview may be conducted with each person individually or it may be conducted in a group setting, such as a meeting or conference call or via other methods such as on-demand webcast, online annual compliance meeting, video conferencing, etc.

If the firm choses to conduct annual compliance meetings by using on-demand webcasts, online compliance meeting courses, video conferencing or any other electronic means, the firm must ensure, at a minimum, that each registered person attends the entire meeting. Example from FINRA: the firm might use on-demand annual compliance webcast requiring each registered person to use a unique user ID and password to gain access and use a technology platform to track the time spent on the webcast, provide click-as-you-go confirmation and have an attestation of completion at the end of a webcast. In addition, the firm also must ensure that registered persons are able to ask questions regarding the presentation and receive answers in a timely fashion. If the firm hosts an on-demand annual compliance webcast it must provide a way for registered persons to ask questions via an email to a presenter or to a centralized address or via telephone.

The Principal conducting the Annual Compliance Meeting/Interview must keep a record of the meeting. This record must include:

- date of the meeting
- location of the meeting
- method meeting conducted (one-on-one, group meeting, conference call, etc.)
- issues discussed
- documents used
- attendees' signatures
- list of who did not attend
- summary of the meeting

Also, annually, each Registered Representative and Associated Person is required to sign various forms recertifying their understanding of the firm's policies and procedures and disclosing essential, required information to the firm.

Forms presented to Associated Persons for review, disclosure and/or signature include, but are not limited to, the following:

1. Acknowledgment and Certification Form
2. Registered Representative Declaration Form
3. Insider Trading Agreement
4. Private Securities Transactions Form
5. Accounts with Other Broker/Dealers Disclosure Form
6. Outside Business Activities Disclosure Form
7. Acknowledgment of Understanding of the AML Policy and Procedures

If any Registered Representative or Associated Person does not attend the scheduled Annual Compliance Meeting/Interview, then a separate session must be scheduled. Associated persons who participate remotely will sign an attestation indicating their participation.

Documentation of the meetings must be maintained at the Home Office.

H. Periodic Review of Business and Supervisory System

The CEO of the firm (Lee Calfo) is responsible for annually reviewing the firm's business and the supervisory system under which it operates. This review ensures that the policies and procedures are appropriate for maintaining compliance with the regulatory rules and requirements. This review may be conducted internally by the President of the firm, another principal or with assistance from an outside consultant. The Periodic Review of Business and Supervisory System is conducted in conjunction with the annually required FINRA Rule 3120 Supervisory and Compliance Review.

Results of the review of the business of the firm and the firm's supervisory system must be documented and maintained in a file at the Home Office for a period of at least 3 years.

If any deficiencies are noted, the President or the Vice President/CCO will take required corrective actions. If required, the Written Supervisory Procedures will be amended, and the amendments distributed to all Associated Persons of the firm.

Note: Each compliance, supervisory and/or procedures manual, including any updates, modifications and revisions must be maintained for a period of 3 years after the termination of the use of the manual.

I. Supervisory Control System – FINRA Rule 3120

FINRA Rule 3120 (formerly NASD Rule 3012) requires the firm to designate and identify a principal or principals to establish, maintain, and enforce a system of supervisory control policies and procedures that test and verify that the member's supervisory procedures are reasonably designed to comply with applicable securities laws and FINRA rules, and to create additional procedures or amend those supervisory procedures when necessary and as identified by the testing and verification.

The CCO (Karen Van Horn) is the Designated Principal responsible for the firm's supervisory control system as described in FINRA Rule 3120. The CCO will prepare a report to be provided to senior management (President and CEO), no less than annually, outlining the firm's supervisory controls system, findings of the testing and verification results and any identified exceptions noted during this review, and any new or amended supervisory procedures created in response to the results of the testing and verification review. The report will be retained in the firm's Supervisory Control System compliance files and used to produce the CEO certification as required by FINRA Rule 3130.

Additional Report Language for Firms with $200 Million or More in Gross Revenues

The annually required Rule 3120 reports that are provided to senior management following a calendar year in which the firm reported $200 million or more in gross revenue must include, to the extent applicable to the firm's business:

1. a tabulation of the reports pertaining to customer complaints and internal investigations made to FINRA during the preceding year; and
2. discussion of the preceding year's compliance efforts, including procedures and educational programs, in each of the following areas:
    a) trading and market activities;
    b) investment banking activities;
    c) antifraud and sales practices;
    d) finance and operations;
    e) supervision; and

f) anti-money laundering.

"Gross revenue" is defined as:

1. total revenue as reported on FOCUS Form Part II or IIA less commodities revenue, if applicable; or
2. total revenue as reported on FOCUS Form Part II CSE less, if applicable, commissions on commodity transactions; and commodities gains or losses.

Note: Additional content noted above must be included in the reports only to the extent applicable to the firm's approved business activities.

J. Annual Certification of Compliance and Supervisory Processes – FINA Rule 3130

FINRA Rule 3130 requires the following:

1. Designation of Chief Compliance Officer; and
2. Annual Certification of Compliance and Supervisory Process by the CEO or President

Designation of Chief Compliance Officer

Karen Van Horn has been designated and identified to FINRA on Schedule A of the Form BD as the Chief Compliance Officer of J Alden. Karen Van Horn has also been identified as the Chief Compliance Officer on the FINRA Contact System and in the firm's Written Supervisory Procedures Manual.

Annual Certification of Compliance and Supervisory Processes

The CEO of J Alden, Lee Calfo, will ensure an annual testing and verification of the firm's systems and procedures and certify that the firm has processes in place to establish, maintain, review, test and modify the firm's written compliance policies and procedures to ensure compliance with applicable rules. The CEO will also certify that he has met with the Chief Compliance Officer, and other officers of the firm, during the preceding 12 months to discuss the policies and procedures under which the firm operates.

J Alden requires that each year, the senior officers and general securities principals of the firm will meet with the Chief Compliance Officer, Karen Van Horn, to review and discuss the current compliance state of the firm and identify any problems that may exist and determine the corrective actions to be taken, if necessary. If deemed necessary, additional meetings will be scheduled to address any compliance policy or procedural issue.

The annual certification must be conducted no later than the anniversary date of the previous year's certification.

Evidence of Completion of Annual Certification

Along with the signed Annual CEO Certification Form, a written report of the review of the compliance and supervisory systems of the firm (the testing and verification) must be presented to and reviewed by the CEO, President, Vice President, Chief Compliance Officer and any other officers of the firm as deemed necessary. Following this review, the report must be submitted for review to the firm's Board of Directors and/or audit committee, or equivalent governing body, if applicable.

Note: See FINRA Rule 3130 for content/verbiage of the Annual Certification.

Records of the Annual Certification and the written report are maintained at the Home Office for a period of 3 years with the first two years readily accessible.

K. Supervision – FINRA Rule 3110

Supervisory System: FINRA Rule 3110 requires the firm to:

- Establish and maintain a system to supervise the activities of Associated Persons to achieve compliance with applicable securities laws and regulations (SEC, FINRA, MSRB and state);
- Establish written procedures for the firm;
- Designate qualified supervisory principals to supervise the securities business of the firm;
- Designate and register OSJ and Non-OSJ branch offices as required;
- Designate principal(s) for OSJ and Non-OSJ offices;
- Assign registered persons to a principal for supervision;
- Determine that all supervisory personnel are qualified by experience or training; and
- Require each Registered Person to participate in an Annual Compliance Meeting.

Supervision of Supervisors

According to FINRA Rule 3110, the CCO is responsible for ensuring that the firm has procedures in place which prohibit the firm's supervisory personnel from:

1. supervising their own activities; and
2. reporting to, or having their compensation or continued employment determined by, a person the supervisor is supervising. FINRA Rule 3110(b)(6) addresses potential abuses in connection with the supervision of all supervisory personnel, rather than addressing only the supervision of a subset of supervisory personnel and their customer account activity.

Limited Size Exception

FINRA Rule 3110(b)(6) provides an exception for a firm that determines, with respect to any of its supervisory personnel, that compliance with either of the prohibitions outlined above is not possible because of the firm's size or a supervisor's position within the firm.

A firm relying on the exception must document the factors the firm used to reach its determination and how the supervisory arrangement with respect to such supervisory personnel otherwise complies with FINRA Rule 3110(a).

FINRA Rule 3110.10 (Supervision of Supervisory Personnel) reflects FINRA's expectation that this exception will be used primarily by a sole proprietor in a single person firm or where a supervisor holds a very senior executive position within the firm. However, the rule's list of situations that this can be claimed is non-exclusive, and the firm may still rely on the exception in other situations where it cannot comply because of its size or the supervisor's position within the firm, provided the firm complies with the documentation requirements.

Note: No filing is required to be made to FINRA if this exemption is being utilized, but the firm must maintain documentation as to why the firm is relying on this exception.

L. Supervisory Personnel Record

Name of Supervisor	Qualification Exams	Location
Peter Engelbach General Securities Principal	Series 1 (now Series 7), 24, 27, 4, 51, 53, 99, 63 and Series 65	Home Office – Doylestown, PA

Options Principal		
Lee Calfo General Securities Principal	Series 7, 79, 24, 99, 86, 87, 63 and Series 65	Home Office – Wayne, PA
Karen Van Horn Chief Compliance Officer Chief Risk Officer Options Principal	Series 4, 7, 9, 10, 63 and Series 65	Home Office – Wayne, PA
Joseph Gladue General Securities Principal Research Principal	Series 7, 24, 87 and 63	Supervised by Home Office

M. Distribution of Procedures and Amendments

The firm will distribute a copy of the Written Supervisory Procedures to all Registered/Associated Persons of the firm. Each Registered/Associated Person must read and understand the contents of the manual and must sign an Acknowledgment and Certification Form attesting to their review and understanding of the WSP manual. It is the Designated Principal's responsibility to approve the policies and procedures of the firm.

Should any changes occur in the business of the firm, the policies and procedures of the firm or with the rules and regulations of FINRA, the SEC or the states, the Written Supervisory Procedure Manual will be updated/revised and new copies disseminated to all Registered/Associated Persons of the firm.

Use of Electronic Media to Communicate Written Supervisory Procedures

FINRA Rule 3110.0 allows firms to deliver the firm's Written Supervisory Procedures Manual using electronic media if the firm ensures that the Written Supervisory Procedures have been communicated to, and are readily accessible by, all associated persons that the procedures apply based on the associated person's activities and responsibilities.

As mentioned earlier, each compliance, supervisory and/or procedures manual, including any updates, modifications and revisions must be maintained for a period of 3 years after the termination of the use of the manual.

N. Form BD, Form BR and Form BD and BR Amendments

By filing or amending the Form BD, the firm will ensure that FINRA is kept current to the business and reported information concerning the firm, including any firm disclosures to be made according to the rules and regulations of FINRA.

Branch office information will also be filed and kept current via the Form BR.

Any amendments required to be made to the Form BD or Form BR must be made no later than 30 days after learning of the facts or circumstances giving rise to the change. *The Form BD, the Form BR and all amendments to the Form BD or Form BR will be maintained for the life of the firm.*

It is the responsibility of the Designated Principal, Karen Van Horn, to supervise any form filings made on behalf of the broker/dealer.

O. FINRA Rule 1010 – Electronic Filing of Forms

Karen Van Horn is the principal responsible for supervising the electronic filing of appropriate forms pursuant to Rule 1010. Karen Van Horn will acknowledge, electronically, that he is filing information on behalf of the firm and the firm's associated persons.

All initial and transfer electronic Form U4 filings will be based on a signed Form U4 provided to J Alden by the person on whose behalf the Form U4 is being filed. The firm will retain each individual's signed Form U4 and promptly make it available to regulatory authorities upon request.

The firm will promptly submit a fingerprint card for every person for which an electronic Form U4 is filed. Failure to submit a fingerprint card within 30 days after FINRA receives an electronic Form U4 will result in the individual's registration being deemed inactive. If an individual is deemed inactive, he/she must immediately cease all activities requiring registration and will be prohibited from performing any duties and functions in any capacity that requires registration.

All initial filings and amendments of Form U5 will be submitted electronically and will be made available to regulatory authorities upon request.

The firm may employ a third party to file required forms electronically on its behalf.

P. Supervision of Form Filings

Karen Van Horn is responsible for ensuring that the necessary form filings are made on behalf of the broker/dealer, Carol Ann Kinzer FINOP, is responsible for net capital computations, FOCUS filings and other financial reports made on behalf of the broker/dealer, including notifications of net capital early warning or net capital violations.

Q. Business Continuity Plans and Emergency Contact Information

The firm will create and maintain a written business continuity plan that identifies procedures for operating during an emergency or significant business disruption. The business continuity plan will be maintained in a separate document that will be made available promptly upon request to FINRA staff.

The firm will update the business continuity plan in the event of changes to operations, structure, business or location, and will annually review the plan to determine if medications are necessary. The plan will be approved in writing by a senior manager of the firm (who will be a registered principal of the firm).

The firm will disclose to customers how the business continuity plan addresses the possibility of a future significant business disruption.

J Alden will provide FINRA, via the FINRA Contact System (FCS), with emergency contact information for the firm, including the designation of two associated persons as emergency contact persons, and will promptly update the contact information in the event of a material change. The firm will update the emergency contact information promptly, but not later than 30 days following any change in information, and will review and, if necessary, update the emergency contact information within 17 business days after the end of each calendar year.

R. Third Party Service Providers

Note: J Alden has entered into a written agreement with Global Relay (optical storage of firm electronic mail).

J Alden will request a Confidentiality Agreement to be signed by any Third-Party Service Provider that has access to customer account information. This may be a separate agreement or included within the contract between J Alden and the third-party service provider.

The firm will outsource some activities to Third Party Service Providers (TPSP). Outsourcing any activities of the firm does not relieve the broker/dealer of the ultimate responsibility for compliance. This procedure will cover the required actions when contracting with an outside vendor or TPSP. Areas include due diligence, supervisory responsibilities and activities of the TPSP.

Due Diligence

If the broker/dealer elects to select a new TPSP, proper due diligence will be conducted on the selected provider. Due diligence is conducted to ensure the TPSP is capable of performing the outsourced activities. It is also the responsibility of the firm to conduct due diligence on any currently engaged TPSP. The due diligence must be conducted on any new or prospective TPSP prior to engagement with the broker/dealer. Due diligence may include, but is not limited to, investigation of TPSP's securities industry experience, current licenses, investigation of any disciplinary history, references, etc.

Supervisory Responsibilities

Mr. Lee Calfo is the supervisor that is responsible for monitoring the outsourcing arrangements of J Alden. Supervisory responsibilities include the following:

- Ensure due diligence is conducted on current or prospective TPSPs (including checking of references, investigation of securities industry experience, etc.).
- Ensure that the TPSP does not conduct activities requiring registration unless the individual is properly registered or attains the proper registration.
- Ensure procedures are in place to properly evaluate the performance of TPSPs.
- Ensure that all work conducted by the TPSP is available for review by FINRA, the SEC and any other regulators of the broker/dealer.
- Ensure that the firm follows up on red flags identified by the TPSP.

TPSP Activities

The TPSP will not conduct activities requiring registration unless the individual is properly registered according to the registration requirements of FINRA and the SEC. For example: if the firm elects to outsource its FINOP activities, the individual must have a valid Series 27 or 28 (depending upon the approved business activities of the firm) and must be current on all continuing education requirements. The only outsourced activity of the firm at this time that requires securities registration is the function of FINOP. Carol Ann Kinzer is the current FinOp with a Series 27.

Oversight, Supervision and Monitoring

Once a TPSP is engaged, the broker/dealer (Lee Calfo or Karen Van Horn) is responsible for overseeing, supervising and monitoring the TPSP's activities and performance. Again, engaging a TPSP does not relieve the broker/dealer of the ultimate responsibility for compliance to FINRA and SEC rules and regulations. Any issues that arise with the TPSP's performance of duties, including customer complaints received about the vendor's performance, will be addressed immediately. Issues that cannot be resolved and/or recurring issues may result in termination of the relationship between the firm and the

TPSP. As mentioned above, each issue will be addressed upon occurrence; however, the firm will not continue working with any TPSP that is the source of ongoing performance-related issues.

The firm will review each TPSP's activities and performance on an annual basis. This review will include, but is not limited to, a comparison of the activities performed by the TPSP to the TPSP's responsibilities as described in its contract/agreement with the firm, an evaluation of problems that were identified during the year, timeliness of problem resolution, and complaints received about the performance of a vendor. The firm will conduct a review of the regulatory history of all registered TPSP's annually, such as an analysis of the report available through FINRA's BrokerCheck.

The designated principal will provide written notice to the TPSP of the problem and/or deficiencies related to the TPSP's performance, including the steps required to resolve the problem and the specific date by which the deficiencies should be corrected. The time frame for problem/deficiency resolution will be decided on a case-by-case basis, depending on the nature and severity of the problem. The firm will require a written response from the TPSP acknowledging understanding of the problem and agreeing to adhere to the terms of resolution as outlined by the firm.

All written documents related to the TPSP's performance and resolution of problems or deficiencies related to the TPSP's performance will be retained for at least three years after terminating the contractual relationship with the TPSP.

If a third-party vendor receives a customer complaint, the complaint will be forwarded to the firm immediately upon receipt and the firm will follow its procedures for handling customer complaints, which are outlined in another section of these Written Supervisory Procedures.

The firm will request a signed Confidentiality Agreement from any Third-Party Service Provider that has access to customer account information.

S. Outsourced Financial and Operations Principal (FINOP)

It is understood that any outsourcing of services by the broker/dealer does not relieve the broker/dealer of the ultimate responsibility for compliance to the rules and regulations.

The firm must designate a qualified FINOP (Series 27 or 28 based on the approved business activities of the firm), and outlines the duties and responsibilities of the FINOP which include the following:

- Responsibility for the accuracy and approval of financial reports;
- Final preparation of financial reports submitted to any securities regulator, including net capital computations and FOCUS Reports;
- Supervision of persons assisting in the preparation of financial reports or persons responsible for the maintenance of the firm's books and records from which the financial reports are generated;
- Supervision of and responsibility for persons involved in the maintenance of the firm's financial books and records;
- Supervision and/or performance of the firm's responsibilities under all financial responsibility rules; and
- Any other matter involving the financial and operational management of the firm.

It is understood that outsourced FINOPs are not relieved of any of the above responsibilities because they may be located off-site, work part-time or are registered with multiple securities firms (dually registered FINOPs).

Initial and On-going Due Diligence of the Outsourced FINOP

When selecting an outsourced FINOP, proper due diligence will be conducted on the selected individual. Due diligence is conducted to ensure the FINOP is capable of performing the duties and responsibilities required of the FINOP. Due diligence is conducted prior to the engagement between the firm and the outsourced FINOP. It is also the responsibility of the firm to conduct at least an annual review of the FINOP's activities on any currently engaged outsourced FINOP. Due diligence for potential new FINOPs may include, but is not limited to, investigation of the FINOP's securities industry experience, current licenses, investigation of any disciplinary history, references, etc. Ongoing due diligence/review of the current outsourced FINOP's capabilities is conducted on an annual basis, or as needs warrant, and may include review of the FINOP's U4, review of any new disclosures or regulatory investigations, timely reporting/filing of required financial information/reports to the firm's regulators (including net capital computations, FOCUS Reports), etc. Evidence of the initial due diligence and on-going review of the outsourced FINOP will be maintained at the home office of the broker/dealer.

Access to Financial Books and Records

The firm will provide full and complete access to all the firm's records necessary for the FINOP to successfully fulfill his duties and responsibilities. It is understood that an outsourced FINOP must have the same access to records as the firm would grant an onsite, full-time FINOP. Access to the firm's financials will be through providing copies of generated financial reports and online access to the firm's QuickBooks accounting system, as well as online access to the firm's bank account(s).

Required On-Site Visits

Outsourced FINOPs are required to conduct a minimum number of on-site visits on an annual basis, some of which will be surprise visits. The number of visits is determined by the firm and the FINOP and will be based on the business activities and the volume of securities business conducted by the firm. During the visit, the FINOP's review will include, but is not limited to, the following:

- Review of financial books and records and corresponding files;
- Review of any contracts entered into by the firm, an affiliate or the parent;
- Ongoing liabilities of the firm, including any settlements, litigations or arbitrations;
- Contingent liabilities;
- Capital contributions and/or capital withdrawals;
- Review of Expense Sharing Agreement, if any;
- Review of current activities of the firm to ensure that the firm is operating under the proper net capital requirement; and
- Review any additional information and documentation to ensure that everything is reported properly within the financial reports of the firm.

The on-site visit by the FINOP is evidenced by initialing the reviewed records. The FINOP will also generate a written report to senior management summarizing the visit, noting any issues found and any recommendations made.

T. Investment Advisor Activities of Associated Persons

Any Registered Representative who also is an investment adviser must provide the firm with prior written notice of any investment advisory activities in which the RR/IA is a participant with a non-affiliated entity. Where such advisory service is solely to advise customers, and involves neither the implementation nor execution of transactions, the RR/IA will give prompt notice of his/her activities to the firm. However, the RR/IA will give prompt notice **and seek the firm's prior approval of the proposed activities** where such activities involve the implementation and execution of transactions. Upon hire and on an annual basis the representative will complete the firm's combined disclosure form as well as a private securities form. The Compliance department will review the request and either approve or reject the request. If approved it will be required for the representative to deliver monthly trade blotters that contain all of the representatives advisory transactions.

Prohibition Against RR/IAs Holding Themselves out as a Broker/Dealer

No RR/IA may hold himself or herself out as a broker/dealer in any communication, written or oral, with any current or prospective investment advisory client. All RR/IAs are prohibited from using the firm's name or its status as a broker/dealer in connection with any investment advisory business.

Timing and Contents of Notice of Activities

The RR/IA's notice of investment advisory activities should be dated and delivered to the Chief Compliance Officer. If the RR/IA will receive compensation for their investment advisory activities under an asset-based or performance-based fee arrangement, the RR/IA must seek prior approval from the firm for such arrangement. If the RR/IA will receive transaction-based compensation, the firm's approval is required prior to each transaction.

Recordkeeping of RR/IA Activity

If and when the firm approves investment advisory activities by a RR/IA, the firm is required under the rules of FINRA to record the transaction activity and supervise the conduct of the RR/IA. The Chief Compliance Officer will maintain records relating to the investment advisory transactions of all RR/IAs.

As stated above monthly trade blotters will be furnished to the Compliance Department for regular monitoring and review.

U. Regulation BI

J. Alden Associates (Alden) is a Exchange Commission ("SEC") registered broker dealer and a member firm of the Financial Industry Regulatory Authority ("FINRA"). Alden is subject to a number of regulations and regulators, including those of the SEC, FINRA and various state regulators. Alden adaption of Regulation Best Interest is done in accordance with our regulatory obligations and is a supplement to our existing policies and procedures.

Definition

What is Regulation Best Interest? The Regulation Best Interest is a regulatory requirement that the financial interest of the representative or firm cannot be placed ahead of the customer. It imposes an obligation that any and all recommendations made by a registered individual are made in the "Best Interest" of a potential customer. Regulation Best Interest puts in place a higher standard than the suitability rules of FINRA but FINRA suitability standards still remain in effect. However, Regulation Best Interest is an overarching obligation that covers account inception through product sales.

FINRA suitability rules are located in Alden's Written Supervisory Procedures Manual and/or Alden's Municipal Supervisory Procedures Manual.
Regulation Best Interest has a several different components: Care, disclosure, conflict of interest and compliance. The components each have individual subparts which will be addressed herein.
Regulation Best Interest applies to a retail customer which is defined as "a natural person, or the legal representative of such person, who: (a) receives a recommendation for any securities transaction or investment strategy from a Broker Dealer or Associated Person; and (b) uses the recommendation primarily for personal, family or household purposes."
A "legal representative" is defined as the non-professional legal representatives of such a natural person, e.g., a non-professional trustee, executor, conservator, guardian or an individual holding a power of attorney that represents the assets of a natural person. Regulation Best Interest would not apply when the legal representative is acting in a professional capacity as a regulated financial services industry professional retained to exercise independent professional judgment. Recommendations to registered Investment Advisors and registered Broker Dealers or corporate fiduciaries are not applicable.
Regulation Best Interest seeks to address a conflict of interest which may exist between a broker dealer, associated person or a retail customer. A conflict of interest is defined as "an interest that might incline a Broker Dealer or Associated Person – consciously or unconsciously – to make a recommendation that is not disinterested."

<u>Care Obligation</u>
When making recommendations, Broker-Dealers must exercise reasonable diligence, care, and skill to evaluate the three components of the Care Obligation.

(1) Reasonable-basis: Broker-Dealers need to understand the recommended security or investment strategy, as well as the potential risks, rewards, and costs associated with the recommendation and have a reasonable basis to believe that the recommendation could be in the best interest of at least some retail customers

(2) Customer-specific: Based on the understanding of the recommended security or investment strategy and retail customer's investment profile, Broker-Dealers need to have a reasonable basis to believe that the recommendation is in the best interest of a particular retail customer and does not place the Broker-Dealer's interest ahead of the retail customer's interest

(3) Quantitative suitability: Broker-Dealers need to ensure a series of recommendations, even if viewed as in the customer's best interest when viewed in isolation, should also be viewed in the aggregate as not excessive and made in the best interest of the customer. Compliance with the Care Obligation would be evaluated based on the facts and circumstances at the time of the recommendation.

<u>Covered Recommendations:</u>
Generally speaking, Regulation Best Interest covers the following types of recommendations:

- Recommendation on what type of account to open – brokerage, advisory, managed, etc.
- Recommendation to buy a financial product
- Recommendation to sell a financial product
- Recommendation to hold a financial product

When recommending a type of account, a specific product, a class of products or an action with a product, the customer's interests must be placed ahead of that of the registered representative or Firm. Factors including cost and whether there are less costly alternatives are required to be discussed. If a decision is collectively made to recommend an account type, product or transaction, then Reg BI is triggered.

Account Recommendations

A registered representative must have a reasonable basis to believe that a recommendation of a securities account type (e.g., brokerage or advisory, or among the types of accounts offered by the firm, including IRAs) is in the retail customer's best interest at the time of the recommendation. The recommendation must not place the financial or other interest of Alden or the registered representative ahead of the interest of the retail customer.

Generally speaking, the following should be considered when recommending a type of accounts:

(a) services and products provided in the account;
(b) projected cost of the account;
(c) alternative account types available;
(d) services the retail customer requests; and
(e) the retail customer's investment profile.

Individual Retirement Accounts

Individual Retirement Accounts have additional factors which should generally be considered in addition to those noted above in order to comply with the obligations under Regulation Best Interest. The additional considerations include:

(a) fees and expenses;
(b) level of services available;
(c) ability to take penalty-free withdrawals;
(d) application of required minimum distributions;
(e) protections from creditors and legal judgments;
(f) holdings of employer stock; and
(g) any special features of the existing account.

Relationship Summary

Alden will provide brokerage customers with a relationship summary called a "Form CRS" which provides details regarding, for example, the Firm's services, compensation structure, fees, mandatory disciplinary disclosures and also conflicts of interest. Alden will deliver its Form CRS when: a recommendation is made regarding an account type, a securities transaction; or an investment strategy involving securities;
when an order has been placed for an existing retail investor; or
a new brokerage account is opened for a retail investor.

Account Monitoring

Account monitoring is an agreement to monitor an individual account on a specified basis and provide recommendations, including hold recommendations. Alden does NOT provide clients with account monitoring. Alden registered representatives may, but is not required, to voluntarily review the holdings in the retail customer's account for the purposes of determining whether to provide a recommendation. This voluntary review does not constitute "account monitoring," and would not create an implied agreement with the customer to monitor the account. The registered representative is not permitted to enter into any agreement (oral or written) with the customer to provide account monitoring.

Recommendations to Customers

Recommendations to customer must have a reasonable basis (i.e. knowing the product and having a reasonable basis to believe it is appropriate for at least some investors) and be customer-specific (i.e. knowing the customer and having a reasonable basis to believe a particular recommendation is appropriate for a specific customer based on that

customer's investment profile). These collective obligations can best be described under the categories of care, skill and costs.

Cost

Cost is required to be considered with every recommendation. Cost includes not only the cost of purchase, but also any costs that may apply to the future sale or exchange of the security, such as deferred sales charges or liquidation costs.

Examples:

- A customer wants to a bond now but plans to sell in the near future because they are planning on moving to a different state next year – both the buy and sale costs should be examined.

- A customer is unsure whether to open a regular brokerage account or a managed account – the costs of both should be explored with the client.

- A customer is buying a new mutual fund from a different mutual fund family but there is a similar product available from a fund family they are already investing in – costs and benefits should be considered and discussed with the customer.

While cost is one factor to be considered, it is not the controlling factor. Cost should be clearly explained to the customer and if a recommendation is made for a product or account type where a reasonable alternative with a lower cost is available there must be a reasonable basis to believe that product is in the best interest of a particular retail customer and the rationale for the recommendation should be clearly explained.

CARE

The duty of CARE means that both individual product recommendations AND a series of recommended transactions have a reasonable basis of belief that, even if in the retail customer's best interest when viewed in isolation, is not excessive and is in the retail customer's best interest when taken together in light of the retail customer's investment profile. .Registered Representatives must have a reasonable basis to believe that the transactions taken together are not excessive, even if each is in your customer's best interest when viewed in isolation. The requirement applies irrespective of whether a registered representative exercises actual or de facto control over a customer's account.

What constitutes a "series" of recommended transactions is facts and circumstances specific. Alden principals or their designee will review exception report(s) to review for excessive trading. Exception reports are staggered in release and thus the exception reports will be reviewed as the reports are released, within a reasonable period thereafter. In addition to review of exception reports, other action may be taken to understand the facts and circumstances surrounding the trading activity. This may include, reviewing client notes, discussion with the registered representative or other action deemed necessary. Trading activity which is, in the sole discretion of the examiner, deemed to be excessive will be escalated to the compliance department for review and such action as it deems necessary, if any.

Conflict of Interest

Conflicts of interest are disclosed to customers in disclosure documents as prescribed by applicable rules. Such timing can include, for example, disclosure at account opening. Alden maintains a conflict of interest register to assess for conflicts of interest, both material and non-material. Conflicts are reviewed and assessed by the conflicts

committee on an annual basis and recorded on the conflicts register. Updates, if any are deemed necessary, will be made to disclosure documents after the annual review or when disclosures become materially inaccurate. Updates to disclosure documents will take place within thirty (30) days after the material change occurs or is otherwise identified. The review process will review cross-functional conflicts between business functions or business lines, if any. The current process for identifying, reviewing, mitigating or eliminating, and disclosing conflicts of interest should be evaluated for compliance with the Regulation Best Interest requirements and identification of gaps. A resource or master list of potential conflicts of interest that may apply to any product or service could also be created for reference.

Record Keeping

The Firm will maintain and preserve for the specified period (a) all records of the dates that each relationship summary was provided to each retail investor, including any relationship summary that was provided before such retail investor opens an account, as well as (b) a copy of each relationship summary.

The records will be reviewed on an annual basis to confirm delivery.

Sales Contests

Sales contests, bonuses, non-cash compensation and quotas based on the sale of specific securities or specific types of securities within a limited period of time are prohibited. This prohibition does not apply to compensation based on, for example, total products sold, or asset growth or accumulation, and customer satisfaction.

This requirement would not prevent a BD from offering only proprietary products, placing material limitations on the menu of products, or incentivizing the sale of such products through its compensation practices, so long as the incentive is not based on the sale of specific securities or types of securities within a limited period of time. The requirement also is not intended to prohibit: training or education meetings, provided that these meetings are not based on the sale of specific securities or types of securities within a limited period of time; or receipt of certain employee benefits by statutory employees, as these benefits would not be considered to be non-cash compensation for purposes of Reg BI.

End of Section II
Supervisory System

IV. HIRING, REGISTRATION AND SUPERVISION OF FIRM PERSONNEL

A. Application for Registration

NASD Rule 1031 – Registration Requirements states the following:

> "All persons engaged or to be engaged in the investment banking or securities business of a member who are to function as representatives shall be registered as such with the Association in the category of registration appropriate to the function to be performed…. Before their registration can become effective, they shall pass a Qualification Examination for Representatives appropriate to the category of registration as specified by the Board of Governors. A member shall not maintain a representative registration with the Association for any person (1) who is no longer active in the member's investment banking or securities business, (2) who is no longer functioning as a representative, or (3) where the sole purpose is to avoid the examination requirement…."

The firm shall not allow any person to engage in the securities business of the firm until that person has been qualified and properly registered with the Association and any necessary state jurisdictions.

FINRA requires all applications for registration to be filed electronically through FINRA's CRD System (Central Registration Depository).

Once filed, all firm registrations filed with FINRA must be kept current. Any changes must be electronically filed through CRD within 30 days of the event necessitating the change. However, if the change involves a statutory disqualification, amending the registration application must be made no later than 10 days after the disqualifications. Changes necessitating amendments to the U4 include, but are not limited to, change of address, new outside business activities, securities qualifications examinations and disclosure events.

Copies of Form U4 and U4 amendments are retained in the Associated Person's file or may be maintained electronically. It is required that the firm maintain a hard copy of the originally signed initial Form U4 in the Associated Person's file.

B. Registration of Firm Personnel

It is the Designated Principal's responsibility to ensure that all Registered Persons of the firm are qualified and properly registered prior to conducting any securities business of the firm.

It is also the Designated Principal's responsibility to review and approve all Representative applications prior to formally hiring the individual.

Prior to hiring an individual to become a Registered Representative of the firm, the firm must receive and review, at a minimum, the following from all prospective registered persons:

- Pre-Hire Authorization for Background Investigation
- Completed and signed Form U4;
- FBI report (where appropriate);

- Copy of Form U5 from previous employing broker/dealer (if applicable);
- Employment application or resume;
- Original, completed fingerprint card (original submitted to FINRA, copy maintained in Associated Person's file);
- Information available on CRD (CRD background check);
- Interview documentation;
- Signed compliance forms (disclosures and attestations); and
- Registered Representative Agreement/Contract, if applicable.

Also prior to hiring an individual, the firm must conduct a background investigation of each prospective Registered/Associated Person, including a check of the individual's CRD background/history, and conduct an interview of the prospective Registered/Associated Person. Prior to conducting the CRD/background check, the firm requires the individual to give written authorization to conduct the check. J Alden requires the individual to complete and sign a Pre-Hire Authorization for Background Investigation form. Within 30 days of hire the firm will conduct a review to ensure that there are no liens or judgements outstanding on the new hire. This service will be performed by Goodhire.com which is a vendor that the firm already employs for background checks.

The originally signed Form U4 is maintained in the Registered/Associated Persons file at the home office.

Once the background investigation is complete, a Form U4 for each Registered Person must be electronically filed via FINRA's CRD system. It is the responsibility of the Designated Principal, Karen Van Horn, to supervise any form filings made on behalf of the broker/dealer.

Each Registered Person is required to receive, and acknowledge receipt of, the 3080 Pre-Dispute Arbitration Statement. This is required to be given to the Registered Person when the initial U4 is file and when any amendment is filed on the Registered Person.

Fingerprinting – Fingerprinting (SEC Rule 17f-2) is required of all registered individuals of the firm. Also, fingerprinting will be required for any non-registered operational personnel and support staff who handle or process securities, open mail, handle monies (checks), or handle original books and records of the firm or who have direct supervisory responsibility over any person that is engaged in any of the above-mentioned activities. Copies of the fingerprint cards are maintained in the employee's file.

Original, completed fingerprint cards are mailed to FINRA at the following address:

FINRA
Attn: Fingerprint Department
9509 Key West Avenue
Rockville, MD 20850

If the individual has any reported history with the FBI, based on fingerprints, a report will be sent to the firm. A copy of the report is to be maintained in the Registered Person's file.

Upon hire, the Designated Principal or his designee, is responsible for obtaining the following signed forms from each newly hired Associated or Registered Person:

- Outside Brokerage Accounts Disclosure Form;
- Outside Business Activities Disclosure Form;

- Insider Trading Agreement;
- Private Securities Transactions Acknowledgement Form;
- Acknowledgement and Certification Form, acknowledging receipt of WSP manual, and additional required forms as mentioned in these procedures;
- Registered Representative Declaration Form; and
- Anti-Money Laundering Understanding and Acknowledgement Form

State Registrations

It is the policy of J Alden, that no sales or solicitations for sales of securities may be conducted in any state unless J Alden, and the individual representative are registered with that state. However, in some instances the state may allow for a de minimis exemption or an institutional client exemption, in which case registration may not be necessary.

J Alden, shall prepare and maintain complete, current, and accurate files on each state registration including documents relating to J Alden' state registrations and registered representative state registrations. Each registered representative will be provided with a current list of the states in which the firm is registered. It is the responsibility of the registered representative to request registration by J Alden prior to engaging in any sales or solicitation activities in a state.

J Alden will keep all state registration fees current as required either through the CRD or directly to the state.

Before the newly hired Registered/Associated Person can conduct any securities business for the firm, the Designated Principal must verify that FINRA and the required states have approved the individual.

Parking of Securities Registrations

The firm will not register any individuals who are not working in the capacity of their licenses. Individuals may not "park" a license with the firm solely to avoid losing the license beyond the two-year active period.

C. Background Investigation of Applicants for Registration

FINRA Rule 3110(e), Responsibility of Member to Investigate Applicants for Registration, became effective July 2015. This Rule covers the background investigation responsibilities of FINRA member firms when considering registration of a new individual. FINRA now requires that all member firms strengthen the background investigations/reviews that the firm conducts on any Applicants considered for registration with the firm.

The first part of Rule 3110(e), the requirement to determine the "good character, business reputation, qualifications and experience" of an Applicant, is required to be conducted and completed prior to any registration (Form U4) filing with CRD. FINRA does not detail how this initial investigation must be completed or define the scope of the investigation, but the firm must ensure that a reasonable process is undertaken for proper and complete evaluation of the Applicant. Information and documentation requested and reviewed during investigative stage of the registration process may include, but not be limited to, the following: employment application, reference checks, outside business activities, most recent Form U5, information provided on initial or transfer Form U4, search of Applicant on the CRD system, FBI fingerprint reports, credit reports and/or private background checks. Regulatory Notice 15-05 Background Checks, reminds firms that background investigations must be "conducted in accordance with all applicable laws, rules and

regulations, including federal and state requirements, and that all necessary approvals, consents and authorizations have been obtained."

In addition, if the applicant has been previously registered with FINRA or another SRO, the firm is required to review the Applicant's most recent Form U5 within 60 days of the date the firm files the Applicant's Form U4. If the Applicant has been recently employed by a Futures Commission Merchant, the firm should request and review a copy of the Applicant's most recent CFTC Form 8-T within 60 days of the date the firm files the Applicant's U4. Review of the Form U5 and/or the Form 8-T should be evidenced by the initials of the person responsible for the review and a copy maintained in the Applicant's file. If for any reason the firm has not been able to receive and review a copy of the Form U5 or Form 8-T, the firm is required to maintain documentation to demonstrate to FINRA that it made reasonable efforts to meet this rule requirement.

The final section of Rule 3110(e) is the requirement for FINRA member firms to create and enforce a procedure to verify the accuracy and completeness of the information filed in the Applicant's initial or transfer Form U4. Verification of the information included on an Applicant's Form U4 must be verified no later than 30 calendar days following the CRD filing of the Form U4 with FINRA. To comply with this requirement the firm, at a minimum, must conduct a search of reasonably available public records. The public record search may be conducted by the member firm or the firm may engage a third-party service provider to conduct the search. For the thorough investigation required by FINRA, it is recommended that the firm utilize the services of a company that specializes in background investigations.

As required by the previous rule, the firm must request and receive prior written permission from the applicant before conducting any background investigation, including accessing the Applicant's records maintained on the CRD system. Evidence of written permission must be maintained in the Applicant's file.

Background Investigation Process of J Alden:

1. *Written Authorization to Conduct Background Investigation* – J Alden will request and receive written authorization from the registration applicant giving the firm permission to conduct a background investigation of the applicant. A copy of the signed authorization is maintained in the applicant's file.
2. *Investigative Stage* – Prior to filing the applicant's Form U4, J Alden will conduct a thorough investigation into the background of the applicant. J Alden will review the applicant's employment application, conduct a CRD background check, conduct reference checks, review the applicant's outside business activities, request and review the applicant's most recent Form U5 and review the applicant's information filled out on the Form U4. At this stage, the firm may also consider running a credit check and engaging an outside third party to run a private background check of "reasonably available public records" to verify the information included on the applicant's Form U4. If the review of the Form U5 or the private background check is not completed during the investigative stage, J Alden will ensure that it is completed as required by the rule and as stated below in #3d and #4.
3. *Receipt and Review of Most Recently Filed Form U5* - If not completed during the investigative stage, J Alden will request a copy of the applicants most recently filed Form U5 and conduct a thorough review of the information filed on the Form U5. By Rule, this review must be completed within 60 days of the filing date of the applicant's Form U4. A copy of the Form U5, with the Designated Principal's

initials and date of the Principal's review, must be maintained in the applicant's file at the Home Office.

4. *Verification of Information Provided on Applicant's Form U4* – J Alden will verify the information included on the applicant's Form U4. J Alden will engage an outside third party to conduct a thorough investigation. J Alden will take the information provided from the third party and compare it to the information included on the Form U4. If the private background check of reasonably available public information is not completed during the investigative stage of the registration process, the firm will ensure that this is completed within 30 calendar days of the filing date of the Form U4. Copy of investigation documentation and the originally filed and executed Form U4 will be maintained in the applicant's file. The Designated Principal must initial and date the investigation.

D. Pre-Arbitration Dispute Clause Disclosure

FINRA Rule 2263 – Disclosure to Associated Persons When Signing Form U4 states that each member firm is required to provide to each Associated Person a written statement regarding the pre-dispute arbitration clause included on the U4. This statement must be given to each Associated Person whenever he/she is asked to sign a new or amended Form U4.

The pre-dispute arbitration clause explains where the clause is found on the U4 (Item 5, Section 15A), requests that the Associated Person read the clause prior to signing the Form U4 and prompts the Associated Person to ask any questions regarding the clause.

The pre-dispute arbitration clause disclosure must be signed by the Associated Person and filed in the Associated Person's file at the office where they regularly conduct securities business.

It is the Chief Compliance Officer's responsibility to ensure that the Associated Person is aware of the pre-dispute arbitration clause and providing the Associated Person with the disclosure form and for maintaining a copy of the signed disclosure form.

E. Associated Person Files

Each broker/dealer must maintain records regarding each person associated with the firm. These records must be maintained at the office where the Associated Person regularly conducts business.

Associated Person records include, but are not limited to, the following:

- ❑ Form U4
- ❑ Previous Form U5
- ❑ Resume or application
- ❑ Fingerprint Cards (copy)
- ❑ Background investigation
- ❑ Miscellaneous forms, including Outside Business Activities Disclosure Form, Outside Brokerage Accounts Disclosure Form, Insider Trading Statement, Private Securities Transactions Form, etc.

Each office must also contain a continual listing of:

1. Every office where the Associated Person regularly conducts securities business, the Associated Person's CRD Number, if any, and any internal identification number or code assigned to the Associated Person by the firm.

2. Each purchase and sale of a security attributable to that Associated Person for compensation purposes; the amount of compensation for each purchase or sale, if monetary, a description of the compensation, if non-monetary; and all agreements pertaining the relationship between the firm and each Associated Person.

F. Prohibited Activities

FINRA Rules require that each member, in the conduct of his business, shall observe high standards of commercial honor and just and equitable principles of trade.

The Designated Principal is responsible for communicating to all Registered/Associated Persons of the firm the activities that are strictly prohibited. It is the responsibility of the Registered/Associated Persons of the firm to be aware of the prohibited activities.

Note: Some of the listed activities may be conducted if prior approval has been granted by the Designated Principal of the firm.

<u>List of Prohibited Activities</u>

- Dual registration with another broker/dealer, unless prior written approval has been received
- Opening an account for a Registered Person of another firm, without prior approval
- Outside Brokerage Accounts, unless prior approval is received from the firm
- Participation in any outside business activities, unless prior approval is received from the firm
- Dissemination of "broker/dealer use only" or "internal use only" material to customers
- Providing inside information to customers (Insider Trading)
- Giving legal advice to a client
- Giving tax advice to a client
- Executing discretionary transactions without prior client approval (written approval)
- Executing excessive or inappropriate discretionary transactions
- Borrowing customer securities or funds
- Holding of a customer check
- Accepting cash from a customer
- Accepting a check made payable to the Registered Representative
- Commingling
- Accepting third party orders without written authorization
- Recommending unsuitable transactions
- Guaranteeing profits or guaranteeing against losses
- Churning
- Switching, without proper switch letter
- Splitting of commissions or fees with a person that is not registered with the firm
- Sharing, directly or indirectly, in an account's profits or losses
- Private securities transactions (selling away)
- Unauthorized transactions
- Gifts and Gratuities (above the allowable limit) – See Gifts and Gratuities procedure for allowable limits.
- Disclosure of confidential client information
- Adjusted Trading (The sale of a security by a customer for a price above the prevailing market price and the simultaneous purchase of a different security at a price lower that prevailing market price.)

- Interpositioning
- Lending or extending credit to customers (unless via an approved margin account established with the clearing firm)
- Settling a customer complaint (Customer complaints must be handled through the Designated Principal according to rules and regulations.)
- Forgery
- Market Manipulation
- Parking of Securities (attempt to hide true ownership of the security)
- Frontrunning
- Self-preferencing
- Trading ahead of research reports
- Trading to benefit the firm as opposed to benefiting the customer
- Responding to requests for information from any regulatory authority, unless advised to do so by the Designated Principal of the firm. Notification should be made immediately to the Designated Principal if the Registered Representative has received any requests for information from any regulatory authority.
- Participation in any new issue underwritings that are immediately traded in the secondary market
- Solicitation of business or effecting transactions in any state where the representative or the firm is not registered
- Making false or misleading statements

The Designated Principal will review prohibited activities with each Registered/Associated Person upon hire and annually at the Annual Compliance Meeting.

Any records produced relating to prohibited activities are maintained at the Home Office. If the records relate to the Registered Representative, they will be maintained in the Registered Representative file. If records are customer related, they will be maintained in the customer file.

This is an on-going activity of the firm.

G. Unregistered Personnel

For additional information, guidance on the activities of unregistered personnel was issued in NASD Notice to Members 00-50.

The Designated Principal is responsible for:

- Educating unregistered individuals on permissible activities;
- Educating unregistered individuals on penalties if they do not follow the rules;
- Conducting background investigations on unregistered individuals;
- Ensuring that compensation paid to unregistered individuals is only on a salary or hourly basis; and
- Periodically reviewing the activities of unregistered individuals to determine that they are still performing duties ***not*** requiring registration.

Upon hire, and on a periodic basis, the Designated Principal will explain the prohibitions placed on their duties as an unregistered individual.

<u>Allowable Activities for Unregistered Individuals</u>:
Unregistered individuals may contact prospective customers regarding the following:

a) Extend an invitation to a firm sponsored event;

b) Ask if the customer wants to discuss an investment with a registered individual; and
c) Ask if the customer wants to receive any investment literature from the firm.

Unregistered Individuals May NOT:

- Discuss general or specific investment advice
- Pre-qualify prospects, including discussion of financial status, investment history or investment objectives
- Solicit new accounts or new orders

This is an on-going activity of the firm.

H. Outside Business Activities

FINRA Rule 3270 states the following: "No registered person may be an employee, independent contractor, sole proprietor, officer, director or partner of another person, or be compensated, or have the reasonable expectation of compensation, from any other person as a result of any business activity outside the scope of the relationship with his or her member firm, unless he or she has provided prior written notice to the member, in such form as specified by the member. Passive investments and activities subject to the requirements of FINRA Rule 3280 shall be exempted from this requirement."

Outside Business Activities include all business activities or affiliations. It is not limited to only securities business.

The firm requires that each Registered Representative request approval in writing from the Chief Compliance Officer, prior to participating in such activities, for all outside business activities, with the exception of passive personal investments. The CCO will review each request based on the following criteria:

- Whether the activity will interfere with or otherwise compromise the Registered Representative's responsibilities to firm and the firm's customers;

- Whether the activity could be viewed by customers or the public as part of the firm's business based upon, among other factors, the nature of the proposed activity and the manner in which it will be offered;

- Whether the activity is properly characterized as an outside business activity or whether it should be treated as an outside securities activity subject to the requirements of FINRA Rule 3280; and

- Whether the supervisory can properly the activity.

The CCO must approve or deny each request in writing. The CCO may deny requests at his discretion and will provide Registered Representatives with an explanation of why requests are denied.

Without prior written approval from the CCO, Registered Representatives may not engage in any outside business activity. Individuals who fail to obtain prior written approval will be subject to disciplinary action, up to and including termination "for cause."

Upon hire, and on an annual basis, *or as changes occur*, the Registered Representative is required to disclose all outside business activities on the firm's "Outside Business Activities Disclosure Form." Throughout life of employment with the firm, it is the

Registered Representative's responsibility to continually update the firm (in writing) of any new outside business activities undertaken by the Representative.

Written notice to the firm and subsequent approval by the firm must be received prior to participation in the specified outside business activity.

Note: All outside business activities must be reflected on the Representative's Form U4.

The Outside Business Activities Disclosure Form must be filed in the Registered Representative's file at the home office. These records must be maintained for the Registered Representative's life of employment with the firm, plus 3 years, with the first two years easily accessible.

In addition to the requirement of the representative to report all outside business activities the Compliance Department will perform public searches on an annual basis to ensure that all reportable outside business activities have been disclosed and reviewed.

I. Accounts at Other Broker/Dealers and Financial Institutions

FINRA Rule 3210 – Accounts at Other Broker/Dealers and Financial Institutions – This rule (formerly NASD Rule 3050) states the obligations of the executing member, the employing member (J Alden) and the obligations of the Associated Persons concerning an account with another broker/dealer or financial institution.

Obligations of Associated Person when opening an account with another FINRA member Firm

FINRA Rule 3210(a) states: If an Associated Person wishes to open or establish an account at a FINRA member firm (or other financial institution) other than with J Alden, the Associated Person must notify J Alden of their intent to open the account and receive approval in writing prior to the establishment of the account. This applies to any account in which securities transactions can be conducted and any account in which the Associate Person has a beneficial interest. Beneficial interest is defined as any account that is held by:

a) the spouse of the Associated Person;
b) a child of the Associated Person or of the Associated Person's spouse, provided that the child resides in the same household as, or is financially dependent upon the Associated Person;
c) any other related individual over whose account the Associated Person has control; or
d) any other individual over whose account the Associated Person has control and to whose financial support the associated person materially contributes.

In addition, FINRA Rule 3210(b) requires that the Associated Person, prior to opening or establishing an account, notify the executing member, in writing, of their association with J Alden.

Obligations of Employer Member (J Alden) – FINRA Rule 3210(c)

Once approval to open the account is given to the Associated Person, J Alden will send a written request to the executing member requesting that the executing member transmits to J Alden duplicate copies of the Associate Person's account confirmations and statements, or the transactional data contained within the confirmations and statements.

Obligations of Executing Member – FINRA Rule 3210(c)

FINRA Rule 3210(c) states that, upon written request from the employer member, the executing member must transmit to the employer member duplicate copies of confirmations, statements or the transactional data contained within the confirms and statements.

NOTE: If the Associated Person opened an account prior to association with J Alden, the Associated Person is required, within 30 days of registration with J Alden, obtain written consent (from J Alden) to maintain the existing account, and the Associated Person must also notify the executing member or other financial institution, in writing, alerting them to their association with J Alden.

It is the responsibility of the Designated Principal to educate the Registered Representative on the requirements of the firm concerning any outside brokerage accounts.

It is the responsibility of the Registered Representative to notify the firm of any current outside brokerage accounts or any accounts they intend to open.

It is the responsibility of the Chief Compliance Officer to ensure the firm requests and receives duplicate confirmations and statements on any outside brokerage account owned by the Associated Person, or on any account in which the Associated Person has a beneficial interest. The Chief Compliance Officer is responsible for the monitoring of these accounts by reviewing the provided confirmation and statements or transactional data provided by the executing member firm.

Process

1. Associated Person requests approval, in writing, from the employer member to open an outside brokerage account.
2. Associated Person notifies the executing member, in writing, of their association with the employer member.
3. Employer member's Chief Compliance Officer or Designated Supervisor either approves or disapproves the request.
4. Employer member requests, in writing to the executing member, that the executing member transmit to the employer member duplicate copies of confirmations and statements, or the transactional data included within the confirmations and statements.
5. Executing member begins to transmit the duplicate confirmations and statements, or the transactional data contained within.
6. The Chief Compliance Officer monitors account activity and reviews the duplicate confirmations and statements, or other provided form of transactional data.
7. The Chief Compliance Officer initials and dates the confirmation or statement to evidence their review, or evidence electronically if the employer member utilizes an online/electronic monitoring platform.
8. Duplicate confirms and statements, or other form of transactional data are maintained for a period of three years, with the first two years readily accessible.

Review Activity

The outside brokerage account review activity by the Chief Compliance Officer will include, but is not limited to:

- Signs of insider trading
- Excessive trading
- Excessive losses
- Transfers of money or securities from other accounts
- Transfers of money or securities from customers,

- Cash received from customers
- Cash disbursements to other accounts for customers

The Outside Brokerage Account Disclosure Form and/or any written request to open an outside brokerage account will be maintained in the Registered Representative file or Outside Brokerage Account file at the Home Office.

Note: In the case of J Alden, the records are maintained at the Home Office and for those individuals assigned to the Branch Offices, copies of the records will also be maintained at that Branch Office.

Transactions and Accounts Not Subject to FINRA Rule 3210
This rule does not apply to transactions in unit investment trusts, municipal fund securities, variable contracts, redeemable securities of companies registered under the Investment Company Act, or to accounts that are limited to transactions in such securities, or to Monthly Investment Plan type accounts.

This is an on-going activity of the broker-dealer. Each Registered Representative of the broker/dealer will complete an Outside Brokerage Account Disclosure Form upon hire, on an annual basis, and at the time a new account is considered.

Records of any outside brokerage accounts must be maintained for a period of three years, with the first two years readily accessible.

J. Accounts for Persons Associated with Other Broker/Dealers

If J Alden agrees to open an account for a person associated with another broker/dealer, J Alden will send a letter to the client's employing broker/dealer's compliance officer as notification of the request to open an account with J Alden When J Alden knows that an employee of another broker-dealer has or will have a financial interest in, or discretionary authority over, any existing or proposed account, the Compliance Officer or his/her designated principal will:

1. prior to the execution of a transaction for the account of a person associated with another broker/dealer, J Alden will notify the client's employing broker/dealer, in writing, of the firm's intention to open or maintain the account;
2. upon receiving a written request by the client's employing broker/dealer, transmit duplicate copies of confirmations, statements, or other information with respect to the account; and
3. notify the client that the firm will provide the notification and information to the client's employing broker/dealer.

K. Transactions Involving FINRA Employees

FINRA Rule 2070 concerns any brokerage accounts owned by or controlled by an employee of FINRA.

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

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

Notwithstanding the annual dollar limitation set forth in Rule 3220(a), the firm will not directly or indirectly give, or permit to be given, anything above nominal value to any FINRA employee who has responsibility for a regulatory matter involving the firm. (Regulatory matter includes, but is not limited to, examinations, disciplinary proceedings, membership applications and dispute-resolution proceedings.)

L. Private Securities Transactions

A private securities transaction is a securities transaction outside the regular course or scope of an associated person's employment with a member.

The Rule regarding private securities transactions is FINRA Rule 3280. The Rule states, "Prior to participation in any private securities transaction, an associated person shall provide written notice to the member which he is associated describing in detail the proposed transaction and the person's proposed role therein and stating whether he has received or may receive selling compensation in connection with the transaction; provided however that, in the case of a series of related transactions in which no selling compensation has been or will be received, an associated person may provide a single written notice."

The firm prohibits any Associated Person from engaging in a private securities transaction outside the regular course or scope of his association or employment with the firm without requesting, in writing, and receiving written permission from the firm to participate in the private securities transaction. *Note: The firm prohibits all Representatives from soliciting or executing any securities transaction that is not approved and conducted through the firm.*

Upon hire, and then on an annual basis, each Registered Representative is required to sign the Private Securities Transaction Request form.

It is the Compliance Department's responsibility for ensuring that each Registered Representative signs the Private Securities Transaction Acknowledgement Form.

If a Registered Representative wishes to enter into a private securities transaction, the Representative must submit to the Designated Principal, in writing, the following:

- Detailed description of the proposed transaction;
- Detailed description of the Registered Representative's role in the proposed transaction; and
- Disclose whether the Registered Representative may receive compensation for the transaction.

Written approval must be received from the Designated Principal prior to the Registered Representative's participation in the proposed transaction. If the Designated Principal does not approve the private securities transaction, the Registered Representative must not participate.

Any violation to this procedure may be reported to FINRA as "Selling Away".

NOTE: If the firm approves a Registered Representatives participation in a private securities transaction for compensation, it will be recorded on the books of the firm and the Designated Principal of the firm will supervise the Registered Representative's participation in the private securities transaction.

In order to detect any private securities transactions (or selling away), the Designated Principal will review the Outside Business Activities Form submitted by each representative and monitor incoming mail and e-mails.

All records concerning private securities transactions, if any, and the Private Securities Transactions Transaction Request are maintained in the Registered Representative's file at the office where the Registered Representative regularly conducts business.

M. Insider Trading

Insider trading is defined as trading securities based on material, non-public information, or when passing on this information to another who subsequently acts upon this information. The Insider Trading and Securities Fraud Enforcement Act of 1988 requires every firm to establish procedures that will prevent and detect insider trading.

Personnel to Whom the Insider Trading Policy Applies

All employees and Associated Persons of the firm will be subject to the Insider Trading policies and procedures. An employee is defined as any person who is associated with and performs any duties on behalf of the firm.

Definitions Regarding Insider Trading

Material Information is information that an investor would most likely consider important in making their investment decision or information that is reasonably certain to have a substantial effect on the price of a company's securities, regardless of whether the information is related directly to their business.

Non-Public Information is information that has not been communicated with the public.

"Need to Know Basis" – Any time any material non-public information becomes known or may become known, it is the firm's policy that this type of information be kept in confidence by the employee. The Chief Compliance Officer should be consulted regarding the material, non-public information and the Chief Compliance Officer is in charge of determining who has the need to know. In cases where any employee of the firm needs to know, the recipient must be explicitly informed that he/she is prohibited from passing this information on to others until such information has been publicly disseminated.

Chinese Wall – Procedures put in place to separate various departments of the firm in order to restrict the dissemination of material, non-public information. These procedures are especially important in firms that conduct investment banking business. The investment banking segment of the broker/dealer often has information regarding mergers & acquisitions, new issues, etc. This information should be kept segregated from the sales and trading side of the firm, until it becomes public information.

Restricted List - A Restricted List is a list of securities in which non-public information is known, or may become known, about the security by a principal, registered representative, director or officer of the broker/dealer. Once on the Restricted List, no one may recommend the purchase or sale of any of the securities on the list and there should be no discussions with customers regarding these securities. The restricted list is not circulated beyond the Compliance department. It is maintained by the

Compliance department with the input of the areas of the company that have access to material non-public information such as investment banking.
Restricted Lists must include:

- Date the security was added to the list
- Date the security was deleted from the list
- Name of contact person(s) responsible for the addition or deletion

Who is Responsible

The *Designated Principal* is responsible for the following regarding insider trading:

- Development, implementation and maintenance of the insider trading policy and procedure;
- Educating the firm's employees and Associated Persons on insider trading and the penalties associated with any insider trading violations;
- Communicating to the firm's employees and Associated Persons the firm's insider trading policy and procedure. This should be communicated upon hire and on an annual basis. Also update on new or amended regulations.
- Obtaining a signed Insider Trading Safeguard Statement from each employee and Associated Person upon hire and on an annual basis;
- Prevention and detection of any possible insider trading;
- Requesting copies of duplicate confirmations and statements for any brokerage accounts owned by the employee/Associated Person or any immediate family member;
- Review of employee accounts (confirmations and statements) to detect any insider trading violations;
- Investigation of any suspected insider trading violation by any employee or Associated Person; and
- Taking disciplinary action against any employee or Associated Person in violation of the insider trading policy or procedure.

The *employee or Associated Person* is responsible for the following regarding insider trading:

- Contacting the Designated Principal if they have questions regarding insider trading, or if they suspect any insider trading violations by any employee or Associated Person of the firm;
- Informing the Designated Principal if they are in possession of material, non-public information;
- Reading, understanding and following the firm's policy and procedures on insider trading;
- Signing the Insider Trading Safeguard Statement upon hire and on an annual basis;
- Assuring that no trading occurs in his account (or in any account in which the employee or Associated Person has a beneficial interest) in any security in which he may be in possession of inside information; and
- Disclosing all outside business activities and outside brokerage accounts to the firm.

Annual Certification

All employees and Associated Persons of the firm are required to sign the Insider Trading Safeguard Statement upon hire and on an annual basis (usually at the Annual Compliance Meeting).

Review Activity for Insider Trading

Review of Customer Accounts: During the periodic review of customer accounts and the review and approval of securities transactions, the Designated Principal should note any unusual activity, such as buying or selling before major information is released to the public or profits taken before major news announcements.

Review of Employee Accounts: The Designated Principal will also review duplicate confirmations and statements of all employees that have covered accounts in order to detect any possibility of insider trading. A covered accounts is any account introduced or carried by the firm that is held by (1) the spouse of a person associated with the firm; (2) a child of the person associated with the firm or such person's spouse, provided that the child resides in the same household as or is financially dependent upon the person associated with the firm; (3) any other related individual over whose account the person associated with the firm has control; or (4) any other individual over whose account the associated person of the firm has control and to whose financial support such person materially contributes.

If the firm has identified a potentially volatile trade, the firm must conduct promptly an internal investigation into the trade to determine whether a violation of the relevant laws or rules has occurred.

Watch Lists: A security will be placed on a Watch List if there is a known relationship between any employee/Associated Person of the firm and any issuer or the management of any issuer. All employees/Associated Persons of the firm are required to report to the firm any such relationships. Trading is not prohibited, but each trade is subject to additional review. The Watch List review (evidenced by Designated Principal's initials) will consider the timing and the nature of the transaction in relation to the employee's normal trading patterns.

Restricted Lists: The firm will maintain a Restricted List consisting of a current list of securities in which proprietary, employee or certain solicited customer transactions are prohibited. A security will be placed on the Restricted List if it becomes known to the Designated Principal that any employee of the firm is in possession of material, non-public information or when the broker/dealer releases a research report, which prohibits the purchase or sale of stock for one day after the research report has been issued. It is the responsibility of the individual writing the research report to inform the Designated Principal to place the security on the Restricted List. A security will be deleted from the Restricted List when the Designated Principal knows that the information has been released to the public. It is then no longer necessary to restrict the trading of that security. Each time a security is added to or deleted from the Restricted List, a new list will be distributed to all employees and associated persons with the broker/dealer.

Note: The known accounts of "insiders" should be reviewed more frequently than other customer accounts.

<u>Disciplinary Action and Penalties Regarding Insider Trading</u>
Investigation of insider trading is conducted as necessary. If any violations of the insider trading policy or procedures are discovered it will result in severe disciplinary actions, up to and including termination.

Outside of the firm's internal disciplinary actions, federal securities laws impose substantial criminal penalties for insider trading.

Insider trading education, prevention and detection are on-going activities of the firm.

Review for insider trading is evidenced by the Designated Principal's initials and date of review on the employee's duplicate confirmations, statements, customer account statements (periodic review), and any Watch or Restricted Lists maintained by the firm.

All records are maintained at the Home Office for a period of three years, with the first two years readily accessible.

Chinese Wall Policy – Karen Van Horn is responsible for the monitoring and enforcement of the Chinese Wall policy in place with the firm.

Training: Upon hire and during the annual compliance review the staff will be presented with the firm's policy and other training material that will be used to reinforce the need for the physical and electronic barriers that are in place at the firm.

Separation: Network / Physical: The firm has created separate network drives for the various departments (Research / Investment Banking, IB) and restrict access to only those employees who are a part of the groups. Employees are trained that investment bankers and research analysts should not communicate directly unless the activity is approved ahead of time by and monitored by the Chief Compliance Officer. If this does occur the CCO will document the following: (date that IB was brought across the wall, what was discussed, and why this needed to occur).

Mr. Gladue who is the head of J Alden's Research Group and Mr. Calfo (Investment Banker) know that it is a violation of the firm's policy to directly communicate. The exception of this is when Mr. Calfo (the firm's President) is discussing non-investment banking topics.

Restricted List: The Compliance Department maintains a restricted list of all companies that employees are prohibited from buying and selling. This restriction is placed on the company's common shares, bonds, and any derivative (option). This list will be circulated when a company is added or deleted or simply as a reminder. Companies on this list are firms that J Alden covers on the research front, if the firm has entered into an investment banking agreement, or if the firm believes that the information it has is sufficient that warrants it being placed on the list.

Testing: On a regular basis Karen Van Horn reviews random samples of emails from the firm as a whole. During these reviews, he will look for violations of the policy and take immediate corrective action should violations occur.

Internal Investigation Reporting

Firms that engage investment banking services must file with FINRA a written report regarding any internal insider trading investigation. This report must be signed by a senior officer of the broker/dealer. While firms that engage in investment banking services may have access to information that increases the risk of insider trading by persons associated with the firm, some investment banking services may present less of a risk for insider trading. The firm may then implement a more risk-based approach and allow the firm to establish guidelines to determine which trades are potentially volatile and may require further review and a possible internal investigation. If any internal investigations are undertaken by a firm engaging in investment banking services, the firm must make a written report to FINRA within 10 business days of the end of each calendar quarter. The report must include a description of each internal investigation initiated in the previous calendar quarter, the firm's identity, the commencement date of the internal investigation, that status of the internal investigation, description of any resolution reached and the

identity of the security, trades, accounts firm's associated persons or family members of such associated person holding a covered account that is under review and a copy of the firm's insider trading review policies. If no internal investigations were undertaken, or if the firm did not have any open internal investigations, or if the firm did not complete any internal investigations during that quarter, the firm is not required to submit a report for that quarter.

If a firm's internal investigation determines that there has been a violation of insider trading rules and there is an indication of insider trading the fir must file a written report with FINRA within five business days of the completion date of the internal investigation. This report must include the results of the investigation, any internal disciplinary action taken and if the firm has referred the matter to FINRA, the SEC or any other regulatory authority.

If a written report is filed with FINRA, FINRA Rule 3110(d) must provide a copy of the report to their Regulatory Coordinator (either hard copy or electronic).

Ongoing Activity of the Firm, Evidence of Review and Record Retention
Insider trading education, prevention and detection are on-going activities of the firm.

Review for insider trading is evidenced by the Designated Principal's initials and date of review on the employee's duplicate confirmations, statements, customer account statements (periodic review), and any Watch or Restricted Lists maintained by the firm.

All records are maintained at the Home Office for a period of three years, with the first two years readily accessible.

N. Gifts and Gratuities – Influencing or Rewarding Employees of Others

FINRA Rule 3220(a) – Influencing or Rewarding Employees of Others, states:

> "No member or person associated with a member shall, directly or indirectly, give or permit to be given anything of value, including gratuities in excess of one hundred dollars per individual per year to any person, principal, proprietor, employee, agent or representative of another person where such payment or gratuity is in relation to the business of the employer of the recipient of the payment or gratuity. A gift of any kind is considered a gratuity."

Note: Entertainment by or for clients of a reasonable cost does not fall under the gift and gratuity prohibition.

It is the Designated Principal's responsibility to ensure that all Associated Persons are aware of the Gift and Gratuity Rule and the firm's procedures for the rule, for closely monitoring the gift activity and for maintaining a record of ***all*** gifts, gratuities and payments received (Gift and Gratuity Log).

It is the Associated Person's responsibility to report any gift or gratuities received or given.

NOTE: According to Rule 3220(b), the gift and gratuity rule does not apply to "…contracts of employment with or to compensation for services rendered…provided that there is in existence prior to the time of employment or before the services are rendered, a written agreement between the member and the person who is to be employed to perform such services."

The written agreement shall include:

1. Nature of the proposed employment;

2. The amount of the proposed compensation; and
3. The written consent of such person's employer or principal.

The Gift and Gratuity Log, any written employment agreements and any records of compensation paid are maintained at the Home Office by the Chief Compliance Officer and must be maintained for a period of 3 years, with the first two years readily accessible. Each entry on the Gift and Gratuity Log must be initialed and dated by the Chief Compliance Officer as evidence of activity review.

Monitoring and maintenance of the gift and gratuity activity of the firm's Associated Persons is an on-going activity of the firm.

O. Heightened (Special) Supervision

The firm acknowledges that Heightened (Special) Supervision and or special education programs may be required for an individual registered with the firm whose records reflect:

- Disciplinary actions involving sales practice violations
- Customer complaints; and/or
- Arbitrations that were resolved adversely to the registered individual.

It is the Designated Principal's responsibility to review all Registered Person's files including any disciplinary history to see if it warrants Heightened (Special) Supervision. It is also the Designated Principal's responsibility to place the Registered Person under heightened supervision, monitor and track the Registered Person throughout the special supervisory period and to remove the Registered Person from the heightened supervision when appropriate.

Heightened Supervision will be placed upon a Registered Person whenever any of the following occur:

1. A Registered Representative has a history of customer complaints, disciplinary actions and/or arbitrations.
2. A person hired by the firm in a non-registered capacity who was previously employed as a Registered Representative and has a disciplinary history;
3. A Registered Representative that develops a disciplinary history while associated with the firm;
4. A Registered Representative has been terminated from prior employment for a sales practice or regulatory violation; and
5. A Registered Representative that has had frequent or excessive change of employer within the securities industry.

In the event that the firm either hires an Associated Person with a history of complaints, arbitrations or disciplinary actions, or the activities of an Associated Person at the firm warrant special supervision, the Designated Principal will review the circumstances and the individual's CRD background information and determine whether to implement a heightened degree of supervision. If the Designated Principal determines that special supervisory arrangements are needed, the Designated Principal will determine the type of special supervision needed and implement review procedures.

<u>Heightened Supervision Process</u>

Heightened (Special) Supervision may include:

- Monitoring select phone conversations between the Registered Representative and his clients or prospects;
- Attending sales presentations, seminar or meetings with clients or prospects; and/or

- Contacting customers by phone, letter or in-person to discuss the Registered Representative's activity.

Once all aspects of the Registered Representative's situation have been reviewed, the Designated Principal may choose to restrict the activities of the Registered Representative. Factors to consider are the customer (age, financial status, etc.), product type (mutual fund, variable annuity, etc.) and at what stage in the account process did the problem occur.

Regular meetings will be held with any registered individual that falls under heightened supervision in order to discuss the situation that caused the heightened supervision, what the supervision will consist of, how long the heightened supervision will be in effect, whether the individual is following the requirements of the heightened supervision placed upon him, etc.

All heightened supervision will be for a specified period of time. At the end of the period of heightened supervision a determination will be made as to whether or not the heightened supervisory arrangements were met and if there is any need to continue the special supervision of the registered individual.

The firm will maintain a record of any registered individuals subject to heightened supervision in a file entitled "Special Supervision" or "Heightened Supervision". The file will include the name of the individual, the name of the person responsible for the supervision, the date placed on heightened supervision, the date removed from heightened supervision and all steps implemented by the firm to assure such supervision.

Records of any imposed heightened supervision will be maintained by the Designated Principal at the Home Office. Records are maintained for the Registered Representative's life of employment with the firm, plus an additional 3 years.

Note: The firm will not hire any statutorily disqualified individuals. The firm will do a CRD background check on all potential new hires (registered and unregistered) to ensure that they are not statutorily disqualified.

P. Termination of Registered Personnel

Just as a Form U4 is filed when a person joins the firm in a registered capacity, a Form U5 is filed when the registered individual is no longer registered with the firm.

Upon resignation or termination of a Registered Person, the firm will promptly submit a Form U5 disclosing the reasons for the termination. The Form U5 must be filed within 30 days of the termination date, a copy must be placed in the Registered Person's file and a copy mailed to the Registered Person's last known address. In order to evidence timely delivery to the terminated individual, the firm will use a shipping service that offers tracking and delivery information and maintain a copy of the shipping label in the terminated individual's file.

"Terminations for Cause" are not to be filed until they have been reviewed and approved by the Designated Principal.

Note: The Form U5 must be filed electronically via FINRA's Web CRD system.

End of Section III
Hiring, Registration and Supervision of Firm Personnel

V. APPROVED INVESTMENT PRODUCTS

A. Private Placements

Note: J Alden will act as placement agent in select private placements.

Requirement for Registration

A private placement is the distribution of unregistered securities to a limited number of purchases without the filing of a statement with the SEC. It is imperative that J Alden, investigates and document the facts relevant to the exemption(s) claimed by the issuer.

It is the responsibility of the issuer and/or seller to file for an exemption with the appropriate regulatory agency such as the Form D filed with the SEC and applicable states.

Each issue of securities must be registered under the Securities Act of 1933 unless it is subject to an exemption from the Act. The private placements of equity and debt are normally exempt from registration under the Securities Act. Regulation D is quite often, but not always, the applicable exemption.

With regard to each issue of securities:

- The securities must be registered in the state in which the offeree resides,
- The Registered Representative must be registered in the state in which the offeree resides, and
- The broker/dealer must be registered in the state in which the offeree resides.

It is imperative that, prior to making an offer of securities in a state, the Registered Representative checks with the compliance department to ensure that the above registration requirements are complied with.

Supervisory Responsibilities

The Designated Principal is responsible for ensuring that each Private Placement in which the firm participates is conducted, and documents related to the Private Placement are maintained, in accordance with applicable securities rules and regulations. He will also ensure that all private placement memorandums and subscription letters are executed and maintained in the files pursuant to SEC Rule 17a-4. In no case will these agreements be permitted to bind the firm to a participation that would cause a capital deficiency.

It is also the responsibility of the Designated Principal to communicate any associated risks of the offering to key employees and registered persons of the firm and monitoring adherence to risk guidelines.

It is also the Designated Principal's responsibility to ensure that all investors receive a copy of the offering memorandum. If the offering memorandums are numbered, once given to an investor, the offering memorandum number is recorded on a tracking log.

The Designated Principal is to review and approve documents related to each Private Placement in which the member participates. Documents and areas to be reviewed include, but are not limited to, subscription documents, escrow requirements (if applicable), offering memorandums, correspondence, Form D, financial statements and/or filings of the issuer, all regulatory filings, registration exemptions, due diligence materials, disclosures

to investors, any research and/or analysis, compliance with advertising/solicitation guidelines and accreditation status of investors.

Offerings Exempt from Registration

A Designated Principal will review all offering memorandums for securities, which have not been registered with the Securities and Exchange Commission to ensure that an exemption is available. Please see the following for Regulation D exemptions from registration under Section (4)(2) of '33 Act:

1. Rule 501 – Common Definitions
   Definitions that apply to Reg D (accredited, non-accredited)

   Accredited Investor is an individual or entity that meets the following SEC criteria:
   - Any director, executive officer, or general partner of the issuer of the securities being offered or sold, or any director, executive officer or general partner of a general partner of that issuer.
   - Any natural person whose individual net worth, or joint net worth with that person's spouse, at the time of his purchase exceeds $1,000,000.
   - Any natural person who had individual income in excess of $200,000 in each of the two most recent years or joint income with that person's spouse in excess of $300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year.
   - Any trust with total assets in excess of $5,000,000, not formed for the specific purpose of acquiring the securities offered, whose purchase of the securities is directed by a person who has such knowledge and experience in financial and business matters that he is capable of evaluating the merits and risks of the prospective investment.
   - Any organization that was not formed for the purpose of acquiring the securities being sold with total assets in excess of $5,000,000.
   - and any entity in which all of the equity owners are "accredited investors".

2. Rule 502 – General Conditions
   Sets forth the conditions applicable to offers and sales that are made pursuant to the exemptions in Rules 504, 505, and 506. Includes integration rule, information requirements, limitation on manner of offering, limitations on resale.

3. Rule 503 – Filing of Notice of Sales
   Requires an issuer making sales according to Regulation D to file five copies of a notice of sales on Form D with the SEC.

4. Rule 504 – Exemption of Sales Not Exceeding $1 Million
   - Maximum dollar amount of this type of offering is $1,000,000 in a 12-month period to an unlimited number of persons
   - No specific disclosure documents required
   - Rule 504 offerings of unrestricted securities are required to be filed with FINRA Regulation for review of underwriting terms and arrangements under FINRA Rules 5110 and 2310 and compliance with the requirements of Rule 5121.

5. Rule 505 – Exemption for Limited Offers and Sales Not Exceeding $5 Million

- Maximum amount of offering $5,000,000
- Unlimited number of accredited investors
- No more than 35 non-accredited investors
- Non-accredited investors must receive disclosures, which conform to Part I of Form S-18 or Part II of Form 1-A
- This would include 1 year of certified financials of the issuer. See 502(6)(2)(I)(A)
- Offerings to accredited investors require no specific disclosure
- Advertising not allowed
- Must be purchased for investment purpose

6. Rule 506 – Exemption for Limited Offers and Sales Without Regard to Dollar Amount of Offering
    - Unlimited number of accredited investors
    - Maximum of 35 non-accredited investors (Non-accredited investors must have such knowledge, either alone or with his purchaser representative, in such financial and business matters that he is capable of evaluating the merits and risks of the prospective investment.)
    - Non-exclusive exemption. The issuer may choose not to rely on this but on Section (4)(2) of the Securities Act of 1933 (1933 Act)
    - Non-accredited investors must receive conforming disclosure documents, which contain similar information to that contained on PART I of the Registration Statement including an S-X Financial Disclosure Document
    - Advertising not allowed

Regulation D

Section 4(2) of the Securities Act of 1933 (33' Act) exempts "…transactions by an issuer not involving any public offering." The SEC has adopted a series of rules to provide a "safe-harbor" for an exemption under this section, which provides non-exclusive provisions for obtaining the exemption.

In early 1982, the SEC adopted Regulation D (Reg D), which attempts to unite all former SEC rules pertaining to private placements, including specifically Rules 240, 242 and 146, which were rescinded. Although an attempted compliance with any rule in Regulation D does not act as an exclusive election, the issuer can also claim the availability of any other applicable exemption. Strict compliance with its provisions is required to obtain the safe-harbor of Reg D's exemption. Reg D outlines guidelines which if met, will ensure compliance with the exemption. Failure to comply with the provisions of Reg D does not necessarily imply that the 4(2) exemption of the 33' Act is not available, as Section 4(2) can be construed more broadly than Reg D, but the burden of proof falls with the issuer and the broker-dealer to show that the standards of either Regulation D or Section 4(2) are met. Regulation D also serves as an exemption for certain transactions under Section 3(b) of the 33' Act.

Where a 4(2) exemption is claimed, a broker-dealer must be prepared to demonstrate that the exemption was available. From time to time, the Company acts as an agent in private placements of various types of securities. Information about such private placements, and coordination of such offerings, are accomplished by the Corporate Finance Department.

A Private Placement may be determined to be exempt from registration under Section 4(2) of the 33' Act (also known as the "issuers" exemption) based on such factors as:

- The number of offerees (usually 25 or less)

- Number of units offered
- Total dollar amount of the offering
- Method of offering
- Sophistication of investors

Rule 506(b) of Regulation D

Section 201(a) of the JOBS Act provides for the elimination of the prohibition on using general solicitation under Rule 506 where all purchasers of the securities are accredited investors and the issuer takes reasonable steps to verify that the purchasers are accredited investors. Under Rule 506(c), issuers can offer securities through means of general solicitation, provided that:

- All purchasers in the offering are accredited investors,
- The issuer takes reasonable steps to verify their accredited investor status, and
- Certain other conditions in Regulation D are satisfied.

An accredited investor includes a natural person who earned income that exceeded $200,000 (or $300,000 together with a spouse) in each of the prior two years, and reasonably expects the same for the current year, or has a net worth over $1 million, either alone or together with a spouse (excluding the value of the person's primary residence). An accredited investor may also be an entity such as a bank, partnership, corporation, nonprofit or trust, when the entity satisfies certain criteria.

Issuers who engage in general solicitation must take reasonable steps to verify the accredited investor status of purchasers. Factors that the issuer (or those acting on its behalf) should consider under the principles-based method of verification include:

- The nature of the purchaser and the type of accredited investor that the purchaser claims to be;
- The amount and type of information that the issuer has about the purchaser; and
- The nature of the offering such as the manner in which the purchaser was solicited to participate in the offering, and the terms of the offering, such as a minimum investment amount.

Issuers may use the following verification methods to verify that the purchaser is an accredited investor:

- Reviewing copies of any Internal Revenue Service form that reports income, such as Form W-2, Form 1099, Schedule K-1 of Form 1065, and a filed Form 1040;
- Reviewing specific types of documentation dated within the prior three months, such as bank statements, brokerage statements, certificates of deposit, tax assessments and a credit report from a nationwide consumer reporting agency, and obtaining a written representation from the investor;
- Reviewing written confirmation from a registered broker/dealer, an SEC-registered investment adviser, a licensed attorney or a certified public accountant stating that such person or entity has taken reasonable steps to verify that the purchaser is an accredited investor within the last three months and has determined that the purchaser is an accredited investor; and
- A method for verifying the accredited investor status of persons who had invested in the issuer's Rule 506(b) offering as an accredited investor before September 23, 2013 and remain investors of the issuer.

Corporate Finance Filings

Exempt Securities (exempt from registration under Sections 4(1), 4(2) and 4(6) of the '33 Act. Rule 504, unless considered public in the state where offered, Rule 505 and 506 of Regulation D) are not required to be filed with FINRA Corporate Finance Department.

Firm's Disclosure of Control Relationship with the Issuer

Pursuant to FINRA Rule 2262, if the firm is "controlled by, controlling, or under common control with, the issuer of any security," then the firm must disclose such control relationship to the customer prior to the customer entering into any contract or making any investment in the offering. This disclosure will be a written disclosure and will be provide to the customer at or before the completion of the transaction.

Please note: At this time, J Alden does not plan on participating in any offerings with an issuer where J Alden is controlled by the issuer, under common control with the issuer or any issuer that J Alden controls. If this becomes the case, proper written disclosure will be made to the customer.

Offerings Issued by a Member Firm or Control Entity

FINRA Rule 5122 - Private Placement of Securities Issued by Members requires that FINRA member firms and its associated persons that engage in a private placement of the firm's securities or those securities of a control entity must comply with certain disclosure and filing requirements. It also places a limitation on the use of offering proceeds. Requirements of this rule include the following:

1. Disclosure to investors in a PPM, term sheet or any other offering document the intended use of the offering proceeds and the offering expenses;
2. Filing of such offering documents with FINRA's Corporate Financing Department at or prior to the time it is provided to any investor; and
3. Commit that at least 85% of the offering proceeds will be used for business purposes, which shall not include offering costs, discounts, commissions and any other cash or non-cash sales incentives.

Disclosure Requirements

Each prospective investor will be provided a written offering document. The firm will ensure that the offering document includes proper disclosure including the intended use of the offering proceeds, as well as include the offering expenses and the selling compensation. The offering documents requiring these disclosures may include a private placement memorandum and/or term sheet. In the rare case where an offering does not have a PPM or a term sheet, the firm will prepare an offering document that provides the disclosures on the use of the offering proceeds, as well as the offering expenses and selling compensation. Evidence of principal review and approval of the offering documents will be maintained in the file established for each offering.

Filing Requirements

The private placement memorandum, term sheet or any other offering document will be filed with FINRA's Corporate Financing Department. This will be filed at or prior to the first time the document is given to any prospective investor. If any amendments are made to the offering documents, or to any exhibits to the offering documents, they must be filed with FINRA Corporate Financing Department within 10 days of the document being given to any investor or any prospective investor. Offering documents (.pdf format) will be submitted to FINRA Corporate Financing Department. Evidence of submission of the documents for review to FINRA Corporate Financing Department will be maintained in the offering file.

Use of Offering Proceeds

The firm and its Designated Principal will ensure that 85% of the offering proceeds will be used for business purposes. This excludes offering costs, discounts, commissions or any other cash or non-cash sales incentives. The Designated Principal will also ensure that the use of offering proceeds is consistent with the required offering proceeds disclosures made within the offering documents. The offering file will contain a breakdown of how the offering proceeds were used to ensure the 85% requirement is met (reviewed and approved by the Designated Principal).

Exemptions to FINRA Rule 5122

FINRA Rule 5122 contains several exemptions based on the type of offering and type of investors. Rule 5122 exempts member private offerings sold solely to institutional accounts, qualified purchasers, qualified institutional buyers, investment companies, entities composed exclusively of qualified institutional buyers and banks.

FINRA Rule 5122 also excludes various types of offerings including offerings of exempted securities, offerings made pursuant to Rule 144A or Regulation S, offerings in which a firm acts primarily in a wholesaling capacity (by selling agreement to sell through its affiliate broker/dealers), offerings of exempted securities with short term maturities, offerings of subordinated loans, offerings of variable contracts, offerings of modified guaranteed annuity contracts and modified guaranteed life insurance policies, offerings of securities of a commodity pool operated by a commodity pool operator, offerings of equity and credit derivatives provided that the derivative is not based principally on the firm or any of its control entities and offerings filed with FINRA under FINRA Rule 5110, FINRA Rule 5121 or FINRA Rule 2310.

For more detailed information regarding Member Private Offerings please reference FINRA Rule 5122 and Regulatory Notice 09-27.

Rule 144A Restricted Securities

Rule 144A covers the buying and selling of private placement of securities with Qualified Institutional Buyers. Restricted securities are exempt from SEC registration requirements and cannot be traded on public markets. The Designated Principal must:

- Review potential investors to ensure they meet the requirements of a Qualified Institutional Buyer.
- Provide written notification to all purchasers disclosing the nature of the 144A transaction and confirming that it is the firm's understanding that the investor is a Qualified Institutional Buyer as defined by Rule 144A.
- Make Registered Representatives aware that the restricted securities are to be sold only under the restrictions of Rule 144A.

Conditions to be Met

There are four conditions that a reseller of restricted securities must satisfy to rely on Rule 144A. The four conditions are:

1. The reoffer or resale is made only to Qualified Institutional Buyers or to an offeree or purchaser that the reseller (and any person acting on its behalf) reasonably believes is a qualified institutional buyer;
2. The reseller (or any person acting on its behalf) must take reasonable steps to ensure that the buyer is aware that the reseller may rely on Rule 144A in connection with such resale;
3. The securities reoffered or resold (a) when issued were not the same class as securities listed on a national securities exchange or quoted in a US

automated inter-dealer quotation system and (b) are not securities of an open-end investment company, unit investment trust, or face–amount certificate company that is, or is required to be, registered under the Investment Company Act of 1940; and

4. In the case of securities of an issuer that is neither a 1934 Act reporting company nor exempt from reporting pursuant to Rule 12g3-2(b) of the Exchange Act, the holder and a prospective buyer designated by the holder must have the right to obtain from the issuer, upon the holder's request, certain *reasonably current* information; and such buyer must receive, upon the buyer's request of the holder or issuer, certain *reasonably current* information about the issuer from the issuer, seller or a person acting on behalf of either of them at or prior to the resale.

   Information is considered reasonably current if: (a) the balance sheet is as of a date less than 16 months before the date of the resale, the P&L statements and retained earnings are for the 12 months preceding the date of such balance sheet, and if the balance sheet is not as of a date less than 6 months before the date of the resale it will be accompanied by additional statements of profit and loss and retained earnings for the period from the date of the balance sheet to a date less than 6 months before the date of resale; (b) the statement of the nature of the issuer's business and its products and services offered is as of a date within 12 months to the date of resale; and (c) if regarding foreign private issuers, the required information should meet the timing requirement of the issuer's home country or principal trading markets.

Due Diligence for Private Placement Offerings

Due diligence is "a reasonable investigation conducted by the parties involved in preparing a registration statement (or any offering memo) to form a basis for believing that the statements contained therein are true and that no material facts are omitted."

Prior to participating in a private offering, the firm and any person associated with it shall have reasonable grounds to believe, based on information provided by the issuer, that all material facts are adequately and accurately disclosed in the offering memorandum and provide a basis for evaluating the offering.

Due diligence is conducted in order to protect the investor clients, the firm and other broker/dealers from any misrepresentations/fraud made on the part of the issuer or of those working on behalf of the issuers, such as public relations firms and media consultants.

Due Diligence Requirements

The Designated Principal(s) will review and maintain all appropriate documents necessary to demonstrate the fulfillment of the firm's due diligence responsibilities as it relates to each security underwritten. The due diligence may include, but is not limited to the following:

- Obtain and review the offering material and all background documents;
- Research the issuer's industry segment, including historical growth, economic influences and competitive factors;
- Analyze the issuer's historical financial results and projected business activity;
- Create a reasonably comprehensive "due diligence" file for the offering, containing copies of documents, records of meetings, telephone conversations, visits, etc.
- Meeting with issuer's management to discuss the plan, the issue, the knowledge of the issuer, etc.

- Attorney's opinions
- Final and Preliminary Prospectuses
- Company Background
- Company Operations
- Company Management (including the background of management)
- Company Financial Status and Financial Statements
- Description of Products and Services
- Industry and Competition
- Copies of Regulatory Filings
- Registration Statement
- Any Research and/or Analysis (gathered during the structuring of the deal)
- Any filings of the Issuer

The Designated Principal must review and maintain all due diligence documents in a separate file for each offering.

Due Diligence Principal Approval

The principal in charge of the offering will memorialize the following with their approval. Within this document the following will be addressed but not limited to:

- *Name of Offering*
- *Type or Offering: Equity, Debt, Other*
- *Date of Anticipated Offering*
- *Documents Reviewed*
- *Management Discussions*
- *Counsel to Offering*
- *Date of Approval / Principal*

Ongoing Due Diligence For Extended Offerings

Should the firm sponsor an offering exceeding 6 months the firm will request and review updated due diligence materials. This process will also be memorialized. Regular and ongoing due diligence for offerings done on the Raymond James platform will be conducted by the Raymond James Alternative Investments Group. This information is shared between firms.

Company Procedures for Private Placements

No registered representative may sell any security in a private placement without the express approval of the Compliance Department. A registered representative may assume that a private placement that has been made available to the Company's customers has been approved by the Compliance Department. Failure by any registered representative to obtain the appropriate approval is grounds for severe disciplinary action, including immediate dismissal.

The Designated Principal(s) will review all best efforts underwriting agreements, prospectuses and/or private placement memorandums for securities sold by the Firm. This review will encompass:

- registration exemptions
- disclosures to investors
- compensation to underwriters
- contingencies of the offering
- escrow requirements
- due diligence materials

The Designated Principal will ensure that all sales to customers are executed in accordance with the provisions of the offering memorandum. Salespersons will ensure that customers receive the appropriate offering document. Such provisions may include:

- suitability profile (accredited vs. non-accredited)
- review of subscription agreement
- use of an escrow agent pursuant to SEC Rule 15c2-4
- meeting contingencies required by the offering through bona fide sales only (mini-max/all or none)

The Designated Principal will review the above noted documents and evidence his/her review by initialing that record.

The Designated Principal will review, initial and record all incoming subscription agreements prior to forwarding them to the issuer for acceptance. Copies of all subscription agreements must be maintained for the company's offering file. If any checks are received (payable to the issuer) by the firm, they will be reviewed for acceptability, recorded on the firm's Checks Received and Forwarded Blotter and then forwarded to the issuer or to the escrow account no later than noon of the next business day.

The firm will confirm that the Form D and/or other required forms are filed, if applicable, on a timely basis by the issuer or the issuer's counsel.

The Designated Principal of the firm shall ensure that a complete file of all documents related to each offering is maintained as part of the firm's offering file, including records of each transaction process (dates commitments received, closing dates, etc.) as required.

The best efforts offering continues until either the full number of securities is placed, or the required minimum amount of money is raised.

Suitability

Suitability must be determined based on the specified suitability standards of the offering, including information such as purchaser's income and net worth. Offerings that require a subscription agreement/letter that is signed by the purchaser will include an affirmation that the customer meets minimum suitability standards. If an offering does not require a subscription agreement, the Registered Representative is responsible for ensuring the investor meets standards as outlined in the prospectus. The firm also has an Accredited Investor Questionnaire that is required to be completed by the investor. The Designated Principal is responsible for ensuring that the required suitability determination has been made prior to approving the purchase transaction. All investor suitability documents must be retained in a file established for the offering.

Delivery of Prospectus (Offering Memorandum)

The firm will provide potential investors with offering memorandums, which make extensive disclosures regarding the nature, character and risk factors relating to each offering. The Designated Principal will make every effort to ensure that the offering memorandums used in its offerings do not contain materially misleading disclosures or information.

A complete and current offering memorandum will be provided to all investor clients prior to purchasing any offering. The Designated Principal, or his designee, will maintain a record of to whom prospectuses were delivered. The offering memorandums are numbered, and file copies are labeled as such. Once given to an investor the offering memorandum

number is recorded on a tracking log along with the name of the Registered Representative assigned.

Availability of these private offering memorandums will be limited to those individuals for which the firm has a reasonable basis to believe the potential investor may be accredited and suitable for the investment.

During the course of the offering, any supplementary or corrective material necessary to update the offering materials will be provided to potential investors by the Registered Representatives. The Designated Principal shall verify that all such amendments have been sent to offerees and that the files are accurate and complete.

Investor Payments for Private Placements

J Alden will not accept client funds for their participation in the private placement. Some offerings will be strictly best efforts offerings, and some will be offered on a contingency basis requiring the use of an escrow account established at an independent bank.

If offerings are not contingent, all client payments will be made payable to the issuer and sent directly to the issuer.

Contingent Offerings and Compliance to SEC Rule 15c2-4:

If offerings are contingent offerings, the issuer or the underwriter will establish an escrow account. Escrow accounts must be established according to SEC Rule 15c2-4 and with guidance from NASD NTMs 98-4, 84-7 and 87-61. Compliance to SEC Rule 15c2-4 includes, but is not limited to, the following:

- A broker/dealer affiliated with the issuer may only deposit investors' funds in an escrow account with a bank independent of the issuer and the underwriter.
- No person other than an independent bank may act as an escrow agent.
- The broker/dealer's attorney may not act as the escrow agent of the escrow account.
- The escrow agreement will include the requirements for establishing the proper escrow account, requirement for investors to make checks payable to the order of the escrow agent, statement of the escrow period, when and how to make deposits into the escrow account, guidelines for disbursement from the escrow account, collection procedure, requirements for investment of the escrow amount, and compensation of the escrow agent.
- The Designated Principal will verify that escrow account agreements (on best efforts, all or none, mini/maxi offerings) state clearly the return of funds to each investor should the specifically stated contingency not be met.
- Upon the contingency being met, the Designated Principal will obtain a copy of the bank statement for verification.
- Only upon verification (through a copy of the bank statement) that the contingency has been met, will the firm permit a client check to be submitted to the issuer instead of the Escrow Account. In general practice; however, we will continue to have checks deposited in the escrow account, even upon the contingency being met.

The Designated Principal is responsible for ensuring the escrow account agreement conforms to SEC Rule 15c2-4. This approval is evidenced by reviewing and initialing the escrow agreement and maintaining this approved and initialed copy in the offering file.

See procedure for Proper Handling of Customer Funds included within these procedures.

Procedures for forwarding checks to the escrow account:
As a $5,000 broker/dealer, the firm may only receive and promptly transmit investor's checks which are made payable to an unaffiliated, independent bank escrow account.

If any checks are received (payable to the issuer or the escrow account, depending on the offering) by the firm, they will be reviewed for acceptability, recorded on the firm's Checks Received and Forwarded Blotter and then forwarded to the issuer or the escrow account. If the check is made payable to the broker/dealer, the check must be promptly returned to the customer with instructions for properly completing the check. The firm may not hold the check or deposit the check into the firm's bank account under any circumstances. There must be no delay in transmitting/forwarding customers' checks.

Customer funds should be transmitted as soon as practicable after receipt. The firm procedures are to review, record and transmit the customer's checks by noon of the next business day.

Return of Investor Funds in the Event of a Material Change to the Offering
Pursuant to SEC Rule 10b-9, and in order to avoid being considered manipulative or deceptive, the Designated Principal will terminate offerings and promptly return funds to investors if there are any material changes to the terms of the offering necessitating this action. Material changes may include, but are not limited to, change of offering price, change in the minimum amount necessary to break escrow, change in the use of the proceeds, etc.) Investor funds will also be returned if the stated contingencies are not met.

Rule 5123 Filing Requirements for Private Placement Offerings
The Designated Principal is responsible for submitting to FINRA a copy of any private placement memorandum, term sheet or other offering document used in the connection with the sale of a security in a non-public offering in reliance on an available exemption from registration under the Securities Act. The document(s) will be electronically filed within 15 calendar days of the date of first sale. If no documents were used, FINRA will be notified of such.

The following private placements are exempt from the filing requirements of Rule 5123:

1. Offerings sold by the firm solely to any one or more of the following:
   a) Institutional accounts, as defined in Rule 4512(c);
   b) Qualified purchasers, as defined in Section 2(a)(51)(A) of the Investment Company Act;
   c) Qualified institutional buyers, as defined in Securities Act Rule 144A;
   d) Investment companies, as defined in Section 3 of the Investment Company Act;
   e) An entity composed exclusively of qualified institutional buyers, as defined in Securities Act Rule 144A;
   f) Banks
   g) Employees and affiliates, as defined in Rule 5121, of the issuer;
   h) Knowledgeable employees as defined in Investment Company Act Rule 3c-5;
   i) Eligible contract participants
   j) Accredited investors described in Securities Act Rule 501(a)(1), (2), (3) or (7).
2. Offerings made pursuant to Securities Act Rule 144A or SEC Regulation S;
3. Offerings of exempted securities, as defined in Section 3(a)(12) of the Exchange Act;
4. Offerings of exempt securities with short term maturities under Section 3(a)(3) of the Securities Act and debt securities sold by members pursuant to Section 4(2) of the Securities Act as long as the maturity does not exceed 397 days and the securities are

issued in minimum denominations of $150,000 (or the equivalent thereof in another currency);
5. Offerings of subordinated loans;
6. Offerings of variable contracts;
7. Offerings of modified guaranteed annuity contracts and modified guaranteed life insurance policies;
8. Offerings of non-convertible debt or preferred securities that meet the transaction eligibility criteria for registering primary offerings of non-convertible securities on Forms S-3 and F-3;
9. Offerings of securities issued in conversions, stock splits and restructuring transactions that are executed by an already existing investor without the need for additional consideration or investments on the part of the investor;
10. Offerings of securities of a commodity pool operated by a commodity pool operator;
11. Business combination transactions as defined in Securities Act Rule 165(f);
12. Offerings of registered investment companies;
13. Standardized options;
14. Offerings filed with FINRA under Rules 2310, 5110, 5121 and 5122, or exempt from filing thereunder in accordance with Rule 5110(b)(7).

Private Placement Advertising Guidelines

The firm understands that general solicitation is not allowed with Reg D private placements.

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.

Private Placement Offering File Maintenance

The following documentation will be maintained in the file (this is not a complete list):

- Copy of the Private Placement Memorandum
- Copy of Bank Escrow Agreement
- Copy of Dealer Sales Agreement,
- Correspondence received from the issuer or attorney,
- Information on issuer's business (financial statement, etc.)
- Investor Log
- Log of who received copy of PPM and when
- Subscription agreements
- Due Diligence
- Bank statement following close of offering

B. Order Tickets/Subscription Agreements or Documents/Sponsor Applications

According to SEC Rule 17a-3 broker-dealers are required to make and maintain, "A memorandum of each brokerage order, and of any other instruction, given or received for the purchase or sale of securities, whether executed or unexecuted."

The Designated Principal is responsible for ensuring that order tickets/subscription documents/sponsor applications are in compliance with SEC and FINRA regulations and are complete and acceptable for the securities being purchased. The Designated Principal is also responsible for prompt review and approval of

each order ticket/subscription agreement or mutual fund/variable annuity application.

The order ticket/subscription documents/applications will contain, but is not limited to, the following information:

- Customer name and account number;
- Description/name of security, quantity and price;
- Date of transaction, time the order was received the time of entry (which is deemed to mean the time when the order or instruction for execution was transmitted, or, if it was not transmitted, the time it was received);
- Whether it is a buy or sell transaction;
- The price at which the order was executed and, to whatever extent feasible, the time of execution or cancellation;
- If a sell transaction, whether it is long or short and indication of "affirmative determination";
- Terms and conditions of the order or instructions, as well as any modification or cancellation thereof to the account for which it was entered;
- If the order is a solicited or unsolicited order;
- If the order is a discretionary order; and
- Identity of each Associated Person, if any, responsible for the account and any other person who entered or accepted the order on behalf of the customer, or if the customer entered the order on an electronic system and a notation of that entry.

Note: In the case of J Alden, the private placement transaction order tickets could take the form of a subscription agreement. In the case of a mutual fund or variable annuity investment, the order ticket will take the form of the sponsor's application.

The firm does not need to maintain a separate order memorandum for each purchase or sale of a security made on a subscription way basis directly from or to the issuer, if the firm keeps a copy of the customer's subscription agreement or sponsor application regarding the purchase or any other documents required by the issuer regarding the sale or redemption of the product.

For corporate or institutional accounts, a corporate resolution or letter of trading authority must be on file reflecting the individual(s) authorized to transact securities activities on behalf of the corporate or institutional account.

Order tickets/subscription agreements/direct applications are used to gather the necessary information in order to properly transmit customer orders for execution. In order to ensure accurate order transmission and compliance with SEC and FINRA regulations, the Designated Principal reviews the order tickets for proper completion. Order tickets must contain the information listed above and must be signed by the person taking the order. Should there be any changes to the order, the original subscription agreement must be revised, or a new subscription agreement must be completed.

The Designated Principal shall promptly review and approve each private placement subscription or mutual fund or variable annuity application. Evidence of this review and approval shall be noted by the Designated Principal initialing

the subscription agreement or the mutual fund/variable annuity application. If it is discovered that the subscription agreements/applications are not completed properly, the Designated Principal will discuss the problem with the responsible individual. Continuous failure to correctly and completely fill out the subscription documents/applications could result in disciplinary action, including withholding of commissions, suspension of trading activities, termination or a broken trade.

Prompt review and approval of the private placement subscription documents and applications is defined as the next business day.

These records are to be maintained at the Home Office for at least three years and be readily accessible for the first two years.

C. Mergers and Acquisitions Process

A typical mergers and acquisition process will be as follows:

1. Identification of the prospective clients.
2. Diligence. Prior to taking on an assignment, there would be an initial level of diligence that will occur including, but not limited to:
    a. A discussion with management of the company to discuss strategy of the business over the near-term, mid-term and long-term.
    b. A review of financial information, both historical and projections.
    c. Conversations with board members and significant shareholders to discuss the objectives of each party with the process.
    d. A review of products and a site visit.
    e. Confirm that the company has engaged legal counsel to assist with the process.
3. Engagement. Assuming the initial diligence leads to a conclusion that J Alden could achieve a desired outcome for management and the shareholders of the company, an engagement letter would be entered into. While this is a negotiated agreement, it would typically consist of some monthly retainer with a fee paid upon the successful closing of a transaction. This fee would be based on a percentage of the purchase price and would be paid for by the seller under the engagement letter.
4. Preparation. J Alden would work with the company to help it prepare the following:
    a. Prospective Buyer List. This is a list of prospective buyers and typically consists of Tier 1 prospects and Tier 2 prospects. Tier 1 prospects are those companies that for various reasons appear to be the most likely buyers. Factors include, but are not limited to, financial capacity, strategic fit, and existing relationship with the seller.
    b. Financials. J Alden will assist the client in a current review of its financial model and will have a series of question and answer sessions to help ensure that the projections are well thought out prior to having conversations with prospective buyers.
    c. Executive Summary. J Alden would work with the client to create an executive summary which may include:
        i. Market size
        ii. Market/prospective buyer's need
        iii. Strategy to address this need
        iv. A description of the products
        v. Details of the operations (i.e., location of offices, employee headcount broken down by function)
        vi. Financials – historical and projections if appropriate
        vii. Other relevant summary data

viii. Appropriate disclosure/disclaimers.

d. Company Presentation. J Alden will assist the client in creating a company presentation that will be used to make presentations to prospective buyers. It will typically follow a form similar to the Executive Summary but will also respond to follow-up questions or comments raised during the initial contact buyer, below. It will also include the appropriate disclosures/disclaimers.

5. Initial contact of buyers. J Alden will initiate calls to prospective buyers and will send out the Executive Summary to prospective buyers. Depending on the information in the Executive Summary, a confidentiality agreement might need to be signed prior to the Executive Summary going out. J Alden will then follow-up with the prospective buyer to determine if there is initial interest.
6. Follow-up meetings. J Alden will accompany its client when appropriate to follow-up meetings with a prospective buyer. This may include accompanying the company presentation, diligence meetings and negotiation sessions. J Alden will also assist the company in reviewing any diligence requests presented by the prospective buyer to the client.
7. Negotiation of a term-sheet. J Alden will work with its client to negotiate a term sheet which will serve as the outline for the legal documents that will effectuate a transaction. J Alden will coordinate with board, legal counsel and senior management and typically would be involved in presenting to the board the various options available to the company.
8. Negotiation of final documents. J Alden would assist its client and its client's counsel to finalize the necessary agreements to complete the transaction.
9. Payment. J Alden would be paid either concurrent with the closing or shortly thereafter. Payment would be made by the client and would be based on a percentage of the ultimate sale price. To the extent there is an earn-out as part of the consideration, future payments might also be made to J Alden if and when those earn-out payments are made.

D. Direct Participation Programs (Limited Partnerships)

FINRA defines Direct Participation Programs as any "program which provides for flow-through tax consequences regardless of the legal entity or vehicle for distribution including, but not limited to, oil and gas programs, condominium securities, Subchapter S corporate offerings and all other programs of a similar nature, regardless of the industry represented by the program, or any combination thereof." Direct participation programs are also often called limited partnership investments and are conducted as a private placement offering.

New Issues

Due Diligence for Direct Participation Program Offerings (Limited Partnerships in a Primary Distribution)

The Designated Principal will be responsible for reviewing prospectuses on any proposed DPP offerings. Per FINRA rules, the following minimum material facts should be disclosed in the prospectus:

- items of compensation
- physical properties
- tax aspects
- financial stability and experience of the sponsor
- the program's conflicts and risk factors
- appraisals and other pertinent reports

The Designed Principal will establish due diligence procedures for reviewing potential DPP offerings. If J Alden is a participant in an offering underwritten by another firm, it may rely on the managing underwriter's due diligence under the following guidelines:

1)J Alden has reasonable grounds to believe that the managing underwriter's inquiry was conducted with due care; 2)the results of the other firm's due diligence inquiry were provided to J Alden with the consent of the firm or firms that conducted the due diligence inquiry; and 3)the firm that conducted or participated in the inquiry is not a sponsor or affiliated with the sponsor of the DPP. The Designated Principal will review and determine if the DPP expenses are fair and reasonable.

Investment Committee Approval
J Alden' Investment Committee is responsible for reviewing and accepting participations in direct participation programs. The investment committee will be appointed prior to offering review.

Suitability
Each DPP will have specified suitability standards including information such as the purchaser's income and net worth. Offerings that require a subscription agreement that is signed by the purchaser will include an affirmation that the customer meets the minimum suitability standards. For offerings where a subscription agreement is not required, the representative is responsible for ensuring the purchaser meets the standards outlined in the prospectus. A Suitability Questionnaire will be completed for each purchaser of a DPP where a signed subscription agreement is not required. The Designated Principal is responsible for ensuring required Suitability Questionnaires have been received prior to confirming purchases and retaining the Questionnaires in a file for the offering.

Subscription Agreements
The Designated Principal is responsible for the following:
- Determining when subscription agreements signed by purchasers will be required for a DPP offering.
- Ensuring completed and signed agreements are on file, when required, prior to confirming purchases.
- Retaining copies of the signed subscription agreements in a file for the DPP offering.

Prospectuses
Prospectuses will be provided to all purchasers of DPP offerings. A prospectus will be included with the confirmation of purchase and the designated supervisor will maintain a record of to whom prospectuses were sent and the date sent, unless "prospectus enclosed" or a similar notation appears on the confirmation.

<u>Rollups</u>
All rollup transactions in which J Alden participates will be conducted in accordance with the Limited Partnership Reform Act and applicable FINRA rules. The purpose of the Act and the rules is to ensure fair treatment and protect the rights of limited partners whose partnership interests are proposed for restructuring.

The Designated Principal is responsible for ensuring all rollup transactions comply with requirements included in the Act and FINRA rules.

The Designated Principal will execute a standard agreement with the general partner of the limited partnership subject to the rollup transaction. The agreement will outline the terms of the rollup including compliance with requirements to protect the rights of the limited partners. The agreement will be retained in a file for the rollup transaction.

E. Mutual Funds

J Alden will conduct mutual fund business on an application way/subscription basis direct with the product sponsor or through the clearing firm.

Supervisory Responsibilities

The Designated Principal is responsible for the review and approval of each mutual fund transaction conducted by Registered Representatives under his/her supervision. The Designated Principal is also responsible for verification of customer signatures on certain mutual fund transactions**.**

The Designated Principal will review the mutual fund transactions for suitability, unauthorized trading, churning, wholesale recommendations, short term buying and/or selling, changes in the activity pattern of the client (if applicable), switching, missed breakpoints, ensuring that a Letter of Intent was obtained (if applicable), ensuring that rights of accumulation were offered, ensuring the delivery of prospectuses, selling of dividends, etc.

Representative Responsibilities

It is the responsibility of the Registered Representative to obtain a complete investment profile of the customer. The profile must include sufficient information to support the suitability of the mutual fund investment. Also, the Registered Representative is responsible for providing a current prospectus to the customer. In recommending the purchase or sale of a mutual fund, the Registered Representative must disclose all material facts to the customer including, but not limited to, sales charges and investment risk of the fund compared to other investments.

Registered Representatives are required to advise their customers of the savings available in purchases made above the breakpoint.

Delivery of Prospectus

Registered Representatives should provide a copy of the prospectus when recommending a mutual fund purchase to a customer. A copy of the fund prospectus will also be provided to each purchaser of a mutual fund at or before completion of the transaction.

All initial sales of mutual funds must be made by means of a current prospectus. Registered Representatives should be thoroughly familiar with the product features and review the major sections of the prospectus with the investor. Particular attention should be given to the contract provisions, investment options and all fees and expenses. The prospectus, however, should not be highlighted or otherwise marked by the Representative; a prospectus is a legal document and cannot be altered. Although the prospectus must be filed with the SEC, the Representative must not state or imply that the Securities and Exchange Commission has approved the securities.

If any written communication regarding a specific fund or funds, including fund supplied sales literature and individual customer letters, must be accompanied by a current prospectus unless such a prospectus has previously been delivered to the customer.

Churning

The Registered Representative is prohibited from recommending sales and purchases of mutual funds solely to generate additional compensations for the firm or for the Registered Representative.

Switching

Switching is the act of moving a customer from one mutual fund to another when a sales charge is involved. Switching is allowed only if a customer states, in writing, that he is aware of the additional sales charge and still wants to make the change of mutual funds. This notification by the customer takes the form of a "Switch Letter". The customer must sign the Switch Letter and the firm's Designated Principal must approve the switch prior to the switch being made. The switch letter must be maintained in the customer file.

The Principal must review mutual fund orders for transactions where the customer sells one mutual fund to buy another mutual fund. If switching is detected, it is the Designated Principal's responsibility to ensure that the customer has signed a Switch Letter.

Since mutual funds are designed as long-term investments, the firm discourages switching from one mutual fund to another. The Registered Representative may recommend that a client switch from one mutual fund to another ***IF*** there has been a clear change in the customer's investment objectives and the investment objectives of the fund into which the customer is switching meets the customer's changed needs and objectives. A Registered Representative may not recommend a switch on the basis of fund performance, nor may the Registered Representative recommend a switch from one mutual fund to another that has the same investment objective.

If any mutual fund switch is found not to comply with requirements (i.e., no switch letter signed by customer, etc.), the transaction will be reversed, and the Registered Representative will receive a charge back of full commissions earned.

Selling Dividends

Also prohibited is inducing the customer to purchase mutual fund shares in anticipation of a dividend distribution. The Registered Representative must consult the customer regarding any anticipated dividend distributions.

Breakpoints

Many mutual funds offer the client reduced sales charges on purchases exceeding a certain dollar amount over a period of time.

The firm prohibits the sale of mutual fund shares to prospective investors for an amount just below the point at which sales charges are reduced on quantity transactions unless the customer has been made aware of the economic consequences of such a purchase. Registered Representatives are required to advise their customers of the savings available in purchases made above the breakpoint.

When an application for a purchase of a mutual fund is submitted which may raise a breakpoint question with respect to the current purchase, or with a prior purchase, the Principal will investigate the situation. The client's file should be reviewed for circumstances surrounding each mutual fund sale, any communications with the customer, etc. If necessary, the Principal will contact the customer to discuss the possibility of missed breakpoints.

Letters of Intent

Some mutual funds offer a reduced sales charge to clients who commit to a specified purchase amount over an extended period (maximum of 13 months). In order for a customer to obtain a breakpoint, the customer must sign a Letter of Intent stating the specified dollar amount he will be purchasing. The Letter of Intent allows the customer to take advantage of the lowest sales charge on the aggregate dollar amount of shares purchased over that 13-month period. If the customer does not meet the arrangement as

specified in the Letter of Intent, the higher sales charges will apply. Also, the Letter of Intent section of the mutual fund application must be completed.

Rights of Accumulation

Existing shareholders of a given fund or family of funds may obtain a reduced sales charge on additional purchases. Orders must specify "Rights of Accumulation".

Signature Guarantee

Some mutual fund companies require a guarantee of the customer's signature prior to accepting any transaction signed by that customer or for any transferred accounts or accounts with a change of address. A member of the Signature Guarantee Medallion Program provides the signature guarantee. The Designated Principal of the firm is responsible for this guarantee. By guaranteeing the customer's signature, the Designated Principal certifies that the signature is genuine.

When required, verification of the customer's signature is evidenced by a signature guarantee stamp. The Principal stamps the document, guaranteeing the signature. The Designated Principal will also keep a log of all signature guarantees. This log should include the date, customer name, name of related signature document and the name of the Registered Representative. Any questionable practices detected from the review of transactions, or the guarantee of the customer's signature, must be brought to the attention of the Chief Compliance Officer immediately.

Compensation

The firm prohibits any registered representative from receiving any incentive or additional compensation for the sale of specific mutual funds. This includes, but is not limited to, any related bonuses, preferred compensation lists and sales incentive contests.

Definitions:

- *Compensation* means cash compensation and non-cash compensation.
- *Cash Compensation* means any discount, concession, fee, service fee, commission, asset-based sales charge, loan, override, or cash employee benefit received in connection with the sale and distribution of investment company securities.
- *Non-cash Compensation* means any form of compensation received in connection with the sale and distribution of investment company securities that is not cash compensation, including but not limited to merchandise, gifts and prizes, travel expenses, meals and lodging.

FINRA Rule 2341- Investment Companies Securities, states that in connection with the sale and distribution of investment company securities, except as described below, no associated person shall accept any compensation from anyone other than the member with which the person is associated. This requirement will not prohibit arrangements where a non-member company pays compensation directly to associated persons of this firm provided that:

1. The arrangement is agreed to by the member;
2. The member relies on an appropriate rule, regulation, interpretive release, interpretive letter, or "no-action" letter issued by the Commission or its staff that applies to the specific fact situation of the arrangement.
3. The receipt by associated persons of such compensation is treated as compensation received by this firm for the purposes of FINRA Rules; and;
4. The record keeping requirement is satisfied.

Also, no member or person associated with a member shall directly or indirectly accept or make payments or offers of payments of any non-cash compensation, except as follows:

1. Gifts that do not exceed the annual allowed amount of $100. These gifts may not be based on the achievement of a sales target or goal.
2. An occasional meal, ticket to a sporting event or to the theater or some other comparable entertainment. This type of non-cash compensation may not be frequent or extensive, raising a question of propriety, and not be based on the achievement of a sales target or goal.
3. Payment or reimbursement by offerors for offeror-sponsored meetings or by a member firm for training or education of an associated person of a member. (If this is done, proper records must be maintained, prior approval must be received and documented for the associated person to attend, attendance is not determined by the member achieving a sales target, the location must be appropriate for the business being conducted, the offeror's office, member's office, a facility located near the office or a regional location, payment or reimbursement is not applied to the expenses of the guests of the associated person and the payment or reimbursement by the offeror is not preconditioned by the offeror on the achievement of a sales target or any other non-cash compensation arrangement.)

Review and Approval of Mutual Funds

The Designated Principal is to evidence the review and approval of mutual fund transactions by reviewing and initialing the New Account Form (if applicable), the mutual fund order ticket or application and the daily sales blotter. (See the process below.) If necessary, the Designated Principal will review the Switch Letter submitted by the Registered Representative with the mutual fund application or order ticket.

The review and approval of mutual fund transactions is to be conducted before noon of the next trading day. Verification of the customer signature must be completed prior to executing the order with the mutual fund company. The daily blotter is to be filed in chronological order.

Mutual Funds Sales Prior to Effectiveness ("Indications of Interest")

Registered Representatives may only accept "indications of interest" from any client prior to the effective date of a mutual fund. Registered Representatives may not solicit orders prior to the effective date of registration, nor may they accept funds since that may be construed as a sale of an unregistered security.

Information and literature on the forthcoming issues, other than a preliminary prospectus, may not be given or shown to a client. Preliminary prospectuses should be mailed by the Registered Representative to persons who give any indication of interest. A written record must be maintained by the Registered Representative to ensure the mailing of any subsequent amended prospectus.

Process

1. Customer's mutual fund investment decision is made. All required paperwork is completed, and any additional documentation is gathered from the customer. This may include the new account form, the mutual fund application, Letter of Intent, items to determine suitability of the investment, any other information or forms required by the specific mutual fund company, etc.

2. If not already given to the customer, the Registered Representative gives the customer a current prospectus of their selected mutual fund.
3. Customer makes their investment check payable to the fund.
4. Registered Representative compiles all account information and documentation, attaches the customer's check and delivers the package to the Designated Principal for review and approval.
5. Principal reviews customer's mutual fund investment package. Review will include the following:
    - Is the new account form complete?
    - Has suitability been determined?
    - Has the mutual fund application been completed properly?
    - Review the application for potential breakpoints. Talk to the Registered Representative to discuss why the customer did not qualify for a breakpoint. If necessary, contact the customer regarding possible missed breakpoints, or to confirm that they understand they did not qualify for a breakpoint.
    - Evidence of "late trading".
    - If applicable, does the application include a Letter of Intent, or does it have any indication of "Rights of Accumulation"?
    - Is the customer switching from one fund to another? Has a "Switch Letter" been obtained from the customer?
6. If the Principal approves the investment, the Principal will initial the New Account Form, the Mutual Fund Application and the Daily Sales Blotter.
7. The new mutual fund transaction is recorded on the firm's Daily Sales Blotter.
8. The customer's check is recorded on the Checks Received and Forwarded Blotter.
9. The application package (including the customer's check) is forwarded to the mutual fund company via overnight carrier.

NOTE: If the mutual fund company requires verification of customer signature, this must be completed prior to sending the order to the mutual fund company.

Contingent Deferred Sales Charges

The Designated Principal is responsible for the review of investor's mutual fund accounts and transactions to ensure the proper disclosure & handling of mutual fund Contingent Deferred Sales Charges structures. This includes obtaining the proper disclosure documents from investors who wish to liquidate mutual funds with "back-end" charges. In addition, the Designated Principal will look for the sale of Contingent Deferred Sales Charges funds, and a corresponding purchase of "front-end" sales charge products for generating commissions.

Late Trading

Late trading is the prohibited practice of placing mutual fund orders after the fund has calculated its daily net asset value (NAV) (typically at 4:00 pm EST), but receiving the price based upon NAV calculated upon the earlier 4:00 pm calculation. Late trading is prohibited by SEC and FINRA Rules to ensure that purchasers of mutual funds are treated equal in regard to price and information regarding the fund available on that day.

Firms may accept mutual fund orders after 4:00 pm, but the transaction must get the next day's price (next day's NAV calculation).

Redemption Procedures

Refund of Customer Funds upon the Customer's Surrender of their Certificate: To insure prompt and accurate settlement following the surrender of mutual fund contracts, the firm

will not solicit or facilitate the liquidation or cancellation of the mutual fund contract through the broker/dealer. However, J Alden will assist its clients by providing guidance and instruction on how to surrender a mutual fund contract directly with the mutual fund product sponsor/issuer. This direct communication between the investor and the fund company is the fastest and most accurate method of redemption since the mutual fund issuer maintains all investor documents for the investor's account(s). The mutual fund sponsor can accurately determine the net cash value of the investor's account. If requested by the customer, J Alden will promptly transmit liquidation instructions to the issuer, and will monitor and, if needed, assist its customers in dealing with the issuer. The check for the return of customer funds is sent directly to the customer from the issuer.

Advertising of Mutual Funds

Advertisements and sales literature concerning mutual funds must be filed with FINRA's Advertising Regulation Department within 10 days of first use or publication by the member firm. When the filing is made with the Advertising Regulation Department, the member must include the actual or anticipated date of first use. If the firm uses advertisement or sales literature that has previously been filed and has not been changed, a second filing is not required.

If the mutual fund advertisement or sales literature includes performance rankings the firm must include a copy of the documentation that supports the rankings. If the advertisement or sales literature includes self-created rankings or comparison of the mutual fund company with any other investment company the filing must include a description of the ranking's basis and must be filed 10 days prior to first use. If FINRA disapproves the advertising piece, changes must be made and refiled with FINRA for approval.

If the mutual fund advertisement or sales literature lists specific mutual fund fees and expenses that do not apply to the purchase, redemption or ownership of the fund, the sales material also must list specific fees and expenses that do apply. Any mutual fund sales material that presents data about the performance of an advertised mutual fund must also disclose the maximum amount of any sales load or any other nonrecurring fee. Any sales material that discloses the load charged by a mutual fund must also disclose that other expenses apply to a continued investment in the fund and are described in the fund's current prospectus.

Maintenance and Retention of Mutual Funds Records

According to SEC Rule 17a-4, these records are to be maintained for at least three years and readily accessible for the first two years.

Direct Mutual Fund Trade Reporting

Background: Direct Mutual Fund transactions are when a registered representative affects an investment on the books and records of a mutual fund company away from Raymond James. At present all this activity is captured in two ways. The first is that the registered representative will create and send off a weekly report of all transactions from a platform called DST. DST is a company that consolidates data for a firm affecting direct transactions across multiple companies. While it's a good tool it has very limited reporting capabilities. To ensure that all required transactional data is captured and retained the firm has developed an internal workflow to gather this data with checks and balances in place.

Policy: The rep executing these trades will deliver to the mutual fund company required documentation and funds to affect the trade. Data for these transactions is entered by the registered representative into the firm's internal recordkeeping system / spreadsheet. The entry will trigger notices to be sent to Accounting, Operations, and Risk. Accounting will then look for the transaction on the statement from the fund company when received. Accounting will also be on the lookout for any transaction that might have been affected yet not included on the spreadsheet. At present J. Alden only has one team with two registered representatives, -one of which is a General Securities Principal, that conducts direct mutual fund transactions.

F. Wholesaling of Mutual Funds

J Alden will act as a wholesaler for a mutual fund family. J Alden registered representatives (wholesalers) make educational calls and in-person presentations to investment advisors regarding various mutual funds within the mutual fund family. In addition, J Alden and its wholesalers distribute marketing materials provided by the mutual fund family. All advisors that J Alden contacts will be limited to those at platforms and channels that have a pre-existing distribution agreement.

J Alden will enter into a distribution agreement to act as a wholesaler for a mutual fund family.

Karen Van Horn is the Principal responsible for supervising this wholesaling activity.

G. Variable Contracts

J Alden will conduct all variable business direct with the product sponsor on an application way/subscription basis.

Supervisory Responsibilities

The Designated Principal is responsible for the review and approval of each variable annuity transaction conducted by Registered Representatives under his/her supervision. The Designated Principal is also responsible for verification of customer signatures on certain variable annuity transactions**.** It is also the Designated Principal's responsibility to review and approve any advertising or sales literature regarding variable product(s) and for submission to FINRA Advertising Regulation Department for review and approval.

The Designated Principal will also ensure that the firm has fully executed selling agreements in place between the broker/dealer and the variable product sponsor. Until the properly executed agreements are in place, the firm may not conduct any variable business with the product sponsor.

The Designated Principal is to review the variable annuity transactions for suitability, unauthorized trading, short term buying and/or selling, changes in the activity pattern of the client (if applicable), switching, delivery of prospectus, selling of dividends, selling of multiple contracts, etc.

Representative Responsibilities

It is the responsibility of the Registered Representative to obtain a complete investment profile of the customer. The profile must include sufficient information to support the suitability of the variable annuity investment. Also, the Registered Representative is responsible for providing a current prospectus to the customer. In recommending the

purchase or sale of a variable annuity, the Registered Representative must disclose all material facts to the customer including, but not limited to, sales charges and investment risk of the fund compared to other investments.

The Registered Representative must not only be properly registered with FINRA and the states in order to conduct securities business but must also have the proper insurance licenses in each state where he plans to conduct the variable annuity business. The Registered Representative must provide the Compliance Department with proof of proper insurance state insurance licensing prior to conducting variable annuity business.

Deferred Variable Annuities

Prior to recommending the purchase or exchange of a deferred variable annuity to a customer, the firm must have a reasonable basis to believe that:

1. The Registered Representative has informed the customer, in general terms, of the various features of a deferred variable annuity, such as potential surrender period and surrender charge; potential tax penalty if the customer sells or redeems a deferred variable annuity before reaching the age of 59½; mortality and expense fees; investment advisory fees; potential charges for and features of riders; the insurance and investment components of deferred variable annuities; and market risk.

2. The customer would benefit from certain features of deferred variable annuities, such as tax-deferred growth, annuitization or a death or living benefit; and that

3. The deferred variable annuity as a whole, the underlying subaccounts to which funds are allocated at the time of purchase or exchange of the deferred variable annuity, and riders and similar product enhancements, if any, are suitable (and, in the case of an exchange, the transaction as a whole also is suitable) for the customer based on the information required by Rule 2330.

If an exchange of one variable annuity for another is involved, the Registered Representative must consider the following factors when determining if the deferred variable annuity is suitable:

- Whether the customer will incur a surrender charge, be subject to the commencement of a new surrender period, lose existing benefits, or be subject to increased fees or charges
- Whether the customer would benefit from product enhancements and improvements; and
- Whether the customer's account has had another deferred variable annuity exchange within the preceding 36 months.

The determinations related to exchanges of deferred variable annuities must be documented and signed by the Registered Representative recommending the transaction.

The following specific information must be considered when recommending the purchase of a deferred variable annuity:

- Age
- Annual income
- Financial situation and needs
- Investment experience
- Investment objectives
- Intended use of the deferred variable annuity
- Investment time horizon

- Existing assets
- Liquidity needs
- Liquid net worth
- Risk tolerance
- Tax status
- Any other pertinent information

The firm will develop specific training policies designed to ensure that associated persons who effect transactions in deferred variable annuities and registered principals who review these transactions comply with the requirements of FINRA Rule 2330 and understand the material features of deferred variable annuities, including the following:

- The potential surrender period and surrender charge;
- The potential tax penalty if the customer sells or redeems deferred variable annuities before reaching the age of 59½;
- Mortality and expense fees;
- Investment advisory fees;
- Potential charges for and features of riders;
- Insurance and investment components of deferred variable annuities; and
- Market risk.

The Registered Representative must not only be properly registered with FINRA and the states in order to conduct securities business but must also have the proper insurance licenses in each state where they plan to conduct the variable annuity business. The Registered Representative must provide the Compliance Department with proof of proper insurance state insurance licensing prior to conducting variable annuity business.

Review and Approval of Variable Transactions

The Designated Principal is to evidence the review and approval of variable annuity transactions by reviewing and initialing the New Account Form (if applicable), the application and the daily sales blotter. (See the process below.) If necessary, the Designated Principal will review the Switch Letter submitted by the Registered Representative with the variable annuity application or order ticket.

The review and approval of variable annuity transactions is to be conducted before noon of the next trading day. Verification of the customer signature must be completed prior to executing the order with the variable insurance company. The daily blotter is to be filed in chronological order.

Process

1. Customer's variable annuity investment decision is made. All required paperwork is completed, and any additional documentation is gathered from the customer. This may include the new account form, the variable annuity application, items to determine suitability of the investment, any other information or forms required by the specific mutual fund company, etc.

2. If not already given to the customer, the Registered Representative gives the customer a current prospectus of their selected annuity.

3. Customer makes their investment check payable to the insurance company/product sponsor.

4. Registered Representative compiles all account information and documentation, attaches the customer's check and delivers the package to the Designated Principal for review and approval.

5. Principal reviews customer's variable annuity investment package. Review will include the following:
    - Is the new account form complete?
    - Has suitability been determined?
    - Has the variable annuity application been completed properly?
    - Is the customer switching from one annuity to another? Has a "Switch Letter" been obtained from the customer?
    - If twisting is involved, a completed Twist Letter must be submitted by the registered representative along with the application.
    - Thoroughly review transaction if part of a "1035 Exchange", to ensure that the investor was informed of the additional sales charges that may result from the exchange.
    - If the variable account is a transfer account or has a change of address, the principal will review to ensure that customer signature verification was conducted and documented.

6. If the Principal approves the investment, the Principal will initial the New Account Form, the Variable Annuity Application and the Daily Sales Blotter

7. The new variable annuity transaction is recorded on the firm's Daily Sales Blotter.

8. The customer's check is recorded on the Checks Received and Forwarded Blotter.

9. The application package (including the customer's check) is forwarded to insurance company/product sponsor via overnight carrier.

NOTE: If the insurance company requires verification of customer signature, this must be completed prior to sending the order to the insurance company/product sponsor.

Delivery of Prospectus

All initial sales of variable contracts must be made by means of a current prospectus. Registered Representatives should be thoroughly familiar with the product features and review the major sections of the prospectus with the investor. Particular attention should be given to the contract provisions, investment options and all fees and expenses. The prospectus, however, should not be highlighted or otherwise marked by the Representative; a prospectus is a legal document and cannot be altered. Although the prospectus must be filed with the SEC, the Representative must not state or imply that the securities have been approved by the Securities and Exchange Commission.

The Registered Representative must obtain, in writing, documentation verifying the customer's receipt of the prospectus and their understanding of early redemptions and the associated tax consequences and penalties associated with the variable annuity.

Communications about Variable Products

For detailed information regarding communication with the public about variable life insurance or variable annuities, please see FINRA Rule 2211.

Registered Representatives need to exercise care when discussing variable contracts to ensure the client understands that he/she is purchasing a product that has both an investment and an insurance component. Written communications regarding variable contracts are governed by FINRA and SEC regulations, as well as state insurance law. Insurance laws vary from state to state.

SEC rules require that a prospectus precede or accompany any use of sales literature. FINRA rules further require that advertisements and sales literature about variable contracts be filed with its Advertising Regulation Department. See the Advertising and Sales Literature Procedure included in these procedures for the variable product advertising filing requirements.

Correspondence referring to a variable contract must also state from whom a prospectus containing more complete information may be obtained and that an investor should read the prospectus carefully before investing.

Other than contractual guarantees stated in the prospectus published by the product sponsor, there may be no implied guarantee about investment return or principal value. Also, comparisons and hypotheticals must comply with specific guidelines established by FINRA and governed by FINRA Advertising Regulation Department. Comparison and hypotheticals require the review and approval of the Compliance Department and may not be used to predict future investment results/returns.

Other considerations regarding variable products in the firm's communications with the public: advertisement should not be misleading, risks and benefits should be balanced, some investors may require more detailed explanation of the variable product, communications should be clear and concise, time periods used in advertising should be appropriate for the illustrations if investment results, returns may not be predicted or projected, if yields or projections of returns are used provide a detailed explanation of how the yield or return was computed, material differences must disclosed if comparisons are being used.

Disclosure of Fees & Expenses

The Registered Representative must discuss all relevant facts with the clients, including ***all costs associated with the product***, including: contract fees, mortality and expense charges, sales charges (sales charges by issuer to offset sales and promotion expenses, whether they are deducted from the investor's purchase payment, charged on redemption or charged against net assets of a sub-account), management fees and surrender charges. For variable life products, the cost of the insurance premium must also be disclosed.

Sales charge limits, as established by FINRA Rules, must not be violated.

Variable Annuity Payment from the Customer

All customer applications and payments for any variable annuity contract will be sent directly to the product sponsor/issuer, with the check made payable to the product sponsor/issuer. Checks made payable to the broker/dealer will not be accepted. If any check made payable to the broker/dealer is received, the check will be returned to the customer with a letter instructing them on the way to properly complete the check.

Short-Term Trading Violations

Variable contracts are considered long-term investments and should be purchased by persons whom a Representative has reason to believe are prepared to hold them as such. For variable life, this means the client has the ability to meet his/her on-going premium obligations. Variable products are not liquid and must not be promoted as such. In addition to potential surrender charges, the investor may incur tax penalties on early withdrawals. Trading of these products, especially on a short-term basis, is a violation of FINRA's rules of fair practice.

Principals for J Alden will review for patterns of short-term trading by reviewing for surrenders and withdrawals on duplicate statements provided by the Insurance Company.

Replacements

Moving a customer from one variable contract to another or liquidating a customer out of an insurance or investment product purchased in the recent past to acquire a variable contract, raises questions of suitability, unfavorable tax consequences and unfair additional sales charges. Any recommendation that a customer replace an investment or insurance product must be made with the investor's best interest in mind, rather than based on incentives received by the associated person. Before executing such transactions, the Registered Representative must: apprise the customer that he/she already paid a sales charge on the original purchase and the replacement requires another sales charge, obtain the written authorization of the customer and provide J Alden with documentation (a "Replacement Form") to explain the benefit of the replacement. The Replacement Form must accompany the application and also be initialed by the Principal to evidence his/her review.

Comparisons and Discussions about Tax-Deferral Benefits

When comparing investment products, Registered Representatives must take care to ensure that comparisons are fair and balanced. Comparisons with alternative investment or savings vehicles should explain any relevant differences in guarantees, fluctuation of principal and/or return, insurance, tax features and any other factors necessary to make such comparisons fair and not misleading.

Any discussion about the tax-deferral benefits of variable contracts should not diminish the importance of the life insurance features of the product. *If recommending the purchase of a variable annuity in a tax-deferred account, the Representative must inform the client that the tax-deferral feature is unnecessary and document the file accordingly.*

Dealing with Variable Contract Providers

A Registered Representative may not favor or disfavor the sale of a particular variable contract because of the commission or compensation received or expected. The customer's interest must come first.

A Registered Representative may not receive compensation for the sale of a variable contract from any organization or individual other than the Firm, except that the Registered Representative may accept token gifts directly from the product sponsor. [See "Gifts & Gratuities".]

Contract Delivery

Registered Representatives are responsible for delivering variable contracts that come due for payout and obtaining evidence of delivery. Evidence of delivery

documentation will be submitted to the Designated Principal for review and placed in the client account file.

Special Review Considerations

Transactions in variable contracts will be processed directly with the product provider on a subscription basis. The variable contract application form, together with J Alden customer information form, will be routed to the Designated Principal for review and approval. The Principal will initial both the application and the customer information form. These forms must be reviewed before forwarding the application to the insurance company for contract issuance.

J Alden will request that all insurance companies provide the firm with duplicate copies of client statements. The Designated Principal will review these statements each quarter and initial the statement to evidence his review.

The Principal review will monitor for the following:

- Suitability of the match between the fundamental investment objectives of the product and the customer's objectives and goals;
- The customer's investment experience and ability to understand the contract features and monitor the investment experience of the separate account;
- That the customer does not appear to have a short-term investment horizon or a need for liquidity;
- The customer's ability to meet on-going premium obligations, when applicable;
- That the source of funds used to purchase the contract were not generated from the replacement of another insurance or investment product - or from the value of another life insurance product - without a Replacement Form signed by the client;
- If a variable annuity is used in a tax qualified account, that the reason is documented and appears appropriate.

Redemption Procedures

To insure prompt and accurate settlement with its customers, the firm will not solicit or facilitate the liquidation or cancellation of variable annuity contracts through the broker/dealer. The firm's registered personnel will assist clients by providing guidance and instruction to the investor on how to handle the liquidation of the variable contracts directly with the product sponsor. The firm will assist its customers in dealing with the underwriter/sponsor should any problems arise.

Compensation

The firm prohibits any registered representative from receiving any incentive or additional compensation for the sale of specific variable contracts. This includes, but is not limited to, any related bonuses, preferred compensation lists and sales incentive contests.

Definitions:

- *Compensation* means cash compensation and non-cash compensation.
- *Cash Compensation* means any discount, concession, fee, service fee, commission, asset-based sales charge, loan, override, or cash employee benefit received in connection with the sale and distribution of variable contracts.
- *Non-cash Compensation* means any form of compensation received in connection with the sale and distribution of variable contracts that is not cash compensation, including but not limited to merchandise, gifts and prizes, travel expenses, meals and lodging.

FINRA Rule 2320 – Variable Contracts of an Insurance Company, specifically Rule 2320(g) regarding member compensation, states that "In connection with the sale and distribution of variable contracts: except as described below, no associated person shall accept any compensation from anyone other than the member with which the person is associated. This requirement will not prohibit arrangements where a non-member company pays compensation directly to associated persons of this firm provided that:

1. The arrangement is agreed to by the member;
2. The member relies on an appropriate rule, regulation, interpretive release, interpretive letter, or "no-action" letter issued by the Commission or its staff that applies to the specific fact situation of the arrangement.
3. The receipt by associated persons of such compensation is treated as compensation received by this firm for the purpose of the Rules of the FINRA Rules; and;
4. The record keeping requirement is satisfied."

Also, no member or person associated with a member shall directly or indirectly accept or make payments or offers of payments of any non-cash compensation, except as follows:

1. Gifts that do not exceed the annual allowed amount of $100. These gifts may not be based on the achievement of a sales target or goal.
2. An occasional meal, ticket to a sporting event or to the theater or some other comparable entertainment. This type of non-cash compensation may not be frequent or extensive, raising a question of propriety, and may not be based on the achievement of a sales target or goal.
3. Payment or reimbursement by offerors for offeror-sponsored meetings or by a member firm for training or education of an associated person of a member. (If this is done, proper records must be maintained, prior approval must be received and documented for the associated person to attend, attendance is not determined by the member achieving a sales target, the location must be appropriate for the business being conducted, the offeror's office, member's office, a facility located near the office or a regional location, the payment or reimbursement must not be applied to the expenses of guest of the associated person and the payment or reimbursement by the offeror is not based on the achievement of a sales target or goal.)

Compensation Recordkeeping

Records of all compensation received by the member or its associated persons from offerors must include the names of the offerors, names of the associated persons, the amount of cash and the nature and value of any non-cash compensation received.

Please see FINRA rules for more details on non-cash compensation in connection with the sale and distribution of investment company securities.

Verification of Customer Signature and Signature Guarantee Requirements

Prior to the customer transferring an account or making any significant changes to the variable account (including change of address), the Designated Principal must ensure that the customer's signature was verified as proof that if belongs to the customer. This is done through the Medallion Signature Guarantee Program.

Some variable insurance companies require a guarantee of the customer's signature prior to accepting any transaction signed by that customer. A member of the Signature Guarantee Medallion Program provides the signature guarantee. The Designated Principal of the firm is the one responsible for this guarantee. By guaranteeing the customer's signature, the Designated Principal certifies that the signature is genuine.

When required, verification of the customer's signature is evidenced by a signature guarantee stamp. The Principal stamps the document, guaranteeing the signature. The Designated Principal will also keep a log of all signature guarantees. This log should include the date, customer name, name of related signature document and the name of the Registered Representative. Any questionable practices detected from the review of transactions, or the guarantee of the customer's signature, must be brought to the attention of the Chief Compliance Officer immediately.

Maintenance and Retention of Mutual Funds Records

According to SEC Rule 17a-4, these records are to be maintained for at least three years, and readily accessible for the first two years.

H. Municipal Fund Securities (529 Plans)

An MSRB ("Municipal Securities Rulemaking Board") manual is maintained by the Municipal Securities Principal, the firm's President (or access to the Manual is available via the Internet). Any questions concerning specific MSRB rules should be directed accordingly.

Broker/dealers engaged in municipal securities transactions must comply with all applicable SEC recordkeeping rules (i.e. Rules 17a-4 and 17a-5), as well as MSRB Rules G-8 and G-9, which have recordkeeping requirements beyond those of the SEC.

The MSRB is the self-regulatory organization responsible for the Municipal Securities market and is responsible for promulgating the rules for dealers engaging in municipal securities transactions. While FINRA enforces compliance with the MSRB Rules, the SEC retains overall responsibility for the enforcement of the MSRB rules. Many of the MSRB Rules are duplicated by FINRA and, therefore, are addressed in other areas throughout these Written Supervisory Procedures. MSRB specific rules are addressed in this procedure. The MSRB manual will be maintained by the Municipal Securities Principal.

529 College Savings Plans

529 college savings plans are designed to help investors save money for college education. These savings plans are most commonly established by states for municipalities under Section 529(b) of the Internal Revenue Code. 529 Plans include interests in pooled investment funds under trusts generally established by states or local governmental entities. While similar to mutual funds or variable annuities, 529 plans are actually municipal fund securities, therefore are subject to MSRB Rules.

MSRB Principal Responsibilities

The MSRB Principal is responsible for the review and approval of each municipal security account and each municipal transaction conducted by the representatives under his/her supervision and for the conduct of the municipal securities activities of the firm and its associated persons to ensure compliance with the MSRB rules and regulations. The MSRB Principal is also responsible for the review of all customer complaints related to municipal securities, the review of incoming and outgoing correspondence and for contribution reporting as required by the MSRB rules.

Municipal Securities Representative

The Designated Municipal Principal is responsible for ensuring that all Registered Representatives selling municipal fund securities are duly qualified as Investment Company Products/Variable Contracts Representatives (Series 6). No municipal business may be transacted, and no compensation paid prior to obtaining proper securities licenses.

Apprentice Municipal Representatives – MSRB Rule G-3

Any individual associated with the firm in a registered capacity, who has not been previously qualified as an Investment Company Products/Variable Contracts Representative, must wait for a period of 90 days following the date of his first association with the firm before being permitted to transact any municipal securities business with any other broker/dealer or the public, or being compensated for such transactions.

Executions and Transaction Reporting

When executing a municipal transaction, a reasonable effort must be made to obtain a fair and reasonable price for the customer, based on market conditions.

According to MSRB Rule G-14, each municipal securities transaction must be reported to the MSRB via the Transaction Reporting System. MSRB Rule G-14 excludes transactions in municipal fund securities from the MSRB's transaction reporting requirement; therefore, excepts the sale of municipal fund securities from the MSRB's customer transaction assessment.

Electronic Mail Contacts with MSRB

MSRB Rule A-12 requires that each broker/dealer approved to conduct municipal securities business and a member of the MSRB must appoint a Primary Electronic Mail Contact which identities to the MSRB the person in the firm they will have communication with on any MSRB matters. The Primary Electronic Mail Contact must be a Series 53 or Series 51 and registered with the firm.

Upon registration with the MSRB per Rule A-12 the firm will file Form A-12 identifying the following information: name of the firm; MSRB Registration number; name, telephone number and email address of the Primary Electronic Mail Contact and the Optional Electronic Mail Contact (if any); name, title and email of the person who completed the A-12 Form. If the firm is a municipal advisor, the firm must identify the categories of municipal advisor that describes the activity as a municipal advisor. Karen Van Horn, the firm's Chief Compliance Officer will be responsible for this.

The Form A-12 may be amended electronically for any changes in its contact information. The amendment should be made as the changes occur, but no later than 30 days following the change. In addition, the firm is required to review, and if necessary, update and electronically submit the information to the MSRB by January 31st of each year.

Conduct of Municipal Securities Activities – MSRB Rule G-17

The firm and each person associated with the firm will deal fairly with all customers and potential customers. The associated person will not engage in any unfair practice, including:

- Lying or being deceptive to the client
- Misleading the client
- Altering or shading the facts in order to confuse the client

Also, in dealing fairly with the public, the firm will not charge a commission or service charge in excess of a fair and reasonable amount (all relevant factors taken into consideration).

Suitability – MSRB G-19

Suitability rules are designed to ensure that in making a recommendation, the firm or associated person must have reasonable grounds to believe the municipal fund security investment is suitable for the client. This is based upon information available from the issuer and from the information disclosed or known about the customer. This suitability is no different than the suitability used in other security transactions. As with all securities,

suitability is determined by information received on the customer's financial status, tax status and investment objectives.

Confirmation of Municipal Securities Transactions – MSRB G-15

At or before the completion of a transaction in municipal fund securities, the broker/dealer, via the issuer, will send to the customer a written confirmation of the transaction. Confirmations must include the following information:

1. Identification of the parties involved, their capacities and any remuneration from other parties.
2. Trade date and time of execution.
3. Par value of the securities.
4. Settlement date.
5. Yield and dollar price.
6. Final monies, including total dollar amount of transaction, amount of accrued interest, if securities pay interest on a current basis, but are traded without interest, a notation of "flat", extended principal amount, the nature and amount of miscellaneous fees, if the broker/dealer is effecting the transaction as agent for the customer or as agent for the customer and another person, amount of any remuneration, the first interest payment date if other than semi-annual, the percentage of the purchase price at risk due to lowest possible call for callable zero coupon securities.
7. Delivery of securities:
8. Any additional information about the transaction deemed necessary.

Fair Commissions – MSRB G-30

In dealing fairly with the public, the firm will not charge a commission or service charge in excess of a fair and reasonable amount (all relevant factors taken into consideration).

Political Contributions and Prohibitions on Municipal Securities Business – MSRB G-37

A record of contributions must be maintained by the Municipal Principal, including any payments/contributions, direct or indirect, to officials of an issuer and payments, direct or indirect, made to political parties of states and political subdivisions, by the broker/dealer or municipal securities dealer and each political action committee controlled by the broker/dealer or municipal securities dealer (or by any municipal finance professional or such broker/dealer or municipal securities dealer) must be disclosed to the Municipal Principal.

Firms engaging in municipal business must file quarterly reports with the MSRB on Form G37/G38 regarding any reportable contributions and the issuers with which the firm engages in municipal securities business. If the firm does not have any contributions or business to report, the firm is not required to file a quarterly report with MSRB. Additionally, if the firm serves only as a dealer and not a primary distributor for the municipal, it may qualify to exclude itself from the requirements of G-37 by submitting a one-time filing of Form G37x.

In order to prevent fraudulent and manipulative acts and practices as associated with municipal securities transactions, MSRB Rule G-37 prohibits broker/dealers from conducting securities business with issuers if certain political contributions have been made to officials of such issuers, and it requires broker/dealers to disclose certain political contributions to allow for public scrutiny of the contribution and the municipal securities business.

MSRB Rule G-37 prohibitions

- "No broker, dealer or municipal securities dealer shall engage in municipal securities business (see definition below) with an issuer within two years after any contribution to an official of such issuer made by (i) the broker, dealer or municipal securities dealer; (ii) any municipal finance professional associated with such broker, dealer or municipal securities dealer; or (iii) any political action committee controlled by the broker, dealer or municipal securities dealer or by any municipal finance professional…."

- "No broker, dealer or municipal securities dealer or any municipal finance professional of the broker, dealer or municipal securities dealer shall solicit any person or political action committee to make any contribution, or shall coordinate any contributions, to an official of an issuer with which the broker, dealer or municipal securities dealer is engaging or is seeking to engage in municipal securities business."

Municipal Securities Business is defined as:

- the purchase of a primary offering of municipal securities from the issuer on other than a competitive bid basis;
- the offer or sale of a primary offering of municipal securities on behalf of any issuer;
- the provision of financial advisory or consultant services to or on behalf of an issuer with respect to a primary offering of municipal securities in which the dealer was chosen to provide such services on other than a competitive bid basis; or
- the provision of remarketing agent services to or on behalf of an issuer with respect to a primary offering of municipal securities in which the dealer was chosen to provide such services on other than a competitive bid basis.

Senior Management of the firm takes very seriously the requirements under MSRB Rule G-37, which generally bar municipal broker/dealers who contribute to issuer-clients from doing any negotiated business with those clients for a two (2) year period following such contribution.

Municipal finance professionals may, however, contribute up to two hundred-fifty dollars ($250) to a political candidate for whom they can vote, regardless of whether or not the candidate is affiliated with an issuer-client.

Disclosure of Political Contributions:
Any payments/contributions, direct or indirect, to officials of an issuer and payments, direct or indirect, made to political parties of states and political subdivisions, by the broker, dealer or municipal securities dealer and each political action committee controlled by the broker, dealer or municipal securities dealer (or by any municipal finance processional or such broker, dealer or municipal securities dealer) must be disclosed to senior management. Such disclosure must include:

- the identity of the contributors
- the names and titles (including any city/county/state or other political subdivision) of the recipients of such contributions and payments and
- the amounts and dates of such contributions and payments.

Any contributions, direct or indirect, to officials of an issuer made by each municipal finance professional and executive officer must immediately be disclosed to either the Municipal Securities Principal or senior management. Such disclosure must include:

- the names, titles, city/county and state of residence of contributors,
- the names, titles including any city/county/state or other political subdivision) of the recipients of such contributions, and
- the amounts and dates of such contributions.

Such disclosure need not be made to reflect any contribution made to officials of any issuer for whom the contributor is entitled to vote if the contributions by such individual, in total, are not in excess of $250 to any official of an issuer, per election.

Any payments, direct or indirect, to political parties of states and political subdivisions made by any municipal finance professionals and executive officer for the current year and for each of the previous two calendar years, MUST BE DISCLOSED to the J Alden Municipal Securities Principal or other appropriate management-level principal of the firm. Such information must include:

- The names, titles, city/county and state of residence of contributors,
- The names and titles (including any city/county/state or other political subdivision of the recipients of such payments, and
- The amounts and dates of such payments, provided, however, that such records need not reflect those payments made by any municipal finance professional or executive officer to a political party of a state or political subdivision in which such persons are entitled to vote if the payments by such person, in total, are not in excess of $250 per political party, per year.

These records must be retained for a period of six years.

Delivery of Investor Brochure – MSRB G-10

The Municipal Principal will review all grievances involving the activities of the broker/dealer or any associated person with respect to any complaints involving municipal securities in a customer's account. The broker/dealer must keep a record of all written complaints and the action taken by the broker dealer. The broker/dealer must also provide to the customer a copy of the investor brochure (brochure designated by the MSRB) immediately upon receipt of a complaint by the customer (MSRB Rule G-10). Proof of sending the client the "investor brochure" must be attached to the complaint and maintained as a permanent record of the complaint.

The MSRB's "investor brochure" can be obtained by ordering from the MSRB. (Use the MSRB Publications Order Form, which is available in the MSRB manual, in MSRB Reports, by phone or downloaded off the Internet at the MSRB web site, www.msrb.org.)

For further procedures on the handling of customer complaints, please see procedure on "Customer Complaints".

Supervision and Review of Correspondence – MSRB Rule G-27:

The Municipal Principal will review incoming and outgoing written and electronic correspondence with the public regarding municipal activities. For further procedures on the review of incoming and outgoing correspondence, please see Sections 6(A), 6(B) and 6(C).

MSRB Rule G-27 also requires that:

(A) Each broker/dealer must supervise the conduct of its municipal securities business and related activities to ensure compliance with MSRB rules. (The majority of MSRB supervision rules are met by our being in compliance with FINRA rules governing supervision.)

(B) Designation of Principals

(i) We are required to designate one or more associated individuals qualified as municipal securities principals, municipal securities sales principals, financial and operations principals, or as general securities principals to be responsible for the supervision of our municipal securities business and the activities of our associated personnel.

(ii) We are required to maintain written records of each supervisory designation and of the principal's responsibilities.

(Such supervisory designations are maintained on internal documents, including the exact periods of time for which individuals were so designated. In addition, included in these Written Supervisory Policies and Procedures is a list of all areas of responsibility and the individual responsible for ensuring compliance of each.)

(iii) We are required to designate an MSRB principal responsible for ensuring compliance under MSRB G-27.

FINOP is responsible for financial reporting duties, including reporting municipal securities revenue on Schedule 1 on an annual basis. Our Municipal Principal, responsible for overseeing all municipal securities related activities, is Matthew Resch.

(C) J Alden is responsible for adopting, maintaining and enforcing written supervisory policies and procedures reasonably designed to ensure that the conduct of our municipal fund securities business and all related activities is in compliance.

(Such Written Supervisory Policies & Procedures have been adopted, and are maintained and enforced by our Compliance Department, and, where appropriate, by our Municipal Principal.)

(D) We are required to, and do, revise and update our Written Supervisory Policies & Procedures as necessary (in response to new or altered rules and/or regulations), and also review, minimally on an annual basis, our supervisory system and Written Supervisory Policies & Procedures.

(See such specific policies & procedures throughout these Written Supervisory Policies & Procedures.)

(E) We will inspect at least annually every office of municipal supervisory jurisdiction and any municipal branch office that supervises one or more non-branch locations. We will inspect at least every three years, or more frequently if deemed necessary, every municipal branch office that does not supervise one or more non-branch locations. We will inspect on a regular periodic schedule every non-branch location. A written record of the dates each review was conducted will be maintained.

A written report of all office inspections and reviews will maintained and kept on file for a minimum of three years. The report will include the testing and

verification of the firm's policies and procedures, including supervisory policies and procedures in the following areas as they relate to municipal fund securities:

1. Safeguarding of customer funds and municipal securities;
2. Maintaining books and records;
3. Supervision of customer accounts services by branch office managers;
4. Transmittal of funds between customers and registered representatives and between customers and third parties;
5. Validation of customer address changes; and
6. Validation of changes in customer account information.

If the firm does not engage in all of the activities listed above, we will identify in which activities we do not engage in the written inspection report and document in the report that supervisory policies and procedures for those activities must be in place before the firm can engage in them.

F) The firm will establish procedures for the review of all incoming and outgoing written correspondence of municipal fund securities representatives with the public related to municipal fund securities activities. Correspondence will be maintained in accordance with Rules G-8(a)(xx) and G-9(b)(viii) and (xiv).

G) The firm will designate one or more principals who will establish, maintain, and enforce a system of supervisory control policies and procedures that test and verify that the firm's supervisory procedures are reasonably designed with respect to the municipal fund securities activities of the firm and its registered representatives and associated persons to achieve compliance with applicable rules; and create additional procedures or amend existing ones where the need is identified by the testing and verification. The establishment, maintenance, and enforcement of written supervisory control policies and procedures shall include:

1. Procedures that are reasonably designed to review and supervise the customer account activity relating to municipal fund securities conducted by the firm's branch office managers, sales manager, regional or district sales managers, or any person performing a similar supervisory function.
2. Procedures that are reasonably designed to review and monitor the following activities related to municipal fund securities:

    a. All transmittals of funds or municipal fund securities from customers to third party accounts; from customer accounts to outside entities; from customer accounts to locations other than a customer's primary residence; and between customers and registered representatives, including the hand-delivery of checks;
    b. Customer changes of address and the validation of such changes of address; and
    c. Customer changes of investment objectives and the validation of such changes of investment objectives.

3. Procedures that are reasonably designed to provide heightened supervision over the activities of each producing manager who is responsible for generating 20% or more of the revenue of the business units supervised by the producing manager's supervisor.

Advertising Municipal Securities – MSRB Rule G-21

MSRB Rule G-21 is the MSRB advertising rule covering the advertising of municipal securities. G-21 includes:

- The prohibition of "materially false or misleading" advertisements in public media, form letters, scripts, or electronic material;
- Requirement for written approval of advertisements prior to use and must be approved in writing by the municipal principal; and
- Requirement to maintain a separate file of municipal advertisements for a period of 3 years from the date of each use (per MSRB Rule G-9).

A separate Municipal Fund Securities Advertising file will be maintained for all advertisements and sales literature (each of which must be approved by the firm's Limited Municipal Fund Securities Principal PRIOR to use). All advertising will be reviewed prior to use to ensure that it is free of false or misleading information. Any advertisements of new issues must properly reflect the availability of the securities.

All product advertisements for municipal fund securities are subject to the following requirements:

A) Required disclosures:

1. Basic Disclosure - Each product advertisement for municipal fund securities will include a statement to the effect that:

    a. An investor should consider the investment objectives, risks, and charges and expenses associated with municipal fund securities before investing;
    b. More information about municipal fund securities is available in the issuer's official statement;
    c. If the advertisement identifies a source from which an investor may obtain an official statement and the broker, dealer or municipal securities dealer that publishes the advertisement is the underwriter for one or more of the issues of municipal fund securities for which any such official statement may be supplies, the broker/dealer or municipal securities dealer is the underwriter for one or more issues (as appropriate) of such municipal fund securities; and
    d. The official statement should be read carefully before investing.

2. Additional disclosures for identified products – that refers by name to any municipal fund security, issuer of municipal fund securities, state or other governmental entity that sponsors the issuance of municipal fund securities, or to any securities held as assets of municipal fund securities or to any issuer thereof, must include the following disclosures, as applicable:

    a. Unless the offer of the municipal fund securities is exempt from Exchange Act Rule 15c2-12 and the issuer thereof has not produced an official statement, a source from which an investor may obtain an official statement;
    b. If the advertisement relates to municipal fund securities issued by a qualified tuition program under Internal Revenue Code Section 529, a statement to the effect that an investor should consider, before investing, whether the investor/s or designated beneficiary's home state offers any state tax or other benefits that are only available for investments in that state's qualified tuition program. This statement is not required if the

advertisement is sent to only residents of the state and is not published or disseminated by the broker, dealer or municipal securities dealer, or made available to any of its affiliates, the issuer or any of the issuer's agents.

c. If the advertisement is for a municipal fund security that the issuer holds out as having the characteristics of a money market fund, statements to the effect that an investment in the security is not insured or guaranteed by the FDIC or any government agency and, if the security is held out as maintaining a stable net asset value, that although the issuer seeks to preserve the value of the investment at $1.00 per share or another applicable fixed share price, it is possible to lose money by investing in the security.

3. Additional disclosures concerning performance – that includes performance data must include:

   a. A legend disclosing that the performance data included in the advertisement represents past performance; that past performance does not guarantee future results; that the investment return and the value of the investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost; and that the current performance may be lower or higher than the performance data included in the advertisement.

   b. If a sales load or any other nonrecurring fee is charges, the maximum amount of the load or fee and, if the sales load or fee is not reflected in the performance data included in the advertisement, a statement that the performance data does not reflect the deduction of the sales load or fee and that the performance data would be lower if such load or fee were included; and

   c. To the extent that such performance data relates to municipal fund securities that are not held out as having the characteristics of a money market fund and to the extent applicable, the total annual operating expense ratio of such municipal fund securities, gross of any fee waivers or expense reimbursements.

4. The format of the disclosure(s) must meet the requirements set for in Rule G-21(e)(4).

B) The following advertisements related to municipal fund securities are not subject to the provisions of subparagraphs (1) and (2) of paragraph (e)(i)(A) of this Rule:

   1. Generic Advertisements
   2. Certain Blind Advertisements
   3. Certain Form Letters to Existing Customers

C) Each product advertisement that includes performance data related to municipal fund securities must present performance data in the format, and calculated pursuant to the methods, prescribed in paragraph (d) of Securities Act Rule 482 and, to the extent applicable, subparagraph (e)(i)(A)(4) of this Rule.

D) An advertisement for a specific municipal fund security must provide sufficient information to identify such specific security in a manner that is not false or misleading. The advertisement must include the name of the issuer, presented in a manner no less prominent than any other entity identified in the advertisement, and must not imply that a different entity is the issuer. Additionally, the advertisement cannot raise an inference that because municipal fund securities are issued under a government-sponsored plan, investors are guaranteed against losses if no such guarantee exists. If the advertisement concerns a specific class or category of an issuer's municipal fund securities (A shares vs. B shares),

this will be clearly disclosed in a manner no less prominent than the information provided with respect to such class or category.

E) An advertisement that relates to or describes services provided with respect to municipal fund securities must clearly indicate the entity providing those services.

F) Any discussion of tax implications or other benefits or features in municipal fund securities included in an advertisement must not be false or misleading.

G) If an advertisement for a municipal fund security provides specific details of a security held as an underlying asset of the municipal fund security, the details included in the advertisement related to the underlying security must be presented in a manner that would be in compliance with any Commission or FINRA advertising rules that would be applicable if the advertisement related solely to the underlying security.

H) All correspondence with the public that includes performance data relating to municipal fund securities must comply with the provisions of subparagraph (e)(i)(A)(3) and subsection (3)(ii) as if such correspondence were a product advertisement under this Rule.

I) All advertisements subject to the requirements of Rule G-21 must be approved in writing by a municipal securities principal or general securities principal prior to first use.

Disclosures in Connection with New Issues – MSRB Rule G-32

The broker/dealer, via the issuer, will provide a copy of the Official Statement and subsequent amendments as per Rule G-32(a). The Municipal Principal is responsible for ensuring that an Official Statement in final form, or preliminary form when appropriate, is provided to a customer no later than the settlement of the transaction prior to selling any new issue municipal fund securities.

Additionally, Registered Representatives will deliver an Official Statement to customers no later than the settlement of the transaction and will evidence delivery by completing a Receipt of Official Statement form. This form will be signed by both the Registered Representative and the customer and maintained in the customer file.

SEC Rule 15c2-12 requires that broker/dealers must have a reasonable basis to believe the issuer's disclosure documents in order to recommend a municipal fund security to customers. The Municipal Principal is responsible for inquiring of a Nationally Recognized Municipal Securities Information Repository or the MSRB as to material events regarding the specific municipal issues that are purchased or sold in the transaction(s) under review. Documentation will be maintained on inquiries that are made.

Record Keeping Requirements – MSRB Rule G-8

In addition to the standard record keeping requirements of FINRA and the SEC, and included in this manual, there are additional MSRB record keeping requirements required. These include:

- Records concerning delivery of official statements required under MSRB Rule G-32 (see MSRB Rule G-32 above)
- Designation of persons responsible for record keeping as required by MSRB Rule G-27
- Record of all deliveries to purchasers of new issue securities, of official statements or other disclosures concerning the underwriting arrangements pursuant to MSRB Rule G-32.
- Records evidencing any consulting arrangement for any consultants hired by underwriters or issuers of municipal securities. These records must include consultants

name, company, responsibility, and compensation and must be presented to the issuer or prior to the selection of any broker, dealer or municipal securities dealer in connection with such municipal securities business. This is MSRB Rule G-38.

Availability of Board Rules – MSRB Rule G-29

The firm will maintain a copy of all MSRB rules in each office where any activities related to the sale of municipal fund securities take place. These rules will be available for examination by customers promptly upon request.

Review Procedure

The Municipal Principal is to evidence the review and approval of new accounts by initialing the new account form and initialing the daily sales blotter for all municipal fund transactions. Any questionable practices detected from the review of transactions must be brought to the attention of the Chief Compliance Officer immediately.

Any new account wishing to transact business in municipal fund securities must be signed off on and approved by the Municipal Securities Principal PRIOR to any transaction taking place in the account. Regular reviews will be undertaken by the Municipal Securities Principal concerning:

- The opening of each municipal securities account;
- Each transaction in municipal securities;
- The handling of customer complaints involving municipal securities; and
- All correspondence pertaining to the solicitation or execution of transactions in municipal securities.

The review and approval are to be conducted before noon of the next trading day. All customer accounts will be reviewed regularly and frequently to detect irregularities and possible abuses.

Municipal Securities Revenue Reporting

Each firm is required to report municipal securities revenues on the firm's electronically filed Schedule 1 on an annual basis. The FINOP will report the firm's municipal securities revenue on the eFocus filing that will be completed following the end of the firm's fiscal year. For J Alden, the municipal revenue will be reported on the FOCUS Report that will be filed by the 17th business day following the end of the calendar year (the close of the firm's fiscal year).

Records Maintenance

Records are to be maintained for at least three (3) years, with the latest two years readily accessible.

Disclosure

Time of Trade Disclosures

At or prior to the sale of a 529 college savings plan, the Rep must disclose to the customer, all material facts about the transaction known by the Rep, as well as material facts about the security that are reasonably accessible to the market.

Out-of-State Disclosure Obligation

- Depending on the laws of the home state of the customer, favorable state tax treatment or other benefits offered by the home state of the customer may be available only if the customer invests in the home state's 529 college savings plan.

- In addition to the many factors which should be considered in making an investment decision, any state-based benefit should be considered.
  - The disclosure obligation may be accomplished by Rep if the disclosure:
    - appears in the program disclosure document, and
    - the program disclosure document has been delivered to the customer at or prior to the time of trade, and
    - the disclosure appears in the program disclosure document in a manner where the disclosure will be noted by the investor.
    - presentation is in close proximity and with equal prominence to the principal presentation of substantive information regarding
    - other federal or state tax related consequences of investing in the 529 college savings plan, and
    - state tax-related consequences of investing in the 529 college savings plan, would be deemed to satisfy the requirement of MSRB Rule G-17

In addition to the disclosure information in the program disclosure document or application for purchase, the Rep must fulfill the out-of-state disclosure obligation by completing the 529 Plans Disclosure & Acknowledgement document.

Limitations on K-12 Distributions

It is important to note that K-12 ***tuition and fees*** are eligible up to $10,000 per year. Please have clients refer to the program disclosure document for more information or their tax advisor.

Non-Qualified Distributions

A Non-Qualified Distribution is any distribution that is not a Qualified Distribution. Clients may request a Non-Qualified Distribution at any time. However, the earnings portion of a Non-Qualified Distribution may be subject to a 10% federal income tax penalty in addition to any income taxes that may be due. There may also be state tax consequences. The earnings portion of a Non-Qualified Distribution is taxable to the individual who receives the payment, either the Account Owner or the Designated Beneficiary. If the payment is not made to the Designated Beneficiary or to an Eligible Educational Institution for the benefit of the Designated Beneficiary, it will be deemed to have been made to the Account Owner.

If clients are unsure as to whether their distribution is qualified or non-qualified they should review the program disclosure document or their tax advisor.

I. Hedge Funds

Note: J Alden may sell a hedge fund or act as a third-party marketer of funds, making the introduction of the investor (recommendation) to the various funds represented by J Alden. A transaction is considered a "recommendation" when the broker/dealer, or person associated with the broker/dealer, brings a specific fund to the attention of a customer/investor by any means (phone, advertising material, electronic communication, etc.). The transaction is conducted as a private placement. Compensation to J Alden is from the fund Manager.

J Alden does not manage hedge funds. However, we do allow our representatives to market funds to investors with the following documentation provided to the President of the firm,

whom is the supervising principal, for review and approval PRIOR to the investment being made:

- J Alden must complete any paperwork/documentation that is required by the Manager and/or the hedge fund.
- J Alden Disclosure Statement must be signed by the investor indicating their understanding that the Manager pays a fee to the broker/dealer.
- Suitability is reviewed and approved by the firm.

Guidance Regarding Firm Obligations When Offering Hedge Funds

FINRA Notice to Members 03-07 issued guidance regarding broker/dealer obligations when offering hedge funds. The obligations include:

1. Providing balanced disclosure in promotional efforts
   Any sales material or presentations promoting hedge funds, or funds of hedge funds, must be balanced and present the risks and potential disadvantages of investing in hedge funds. Sales material promoting the advantages of hedge funds must also disclose the risks associated with investing in hedge funds (including the fact that hedge funds often engage in leveraging and other speculative investment practices that may increase the risk of investment loss, can be highly illiquid are not required to provide periodic pricing or valuation information to investors; may involve complex tax structures an delays in distributing important tax information; are not subject to the same regulatory requirements as mutual funds, and often charge high fees.

   Delivery of Prospectus: The broker/dealer also must provide the prospectus or any other disclosure documents of the fund to the investor. Providing a prospectus does not satisfy the obligation of providing balanced sales material and disclosures.

2. Performing a reasonable-basis suitability determination
   In recommending hedge funds, either directly or indirectly, the broker/dealer must believe the product is suitable for the investor. This is accomplished by conducting due diligence on the fund, or on the fund of funds. Due diligence should include, but is not limited to, investigation of the background of the hedge fund manager, review of the offering memorandum, review of subscription documents, review of fund performance.

3. Performing a customer-specific suitability determination
   Determination must be made that the fund is suitable for a particular investor. This is accomplished by examining the customer's financial status, tax status, investment objective, or any other such information that may be necessary to determine that the fund investment is suitable for that customer. It must be noted that a customer's level of assets (as stated in the Accredited Investor Certification) does not satisfy this requirement and does not mean that the investment is necessarily suitable. Extra suitability determination must be done and noted in the file.

4. Supervising associated persons selling hedge funds and funds of hedge funds
   It is the Designated Principal's responsibility to develop a program of supervision to ensure that the sales of hedge funds and funds of hedge funds are compliant with the rules and with the procedures established by the firm. In addition, it is the Designated Principal's responsibility to ensure that proper suitability determination was made by any associated person offering the fund to investors. Evidence of review of hedge fund investment is by the initials of the Designated Principal.

5. Training associated persons regarding the features, risks, and suitability of hedge funds
   The broker/dealer will include training on the characteristics of hedge funds and the risks associated with investing in hedge funds. This training may be offered as part of the broker/dealer's firm element program.

Firm Procedures Regarding the Hedge Funds Offered/Represented by the Firm

The following is a detailed outline of the procedures followed by the President of the company in regard to the funds offered by the firm:

- Review all marketing materials of the fund, looking for:
  - Outline of Strategy
  - Risk/Reward Profile
  - Liquidity Structure
  - Costs
  - Historical Performance
  - "Fair and Balanced" presentation
  - Suitability Analysis
- Interview wholesale and support personnel
  - Review vendor support/service levels
  - Evaluate investor education levels
  - Establish client accessibility to support staff
- Conduct on-site review of fund operations
  - Interview Managers
    - Investment Experience
    - Strategy
    - Operational and oversight procedures
  - Review Partnership Structure
  - Evaluate Operational Team
- Client Suitability Review
  - Establish qualifications as accredited investor
  - Review client-specific suitability based upon risk profile and applicable liquidity provisions
  - Provide client with information regarding investing in hedge funds and the risks associated with the investment
  - Compliance Officer reviews and approves all sales and presentation material, prior to delivery to the client, to ensure fair and balanced presentation of risks, rewards and liquidity limitations to the client. The Compliance Officer initials and dates the sales and presentation material as evidence of review and approval of the material. Copies of sales and presentation material, along with required supervisory approvals are maintained in the firm's advertising file at the Home Office.
- Client Presentations
  - Management will periodically audit client meetings and sales presentations to ensure compliance with sales procedures.
- Ongoing Monitoring
  - The President and Supervisory Principal of the firm reviews statements quarterly to watch for fluctuations inconsistent with investment objectives or market. These statements are maintained in a separate fund client statement file by the firm. The Supervisory Principal must initial the statements as evidence of review.
- Continuing Education
  - The firm will provide on-going continuing education (through the firm element offerings) for those representatives participating in the sale of hedge funds. Documentation of any hedge fund firm element offerings are maintained in the Continuing Education file at the Home Office.

Evidence of Review of Due Diligence Conducted on the Hedge Fund and of Supervisory Approval of Customer Prior to Introduction/Referral or Prior to Sale

Evidence of Review of Hedge Fund
As with all private placements conducted by the firm, due diligence is performed on each fund to ensure that the investment would be a suitable investment for its customers. Due diligence information and documentation as mentioned in this procedure is maintained in a file (by fund) at the Home Office of J Alden. The Supervisory Principal initials the due diligence documents to evidence his review and approval of the fund as an appropriate investment vehicle to refer/introduce customers.

Evidence of Review of Customer Prior to Introduction or Sale of the Fund
The Supervisory Principal must review customer information (name, address, investment objectives, suitability, qualified investor status (accredited investor, institutional investor, etc.), etc. prior to making the referral/introduction to the hedge fund or accepting an investment in the fund. Evidence of this review and approval is noted by the Supervisory Principal's signature on the Customer Information/New Account Form.

Customer Identification Requirements for the Detection and Prevention of Money Laundering and Terrorist Activities Prior to Making a Referral/Introduction

As detailed in the Anti-Money Laundering Procedure included within this Written Supervisory Procedures manual, J Alden has the responsibility to request identification and verify that identity on any customer in which they are introducing to the hedge fund company or accepting an investment in the fund being offered. Even if the customer makes the investment directly with the hedge fund company (when J Alden serves as a third-party marketer of the hedge fund, simply making the introduction.), it is J Alden' responsibility to request and verify the identity of the persons prior to making the referral/introduction. These customers may be individuals or institutional.

Notification
J Alden is required to provide notice to the customer that information will be requested from them to verify their identity. The notification may be made through a written statement given to the customer or orally over the phone.

Identification and Verification
The following documentation is requested from potential hedge fund investors prior to J Alden making the sale or the referral/introduction:

- Individual
  In order to ascertain the identity of the customer, the firm requires one (1) form of identification, preferably a photo ID. The firm must document the verification of the person's identity and place that verification in the customer's file. This may be done on the New Account Form or on a separate form designed specifically for this purpose. Also, a check of the customer's name against the OFAC list is done and noted in the file.

- Institutional
  J Alden must ascertain who has the authority to act on behalf of the institutional client. The proof of authority may take the form of a Corporate Resolution, Letter of Trading Authority, etc. The firm may also require additional information depending on whether the institution has its own anti-money laundering procedures or policies, whether or not the institution has been a customer of the broker/dealer for a significant period of time, whether the institution has a reputable history in the investment business, the location of the business, etc.

See the AML Procedure for full details regarding the customer identification program.

This identification and verification must be completed and evidence of supervisory review and approval of the process (signature of supervising principal) is maintained in the customer file maintained at the Home Office of J Alden.

J. Product Approval/New Product Approval Process

The firm's President is the designated principal responsible for overseeing all new product efforts and for disseminating internal lists of Approved Products.

Product Approval lists will be given to all registered employees as they are updated or altered in any manner. Any registered employee uncertain as to the status of a particular security/product should immediately take the question up with an appropriate Supervising Principal.

Individuals found to be engaged in transactions involving products not approved by J Alden will face possible sanctions, including termination.

New Product Approval Process

To address the increasing number of complex products/non-conventional investments that are being introduced to the securities market, it is important for broker/dealer firms to evaluate these products and determine if the product is a proper offering for the firm and a suitable investment for its customers. For further information regarding best practices for reviewing and approving new products to be offered by the firm, please see NASD Notice to Members 05-26.

No new product may be offered by the firm prior to the product being thoroughly evaluated from a regulatory and a business perspective.

The purpose of this procedure is to outline the "new product" process. The review and evaluation of the new product is to detect any risks and conflicts prior to offering the product to the public. This will allow the firm to avoid unsuitable recommendations/transactions and to detect any other problems stemming from the new product offering.

It is the Designated Principal's responsibility to conduct the proper evaluation of the new product and to determine if the product should be offered to the clients of the firm, and if so, determine the necessary training to be offered to the registered representatives prior to offering the new product. It is also the Designated Principal's responsibility to present the new product to specified individuals (either individually or through committee) and to determine if the product is approved/unapproved as a securities product offering of the firm.

What constitutes a "new product"?

Consideration should be given to the following questions when deciding if a product should be classified as a "new product":

- Is the product new to the marketplace or to the firm?
- Is the firm proposing to sell a product to retail investors that it has previously only sold to institutional investors? Will the product be offered by representatives who have not previously sold the product?
- Does the product involve material modifications to an existing product, whether risk to the customer, product structure, or fees and costs?
- Does the product require material operational or system changes?

- ❑ Is the product an existing product that is being offered in a new geographic region, in a new currency, or to a new type of customer?
- ❑ Would the product involve a new or significant change in sales practices?
- ❑ Does the product raise conflicts that have not previously been identified and addressed?

Phases of the New Product Process:

1. Initial Product Review
   Individuals representing various departments of the firm should be involved in the initial product review process (sales, legal, compliance, operations, etc.). The firm has developed a "New Product Questionnaire for Initial Product Review" to use in review and evaluation of the new product offering. The initial review process can be conducted with the necessary individual's departments on an individual basis or through a committee formed for this process.
2. Formal Approval
   Formal approval must be given by the Designated Principal prior to informing the registered representatives of the firm that the new product is available for sale. Formal approval is evidenced by the Designated Principal's signature on the "*New Product Questionnaire for Initial Product Review".*
3. Post Approval Review
   A review conducted after the product has been offered by the firm for a specific period of time. This post approval review allows the firm to assess product performance, compliance issues, and market conditions affecting the product and the risks associated with the product. Other areas to consider in the Post Approval Review include customer complaints related to the new product, possible additional training to be offered, suitability reassessment and the possibility of lifting any restrictions or conditions placed on the sale of the product, if applicable.

Records of the new product review process are maintained at the home office for a period of 3 years with the first two years readily accessible.

K. Research - FINRA Rule 2241

FINRA requires each firm to maintain procedures for the operation, compensation and reporting guidelines for its Research Department. The FINRA research rules are FINRA Rule 2241 (Equity Research Rule) and FINRA Rule 2242 (Debt Research Rule). J Alden only conducts equity research.

The Research Analyst definition has been amended to the following: An associated person who is primarily responsible for, and any associated person who reports directly or indirectly to a research analyst in connection with, the preparation of the substance of a research report, whether or not the person has the job title of "research analyst".

FINRA Rule 2241 requires that the firm establish research procedures and conduct research activities according to the new equity research rule that became effective September 25, 2015 and December 24, 2015. Compliant equity research activity includes, but is not limited to, the following:

- *Identifying and Managing Conflicts of Interest*: Identify and effectively manage conflicts of interest related to the preparation, content and distribution of research reports, public appearances by research analysts and the interaction between research analysts and those outside of the research department, including investment banking and sales and trading personnel, subject companies and

customers. The firm must also promote objective and reliable research reflecting the truly held opinions of research analysts and prevent the use of research reports or research analysts to manipulate or condition the market or favor the interests of the firm or a current or prospective customer.

- *Disclosure and Content Requirements of Research Reports*: Ensure that its research reports are based on reliable information and that any recommendation, rating or price target has a reasonable basis and includes a clear explanation of any valuation method used and present a fair depiction of the risks that may affect the attainment of the recommendation, rating or price target stated with the research report.
- *Distribution of Member Research Reports*: Ensure that a research report is not distributed selectively to internal trading personnel or a particular customer in advance of other customers that are entitled to receive the research report.
- *Distribution of Third-Party Research Reports*: Ensure that any third-party research that the firm distributes contains no untrue statement of material fact and does not contain information that is false or misleading.
- *Exemption for Members with Limited Investment Banking Activity*
- *Annual Attestation Requirement*: The Annual Attestation, required by the old NASD Rule 2711, that the firm has policies and procedures in place to achieve compliance with the research rule is no longer required and not included in new FINRA Rule 2241. This also includes the previous requirement for a compensation committee review.

The Designated Principal is responsible for reviewing and approving all research material and making sure that such material is created and distributed in accordance with FINRA Rule 2241. The Designated Principal is also responsible for the following:

1. The principal must make sure that the information contained in the report is accurate and complete.
2. The principal must make sure that all applicable disclosures, graphs and representations are included.
3. The principal must make sure that all approved reports are maintained in a readily accessible location for three years.
4. Qualification Exams – Depending on the type of security (equity securities), Research Analysts are required to be licensed with a Series 86/87 or have received an exemption or waiver from this requirement.

Location of Research Department

The Research Department is headed by the Research Principal. The firm recognizes the importance of maintaining information barriers and other institutional safeguards between research, sales, and investment banking within the firm. Therefore, the research department is not located at the home office in order to physically preserve this wall. The Research Rule does not mandate physical separation between the research department and the investment banking department, but FINRA does expect the physical separation unless the separation would be unreasonable due to a firm's size and resource limitations.

Each analyst has a list of research coverage. Each analyst's universe is developed within the research department and is not influenced by other areas of the business. Furthermore, analysts do not discuss new coverage with anyone outside the research department.

In the event that the investment banking department requests assistance from an analyst, and an analyst becomes knowledgeable of information that is not public, that analyst may not publish research on that company. This becomes effective the moment the analyst has knowledge of any information that is not public.

Analysts are restricted from communicating (written/oral) with non-research personnel in regard to any company that the firm may be preparing to initiate coverage on or a company that may have its rating changed.

Development, Review and Retention of the Research Report

In developing the report, the analyst may not submit the entire report to the company being covered prior to its release. It may submit sections to the company for verification of the information, but the sections sent for review may not include the rating, summary, or the price target. If this is done a complete draft of the report must be submitted to the compliance department prior to the sections be forwarded to the company for review. If after submitting the sections of the research report to the subject company the research department intends to change its proposed rating or price target, it must first provide written justification to do so and receive written authorizations from the compliance department. The draft and final version must be kept for three years following its publication.

Once an analyst has completed a report and is ready to have that report issued, the Research Principal must first review it. The head of research checks the report for fundamentals such as investment thesis and valuation. The Research Principal also checks the report in order to determine if there is a conflict within the firm.

Prior to being released to the institutional client list, a facsimile copy of the report will be sent to First Call in order to be distributed at 7:00 am the following morning. This is done to ensure the report becomes public knowledge at virtually the same time that the firm's internal sales force is made aware of the report. Once the research department receives verification that First Call has received the report, it will be sent via fax or email to the institutional client list. It will also be sent to a list of media outlets to ensure the report becomes widely available to the public.

All reports will be saved both in hard copies and electronically to ensure the firm maintains a database of its research for future reference. Attached to the front of each hard copy report is a review sheet that is signed by the Research Principal.

All research reports will have a disclosure on them indicating the reports are not an offer or solicitation but are for informational purposes only.

Analysts are not restricted from owning any stocks, bonds, or any investment instruments. However, in the case of investments made in stocks in the bank/thrift industries or other financial services companies in general, an analyst must receive prior written approval from a compliance officer. Analysts are not permitted to own common stock of any company they publish research on unless prior approval has been granted. See section within this procedure on Personal Trading Restrictions.

Research personnel are not to be supervised by anyone from the Investment Banking Side of the Business. Both departments are independent and report directly to the board of directors.

Analysts may not receive a bonus, raise in salary or any other form of compensation based on any specific investment banking transaction.

No analyst or member may directly or indirectly offer favorable research, a specific rating or a specific price target, or threaten to change research, a rating price target, to a company as consideration or inducement for the receipt of business or compensation.

Pre-Publication Review of Research

The firm prohibits pre-publication review of research reports by persons engaged in investment banking services and restricts pre-publication review by other non-research personnel. Excluded from this pre-publication review prohibition requirement are members of the legal or compliance departments.

See Rule 2241 Supplementary Material .05 for guidance on providing sections of a draft research report for factual review to non-investment banking personnel or to the subject company.

Research Budget and Analyst Compensation

Research Budget: The firm will limit its determination of the research department budget to members of senior management does not engage in investment banking activities. This will not apply due to the fact that J Alden qualifies for the Limited Investment Banking Exemption, which is detailed later in this procedure.

Analyst Compensation: Analyst compensation may not be based on specific investment banking transactions or contributions to the firm's investment banking activities. The rule also requires that the compensation of a research analyst who is primarily responsible for preparation of the research report be review and approved on an annual basis by a committee that reports to a member's board of directors. A member of the investment banking department may not sit on this committee. This will not apply to J Alden due to the fact that the firm qualifies for the Limited Investment Banking Exemption, which is described later in this procedure.

Research Quiet Periods

The research quiet period for an IPO is 10 days after the IPO in which the firm has acted as an underwriter or dealer and 3 days after a secondary offering in which the member has acted as a manager or co-manager.

The date of the offering refers to the later of the effective date of the registration statement or the first date on which the securities were bona fide offered to the public.

The quiet period does not prohibit the firm from publishing a research report concerning the effects of significant news or a significant event on the subject company within such 10 and 3 day periods and provided further that the compliance department authorizes publications of that research report before it is issued; and will not prevent a member from publishing a research report pursuant to SEC Rule 139 regarding a subject company with "actively traded issues", as defined in Regulation M, 17CFR 242.101(c)(1).

Personal Trading Restrictions of Research Analysts

FINRA Rule 2241(b)(2)(J) covers personal trading restriction of research analysts.

Research analysts, supervisors of research analysts and any other associated person with the ability to influence the content of research reports, do not benefit in their trading from their knowledge of the content or the timing of their research report before the intended recipients of the research have and reasonable opportunity to act on the information contained within the research report.

In addition, the firm must prohibit the purchase or sale of any security or any option on or derivative of a security in a manner inconsistent with the research analyst's recommendations as reflected in the most recent research report published by the firm. The

firm must also prohibit a research analyst account from purchasing or receiving any securities before an issuer's IPO if the issuer is principally engaged in the same types of business as companies that the research analyst follows.

Content and Disclosure Requirements of Research Reports

The firm will ensure that required content and proper disclosures are included on each research report. Refer to FINRA Rule 2241(c) for complete detail of required content and disclosures.

Content

- Content of research reports should be based on reliable information
- Any recommendation, rating or price target must have a reasonable basis and include an explanation of any valuation method used and include a fair presentation of the risks that may impede achievement of the recommendation, rating or price target.
- Include meaning of the rating system, if applicable. This will include any time horizon or any benchmarks on which a rating is based.
- Include percentage of subject companies within each of the "buy", "hold" and "sell" categories for which the firm has provided investment banking services within the previous 12 months
- Content must be current as of the end of the most recent calendar quarter or the second most recent calendar quarter of the publication date if the research report is less than 15 calendar days after the most recent calendar quarter.
- If the research report includes a rating or price target for the security, and if the member has assigned a rating or price target to the security for at least one year, the report must include a line graph of the security's daily closing prices for the period that the member has assigned ant rating or price target or for a three-year period, whichever is shorter.

Disclosures

The following disclosures must be made in any research report produced by the firm at the time of publication or distribution:

- if the research analyst or a member of the research analyst's household has a financial interest in the debt or equity securities of the subject company (including, without
  limitation, whether it consists of any option, right, warrant, future, long or short position), and the nature of such interest
- if the research analyst has received compensation based upon (among other factors) the member's investment banking revenues
- if the member or any of its affiliates: (i) managed or co-managed a public offering of securities for the subject company in the past 12 months; (ii) received compensation for investment banking services from the subject company in the past 12 months; or (iii) expects to receive or intends to seek compensation for investment banking services from the subject company in the next three months
- if, as of the end of the month immediately preceding the date of publication or distribution of a research report (or the end of the second most recent month if the publication or distribution date is less than 30 calendar days after the end of the most recent month), the member or its affiliates have received from the subject company any compensation for products or services other than investment banking services in the previous 12 months
- if the subject company is, or over the 12-month period preceding the date of publication or distribution of the research report has been, a client of the member,

and if so, the types of services provided to the issuer. Such services, if applicable, must be identified as either investment banking services, non-investment banking services, non-investment banking securities-related services or non-securities services if the member or its affiliates beneficially own 1 percent or more of any class of common equity securities of the subject company

- if the member was making a market in the securities of the subject company at the time of publication or distribution of the research report
- if the research analyst received any compensation from the subject company in the previous 12 months

Prominence of Disclosures

The disclosures required by the rule must be presented on the front page of research reports or the front page must refer to the page on which disclosures are found. If the research report is electronic, the firm may provide a hyperlink to the required disclosures. Disclosures and references to disclosures must be clear, comprehensive and prominent.

Disclosures in Research Reports Covering Six or More Companies – Compendium Report

When the firm distributes a research report covering six or more subject companies, the firm may direct the reader in a clear manner as to where they obtain applicable current disclosures in written/paper-based format (through a provided toll-free number or address of where the customer may request the disclosure or by providing a website address where the disclosures can be found) or electronic format (through a provided hyperlink to the required disclosures).

Disclosure in Public Appearances

No research analysts participate in any public appearances. If the research analyst makes any public appearances in the future, there are several disclosures that are required. See FINRA Rule 2241(d) for detail of the required public appearance disclosures.

Distribution of Firm and Third-Party Research Reports

Member Firm Research Report Distribution

The firm must ensure that any research report by the firm is not distributed selectively to any internal trading personnel or a particular customer in advance of other customers that the firm has determined are entitled to receive the research report. Supplementary material attached to FINRA Rule 2241 allows the firm to provide different research products and services to different classes of customers (i.e. long-term investment horizon vs. short term investment horizon), due to the fact it may lead to different recommendations or ratings. However, the firm may not differentiate a research product based on the timing of receipt of potentially market moving information and the firm must disclose its research dissemination practices to all customers that receive a research product.

Third-Party Research Report Distribution

If the firm distributes any third-party research, the firm's supervising research principal has an obligation to review the third-party research report for any untrue statement of material fact, or any false or misleading information that should be known from reading the research report or is known based on knowledge of information of the firm. The firm will disclose any material conflict of interest that could have influenced the firm's selection of the third-party research provider.

If the third-party research report is an independent third party research report, it does not require principal pre-approval and does not require the firm to include specified third-party

research disclosures if the report is provided by the firm upon request, through the firm's website, or made available to the customer in connection with a solicited order in which the registered representative has informed the customer of the availability of the independent research on the solicited security and the customer requests the independent research.

Exemptions

Limited Investment Banking Activity Exemption

J Alden conducts investment banking activity on a very limited basis and qualifies for the limited investment banking activity exemption. This exemption applies to firms that over the previous three years, on average per year, have participated in 10 or fewer investment banking transactions as manager or co-manager and generated $5 million or less in gross investment banking revenues from those transactions, provided that the firm has established information barriers and safeguards to ensure that research analysts are insulated from pressure by investment banking or other non-research personnel. Under this exemption, the firm is not subject to the review, supervision, budget and compensation provisions of the rule. However, the firm must still operate according to the prohibitions regarding compensating analysts for specific investment banking services. The firm must maintain records to prove eligibility for the exemption.

Approval and Retention

The Designated Principal is to initial and date the research report as evidence of his review and approval. The review and approval must take place prior to its initial use. An approved copy is to be maintained in a central filing location in the home office. Please note that a principal may not approve their own reports. Mr. Calfo will be approving all research to avoid any inherent conflicts of any research analyst principal approving their own reports. All reports will be maintained for a period of three years.

L. Certificates of Deposit/Structured Notes

Note: J Alden will participate in the wholesaling of certificates of deposit through the form of a structured note/product.

The Designated Principal is responsible for ensuring that each certificate of deposit in which the firm participates is conducted, and documents related to the certificates are maintained, in accordance with applicable securities rules and regulations.

J Alden will serve as a marketer of bank structured certificates of deposit and SEC-registered notes to a nationwide network of broker/dealers. In this capacity, the firm refers transactions from broker-dealers to banks for the purpose of purchasing these CDs and notes. The firm does not execute trades or determine suitability; J Alden merely markets the products using offering documents, sales materials, information, reports and data provided by the bank. The Designated Principal will ensure that offering documents, including disclosure documents, regarding the structured product/certificate of deposit are provided to J Alden clients "participating broker/dealers" and that they understand the product's characteristics and risk factors.

Prior to marketing the CDs and notes to a broker, J Alden will conduct the necessary due diligence on the firm to ensure that it is a FINRA member firm in good standing and approved to conduct that type of securities activity.

Due Diligence of the Product: Prior to entering into an agreement with an issuing bank, J Alden will conduct due diligence on the issuing institution. The due diligence file will

contain the issuing institution's financial statements and a copy of the appropriate IDC report. In addition, the firm will obtain from the Issuer the representation that at the settlement date, the Issuer will be a well-capitalized institution and may accept deposits from a deposit broker without obtaining a waiver from the FDIC, or will be an adequately capitalized institution that has been granted a waiver from the FDIC allowing it to accept deposits from a deposit broker and is in compliance with the terms of the waiver.

J Alden registered representatives will market bank notes to sales representatives at full-service brokerage firms and answer questions about the products. J Alden will rarely have contact with the placing broker / dealers retail customers and does not make suitability determinations for any of its clients' customers. Once marketing materials are provided to broker-dealer clients and all questions have been answered, J Alden's role ends. If a broker-dealer decides to purchase these notes, the sales representative will contact the bank directly and execute the transaction. At the beginning of each month, the bank will inform J Alden of the aggregate principal amount of transactions that occurred in the previous month as a result of J Alden efforts.

The Designated Principal is responsible for ensuring that all registered representatives receive adequate initial training and on-going training on the notes marketed by the firm. Additionally, the Designated Principal will ensure that registered representatives are only using sales materials that the bank has provided or otherwise authorized in writing and are not making statements with respect to the CDs and/or notes that contradict information included in HSBC's approved materials. Under no circumstances will an employee of the firm be permitted to create marketing material or sales literature without prior approval from the bank, their supervising principal, and the Chief Compliance Officer.

M. Options

FINRA Rule 2360 – Options- states that "No member or person associated with a member shall accept an order from a customer to purchase or write an option contract relating to an options class that is the subject of an options disclosure document, or approve the customer's account for the trading of such options, unless the broker or dealer furnishes or has furnished to the customer the appropriate options disclosure document(s) and the customer's account has been approved for options trading."

This rule applies to the trading of options contracts issued by The Options Clearing Corporation, exchange listed options by members who are not members of an exchange on which the option executed is listed, conventional options and other matters related to options trading.

The Designated Options Principal Karen Van Horn, is responsible for the review and approval of each options transaction and options account opened by the Representatives on behalf of their customer and for ensuring the firm is in compliance with securities rules and regulations and to the firm's procedures.

<u>Approval Required</u>

Prior to accepting an options order from a customer or approving the account to trade options, the firm must furnish the customer an options disclosure document and approve, in writing, the customer's account for trading options. The customer must complete, sign and submit an Option Approval Form and an Option Agreement Form for review and approval by the Senior Registered Options Principal.

Approval of an options account shall cover only trading in the types of options specified on the Option Approval Form. Trading in any other type of options will require an amendment and new approval of the Option Approval Form.

Due Diligence

The Senior Registered Options Principal shall exercise due diligence in order to determine suitability and to ascertain the essential facts relative to the customer's financial situation and investment objectives. Written approval must be received from the Senior Registered Options Principal in order for the customer's account to be approved for options trading. The Senior Registered Options Principal is to review the following areas related to options transactions:

1. The compatibility of options transactions with the investment objectives with the transactions for which the account was approved,
2. The size and frequency of options transactions,
3. Commission activity in the account,
4. Profit or loss in the account,
5. Undue concentrations in any option class,
6. Uncovered or short positions,
7. A customer, acting alone or with others, from exceeding position limits,
8. A customer, acting alone or with others, from exceeding exercise limits,
9. A position of 200 or more option contracts on the same side of the market, covering the same underlying securities or index,
10. Any order to be entered for the sale (writing) of a call option contract for the account or any corporation which is the issuer of the underlying securities,
11. The use of restricted stock for covering a short position in a call option contract, the delivery required by the exercise of a put option contract, or the satisfying of an exercise notice assigned in respect to a call option contract,
12. Excessive options trading in a Representative's or customer's account, and
13. High-risk transactions.

Verification of Customer Background and Financial Information

Background and financial information shall be sent to the customer for verification within 15 days after the customer's account has been approved for options trading.

Account Agreement

Within 15 days after the customer's account has been approved for options trading, the customer must provide to the firm an Options Agreement stating that they are aware of and agree to be bound by the applicable rules to the trading of option contracts, and if he has received a copy of the current options disclosure document, and that he is aware of and agrees to be bound by the rules of the Options Clearing Corporation. The customer must also indicate that he is aware of and agrees not to violate the established position limits.

An Options Disclosure Document must be delivered to the client prior to or at the time any transactions take place in the account. This document informs the customer of risks associated with investment in options.

Maintenance

The firm will maintain a separate file for all options-related complaints. The file must include, at a minimum, identity of complainant, date complaint received, identity of

Registered Representative servicing the account, description of the complaint; and record of what action, if any, has been taken.

On a regular basis, the Registered Options Principal is required to furnish to the Chief Compliance Officer, or other senior management, reports of firm compliance to the supervisory procedures.

Uncovered Call Options

If any customer wishes to trade uncovered call options, the following applies:

- Annual income over $100,000
- Net worth over $500,000
- Well diversified portfolio with net account equity over $100,000
- Significant investment knowledge and experience
- Ability to evaluate and to bear the financial risks associated with uncovered short options trading

Review and Approval

The Senior Registered Options Principal shall initial and date each option account. The Senior Registered Options Principal shall compare and review all information on the new account form with the approval guidelines established by the Firm. If the account meets or exceeds the minimum requirements, the Senior Registered Options Principal shall approve or disapprove the account in writing on the Options Approval Form. The Senior Registered Options Principal is to evidence the review and approval of transactions by initialing the daily purchase and sales blotter. Any questionable practices detected from the review of transactions must be brought to the attention of the Compliance Registered Options Principal immediately.

Approval should be written approval unless the Options Principal is out of the office. In that case, verbal approval may be given. Date of the verbal approval must be written on the Options Approval Form and highlighted. The person making the call for the verbal approval shall initial the form. Once the Senior Registered Options Principal is back in the office, they will sign the form confirming their earlier verbal approval. After approval by the Senior Registered Options Principal, the Options Approval Form is sent to the clearing firm's compliance department. Copies are kept by the broker/dealer in the customer's file and the firm's options file.

The original Option Agreement Form is forwarded by the Operations Department to the customer for execution and return. When the signed Option Agreement Form is received from the customer, copies will be attached to the Option Approval Form. The Operations Department will then deliver the Current Options Disclosure Document and, if requested, the current prospectus of the Options Clearing Corporation. If the customer is approved to write uncovered short option contracts, the Operation Department will also send the current "Special Statement of Uncovered Option Writers".

Position Limits

FINRA regulates the maximum amount of options that can be held by a single holder or group by establishing maximum position limits on the number of "standardized" and "conventional" equity options contracts in each class on the same side of the market (i.e., aggregating long calls and short puts or long puts and short calls) that can be held by a broker-dealer, a Registered Representative, customer or group of customers or controlled entities.

"Standardized" equity options are exchange-traded options traded by the Options Clearing Corporation ("OCC") that have standardized terms for strike prices, expiration dates and the amount of the underlying security.

"Conventional" equity options are any other option contracts not issued, or subject to issuance, by the OCC. These are also often referred to as "over the counter options."

"FLEX Options" are exchange-traded options issued by the OCC that give investors the ability, within specified limits, to designate certain terms of the option (i.e., exercise price, exercise style, expiration date or option type).

The FINRA limits apply to (a) "standardized" options transactions by members who are not also exchange members ("Access Firms") and (b) "conventional" (non "standardized") options transactions for all members, whether or not exchange members. Limits are established for various levels of option activity within each category, depending on size of public float, trading volume, etc. The OCC designates within each category which limit applies to a particular option. Exemptions from the position limits are available for accounts that have established hedge positions.

FINRA announces from time to time changes in the permitted limits. Position limits for all categories of options have recently been increased.

The designated Principal is required to review position reports daily in order to confirm that no customer has exceeded established position limits.

J Alden is required to report to FINRA within 24 hours as to the establishment, increase or decrease in (a) each account in which it has an interest and (b) each customer account which has an aggregate position of 200 or more option contracts (whether long or short) of the put class and the call class on the same side of the market covering the same underlying security or index. "Long" calls should be combined with "short" puts; "short" calls with "long" puts. "Netting out" of long and short positions is not permitted. J Alden must complete an Option Position Summary Report in the format required by Code of Conduct Rule 2360.

On February 15, 2001, certain amendments to the rule became effective. Approved by the SEC in December 2000, the amendments:

- apply FINRA's options position and exercise limits to members that effect trades for non-member brokers and non-member dealers;
- require members to report the options positions that they effect for non-member brokers and non-member dealers where such positions meet the reporting thresholds under FINRA Rules;
- codify an interpretive position with respect to which firms are required to report standardized options positions under FINRA's options position reporting requirements; and
- clarify that a member may have its clearing firm report options positions to FINRA on the member's behalf.

Under a further Rule change in February 2003, position and exercise limits for standardized equity options are eliminated for qualified hedge strategies that are established solely with standardized options. In addition, the Rule change establishes standardized equity option position and exercise limits of five times the standard limit when one component of a qualified hedge strategy is a conventional equity option. The Rule change also modifies FINRA's conventional equity option position and exercise limits. For further information

on recent Rule changes, Options personnel should consult NTM's 01-01 and 03-19. The designated Principal will ensure that the Rule changes, where applicable, will be implemented by the firm.

Exercise Procedures

J Alden should follow the approved assignment procedure, as follows:

- Provide information on, and an explanation of, the assignment procedure;
- Exercise notices should be submitted to OCC in a timely manner;
- When an automatic exercise report is received, customers should be notified promptly;
- Unless extenuating circumstances exist, exercise instructions should not be accepted from customers after the cutoff time prior to the expiration date; and
- Ensure that deposit requirements for exercising customers are established and met.

N. REITs

J Alden will not participate in any REIT offering of securities subject to FINRA 5110 unless all documents and information related to the offering have been filed with and reviewed by FINRA and or other regulatory agencies.

Suitability

Suitability must be determined based on the specified suitability standards of the offering, including information such as purchaser's income and net worth. Offerings that require a subscription agreement/letter that is signed by the purchaser will include an affirmation that the customer meets minimum suitability standards. Review will be evidenced by initials of J Alden's supervising principal on the subscription documents.

Investor minimum requirements are:

- Individuals with a minimum income of $70,000 **and** net worth (excluding home) of $70,000; **or** minimum net worth of $250,000 (excluding home); **or** state and/or issuer requirements if more stringent than the former two requirements (as stated in the Offering Circular/Prospectus under "Suitability Standards")
- Any entity (corporation, partnership, etc.) with a minimum net worth of $1 million

  Investors who do not meet the above-mentioned minimum requirements will be prohibited from purchasing.

Maximum Holdings Concentration (J Alden and State):

- J Alden Maximum Total Holdings of non-traded or traded REITs and private placements (private REITs) will be no more than 20 percent of the client's net worth (excluding home), or 10 percent if the client is a Senior Investor. (Senior Investor is defined as an individual who is retired, semi-retired or who anticipates retiring within the next five years and anticipates a change in their financial picture, such as a reduction of income or financial assets that would require them to rely on the assets held in the REIT position or like investments to provide for their income/liquidity.) If the client currently holds more than 20 percent, they can hold the same as their currently holding percentage as long as it does not exceed 30 percent.
- J Alden Issuer Maximum Holdings investment in an issuer, or its affiliate, shall not exceed 10 percent of the client's net worth (excluding home).
- State Holdings requirements may be more stringent than J Alden's requirements. Under circumstances where the state's requirements are more stringent than the requirements of J Alden, the state's requirements will be followed.

Failure to follow the above-mentioned maximum holdings requirement may result in rescission or cancellation of the transaction and all commission/compensation forfeited.

Investors who do not meet the above-mentioned minimum requirements will be prohibited from investing in the REIT. Under certain extraordinary circumstances a representative may request an exception to policy by submitting such a request in writing to the representative's Supervising Principal. Upon evaluation of the request, the Supervising Principal will determine if the exception will be granted. Evidence of the Principal's review of the request and his approval is by his initials or signature on the request document submitted. If the request is a hard copy document, the approval is an original signature or initials on the document. If electronically submitted for review, the evidence of review and approval will be by digital signature.

When recommending a REIT, the following minimum considerations must be followed:

- Issuer, state and J Alden minimum suitability and holding requirements
- Client's tax bracket and needs for tax advantages on passive income
- Client's financial profile and his/her capability to sustain a complete loss
- Client's age
- Client must exhibit sufficient liquidity to meet its need for the investment
- Client's current income must be sufficient to the extent that he/she will not rely on the income/distributions generated from the REIT recommended
- Client's long-term investment horizon
- Client's investment objectives (not suitable for "preservation of Capital")
- Client's investment experience and ability to understand
- Client's total asset allocation concentration
- Client's REIT and Private Placement total holdings, and issuer/sector holdings
- Client's risk tolerance must be "moderate/High" or greater

Due Diligence: J Alden will conduct due diligence on all offerings and maintain proof of the due diligence conducted. The Designated Principal(s) will review and maintain all appropriate documents necessary to demonstrate the fulfillment of the firm's due diligence responsibilities as it relates to each REIT offered.

The firm will utilize the following REIT Analysis Process:

Quantitative Factors:

1. Strong growth in revenue such as rental income, related service income, and FFO.
2. Looking for economies of scale by seeing a reduction in operating expenses as a percentage of revenue.
3. Acquisitions must fuel growth in terms of improving overall occupancy rates and/or rent raises for entire REIT.
4. Look at percentage of fixed vs. floating rate debt to assess interest rate risk of REIT.

Qualitative Factors:

1. Does the REIT have a unique strategy for improving occupancy and raising rents?
2. What is the REIT's acquisition strategy?
3. What is the management team's track record in this space?
4. Is this REIT in their niche space or are they branching out?
5. What type of infrastructure is in place to gain the necessary economies of scale, etc.?

The Designated Supervisor is responsible for reviewing prospectuses on any proposed REIT offerings. Prior to participating in an offering:

- The firm must have reasonable grounds to believe that all material facts are adequately and accurately disclosed and provide a basis for evaluating the program.
- To determine the adequacy of the disclosed facts, the firm will obtain information on material facts relating to (among other things) the financial stability and experience of the sponsor and the program's risk factors. This includes an inquiry into the amount or composition of a real estate investment program's dividend distributions including the amount of distributions that represent a return of investors' capital and whether the amount is changing.
- The firm will also consider whether there are impairments to the real estate investment program's assets or other material events that would affect the distributions and whether disclosure regarding dividend distributions needs to be updated to reflect these events.

Disclosure of Facts Relating to the Liquidity and Marketability of the REIT Offering:
Pursuant to FINRA Rule 2310(b)(3)(D), prior to execution of a REIT transaction, J Alden representatives will inform the prospective investor of the facts relating to the liquidity and marketability of the REIT. This disclosure will include whether the issuer/sponsor of the REIT has offered prior REITS in which the offering materials disclosed the date or time period which the REIT might be liquidated, and whether the prior REIT was in fact liquidated on or around the date or during the time period disclosed.

Fairness and Reasonableness of Organization and Offering Expenses:
Any REIT issues offered by J Alden will have organization and offering expenses that are considered fair and reasonable. One aspect of the fair and reasonable assessment is that the firm may not charge a sales load or commission on any securities that are purchased through the reinvestment of dividends.

Firm's Disclosure of Control Relationship with the Issuer:
If the firm is "controlled by, controlling, or under common control with, the issuer of any security," then the firm must disclose such control relationship to the customer prior to the customer entering into any contract or making any investment in the offering. This disclosure will be a written disclosure and will be provide to the customer at or before the completion of the transaction.

New Issue REITs
The firm will not act as an underwriter for any New Issues. Broker/dealers must follow new issue requirements for limiting written communications to the offering documents; when discussing the REIT, discuss information from the offering documents including all features and risks of the REIT; and provide the offering prospectus to the investor.

Prospectus Information for SEC-registered REIT Offerings
The Designated Principal is responsible for reviewing the REIT prospectus to ensure that the following information is disclosed:

- items of compensation
- physical properties
- tax aspects
- financial stability and experience of the sponsor
- the programs conflicts and risk factors
- appraisals and other pertinent reports

Expenses and Compensation

Prior to participating in a public offering of a REIT (unless filing is made by another participant), the firm will make the required filing with the FINRA Corporate Financing Department. Prior to offering the REIT, the Firm must receive a "no objections" opinion regarding the proposed terms and arrangements in the offering. Expenses and compensation considered by FINRA are issuer expenses, underwriting compensation and due diligence expenses.

Customer Account Statements for Unlisted REITs and DPPs

According to NASD Rule 2340 (Customer Account Statements) the broker/dealer, or in the case of customers investing directly, the firm may include in a customer's account statement an estimated value for a real estate investment trust (REIT) or direct participation program (DPP) security if the annual report of the security that is held in the customer's account includes a per-share estimated value. The rule permits a firm to use an estimated value disclosed in the program's annual report, and in practice, that is the value typically used.

If the annual report of the REIT or DPP includes a pre-estimated value of the security in the customer's account or listed on the customer statement, the firm must include the estimated value from the annual report or from an independent valuation service. The per share estimated value of the DPP or REIT listed on the account statement, must be derived from derived from data that is of a date that is no more than 18 months prior to the issue date of the statement. This allows adequate time to appraise the program's assets and operations and calculate an estimated value.

Also, if the statement includes the estimated value it must also include the following:

- A description of the estimated value, the source and the method by which it was derived; and
- Disclosure that DPP or REIT securities are generally illiquid, and the estimated value may not be realized when the investor seeks to liquidate the security.

However, if it is determined that the value is inaccurate as of the date of the valuation or if it is no longer accurate due to a material change (change in the offering or the assets), the firm will not include a per share estimated value of the REIT or DPP.

Should the account statement not provide an estimated par value for the REIT or DPP, then the following disclosures must be included on the statement:

1. REIT or DPP securities are generally illiquid;
2. The value of the security will be different that its purchase price; and
3. If applicable, that accurate valuation information is not available.

It is the Designated Principal's responsibility to ensure that confirmations and statements are provided in a timely manner to the firm's customers, and that the proper disclosures are included as required.

Procedures for Processing

1. The Registered Representative and Designated Supervisor will review the Offering Circular/Prospectus and will obtain any necessary product training to ensure full knowledge of the investment prior to making any recommendation.

2. The Registered Representative will recommend REITs to those clients who meet the minimum financial suitability requirements as stated in the WSPs or in the Issuers Offering circular/Prospectus and refer to whichever of the two contain the more stringent requirements.
3. Offering Circular/Prospectus must be delivered and reviewed with the client.
4. The Registered Representative will obtain a completed REIT Disclosure Form (client information on disclosure form should coincide with the New Account Form for the client). The REIT Disclosure Form will contain sufficient information that fully details and supports the suitability of the transaction.
5. Transactions may not exceed or cause to exceed the REIT and private placement Total Holdings requirements of the state, issuer, or J Alden (the most stringent requirements will be followed, as indicated previously).
6. The Registered Representative will obtain a J Alden New Account Form for a new or existing client.
7. The Registered Representative will send the New Account Form, the REIT application, the client's check, the REIT Disclosure Form and any other related suitability supporting documentation to the Home Office or OSJ for review and approval. No checks will be accepted if they are made payable to the broker/dealer. The firm is not approved to accept checks made payable to the broker/dealer.
8. The Designated Supervising Principal will review all documents and approve or reject the transaction. Evidence of review and approval by the Designated Supervisor is by the Designated Supervising Principal's signature on the New Account Form and any applicable subscription documents, or if this is an established customer/account and the investor is just making an additional investment in the REIT, the Designated Supervising Principal will evidence his review and approval of the additional investment by his signature on any document from the customer provided by the Registered Representative requesting the additional investment. All documentation with the evidence of approval will be maintained in the customer file.
9. In the case of rejected transactions, the issuer application/check will be immediately returned to the client.

O. Wholesaling of ETFs

The firm handle ETFs as a wholesaling activity.

As stated in FINRA's Regulatory Notice 09-31, "Exchange traded funds are highly complex financial instruments that are typically designed to achieve their stated objectives on a daily basis. Due to the effects of compounding, their performance over longer periods of times can differ significantly from their stated daily objective. Therefore, inverse and leveraged ETFs that are reset daily typically are unsuitable for retail investors who plan to hold them for longer than one trading session, particularly in volatile markets."

The firm will ensure that registered representatives understand the terms and features of the funds, including how they are designed to perform, how they achieve that objective, and the impact that market volatility, the ETF's use of leverage, and the customer's intended holding period will have on their performance.

The Designated Principal will first determine that the ETF is suitable for at least some investors and determine that representatives are educated on the ETF prior to soliciting to investment advisors or other broker/dealers.

The Designated Principal is also responsible for ensuring that all promotional materials used by the firm are accurate and balanced and do not omit any material fact or qualification that would cause the communication to be misleading.

P. Corporate Debt/Fixed Income

General sales practice procedures included within this manual also apply to the sale of corporate bonds and other fixed income securities.

Supervisory Responsibilities

The Designated Principal is responsible for the review and approval of each corporate debt/fixed income transaction. The Designated Principal is responsible for all supervisory activity with respect to corporate debt securities and maintenance of records involving any corporate debt securities activities.

The Designated Principal will review the corporate debt/fixed income security transaction for suitability, unsuitable transactions, unauthorized trading, adjusted trading, fair and equitable mark-ups and markdowns, etc. If there are any questions regarding the transaction, it is the Designated Principal's responsibility to contact the Registered Representative for explanation or clarification. If any problems are noted, the Designated Principal will take proper action to resolve the matter.

Representative Responsibilities

It is the responsibility of the Registered Representative to obtain a complete investment profile of the customer. The profile must include sufficient information to support the suitability of the corporate debt/fixed income security investment. In recommending the purchase or sale of a corporate debt/fixed income security, the Registered Representative must disclose all material facts to the customer including, but not limited to the investment risk of the corporate bond compared to other investments.

Review and Approval of Transactions in Corporate Debt Securities

The Designated Principal will evidence the review and approval of corporate debt/fixed income securities transactions by initialing the daily Trade Blotter or other similar report provided by the clearing firm. Any questions arising from the review of corporate debt transactions will be promptly communicated to the Chief Compliance Officer.

Review and approval of corporate debt transactions is conducted on a daily basis.

Reporting of Corporate Debt Transactions

The firm will report eligible fixed income/corporate debt transactions through the TRACE system (Trade Reporting and Compliance Engine).

Record Maintenance and Retention

According to SEC Rule 17a-4, corporate debt transaction records must be maintained at the home office for at least three years, readily accessible for the first two years.

End of Section IV
Approved Investment Products

VI. CUSTOMER ACCOUNTS

A. Opening and Acceptance of New Accounts

It is the Designated Principal's responsibility to ensure that the New Account Form is acceptable for the business of the firm, to review and approve the acceptance of new accounts and to ensure that the New Account Form is fully completed and signed by the customer.

The New Account Form for the investment of individuals in private placements/limited partnerships takes the form of subscription agreement, which includes information for qualification as an investor. In addition to the Subscription Agreement the firm also uses a Customer Information Form or an Accredited Investor Questionnaire (for individual investors).

It is the Designated Principal's responsibility to ensure that the new account forms or subscription documents are acceptable. It is also the responsibility of the Designated Principal to review and approve the acceptance of new accounts and to determine if proper suitability determination was made for each investment.

It is the Registered Representative's responsibility to make sure the new account forms are fully completed and signed by the customer.

Prior to opening an account, the customer must complete the new account form and subscription documents (if applicable), and if necessary, an Accredited Investor Questionnaire. The new account documents are reviewed by the Designated Principal for completeness, securities industry employment, and to the extent possible, suitability.

Required customer information to be included on the Accredited Investor Questionnaire and/or the subscription documents includes, but is not limited to, the following:

- Customer's or owner's name and address of residence (P.O. Box may not be used as primary address.);
- Customer's telephone number;
- Customer's date of birth;
- Is the account an individual account, joint account, account for a minor, corporate account, etc.;
- Indication if the customer is an "accredited investor", if applicable;
- Signature of Registered Representative responsible for the account;
- Signature of Principal reviewing and approving the account;
- Name of person authorized to transact business in the account, if other than the indicated account owner;
- Customer's social security number or tax ID number;
- Customer's employment status, occupation, name and address of their employer;
- Whether or not the customer is associated with another member firm;
- Customer's financial status; including annual income, net worth (net worth excludes primary residence), assets, etc. in order to determine suitability. If it is a joint account, financial information may be combined.;
- Customer's tax status;
- Customer's investment objectives;
- Customer's signature on the account opening documents;
- If a partnership application, the financial background information;

- The date the customer signed the application;
- Customer's signature on account transfer forms;
- Customer's signature on change of address forms, if any; and
- Indication whether the customer is of legal age (not a minor).

For joint accounts, the account record must include personal information for each joint owner who is a natural person; however, financial information for the individual joint owners may be combined.

For an account opened by a third party, the name and address of the beneficial owner will be obtained and recorded along with the above referenced information.

For any corporate or trust accounts, the firm must request trading authorization in the form of a corporate resolution, trading authority letter, etc.

If the account is a discretionary account, the firm must acquire the dated signature of each customer granting the authority and the dated signature of each person to whom discretionary authority is granted.

Once the customer and Registered Representative have completed the New Account Form, it is forwarded to the Designated Principal for review and approval/acceptance. This review and approval must be received prior to effecting any securities transaction in that account.

The Designated Principal reviews the subscription documents for:

- Completeness
- Signatures
- Investment objectives
- Financial status for suitability
- Proper registration and licensing of the Registered Representative (No Registered Representative may sell securities in any state where he is not registered. If the Registered Representative is unsure if he is registered in that state, he should contact the Compliance Department.)
- If the new account holder is an employee of the firm, the Designated Principal will request to receive duplicate copies of any subscription documents. Also, if the Registered Representative has any accounts with other brokerage firms, the Compliance Officer must receive and review duplicate confirmations/statements.

The firm will record the names of all associated person responsible for the customer account, as well as the scope of their responsibilities related to the customer account. If the firm maintains discretionary accounts, the manual, dated signatures of all natural persons with discretionary authority over the account will be maintained.

Review and acceptance of new accounts is an ongoing activity of the firm. Review and approval of new accounts must be complete by the end of the next business day.

New Account Forms/subscription documents are filed in the customer's file at the office that is responsible for that account. At this time, this is a one location; therefore, all account records are maintained at the Home Office. Required retention of these customer account records is for a period of 3 years past the life of the account.

B. Review of Transactions

FINRA Rule 3110(d)(2) requires procedures for the Designated Principal's review and approval of all transactions.

The firm conducts a review of transactions to determine whether or not the securities selected are consistent with the objectives and risk tolerance of the customer.

The Designated Principal is responsible for the review and approval of transactions. If any concerns are noted, they will be promptly investigated and resolved.

The Designated Principal will promptly* review transactions for the following:

- properly completed order ticket/subscription documents/direct applications (customer name, account number, rep name, rep number, etc.)
- description of the security, including quantity and price
- buy or sell transaction
- location of the security, if a sell transaction
- whether the order was solicited or unsolicited
- name of person taking the order

**Promptly reviewed means by noon of the next business day. If the order is a discretionary order, the Designated Principal review and approval must be by the close of business on the date the order is entered.*

Risk-Based Reviews: FINRA Rule 3110.05 permits a firm to use a risk-based system to review its transactions. Risk-based is a methodology the firm may use to identify and prioritize for review the areas that pose the greatest risk of potential securities laws and rule violations. Firms that do not engage in any transactions relating to its investment banking or securities business do not have any review obligations pursuant to FINRA Rule 3110(b)(2).

Note: While the firm may rely on a risk-based system for review of most of its customer transactions, this does not apply to the firm's variable annuity business. **All** variable annuity transactions must be presented to the Designated Principal for review and approval. The Designated Principal is to evidence his review and approval of variable annuity transactions by reviewing the New Account Form, the application and the daily sales blotter. The Designated Principal's responsibility is to review information provided by the customer and the Registered Representative and to determine that the investment is appropriate/suitable for the customer, including review for inappropriate or excessive exchanges and verify that the Variable Annuity Disclosure document has been provided to the customer. If applicable, the Designated Principal will review the Switch Letter submitted by the Registered Representative with the variable annuity application. The Designated Principal will initial or sign the New Account Form as evidence of review and approval. The review and approval of variable annuity transactions will be conducted prior to the application being submitted to the insurance company. For details of the Variable Annuity review and approval process, please see the Variable Contracts procedure included in this manual.

Evidence of Review and Approval

As evidence of review and approval of the transaction, the Designated Principal will initial or sign and date the New Account Form. This may be evidenced by a digital signature. If the transaction is not approved, the Designated Principal will make explanatory notes as to why the transaction was not approved.

C. Changes in Account Name or Designations

J Alden will not make any changes in account name or account designations unless the changes have been documented and authorized by the Designated Principal. Prior to giving such approval, the Designated Principal must be personally informed of the essential facts relative to the proposed account name change or change in designation and indicate his approval of the change in writing on the documentation of the requested changes.

D. Periodic Review of Customer Accounts

The firm is required to conduct a periodic review of the firm's accounts in order to detect and prevent irregularities or abuses in the accounts of its customers.

The Designated Principal is responsible for periodic review of customer accounts in order to detect and prevent the following (if applicable to the securities business being conducted):

- unauthorized trading
- unsuitable transactions
- heavy concentration in one security
- improper mailing address
- excessive activity
- excessive losses
- free-riding
- excessive commissions or fees
- trading on insider information
- prospectus delivery

The Designated Principal will review a random sampling of customer accounts on a periodic basis. However, accounts belonging to an employee of the firm, or his immediate family member, and accounts that are considered "high activity" accounts will be reviewed more frequently.

The Designated Principal may utilize subscription documents to assist in account review. If the Designated Principal notices any suspicious activity or inappropriate conduct, the Designated Principal will investigate. Investigation may include contact with the Registered Representative, contact with the customer, review of correspondence, review of customer file, etc.

The Designated Principal will maintain evidence of accounts reviewed (name and account number), the problem(s) noted, and the action taken.

E. Furnishing Customer Account Records

For each account *with a natural person as a customer or owner*, the firm is required to periodically furnish the account record or an alternative document containing the account record information to the customer or owner of the account. This account record must be furnished to the customer at a minimum occurrence of every 36 months.

The account record and furnishing requirements only apply to accounts for which the firm is required to make a suitability determination or has within the past 36 months been required to make a suitability determination.

Note: The furnishing of the account record requirement does not apply to an account for which the customer or owner is not a natural person. For example, a natural person does not include the following:

- *A corporation*
- *A partnership*
- *A limited liability company, or*
- *A REIT*

If applicable, examples of alternative account documents are mutual fund or variable annuity applications, a private placement subscription agreement, or accredited investor questionnaire.

Triggering events that require the firm to furnish the customer's account record or account record information via an alternate document:

1. *Opening of a New Account*
   For accounts opened on or after May 2, 2003, the firm will deliver the customer account record information to the customer within 30 days of the opening of the account.
2. *Periodic Updating*
   At intervals no greater than 36 months, the firm will furnish each customer a copy of the account record or an alternate account document that includes the account record information.
3. *Change of Investment Objectives*
   Within 30 days of the firm learning about a change in the client's investment objectives, the firm will send the updated account record to the customer and to the Registered Person associated with the account.

It is the Designated Principal's responsibility to ensure that the customer is furnished their account record information in the time prescribed by the rule.

When furnishing the customer with the account record information, the following guidelines must be followed:

- In order to prevent fraud, the firm is not required to include the customer's tax identification number (SSN) or date of birth.
- Provide an explanation of any terms regarding investment objectives.
- The account record or alternate document must include some sort of statement or form that instructs the customer to make any necessary corrections to information and return the account record or alternate document to the firm. If the customer does not make any changes to the information, no response from the customer is required.
- Provide the customer copies of all agreements that are included in the account opening process.
- Keep a record that the agreements were provided to the customer.

<u>Customer Information Not Provided</u>

If the customer neglects to provide or update the customer account record information, refuses to provide or update the customer account record, or is unable to provide or update the customer account record, the firm is excused from obtaining the required information. Notation of this lack of information must be included in the customer's file.

Once the application has been processed and approved by the Designated Principal, the Designated Principal or his designee will mail a copy of the customer account record

information, or alternate account document, within 30 days of the date the account was opened.

This is an ongoing activity of the firm. Records as evidence of providing to the customer the account record information are maintained in the customer's file at the Home Office. *These records must be retained for six years after the closing of the account or the date on which the information was replaced or updated, whichever is earlier.*

F. Customer Address Changes

The firm and its employees must take the necessary steps to ensure that customer address changes are handled appropriately. It is important that the Designated Principal of the firm supervise customer address changes and the verification and documentation of those changes.

Requests for address changes must be made in writing and approved by a Designated Principal. Address change requests will be forwarded to product sponsors or issuers, or to the clearing firm, which will send verification letters to both the old and new addresses.

The Designated Principal is responsible for the supervision of the procedures to monitor and detect any suspicious activity in regard to address changes.

Address change guidelines are as follows:

- Requests for address change must be received either verbally or in writing from the customer.
- Address changes for accounts with more than one owner must have a change of address request from each owner.
- Address changes must be verified with the customer. Verification can be accomplished in one of three ways: (1) in writing to the customer to their existing (or old) address and to the new address, (2) in person, or (3) over the telephone. The address change verification must be documented and filed in the customer's file. Verification of the address change must be completed within 30 days of receipt of the address change notification.
- The Designated Principal must approve all address change requests after the change has been processed. This ensures that verification and documentation is complete.
- While the firm discourages the use of a post office box as the primary address on the customer's account, the firm will allow it if the customer's permanent street address is maintained in the customer file, if verification of the address has been conducted and if the Designated Principal approves the use of the post office box as the primary address. Evidence of the Designated Principal's approval must be maintained in the customer's file.
- Clients may not change the address on their account to the firm's address or to the address of any employee of the firm.
- Special investigation must be undertaken whenever a client requests a change of address that is in care of a third party.

If the customer address changes are not handled as stated above, it could result in severe penalties, up to and including possible termination.

G. Discretionary Accounts

A discretionary account is where a person other than the account owner has the power to execute transactions in that account.

NASD Rule 2510 requires that all discretionary accounts be frequently and promptly reviewed to detect and prevent discretionary transactions that are excessive in size or frequency based on the financial resources and character of the account.

Prior to exercising any discretionary authority over a customer's account, the customer must grant discretionary authority through written authorization.

Discretionary accounts must be reviewed and approved by a Designated Principal by the close of business on the day the account was opened, or the order was entered.

Note: At this time, the firm does not handle any discretionary accounts. If the firm should decide to offer discretionary accounts to its customers, the firm will apply to FINRA for approval to conduct this activity.

H. Suitability

In recommending the purchase, sale or exchange of any security, Rule 2111 states "A member or an associated person must have a reasonable basis to believe that a recommended transaction or investment strategy involving a security or securities is suitable for the customer, based on the information obtained through the reasonable diligence of the member or associated person to ascertain the customer's investment profile. A customer's investment profile includes, but is not limited to, the customer's age, other investments, financial situation and needs, tax status, investment objectives, investment experience, investment time horizon, liquidity needs, risk tolerance, and any other information the customer may disclose to the member or associated person in connection with such recommendation."

FINRA defines "investment strategy" to include, among other things, an explicit recommendation to hold a security or securities. Investment strategy does not include general financial and investment information; descriptive information about an employer-sponsored retirement or benefit plan; asset allocation models that are based on generally accepted investment theory and accompanied by disclosures of all materials facts, and interactive investment materials that incorporate the aforementioned exclusions.

There are three main components of suitability obligations:

- Reasonable-basis suitability
- Customer-specific suitability
- Quantitative suitability

<u>Suitability Obligations</u>

- *Reasonable-basis Suitability* - requires a broker to have a reasonable basis to believe, based on reasonable diligence, that the recommendation is suitable for at least some investors. In general, what constitutes reasonable diligence will vary depending on, among other things, the complexity of and risks associated with the security or investment strategy and the firm's or associated person's familiarity with the security or investment strategy. A firm's or associated person's reasonable diligence must provide the firm or associated person with an understanding of the potential risks and rewards associated with the recommended security or strategy.

- *Customer-specific Suitability* - requires that a broker have a reasonable basis to believe that the recommendation is suitable for a particular customer based on that customer's investment profile. As noted above, the new rule requires a broker to attempt to obtain and analyze a broad array of customer-specific factors.

- *Quantitative Suitability* - requires a broker who has actual or de facto control over a customer account to have a reasonable basis for believing that a series of recommended transactions, even if suitable when viewed in isolation, are not excessive and unsuitable for the customer when taken together in light of the customer's investment profile. Factors such as turnover rate, cost-equity ratio and use of in-and out trading in a customer's account may provide a basis for finding that the activity at issue was excessive.

Rule 2111 states that the registered representative must have a complete and firm understanding of both the product being offered and the customer. A lack of understanding of either the product or the customer is in violation of the suitability rule. The firm requires that each Registered Representative understand the security being sold, including the risks and rewards and determine whether the security is suitable for at least some customers based on that understanding; and determine if the investment is suitable for the particular customer prior based on the customer's profile; and determine that a series of recommended securities transactions are not excessive. *Please note that no Registered Representatives have control over customer accounts.*

It is the Registered Representative's responsibility for assessing the customer's financial information to determine if the investment is suitable for the customer, prior to recommending a security or effecting a securities transaction. In order to keep the customer's information current, the Registered Representative is responsible for reviewing and updating the information on a regular basis.

It is the Designated Principal's responsibility to review information provided by the client and to determine that the investment is appropriate/suitable for the customer. Once the Designated Principal has determined that the new account or transaction is appropriate, the Designated Principal will sign the Customer Information Form/New Account Form evidencing their approval and acceptance of the account or transaction.

<u>Individual Investor Suitability</u>
To determine suitability, the following information must be obtained and reviewed:

- Financial status of the customer (personal circumstances, assets, current investments, responsibilities, income, net worth, tax liabilities, ability to pay for the purchased securities)
- Familiarity with the type of investment
- Tax Status
- Investment Objectives
- Investment Experience
- Time Horizon
- Liquidity Needs
- Risk Tolerance
- Any other information that would aid the Registered Representative in determining if the investment is appropriate for the customer
- Is the investor a qualified accredited investor?

<u>Institutional Suitability</u>
Suitability must also be determined for any "institutional" customer.

An "institutional" customer is defined as:

a. A bank, savings and loan association, insurance company or registered investment company;
b. An investment adviser registered either with the SEC under Section 203 of the Investment Advisers Act or with a state securities commission (or any agency or office performing like functions); or
c. Any other person (whether a natural person, corporation, partnership, trust or otherwise) with total assets of at least $50 million.

Rule 2111(b) states: "A member or associated person fulfills the customer-specific suitability obligation for an institutional account, as defined in Rule 4512(c), if (1) the member or associated person has a reasonable basis to believe that the institutional customer is capable of evaluating investment risks independently, both in general and with regard to particular transactions and investment strategies involving a security or securities and (2) the institutional customer affirmatively indicates that it is exercising independent judgment in evaluating the member's or associated person's recommendations. Where an institutional customer has delegated decision making authority to an agent, such as an investment adviser or a bank trust department, these factors shall be applied to the agent."

In determining that the institutional customer is able to make an informed investment decision, the following should be taken into consideration:

1. The use of one or more consultants, investment advisers or bank trust departments;
2. The general level of experience of the institutional customer in financial markets and specific experience with the type of investment products under consideration;
3. The customer's ability to understand the economic features of the security involved;
4. The customer's ability to independently evaluate how market developments would affect the security; and
5. The complexity of the security or securities involved.

If the Registered Representative is not sure if the investment is suitable, he should contact the Designated Principal. If the Designated Principal decides the account or transaction is not suitable or appropriate for the investor, the account will not be opened. If the account or transaction is deemed suitable, the Designated Principal will sign the New Account Form evidencing his review and approval.

Suitability determination is an ongoing activity of the firm and, whenever possible, it should be conducted prior or concurrent to the first transaction in the new account.

I. Regulation S-P

NOTE: *Regulation S-P does not apply to institutional customers, therefore no privacy notices are provided to the institutional customers. When the firm accepts individual customer accounts, the firm provides customers with a notice of the firm's privacy policies and practices.*

With an effective date of July 2001, the SEC adopted Regulation S-P – Privacy of Consumer Financial Information. This rule requires that financial institutions, including broker/dealers, provide its customers with a notice of the firm's privacy policies and

practices. The rule also requires that financial institutions not disclose non-public personal information about consumers to non-affiliated third parties unless the institution provides certain information to the consumer and the consumer has not elected to opt-out of the disclosure.

Regulation S-P requires "financial institutions, including broker/dealers, to develop privacy policies with respect to consumer nonpublic information. Like other financial institutions, broker/dealers may not share nonpublic personal information of consumers with nonaffiliated third parties, except under limited exceptions, unless (1) the broker/dealer provides notices of its privacy policies and practices; (2) the broker/dealer provides consumers with the ability to opt out of the sharing; and (3) the consumers do not opt out. Broker/dealers also must provide consumers who are customers with an initial privacy notice and thereafter, annual privacy notices. Regulation S-P also requires broker/dealers to establish safeguards to protect the security and confidentiality of customer records and information."

Note: At this time, the firm does not choose to share information with unaffiliated third parties. Therefore, an opt-out notice is not required. Should the firm decide to share customer/consumer information with unaffiliated third parties, the firm will issue an opt-out notice to their customers/consumers.

The firm will ensure the security and confidentiality of customer information by limiting access to customer information to employees who have a business reason for viewing the information. File cabinets where customer records are kept will be locked when not in use. Electronic customer records will be maintained on computers that are password protected. If employees access customer information remotely, such as by the use of wireless connectively or virtual private networks, the firm will implement appropriate measures to secure customer information. These measures may include, but are not limited to, using anti-virus software that is updated regularly, maintaining advanced firewalls, and using secure browsers.

The firm will periodically review its security procedures to ensure that they are sufficient to deter physical and electronic security breaches, hacking, cyber-attacks, account intrusions and other security threats.

Financial institutions are also required to properly dispose of consumer report information by taking reasonable measures to protect against unauthorized access to or use of the information in connection with its disposal. Due to the nature of the business conducted by the firm, no "consumer report information," as defined in the Fair Credit Reporting Act, will be maintained by the firm.

The firm will, however, implement a policy whereby papers containing consumer information will be burned, pulverized, or shredded so that the information cannot practicably be read or reconstructed, after such time as it is no longer required to be maintained by the firm. Currently, information marked for disposal is stored in a locked box and collected and shredded.

Additionally, the firm will destruct or erase electronic media containing consumer information so that the information cannot practicably be read or reconstructed, after such time as the electronic media records are no longer required to be maintained by the firm.

If and when new technologies are implemented, the firm will develop adequate policies and procedures to safeguard customer information.

Definitions

Affiliate: A company that controls, is controlled by or under common control with another company.

Consumer: An individual who obtains or has obtained a financial product or service from your firm but has not established a continuing relationship.

Customer: A natural person who has a continuing relationship with the firm.

The Designated Principal is responsible for ensuring the firm is in compliance with Regulation S-P. This includes supervision of the practices and procedures in place regarding the initial and annual privacy notification, the opt-out notice (if required) and the establishment of safeguards in order to protect the customer's information.

It is the Registered Representative's responsibility to provide the initial privacy notification to customers and consumers (to consumers only if the firm plans to share information with third parties).

Process

In order to comply with Regulation S-P, the firm must ensure the following takes place:

1. *Initial Privacy Notification*

   Initial privacy notice is required to be provided. If to a customer, the notification is provided at the time the customer's relationship is established with the firm. If to a consumer, the notice is provided before disclosing nonpublic personal information about the consumer to a nonaffiliated third party.

   Sometimes, though rarely, it may not be possible to provide the notice to the customer at the time the account is established. In this situation, the firm must provide the initial privacy notice within 48 hours of the opening of the account.

   Regulation S-P does not apply to institutional customers; therefore, no privacy notices are required to be provided to institutional consumers or customers.

2. *Annual Privacy to Customers*

   The firm provides notices of the firm's privacy policies and practices on an annual basis to its customers that continue to have a relationship with the firm. The firm provides this notice once every year (on a calendar year basis). As stated above, the firm is not required to provide privacy notices to its institutional customers.

3. *Opt-Out Notice*

   If the firm decides to share nonpublic personal information with unaffiliated third parties, the firm will provide an opt-out notice to consumers and customers. This allows the customer or consumer to opt-out of allowing the firm to share information with unaffiliated third parties.

   Nonpublic personal information may be shared with an unaffiliated third party only if the firm has provided the customer or consumer with the initial privacy notice, provided an opt-out notice to the customer with a reasonable opportunity for the customer/consumer to opt-out (30 day opt-out period) and if the customer/consumer chooses not to opt-out of the information sharing.

4. *Internal Control Systems*

The firm maintains copies of the initial privacy and opt-out notices provided to the customers or consumers. The copies are maintained in the customer/consumer file at the home office.

5. *Safeguarding of Customer Information and Records*

Information and records relating to the customer and the customer's account are safeguarded by restricting access to the information to those employees who need access in order to service the account.

The broker/dealer and its Associated Persons are required to attempt to:

- Ensure the security and confidentiality of customer records and information;
- Protect against any anticipated threats or hazards to the security or integrity of customer records and information; and
- Protect against unauthorized access to or use of customer records or information that could result in substantial harm or inconvenience to any customer

The firm's offices are locked when the business is closed, and unauthorized access is prohibited. Investor records are maintained in locked file cabinets and are also stored electronically on the firm's computer system. All computers are password protected and only those employees who have been granted access by the assignment of a password and have been registered or fingerprinted (at a minimum) may access such records. Unauthorized access is strictly prohibited. The firm's data on its computer system/servers is protected by a firewall and anti-virus software. Destruction of any confidential customer information is done via a paper shredder. The Designated Principal is responsible for overseeing adherence to these policies.

Due to the nature of the business of the firm, no orders are taken over the phone and no customer information is taken over the phone. No customer privacy issues. In addition, any shared administrative personnel will be fingerprinted, and a broker/dealer confidentiality agreement will be signed by the individual. (Individuals located in the shared space will either be registered with the firm or will sign a broker/dealer confidentiality agreement.)

Any copies that are made in the shared copy room will be made by registered personnel or shared personal that work under confidentiality agreement. Any excess paper copies that contain private or confidential customer information will be shredded and not thrown into the trash receptacle.

Once documents exceed the required retention time, the firm may choose to properly dispose of the documents by shredding. If the firm chooses to discard or donate any old computers, the computer data will be cleaned off prior to discarding or donating.

Please note: the firm does not have retail customers; therefore, no retail consumer report information is maintained. Any due diligence documentation and institutional customer information is maintained in a locked location or on computers that are password protected.

6. *Ensure notices to Consumers and Customers Contain Required Information*
The Designated Principal must ensure that the firm's privacy notices contain the required information and disclosures as set forth in Regulation S-P.

Privacy Policy Delivered via the Firm's Web Site
If the firm chooses to provide the privacy policies on the firm's web site, the firm will require the consumer/customer to acknowledge receipt of the notice from the web site as a requirement to opening an account. The firm will continuously keep current the privacy policies and practices of the firm on the web site.

Education of Firm Personnel
Training of employees is necessary for their complete understanding of Regulation S-P and the importance of the protection and confidentiality of customer information.
On an ongoing basis, the firm will educate the employees on the importance of not entering into any agreements without consultation with the Designated Principal and that all agreements entered into must be written agreements.

The firm provides all personnel with a copy of these procedures and encourages the individuals to review Regulation S-P and Notice to Members 05-49, which is available via the FINRA website.

J. Protection of Customer Information

The firm will ensure the security and confidentiality of customer information by limiting access to customer information to employees who have a business reason for viewing the information. File cabinets where customer records are kept will be locked when not in use. Electronic customer records will be maintained on computers that are password protected. If employees access customer information remotely, such as by the use of wireless connectively or virtual private networks, the firm will implement appropriate measures to secure customer information. These measures may include, but are not limited to, using anti-virus software that is updated regularly, maintaining advanced firewalls, and using secure browsers.

The firm will periodically review its security procedures to ensure that they are sufficient to deter physical and electronic security breaches, hacking, cyber-attacks, account intrusions and other security threats.

Electronic media containing consumer information will be erased or destroyed so that the information cannot practicably be read or reconstructed, after such time as the electronic media records are no longer required to be maintained by the firm. Paper documents containing customer information will be shredded and stored in a secure area until properly disposed of.

The firm will provide training to employees regarding the use of available technology and the steps all employees should take to ensure that customer records and information are kept confidential.

If and when new technologies are implemented, the firm will develop adequate policies and procedures to safeguard customer information.

K. Fair and Accurate Credit Transactions Act of 2003

The Federal Trade Commission (FTC) issued regulations implementing Sections 114 and 315 of the Fair and Accurate Credit Transactions Act of 2003, requiring that:

- Each financial institution or creditor develop and implement a written program to detect, prevent and mitigate identity theft in connection with the opening of certain accounts or the maintenance of certain existing accounts (referred to as the Red Flags Rule);

- Each credit and debit card issuer assess the validity of change-of-address notifications; and

- Each user of consumer reports develops reasonable policies and procedures to respond to the receipt of a consumer-reporting agency's notice of a consumer address discrepancy.

J Alden has determined that the Red Flags Rule does not apply to the firm since J Alden is neither a "financial institution" nor "creditor" as defined by the Rule. The firm will periodically reassess whether the Red Flag Rules apply; if the firm's status as a "financial institution" or "creditor" changes, the firm will develop, implement and administer a Written Identity Theft Prevention Program to detect, prevent and mitigate identity theft in connection with the opening of a covered account or the maintenance of an existing covered account.

Note: J Alden, does not issue credit or debit cards. If the firm's business model changes, procedures will be developed to assess the validity of address change notifications.

If J Alden requests a consumer report on an individual customer from a consumer reporting agency, the firm will develop procedures to use if a notice of address discrepancy is received.

L. Cybersecurity

FINRA defines cybersecurity as the protection of investor and firm information from compromise (loss of data confidentiality, integrity or availability) through the use of computers, laptops, mobile phones, tablets, VOIP telephones, etc.

Cyber Threats

The top three cyber threats are:

1. hackers penetrating firm systems for the purpose of account manipulation, defacement or data destruction;
2. insiders compromising firm or client data, such as risk of employees or other authorized users abusing their access by harvesting sensitive information or otherwise manipulating the system or data undetected; and
3. operational Risks associated with environmental problems for disasters.

Firm Practices to Minimize Cyber Threats

The following practices should aid the firm in minimizing cyber threats:

- Firm management must understand and approach cybersecurity as an enterprise-wide risk management issue, not just an IT issue;
- Firm management should understand the legal implication of cyber risks as they relate to the firm's specific circumstances;
- Firm management of cybersecurity issues should include identification of which risks to avoid, accept, mitigate or transfer through insurance, as well as specific plans associated with such approach;

- Firm management should have adequate access to cybersecurity expertise should a specific breach or situation occur where such expertise may be needed;
- The firm should conduct regular assessments to identify cybersecurity risks, associated with firm assets and vendors, and prioritize their remediation.

Cybersecurity Risk Assessment

A cybersecurity risk assessment is used to identify and analyze potential dangers or risks to a firm's business that could arise through its information technology systems; such as the compromise of customer or firm confidential information, the misuse of customer funds or securities resulting in potential financial losses for the firm or its clients, etc. This assessment should include identifying those individuals that are authorized to access the firm's internal systems and external vendor data, identify the internal and external risks of the firm, identify the vulnerabilities of the firm, identify potential impacts on the firm, etc.

The risk assessment will provide information for the firm to work to prevent, detect and correct any cybersecurity issue or threat.

The firm will consider the following in its assessment: employee access to internal and external systems (dependent upon job responsibilities and duties), data stored at third-party vendors and the security in the third-party vendor systems, encryption of firm data, storage of firm data, training of new and existing employees regarding cybersecurity, confidence in IT department and its performance, new and updated software security features, secure wireless system for the firm, secure email server, customer access (if any), firm policy regarding use of public Wi-Fi, firm policy regarding use of mobile devices (phone, tablets, etc.) and laptop, etc. This is not an exhaustive list, but a list of areas the firm should consider in its assessment.

Not all of these areas apply to the firm at the present time; however, controls to reduce cyber threats will continue to be developed as the needs arise. If the firm determines the need, it will consider engaging a third party to review the firm's cybersecurity measures.

Third –Party Vendors

The firm will manage cybersecurity risk that could arise with any third-party vendor or system by conducting extensive due diligence prior to contracting with that third-party vendor or system and will perform on-going due-diligence throughout the course of the contracted relationship. The firm will also determine the access the vendor or system will have to firm and customer information and establish termination procedures when that third-party relationship is terminated.

Cybersecurity Training

The firm will internally train its associated persons on the cybersecurity policies and practices of the firm. The firm will also consider Cybersecurity as a topic for its CE firm element program.

Training should consist of: basics of cybersecurity risks, exposures and solutions; privacy settings on mobile devices, social media sites, etc.; use of software for virus detection, public Wi-Fi use, password protection on on-site equipment and on personal mobile devices that are used in the conduct of business; email security, etc.

M. Investor Education and Protection

In order to achieve compliance with FINRA Rule 2267 – Investor Education and Protection, FINRA requires that each member firm provide to its customers the following information:

1. FINRA Regulation BrokerCheck Hotline Phone Number (800-289-9999);
2. FINRA Regulation Web Site Address (www.finra.org); and
3. A statement regarding the availability to the customer of an investor brochure, which includes information concerning FINRA BrokerCheck Program.

The Investor Education and Protection Notice must be provided to the customer at the time the account is opened and on an annual basis. However, the firm does not carry customer accounts and does not hold customer funds or securities; therefore, the firm is exempt from the requirement to provide the customer with the information on an annual basis.

While it is the Designated Principal's responsibility for compliance to the rule and for ensuring that this notice is provided to customers at the account opening stage, it is the responsibility of the Registered Representative to provide the customer with the Investor Education and Protection Notice and have the customer sign the notice.

N. Confirmations and Statements

Confirmations

J Alden' confirmations to its customers take the form of the executed subscription documents.

At the completion of each transaction, the firm will provide a written confirmation of each transaction to its customers.

Customer confirmations will include the following:

1. Date of the transaction;
2. Time of the transaction;
3. Identity, price and number of shares or units of such security purchased or sold; and
4. Any disclosures required by SEC Rule 10b-10 (see below).

Disclosures Required by SEC Rule 10b-10 include, but are not limited to, the following:

1. Date and time of the transaction and the identity, price and number of shares or units of such security purchased or sold by such customer. If the time of the transaction is not furnished, the firm must disclose on the confirmation that the time of the transaction will be furnished upon written request to the customer.
2. Whether the broker or dealer is acting as agent for such customer, as agent for some other person, as agent for both such customer and some other person, or as a principal for its own account; and if the broker or dealer is acting as principal, whether it is a market maker in the security.
    A. If the broker or dealer is acting as agent for such customer, for some other person, or for both such customer and some other person, the firm must disclose:
        - The name of the person from whom the security was purchased or to whom it was sold, or a statement that the information will be furnished upon written request of the customer;

- The amount of any remuneration received or to be received by the broker from the customer in connection with the transaction unless remuneration paid by such customer is determined pursuant to written agreement with the customer, rather than on a transaction basis;
- A statement whether payment for order flow is received by the broker or dealer for transactions in such securities and the fact that the source and nature of the compensation received in connection with the particular transaction will be furnished upon written request by the customer; and
- The source and amount of any other remuneration received or to be received by the broker in connection with the transaction.

B. If the broker or dealer is acting as principal for its own account, the firm must disclose:
   - Any difference between the price to the customer and the dealer's contemporaneous purchase for sale price; and
   - The reported trade price, the price to the customer in the transaction and the difference between the reported trade price and the price to the customer.

It is the Designated Principal's responsibility to ensure that confirmations are provided in a timely manner to the firm's customers, and that the proper disclosures are included as required by SEC Rule 10b-10.

Note: For the complete rule on Confirmation of Transactions, see SEC Rule 10b-10.

O. Customer Complaints

A complaint is defined in FINRA Rule 4513 as "any grievance by a customer or any person authorized to act on behalf of the customer involving the activities of the member or a person associated with the member in connection with the solicitation or execution of any transaction or the disposition of securities or funds of that customer."

Note: Complaints may also take verbal/oral form.

According to the Rule, each firm shall keep and preserve in each office of supervisory jurisdiction either a separate file of all written complaints of customers and actions taken by the member, if any, or a separate record of such complaints and a clear reference to the files containing the correspondence connected with such complaint as maintained in such office.

It is the responsibility of the Chief Compliance Officer to ascertain that all written customer complaints are reviewed and responded to promptly in writing. It is also the Chief Compliance Officer's responsibility to ensure that all customers opening an account are provided a notice of where and to whom they direct any complaints. The Chief Compliance Officer is responsible for filing customer complaints on FINRA's electronic filing system and for providing to FINRA a quarterly statistical report regarding any complaints received by the firm.

It is the responsibility of any Registered Representative, Associated Person or employee to report any complaint to the Chief Compliance Officer. A Registered Representative, Associated Person or employee may not attempt to resolve any complaint.

Notice to Customers Regarding Complaints

Upon opening an account, the firm will provide to each customer a notice that includes the address, telephone number and department to which the customer may direct any complaints.

Handling of Customer Complaints

When a written complaint is received, a copy should be forwarded immediately to the Chief Compliance Officer for follow-up. If the complaint is verbal, it should be reported immediately to the Chief Compliance Officer.

Registered Representatives, Associated Persons or employees may not make independent decisions regarding whether to report the complaint. All complaints must be reported to the Chief Compliance Officer. Also, the Registered Representative, Associated Person or employee may not attempt to resolve the complaint.

When the Chief Compliance Officer receives a written customer complaint, the Chief Compliance Officer will acknowledge receipt of the complaint with a letter to the customer or to whomever the customer designates (ex. attorney, etc.).

As stated previously, all complaints are directed to the Chief Compliance Officer for investigation and resolution. The Chief Compliance Officer will promptly investigate the complaint by interviewing the Registered Representative or any other person associated with the account; researching any records or files concerning the customer, the account or the representative; and possibly contact the customer, if necessary and appropriate. The Chief Compliance Officer will initial the complaint as evidence of review. Any documentation reflecting resolution to the client will also be reviewed and initialed by the Chief Compliance Officer and filed in the complaint file (by Associated Person).

Maintenance of Customer Complaint Records

The firm is required to maintain a separate file of all complaints (filed according to Associated Person) and the action taken, if any.

The firm's complaint file will include the following:

- Identification of complainant (name, address and account number);
- Date complaint received;
- Name and ID number of Registered Representative servicing the account;
- Name of any other Associated Person identified in the complaint;
- General description of the complaint;
- A record of action taken with respect to the complaint;
- Disposition of the complaint; and
- Evidence of electronic filing of the complaint with FINRA, per FINRA Rule 4530.

The complaint record may be created by the firm and must include all of the required information, or the firm may maintain a copy of each original complaint in a separate file by the Registered/Associated Person's named in the complaint along with a record of the disposition of the complaint.

Reporting of Complaints to FINRA - Material Events and Customer Complaint Reporting

FINRA Rule 4530(a) requires firms to promptly report specified events to FINRA no later than 30 calendar days after the firm knows or should have known of their existence.

FINRA Rule 4530(b) requires a firm to report to FINRA within 30 calendar days after the firm has concluded, or reasonably should have concluded, on its own that the firm or an associated person of the firm has violated any securities, insurance, commodities, financial or investment-related laws, rules, regulations or standards of conduct of any domestic or foreign regulatory body or self-regulatory organization

The Chief Compliance Officer will report to FINRA statistical and summary information regarding the firm's written customer complaints by the 15th day of the month following the calendar quarter in which the customer complaints are received.

Should any of the following occur, the firm will promptly file with FINRA copies of:

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

Disclosure of Complaints

Some complaints may be required to be reported on the firm's Form BD or on the Registered Individual's Form U4 or Form U5. The Chief Compliance Officer is responsible for ensuring that these disclosures are made.

Review of Customer Complaints

FINRA Rule 3110(b)(5) requires the firm to have procedures in place to capture, acknowledge and respond to all written (including electronic) customer complaints. The failure to address any customer complaint, written or oral, may be a violation of FINRA's Standards of Commercial Honor and Principles of Trade.

Retention of Complaint Records

The firm's complaint records are maintained for a period of 4 years.

End of Section V
Customer Accounts

VII. ANTI-MONEY LAUNDERING

This procedure sets forth the anti-money laundering requirements of the USA PATRIOT Act and the Bank Secrecy Act.

The USA PATRIOT Act of 2001 requires securities firms to establish anti-money laundering procedures which will include, at a minimum, internal policies, procedures and controls, the designation of the anti-money laundering compliance officer, employee training and an audit of the processes to prevent money laundering. These procedures are designed to explain the requirements of the PATRIOT Act and the Bank Secrecy Act and to reasonably detect and report any suspicious activities/transactions.

It is the policy of the firm to prohibit and actively prevent money laundering and any activity that facilitates money laundering or the funding of terrorist or criminal activities. Money laundering is generally defined as engaging in acts designed to conceal or disguise the true origins of criminally derived proceeds so that the unlawful proceeds appear to have derived from legitimate origins or constitute legitimate assets. Generally, money laundering occurs in three stages. Cash first enters the financial system at the "placement" stage, where the cash generated from criminal activities is converted into monetary instruments, such as money orders or traveler's checks, or deposited into accounts at financial institutions. At the "layering" stage, the funds are transferred or moved into other accounts or other financial institutions to further separate the money from its criminal origin. At the "integration" stage, the funds are reintroduced into the economy and used to purchase legitimate assets or to fund other criminal activities or legitimate businesses. Terrorist financing may not involve the proceeds of criminal conduct, but rather an attempt to conceal the origin or intended use of the funds, which will later be used for criminal purposes.

Due to the nature of the business conducted by the firm, the firm does not accept customer funds. The firm is an introducing broker/dealer clearing all transactions through a clearing firm. All customer funds are submitted by the customer direct to the clearing firm. However, the firm will make employees aware of the PATRIOT Act's caution on accepting cash or cash equivalents, such as traveler's checks, money orders, cashier's checks and bearer bonds.

Clearing/Introducing Firm Relationships

Since the broker/dealer is an introducing broker/dealer clearing all transactions through their clearing firm, some of the responsibilities of detection and reporting of suspicious activity lies with the clearing firm. However, as the introducing broker/dealer, the firm has the responsibility to ensure that all aspects of the anti-money laundering program are being carried out either by the clearing firm or by the broker/dealer. The firm will work closely with the clearing firm to detect money laundering. J Alden and the clearing firm will exchange information, records, data and exception reports as necessary to comply with the anti-money laundering laws. As a general matter, we have agreed that our clearing firm will monitor customer activity on our behalf, and we will provide our clearing firm with proper customer identification information as required to successfully monitor customer transactions. We understand that the allocation of functions will not relieve either of us from our independent obligation to comply with AML laws, except as specifically allowed under the PATRIOT Act and its implementing regulations.

Under no circumstances will the firm accept wire orders, cash, cash equivalents payable to the firm or accept transactions of international money or from a foreign bank.

Responsibility

The Chief Compliance Officer of the firm (Karen Van Horn is designated as the Anti-Money Laundering Compliance Officer (Designated Principal). It is the Designated Principal's responsibility to develop and implement the anti-money laundering procedures. It is also the Designated Principal's responsibility to ensure that the anti-money laundering records are maintained properly and to report suspicious activity. The Designated Principal is responsible for making the determination to investigate the activity further and/or if the activity warrants filing of a Suspicious Activity Report (SAR). He is also responsible for ensuring that the anti-money laundering training programs are presented to the appropriate employees and for communicating any changes in the law and regulations to all employees of the firm. The Anti Money Laundering/Chief Compliance Officer will advise the principals of the firm of the compliance efforts and any compliance problems or deficiencies and the corrective actions taken.

The firm will keep FINRA current on the identity of the individual responsible for implementing and monitoring the firm's AML compliance program. Karen Van Horn has been designated and identified to FINRA (via FINRA Contact System, as the person responsible for implementing and monitoring the AML program and notifying FINRA regarding any changes to the contact information. If changes are made, Karen Van Horn will promptly update FINRA Contact System. An annual review of the firm's contacts will be conducted in order to ensure that FINRA has the proper contact person(s) on file. The contact information will include the name of the AML Compliance Officer, title, mailing address, e-mail address, telephone and fax number.

Registered Representatives or OSJ Managers are responsible for taking the necessary steps to "Know Their Customer", in order to prevent money laundering. Registered Representatives are responsible for reporting to the Designated Principal any suspicious activity (suspicious customers and/or suspicious transactions) they detect.

It is the responsibility of the Senior Officer of the broker/dealer (Lee Calfo, President) to approve the firm's Anti-Money Laundering Compliance Program. This approval must be in writing and must be done each time there is a change to any aspect of the AML program or a change to its AML procedures. A copy of this approval is maintained in the AML file at the home office.

Any questions regarding the anti-money laundering procedure should be directed to the Designated Principal, the Chief Compliance Officer/Anti Money Laundering Chief Compliance Officer of the firm.

"What is money laundering"? Money laundering involves acts committed to conceal or disguise the criminal origin of funds. Money laundering can involve cash, cashier's checks, traveler's checks, money orders, personal checks, third-party checks, wire transfers and foreign bank drafts.

The anti-money laundering procedure is an extension of the "Know Your Customer" policy. In the process of "knowing your customer", the firm is able to assess risk associated with their customers or their customers' transactions. This allows the firm to determine if there is any suspicious activity associated with that customer or their transactions. This risk may be determined by considering the following factors:

- Whether the customer is an individual, an intermediary, public, private, domestic or foreign corporation, a financial or non-financial institution, or a regulated person or entity;
- Whether the customer has been an existing customer for a significant period of time;
- How the client became a customer of the firm;

- Whether the type of business of the customer, or the particular type of account, is the type more likely to be involved in illicit activity;
- Prior pattern of the customer's investment activity;
- Whether the customer's home country is a member of FATF (Financial Action Task Force) or if the customer's country is subject to anti-money laundering controls; and
- Whether the customer resides in, is incorporated in or operates from a jurisdiction with bank secrecy laws, or one which has been identified as an area worth enhanced scrutiny.

"What is suspicious activity"? There is no clear-cut definition of what constitutes suspicious activity. It could occur at the time an account is opened or at any time throughout the life of the account. The SIA has published a guide of potential indicators of suspicious activity that MAY evidence money laundering activity. This guide includes the indicators at account opening and indicators regarding account activity. These lists are not complete. They should be used as a guide in the process of detection of money laundering activity.

Indicators (Red Flags) at Account Opening:

The Securities Industry Association published several indicators that broker/dealers should be aware of at the account opening stage. If any of these situations (indicators) cannot be explained by the customer, it MAY indicate money laundering activity. They are as follows:

- "Customer exhibits an unusual concern regarding the firm's compliance with government reporting requirements, or is reluctant or refuses to reveal any information concerning business activities, or furnishes unusual or suspect identification or business documents;
- A customer wishes to engage in transactions that lack business sense, apparent investment strategy or are inconsistent with the customer's stated business/strategy;
- A customer has a questionable background or is the subject of any news report indicating possible criminal, civil or regulatory violations;
- A customer appears to be acting as the agent for another entity but declines, evades or is reluctant, without legitimate commercial reasons, to provide any information in response to questions about that entity; and
- A customer has difficulty describing the nature of his or her business or lacks general knowledge of his or her industry."

Additional indicators (Red Flags) may be:

- A client is located in a country that may be under heightened surveillance for money laundering activities;
- A client has a lack of concern regarding transaction costs and commissions; and
- The client does not reside in an area that is geographically convenient for the conduct of business with the broker/dealer.

Indicators (Red Flags) Regarding Account Activity:

Additional guidelines were published related to account activity. If any of these situations (indicators) are unexplained by the customer, it MAY indicate money laundering. They are as follows:

- "A customer attempts to make frequent or large deposits of currency, insists on dealing only in cash equivalents or asks for exemptions to the firm's policies relating to the deposit of cash and cash equivalents;
- A customer engages in transactions involving cash over $10,000 or cash equivalents or other monetary instruments that appear to be structured to avoid government reporting requirements, especially if the monetary instruments are in an amount just below reporting or recording thresholds and/or are sequentially numbered;
- A customer engages in multiple transfers of funds or wire transfers to and from countries that are considered bank secrecy or "tax havens" that have no apparent business purpose or are to or from countries listed as non-cooperative by the FATF and FinCEN, or are otherwise considered by the firm to be high-risk;
- A customer's account has unexplained or sudden extensive wire activity, where previously there had been little or no wire activity without any apparent business purpose;

- A customer makes a funds deposit followed by an immediate request that the money be wired out or transferred to a third party, or to another firm without any apparent business purpose;
- A customer makes a funds deposit, for the purpose of purchasing a long-term investment, followed shortly thereafter by a request to liquidate the position and a transfer of the proceeds out of the account;
- For no apparent reason, a customer has multiple accounts under a single name or multiple names, with a large number of inter-account or third-party transfers;
- A customer engages in excessive journal entries between unrelated accounts without any apparent business purpose;
- A customer requests that the transaction be processed in such a manner so as to avoid the firm's normal documentation requirements;
- A customer engages in transactions involving certain types of securities, such as penny stocks, Regulation "S" stocks and bearer bonds, which, although legitimate, have been utilized in connection with fraudulent schemes and money laundering activity;
- A customer deposits bearer bonds followed by immediate request for the disbursement of funds; and
- A customer exhibits a total lack of concern regarding risk, commissions, or other transaction costs."

Additional indicators may be:

- A client wants to invest funds of a third party with whom the client has no fiduciary relationship; and
- A client offers gifts or gratuities in excess of the gift policy, even after he has been informed of the firm's policy.

If the Representative notices any red flags at account opening or with any account activity, he will contact the AML Compliance Officer to see if further investigation is required, including gathering additional information, contacting the government, freezing the account and/or filing a SAR. This is discussed further within this procedure.

Reporting

Sharing of Information

The broker/dealer will share information about those suspected of terrorism and money laundering with other financial institutions for the purposes of identifying and reporting activities that may involve terrorist acts or money laundering activities. The broker/dealer will file an initial certification with FinCEN before any sharing occurs and file an annual certification thereafter. This form may be found by accessing www.fincen.gov. Before we share information with another financial institution, we will take reasonable steps to verify that the other financial institution has submitted the requisite notice to FinCEN, either by obtaining confirmation from the financial institution or by consulting a list of such financial institutions that FinCEN will make available. This requirement also applies to a financial institution, if any, with whom we are affiliated. Only relevant information will be shared in order to protect security and confidentiality, this information will be maintained separately from the broker/dealer's other books and records.

Currency Transaction Reporting

Note: The firm prohibits the receipt of currency.

Currency is defined as "coin and paper money of the United states or of any other country" that is "customarily used and accepted as a medium of exchange in the country of issuance." Currency also includes U.S. silver certificates, U.S. notes, Federal Reserve notes and official foreign bank notes that are customarily used an accepted as a medium of exchange in a foreign country.

Associated Persons of the firm are trained to instruct any customers attempting to pay for securities transactions with "currency", or deposit "currency" to their account to convert the "currency" at their personal into a check or other acceptable form of payment. The Associated Person should notify the AML Compliance Officer if this situation arises.

If the AML Compliance Officer discovers currency has inadvertently been received, he will file a Currency Transaction Report as described below.

The broker/dealer must file a Currency Transaction Reporting Form (CTR) for each deposit, withdrawal, exchange of currency or other payment or transfer, by, through, or to the financial institution that involves a transaction in currency of more than $10,000. (Multiple transactions must be treated as a single transaction if the broker/dealer has knowledge that they are by or on behalf of the same person and if they result in either currency received, or currency disbursed by the firm totaling more than $10,000 during one business day.) CTR must be filed within 15 days of the transaction. The CTR form may be found on the www.fincen.gov website or via www.finra.org.

Note: Prior to filing a CTR, the customer's identity must be verified.

Currency deposits must also be reported to the IRS. Federal law makes it a crime to fail to report currency deposits in excess of $10,000 or to structure currency deposits to evade the filing of the Report of Cash Payments over $10,000 Received in a Trade or Business, IRS Form 8300. To assist, counsel and/or abet another person's evasion of these filing requirements is also a federal crime.

Although it is against firm policy to accept currency deposits, circumstances may arise which will lead the firm to file a CTR to reflect multiple deposits of cashier/bank checks, money orders, traveler's checks or other bearer form negotiable instruments. Questions regarding the receipt of such items should be directed to the Anti-Money Laundering Compliance Officer. The Anti-Money Laundering Compliance Officer is responsible for filing the CTR reports with the Financial Crimes Enforcement Network (FinCEN).

Structuring occurs when a person breaks down a single sum of currency, which exceeds $10,000 into smaller sums below the $10,000 reporting threshold and deposits these lesser amounts at a financial institution. Structured transactions are often evidenced by the presence of multiple cashier's checks or similar instruments which are drawn against various financial institutions and which aggregate to amounts in excess of $10,000 and include:

- Two or more cashier/bank checks or wires drawn against one or more financial institution(s) or branches of the same financial institution on the same day or in close proximity which aggregate more than $10,000;
- Bearer bonds or similar instruments which aggregate to more than $10,000 (even if proof of ownership is established);
- Multiple traveler's checks, money orders or personal checks which contain no restrictive endorsements, and which aggregate to more than $10,000; and
- Large international funds transferred to or from the accounts of domestic customers in amounts and of a frequency that are not

consistent with the nature of the customer's known business activities.

Currency or Monetary Instruments Report
Note: The firm prohibits the receipt of currency.

"Monetary instruments" include the following: currency (defined above); traveler's checks in any form; all negotiable instruments (including personal and business checks, official bank checks, cashier's checks, third-party checks, promissory notes, and money orders) that are either in bearer form, endorsed without restriction, made out to a fictitious payee, or otherwise in such form that title passes upon delivery, incomplete negotiable instruments that are signed but with the payee's name omitted; and securities or stock in bearer form or otherwise in such form that title passes upon delivery.

The firm prohibits the receipt of currency and has the procedures described in the previous section to prevent its receipt. If it is discovered that currency has been received, the AML Compliance Officer will file with the Commissioner of Customers a CMIR whenever the firm transports, mails, ships or receives or causes or attempts to transport, mail, ship or receive monetary instruments of more than $10,000 at one time (on one calendar day or if for the purpose of evading the reporting requirement, on one or more days) in or out of the US.

A Report of International Transportation of Currency or Monetary Instruments is required to be filed by any person or firm if they receive in or disburse out US currency or other monetary instrument in an aggregate amount exceeding $10,000 at one time. Any person or firm who receives currency which has been transported, mailed or shipped to the firm from any place outside the United States in an aggregate amount exceeding $10,000 at one time, must also report the receipt on the CMIR. This form must be filed with the Commissioner of Customs within 15 days after the receipt of the currency or monetary instrument. The CMIR Form may be found at the www.fincen.gov website.

SAR Reporting
Pursuant to the USA PATRIOT Act, all broker/dealers are required to file a Suspicious Activity Report (SAR-SF) on suspicious customers or suspicious transactions as they may relate to possible money laundering. Reporting is required when the broker/dealer knows, suspects, or has reason to suspect that the transaction, or a pattern of transactions, is related to money laundering.

All financial institutions operating in the United States are required to file a SAR with FinCEN within 30 calendar days following the discovery of:

- Insider abuse involving any amount
- Violations aggregating $5,000 or more where a suspect can be identified
- Violations aggregating $25,000 or more regardless of a potential suspect
- Transaction aggregating $5,000 or more that involve potential money laundering or violations of the Bank Secrecy Act

If any Registered Representative/Employee of the broker/dealer suspects any suspicious transactions/activity, it should be brought to the attention of the Anti-Money Laundering Compliance Officer. The Anti-Money Laundering Compliance Officer will make the decision if the activity requires reporting (to FinCEN, IRS, etc.). A written record of the referral will be maintained by the Compliance Officer and will at a minimum, include the following information:

- Names and Account Numbers
- Home and Business Address
- Taxpayer Identification Numbers
- Type of Accounts
- Description of the Financial Instruments involved
- A notation of the offense that the member believes was violated
- A description of the activities giving rise to the suspicions

Copies of all documentation, records and communications regarding the filing of a SAR must be maintained at the Home Office. ***NOTE: SARs are confidential and may not be disclosed to any person involved in the transaction.***

Some states require a copy of the SAR to be filed with the state. The Designated Principal must contact the state and inquire as to whether they require a duplicate copy of the SAR filing.

Reporting of Foreign Bank and Financial Accounts
The firm will file with FinCEN a FBAR (Foreign Bank and Financial Accounts Report) for any financial accounts held of more than $10,000, or for which the firm has signature or other authority over, in a foreign country.

If the firm maintains a foreign bank or financial account or has discretionary authority over a client's foreign bank or financial account, then the Treasury Dept. Form TD F 90-22.1 (FBAR) must be filed if the aggregate value of these financial accounts exceeds $10,000 at any time during the calendar year. This report must be filed with the Department of the Treasury on or before June 30th of the succeeding year.

Transfers of $3000 or More Under the Joint and Travel Rule
When the broker/dealer transfers funds of $3000 or more, the firm will record on the transmittal order with the following information: the name and address of the transmitter and recipient, the amount of the transmittal order, the identity of the recipient's financial institution and the account number of the recipient. The firm will also verify the identity of transmitter and recipients who are not established customers of the firm.

Electronic Filing of AML Reports
It is now a requirement that AML reports (SAR, CTR, FBAR, CMIR) are filed electronically. Paper filings are no longer accepted.

Training
All appropriate (existing and new) personnel must be trained regarding the anti-money laundering policies and procedures of the firm, as well as additional AML topics. AML Training must be done on an annual basis, at a minimum. Each employee of the broker/dealer must sign an "Acknowledgement of Understanding of the Anti-Money Laundering Policy and Procedures" upon hire and annually thereafter at the Annual Compliance Meeting. Training on the anti-money laundering procedure will be ongoing through one-on-one meetings, conference calls, videos, online training, compliance newsletters, alert bulletins, etc. Training may include, but is not limited to, the following:

- What is "suspicious activity"?
- How to detect suspicious activity (suspicious customers or transactions).
- Compliance to the firm's anti-money laundering procedures written in accordance with the USA PATRIOT Act.

- How to report suspicious activity and to whom.
- Civil and criminal penalties associated with money laundering.

Currently, AML training is included in our Continuing Education Firm Element training plan and administered through the use of FINRA's webinars, online learning courses through a third-party vendor, or podcasts. We will maintain records to show the persons who participated in AML training, the dates of training and the subject matter of their training.

We will review our operations to see if certain employees require specialized additional training. The written procedures will be updated to reflect any such changes.

Monitoring

To detect possible money laundering, the firm should monitor the following (not an exhaustive list):

- Exception Reports provided by the clearing firm. - Exception reports from the clearing firm may be used to trigger an investigation of unusual and/or suspicious activity. This may include the size of the transaction, volume, transaction frequency, payment type, nature of activity, etc.
- Review of New Account Form/Subscription Documents
- Review of Trade Blotter
- Review of Checks/Securities Received and Forwarded Blotter
- Review of Wire Transfer Activity - When effecting transfers and transmittals, including wire transfers, the firm must retain and record on the transmittal order the following information:
    - Name and address of the transmitter of the funds
    - Name and address of the recipient of the funds
    - Amount of the wire transfer
    - Identity of the recipient's financial institution
    - The account number of the recipient

    Note: For wire transfers of $3000 or more, see the Joint and Travel Rule above. If the transmitter or the recipient of the wire transfer is not an established customer of the firm, then the firm must verify their identity. The Anti Money Laundering Compliance Officer must evidence their review of the verification and maintain the verification of identity in the customer's file.

Employee accounts are also monitored to detect any signs of money laundering. All employee accounts are subject to the same procedures as any other customer account. The AML Compliance Officer is responsible for this review.

If any violations by the broker/dealer are discovered, it is the employee's responsibility to report the violations to the AML Compliance Officer. If the violations have been committed by the AML Compliance Officer (Karen Van Horn), then the employee should report the violation to another General Securities Principal with the firm (Lee Calfo).

All reports are confidential, and the employee may suffer no retaliation for making any report of AML non-compliance.

Additional Monitoring:

USA PATRIOT Act Section 311

The AMLCO will continually monitor publications issued by the Federal Crimes Enforcement Network in an effort to obtain current and accurate information related to new rules proposed under Section 311 of the USA PATRIOT Act.

Upon the designation of a foreign jurisdiction, financial institution, class of transactions, or type of account as being of "primary money laundering concern," and/or the imposition of "special measures" by the Department of Treasury under Section 311 of the USA PATRIOT Act, the AMLCO will immediately develop procedures to implement such "special measures." These "special measures" may include additional information-gathering and record-keeping requirements or prohibitions against opening or maintaining a correspondent account or a payable-through account for a foreign financial institution if the account involves the designee.

The firm does not conduct business with foreign financial institutions, nor does the firm open or maintain foreign correspondent accounts for foreign financial institutions. If, at some point in the future, J Alden begins opening these kinds of accounts, the Written Supervisory Procedures will be amended to include a system for monitoring this activity.

On-going Monitoring of New AML Rules (Section 311 of the USA PATRIOT Act)
Pursuant to Section 311 of the USA PATRIOT Act, the firm's Designated Principal, or his designee, will monitor new or amended anti-money laundering rules proposed and passed under the provision. When new or amended rules dictate change to the firm's Anti-Money Laundering Compliance Program, the Designated Principal will take the appropriate action in order to comply with the rules. Appropriate action could include revision to the firm's AML procedures, additional AML training for the firm's Associated Persons, etc.

Information Requests from FinCEN under Section 314(a) of the PATRIOT Act:
As part of the overall monitoring process, law enforcement agencies through FinCEN have developed a way to communicate with financial institutions and to request information about suspected money laundering and terrorist financing, so that any accounts and transactions involving the individuals or business entities name by FinCEN or the law enforcement agency can be promptly located. Section 314(a) states that requests for information from FinCEN will be batched and issued to financial institutions, including broker/dealers, every two weeks, unless otherwise indicated. The firm will respond to a Financial Crimes Enforcement Network (FinCEN) request concerning accounts and transactions (a 314(a) Request) by immediately searching firm records to determine whether it maintains or has maintained any account for, or has engaged in any transaction with, each individual, entity or organization named in the 314(a) Request as outlined in the Frequently Asked Questions (FAQ) located on FinCEN's secure Web site. J Alden understands that the firm has 14 days (unless otherwise specified by FinCEN) from the transmission date of the request to respond to a 314(a) Request. J Alden will designate through the FINRA Contact System (FCS) one or more persons to be the point of contact (POC) for 314(a) Requests and will promptly update the POC information following any change in such information. Unless otherwise stated in the 314(a) Request or specified by FinCEN, the firm is required to search those documents outlined in FinCEN's FAQ. If a match is found, the AMLCO will report it to FinCEN via FinCEN's Web-based 314(a) Secure Information Sharing System within 14 days or within the time requested by FinCEN in the request. If the search parameters differ from those mentioned above (for example, if FinCEN limits the search to a geographic location), the AMLCO will structure the search accordingly.

As of September 2015, FinCEN changed the 314(a) system. The updated system, Secure Information Sharing System (SISS), is operational. Firms have the opportunity to

download the report of names from FinCEN, review the names and, if positive matches are made, submit the positive match responses directly to FinCEN through the SISS. If no match is found, there is no action required on the part of the firm. Evidence of firm's compliance and review of the list against customer database is through the SISS Activity Report. This report includes: Posting Date, Action Date, Action Taken (login, download, review and submitted responses to FinCEN – if positive matches made) and can be generated by date range selected by the firm. The SISS Activity Report is the firm's evidence of review and compliance to this requirement and should be presented to any regulators as evidence of compliance if requested by the examiner.

The firm will not disclose the fact that FinCEN has requested or obtained information from the firm, except to the extent necessary to comply with the information request. We will maintain procedures to protect the security and confidentiality of requests from FinCEN, such as those established to satisfy the requirements of Section 501 of the Gramm-Leach-Bliley Act.

We will direct any questions we have about the request to the requesting Federal law enforcement agency as designated in the 314(a) request.

Unless otherwise stated in the information request, we will not be required to treat the information request as continuing in nature, and we will not be required to treat the request as a list for purposes of the customer identification and verification requirements. We will not use information provided to FinCEN for any purpose other than (1) to report to FinCEN as required under Section 314 of the PATRIOT Act; (2) to determine whether to establish or maintain an account, or to engage in a transaction; or (3) to assist the firm in complying with any requirement of Section 314 of the PATRIOT Act.

Providing Additional Information to Other Federal Law Enforcement Agencies and Other Financial Institutions

- National Security Letters: National Security Letters ("NSLs") are written investigative demands that may be issued by the local Federal Bureau of Investigation and other federal government authorities conducting counterintelligence and counterterrorism investigations to obtain, among other things, financial records of broker-dealers. NSLs are highly confidential. No broker-dealer, officer, employee or agent of the broker-dealer can disclose to any person that a government authority or the FBI has sought or obtained access to records. If the firm files a Suspicious Activity Report ("SAR-SF") after receiving a NSL, the SAR-SF will not contain any reference to the receipt or existence of the NSL.

- Grand Jury Subpoenas: The firm understands that the receipt of a grand jury subpoena concerning a customer does not in itself require that we file a Suspicious Activity Report ("SAR-SF"). When the firm receives a grand jury subpoena, we will conduct a risk assessment of the customer subject to the subpoena as well as review the customer's account activity. If we uncover suspicious activity during our risk assessment and review, we will elevate that customer's risk assessment and file a SAR-SF in accordance with the SAR-SF filing requirements. The firm understands that none of its officers, employees or agents may directly or indirectly disclose to the person who is the subject of the subpoena its existence, its contents or the information used to respond to it. To maintain the confidentiality of any grand jury subpoena received, we will process and maintain the subpoena by delivering the subpoena to Karen Van Horn who will maintain the subpoena and any related information in a secure location and will ensure that information regarding the subpoena is shared only as necessary. If the firm files a SAR-SF

after receiving a grand jury subpoena, the SAR-SF will not contain any reference to the receipt or existence of the subpoena. The SAR-SF will only contain detailed information about the facts and circumstances of the detected suspicious activity.

- Sharing of Information – Voluntary Information Sharing with Other Financial Institutions Under USA PATRIOT Act Section 314(b)
  The broker/dealer will share information about those suspected of terrorism and money laundering with other financial institutions for the purposes of identifying and reporting activities that may involve terrorist acts or money laundering activities. The broker/dealer will file an initial certification with FinCEN before any sharing occurs and file an annual certification thereafter. This form may be found by accessing www.fincen.gov. Before we share information with another financial institution, we will take reasonable steps to verify that the other financial institution has submitted the requisite notice to FinCEN, either by obtaining confirmation from the financial institution or by consulting a list of such financial institutions that FinCEN will make available. This requirement also applies to a financial institution, if any, with whom we are affiliated. Only relevant information will be shared in order to protect security and confidentiality, this information will be maintained separately from the broker/dealer's other books and records.

  The firm will also employ procedures to ensure that any information received from another financial institution shall not be used for any purpose other than:
  - identifying and, where appropriate, reporting on money laundering or terrorist activities;
  - determining whether to establish or maintain an account, or to engage in a transaction; or
  - assisting the financial institution in complying with performing such activities.

The firm will share information about a particular suspicious transaction with any broker/dealer, as appropriate, involved in that particular transaction for purposes of determining whether the firm will file a joint SAR-SF.

The firm will share information about particular suspicious transactions with the clearing firm for purposes of determining whether or not J Alden and the clearing firm will file jointly a SAR-SF. In cases in which a joint SAR-SF is filed for a transaction that has been handled by both J Alden and the clearing firm, the firm may share with the clearing firm a copy of the filed SAR-SF.

If J Alden determines it is appropriate to jointly file a SAR-SF, J Alden cannot disclose that the firm has filed a SAR-SF to any financial institution except the financial institution that is filing jointly. If J Alden determines it is not appropriate to file jointly (e.g., because the SAR-SF concerns the other broker/dealer or one of its employees), J Alden cannot disclose that the firm has filed a SAR-SF to any other financial institution or insurance company.

Testing

In order to test the effectiveness of the firm's anti-money laundering procedures, an annual AML audit is conducted. The audit/inspection program will include review of all of the firm's AML activities (home and branch offices, if any) and compliance to the established AML policies and procedures of the firm. The audit will be conducted by outside auditors, or by inside auditors that have no involvement with currency transaction reporting and are independent of all aspects of the anti-money laundering program. Due to the size of the

firm and the lack of independence of the firm's personnel, the firm will use an outside auditor for the review/audit of the AML program. Independent testing of the AML program will be performed more frequently if circumstances warrant.

Testing may include:

- Evaluating the overall integrity and effectiveness of the firm's AML compliance program;
- Evaluating the firm's procedures for BSA reporting and recordkeeping requirements;
- Evaluating the implementation and maintenance of the firm's CIP;
- Evaluating the firm's customer due diligence requirements;
- Evaluating the firm's transactions
- Evaluating the adequacy of the firm's staff training program;
- Evaluating the firm's systems for identifying suspicious activity;
- Evaluating the firm's system for reporting suspicious activity;
- Evaluating the firm's policy for reviewing accounts that generate multiple SAR-SF filings; and
- Evaluating the firm's response to previously identified deficiencies.
- Cash receipts;
- Multiple cash deposits to related accounts;
- Deposits of cash equivalents;
- Deposits of bearer securities;
- Deposits for foreign bank drafts;
- SAR reports;
- CTR forms
- New account opening documentation (concentration on accounts opened by foreign entities or individuals);
- Recent wire transfers, (concentration of accounts 6 months old or less); and
- Firm blotters.

Following the audit, a report of findings by the auditor (outside, independent or inside) will be submitted to the Anti-Money Laundering Compliance Officer. If any violations are discovered, the specific problems will be addressed, and proper procedures will be implemented to ensure on-going compliance with the federal anti-money laundering requirements. If violations are discovered that warrant disciplinary action, the violation/problem will be accessed, and the appropriate action will be taken.

Customer Notification, Identification and Verification

Notification to the Customer

The broker/dealer is required to provide notice to the customer that information will be requested from them to verify their identity. For accounts opened in the office, the registered representative will provide the customer with a written statement to this fact. For accounts opened over the phone, the representative is responsible for telling the customer that specific identifying information will be requested. The broker/dealer may also consider displaying a sign in the office that states this information as well.

Notification will include the following information:

> **Important Information About Procedures for Opening a New Account**
> To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify and record information that identifies each person who opens an account.

What this means for you: When you open an account, we will ask for your name, address, date of birth and other information that will allow us to identify you. We may also ask to see your driver's license or other identifying documents.

Customer Identification Program

Certain minimum customer identification information will be collected from each customer who opens an account; risk-based measures will be utilized to verify the identity of each customer who opens an account; customer identification information and the verification methods and results will be recorded; notice to customers that the firm will seek identification information and compare customer identification information with government-provided lists of suspected terrorists will be provided. The firm must have a reasonable belief that it knows the true identity of its customer.

Note: This regulation applies only to "customers" who open new "accounts" with a broker/dealer. A "customer" is defined as (1) a person that opens a new account, or (2) an individual who opens a new account for an individual who lacks legal capacity or for an entity that is not a legal person. The following entities are excluded from the definition of "customer": a financial institution regulated by a Federal functional regulator or a bank regulated by a state bank regulator; a department or agency of the United States, of a State, or of any political subdivision of a State; any entity established under the laws of the United States, of any State, or of any political subdivision of a State that exercises governmental authority on behalf of the United States, any State, or any political subdivision of a State; any entity, other than a bank, whose common stock or analogous equity interests are listed on the New York Stock Exchange or the American Stock Exchange, or have been designated as a Nasdaq National Market Security listed on Nasdaq, and a person that has an existing account with the broker/dealer provided that the broker/dealer has a reasonable belief that it knows the true identity of the person.

The firm is not required to verify the identities of persons with existing accounts at the firm, as long as the broker/dealer has a reasonable belief that it knows the true identity of the customer.

The firm will request customer identification documentation (and conduct verification of that identity) from its retail investors. These procedures address the required documentation to meet the requirements of the AML rules and regulations. All new accounts are reviewed and approved by the Designated Principal.

The representative should take note of the customer's trading patterns. If any deviations from these patterns develop, additional investigation may be necessary to determine if there is suspicious activity.

When firm engages in activities that necessitate the opening of customer accounts as defined above, the firm will collect certain minimum customer identification information from each customer who opens an account; utilize risk-based measures to verify the identity of each customer who opens an account; record customer identification information and the verification methods and results; and compare customer identification information with government provided lists of suspected terrorists. When a customer requests to open an account, the representative will collect information on the customer including identification, verification of identification, wealth, net worth, anticipated activity on their account(s), sources of income. This information is gathered on the new account form and will help to detect and deter possible money laundering and terrorist financing. All new accounts are reviewed and approved by the Designated Principal.

When no prior relationship exists with the customer, proper information and verification should be obtained prior to opening an account. Information required should include, but is not limited to, the following:

1. Proper Identification

   In order to ascertain the identity of the customer (individual), the firm requires one (1) form of identification, preferably a photo ID. The firm must document the verification of the person's identity and place that verification in the customer's file. This may be done on the New Account Form or on a separate form designed specifically for this purpose.

2. Check of Customer's Name

   Before opening an account, and on an on-going basis, the customer's name must be checked against the government's published list of known suspected terrorists and suspected terrorist organizations, as well as on the list of embargoed countries. Names of suspected terrorists can be found on the U.S. Treasury web site at www.treas.gov/ofac or you may access and search the list at OFAC SDN (the US Treasury Office of Foreign Asset Controls Specially Designated Nationals and Blocked Person) or through the FINRA web site. Since the OFAC list is updated frequently, we will consult the list on a regular basis and subscribe to receive updates when they occur. We will also review existing accounts against these lists when they are updated, and we will document the review.

   In the event that we determine a customer, or someone with or for whom the customer is transacting, is on the SDN List or is from or engaging in transactions with a person or entity located in an embargoed country or region, we will reject the transaction and/or block the customer's assets and file a blocked assets or rejected transaction form with OFAC. We will also call the OFAC Hotline at 1-800-540-6322.

   The review will include customer accounts, transactions involving customers (including activity that passes through the firm such as wires) and the review of customer transactions that involve physical security certificates or application-based investments (e.g., mutual funds).

3. Requirements for Various Types of Accounts
   a. Individual Accounts (See Procedure on Opening New Accounts)
      Name, Address and Phone Number
      Date of Birth
      Investment Experience
      Social Security Number or Tax Identification Number
      Customer's Net Worth and Annual Income
      Occupation, including employer's name, address and how long employed
      Names of Authorized Persons on the Account
      Proper Identification (Preferably a picture ID)

Confidential Accounts: If the firm permits confidential accounts for valid, appropriate reasons (client's prominence, concern for personal safety, etc.), sufficient documentation identifying the underlying account owners must be obtained and kept on file and available to appropriate compliance staff. For confidentiality, accounts may be identified by a number or a symbol, if the firm has a written statement signed by the customer attesting to the ownership of the account.

b. Non-Resident Alien Accounts (NRA)

All of the above, plus
Current Passport Number or other valid government ID
Necessary U.S. Tax Forms

Note: If country of origin of the customer is cause for suspicion, then additional due diligence may be required.

A current passport number or other valid government identification number for any transfer or transmittal of $3000 or more is required for non-resident alien accounts.

c. Domestic Operating or Commercial Entities

Obtain sufficient information regarding identity of the business entity and who may act on the corporation's behalf. Firm requires Articles of Incorporation and corporate resolutions identifying who may act on behalf of the company.

d. Domestic Trusts

Firm must identify the principal ownership of the trust and the activity the trust may participate in. They must also identify the person authorized to act on behalf of the trust. In order to identify the above, the firm must request a copy of the trust agreement.

e. Foreign Operating Commercial or Banking Entities

At this time, the firm does not open accounts for foreign operating commercial or banking entities. In the event the firm changes this policy in the future, the following procedures will apply.

Requirements are the same as for the Domestic Operating or Commercial Entities. In addition, the firm may not establish, maintain, administer or manage an account for or on behalf of a foreign shell bank (a foreign bank that does not have a physical presence in any country). If the firm allows accounts by foreign banks, the firm must request proof of physical presence from the foreign bank. This is most easily accomplished by using the US Treasury Department's model certification. This form asks foreign banks to confirm that they are not a shell bank and asks them to provide ownership of the foreign bank and the name and address of the person who resides

in the US and is authorized to accept service of legal process for records regarding the correspondent account (agent). Recertification or reverification of information concerning any foreign bank accounts should be done every 2 years, at a minimum.

- If for any reason, a federal law enforcement officer submits a written request for information regarding the foreign bank account, the firm is required to supply the information to the requesting officer no later than 7 days after the receipt of the request for information.

- If the Secretary or the Attorney General issues a summons or a subpoena to the foreign bank and if the foreign bank fails to comply with a summons or subpoena or fails to initiate proceedings in a US court contesting the summons or subpoena, the Secretary or the Attorney General will send written notification to the firm to terminate any relationships with the foreign bank in question. This relationship must be terminated no later than 10 business days after receipt of the written request. If the firm fails to terminate the relationship within published requirements, the firm/broker-dealer is subject to a civil penalty of up to $10,000 per day until the relationship is terminated.

- If it is determined that the account is for an unregulated foreign shell bank, the representative will notify the AML Compliance Officer. The AML Compliance Officer will terminate any account that is for an unregulated foreign shell bank or any account that is used to provide services to a foreign shell bank.

- At this time, the broker/dealer does not open or maintain accounts for foreign financial institutions. An initial questionnaire will be used by the representative prior to opening any accounts. If necessary, additional due diligence will be conducted.

f. Personal Investment Corporations (PIC)

At this time, the firm does not open accounts for personal investment corporations. In the event the firm changes this policy in the future, the following procedures will apply.

Firm must identify principal beneficial owners of offshore accounts that are Personal Investment Corporations. Additional information may be required depending on location of the offshore entity and/or location of the

principal beneficial owner. Firms should be aware if the PIC is being established by, or for the benefit of, a senior foreign public official.

g. Private Banking Accounts

At this time, the firm does not open accounts private banking accounts. In the event the firm changes this policy in the future, the following procedures will apply.

Private banking accounts have (1) an aggregate deposit of funds or other assets of more than $1 million, (2) is established on behalf of one or more individuals who have direct or beneficial ownership in the account and (3) it is assigned to or administered by an officer, employee or agent of a financial institution, acting as a liaison between the financial institution and the direct or beneficial owner of the account. The firm must identify the nominal and beneficial account holders and also identify the source of funds deposited into the private banking account maintained by or on behalf of a non-US citizen.

NOTE: The firm is also required to conduct enhanced scrutiny (ex. more frequent review, more detailed review, etc.) of accounts requested or maintained by, or on behalf of, a senior foreign political figure, or any immediate family member or close associate of a senior foreign political figure. A "senior foreign political figure" includes a current or former senior official in the executive, legislative, administrative, military or judicial branches of a foreign government, a senior official of a major foreign political party, or a senior executive of a foreign government-owned commercial enterprise; a corporation, business, or other entity formed by or for the benefit of any such individual; an immediate family member of such an individual; or any individual publicly known (or actually known by the broker/dealer) to be a close personal or professional associate of such an individual.

The broker/dealer will review accounts to determine whether they offer any "private banking" accounts and will conduct due diligence on such accounts. This due diligence will include ascertaining the identity of all nominal holders and holders of any beneficial ownership interest in the account; ascertaining the source of funds deposited into the account; ascertaining whether any such holder may be a senior foreign political figure and reporting any known or suspected violation of law conducted through or involving the account. If no indication is found that the account belongs to a "senior foreign political figure, then no additional due diligence is required. If it concluded and confirmed that the account holder is a "senior foreign political figure, additional due

diligence is required to detect and report any transaction that may involve the proceeds of foreign corruption. Enhanced due diligence may include examining the account holder's employment history, scrutinizing the account holder's sources of funds and monitoring transactions to the extent necessary to detect and report proceeds of foreign corruption and reviewing monies coming from government, government controlled or government enterprise accounts.

The AML Compliance Officer will decide whether to refuse to open the account, suspend any account activity, file a SAR or close the account.

h. Offshore Trust

Same as Domestic Trusts. Additional information may be required depending on the location of the offshore trust and/or location of principal beneficial owner.

i. Institutional Accounts

Firm must ascertain who has the authority to act on behalf of the institutional client. Firm may also require additional information depending on whether the institution has its own anti-money laundering procedures or policies, whether or not the institution has been a customer of the broker/dealer for a significant period of time, whether the institution has a reputable history in the investment business, the location of the business, etc.

j. High Risk and Non-Cooperative Jurisdictions

Any accounts that are located in problematic countries will be more closely watched. The broker/dealer will check the lists provided by the Financial Action Task Force (FATF), FinCEN and the "Major Money Laundering Countries" section of the "Money Laundering and Financial Crimes" section of the US Department of State's annual International Narcotics Control Strategy Report. This will help the broker/dealer determine if the accounts are located in countries considered "problematic" and will help determine whether to open an account that is based in any of these problematic countries.

k. Transferred Accounts

While the broker/dealer is not required to verify the identity of a customer whose account is transferred to the firm if the customer does not initiate the transfer, the broker/dealer will consider the risks involved with the transfer of the particular account and may require obtaining and verifying information regarding the transferred account/customer.

l. Accounts Opened Online (if applicable)

Requirements same as for Individual Accounts, but since it is online, the firm must make an assessment if they are to require additional identifying information. Prior to account approval, a representative of the firm will contact the customer by phone to acquire additional data or information or the firm may choose to use the services of the bank holding company or other publicly available data (Experian, Compliance Data Center, etc.). Since there is no face-to-face contact with new online accounts, additional investigation or verification is mandatory. The OFAC list must be referenced to ensure that on-line customers are not prohibited persons (suspected terrorists) or from embargoed countries or regions.

Customer Identification Verification

Based on risk, and to the extent reasonable and practicable, the firm will ensure that it has a reasonable belief that it knows the true identify of its customers by using risk-based procedures to verify and document the accuracy of the information obtained about its customers. In verifying customer identity, the firm will analyze any logical inconsistencies in the information it obtains.

The firm will verify customer identity through documentary evidence, non-documentary evidence, or both. Documents will be used to verify customer identity when appropriate documents are available. In light of the increased instances of identity fraud, the firm will supplement the use of documentary evidence by using the non-documentary means described below whenever possible. The firm may also use such non-documentary means, after using documentary evidence, if it is still uncertain about whether it knows the true identity of the customer. In analyzing the verification information, the firm will consider whether there is a logical consistency among the identifying information provided, such as the customer's name, street address, zip code, telephone number (if provided), date of birth, and social security number.

Appropriate documents for verifying the identity of customers include, but are not limited to, the following:

- For an individual, an unexpired government-issued identification evidencing nationality, residence, and bearing a photograph or similar safeguard, such as a driver's license or passport; and
- For a person other than an individual, documents showing the existence of the entity, such as certified articles of incorporation, a government-issued business license, a partnership agreement, or a trust instrument.

The firm understands that it is not required to take steps to determine whether the document that the customer has provided for identity verification has been validly issued and that it may rely on a government-issued identification as verification of a customer's identity. If, however, the firm notes that the document shows some obvious form of fraud, it must consider that factor in determining whether it can form a reasonable belief that it knows the customer's true identity.

The firm will use the following non-documentary methods of verifying identity:

- Contacting a customer;

- Independently verifying the customer's identity through the comparison of information provided by the customer with information obtained from a consumer reporting agency, public database, or other source;
- Checking references with other financial institutions; or
- Obtaining a financial statement.

The firm will use non-documentary methods of verification in the following situations: (1) when the customer is unable to present an unexpired government-issued identification document with a photograph or other similar safeguard; (2) when the firm is unfamiliar with the documents the customer presents for identification verification; (3) when the customer and firm do not have face-to-face contact; and (4) when there are other circumstances that increase the risk that the firm will be unable to verify the true identity of the customer through documentary means.

The firm will verify the information within a reasonable time before or after the account is opened. Depending on the nature of the account and requested transactions, the firm may refuse to complete a transaction before it has verified the information, or in some instances when the firm needs more time, it may, pending verification, restrict the types of transactions or dollar amount of transactions. If the firm finds suspicious information that indicates possible money laundering or terrorist financing activity, it will, after internal consultation with the firm's AML Compliance Officer, file a SAR-SF in accordance with applicable laws and regulation.

The firm recognizes that the risk that it may not know the customer's true identity may be heightened for certain types of accounts, such as an account opened in the name of a corporation, partnership or trust that is created or conducts substantial business in a jurisdiction that has been designated by the U.S. as a primary money laundering concern or has been designated as non-cooperative by an international body. The firm will identify customers that pose a heightened risk of not being properly identified.

General Customer Due Diligence

It is important to J Alden' AML and SAR-SF reporting program that the firm obtains sufficient information about each customer to allow us to evaluate the risk presented by that customer and to detect and report suspicious activity. When we open an account for a customer, the due diligence we perform may be in addition to customer information obtained for purposes of our CIP.

- For each customer that we determine require additional due diligence, we will take steps to obtain sufficient customer information to comply with our suspicious activity reporting requirements. Such information should include:
  - the customer's business;
  - the customer's anticipated account activity (both volume and type);
  - the source of the customer's funds.

- For customers that we have deemed to be higher risk, we will obtain the following information:
  - the purpose of the account;
  - the source of funds and wealth;
  - the beneficial owners of the accounts;

- the customer's (or beneficial owner's) occupation or type of business;
- domicile (where the customer's business is organized);
- description of customer's primary trade area and whether international transactions are expected to be routine;
- description of the business operations and anticipated volume of trading;
- explanations for any changes in account activity.

- For customers that are located in countries with a potential money laundering concern the firm will take extra due diligence steps including conducting internet searches (Google Search, etc.) in order to determine if there is any negative news, reports, or findings concerning these customers. This is especially important if the firms are smaller, lesser known, financial institutions (both foreign and domestic institutions). If J Alden discovers any negative information during this additional due diligence process, enhanced investigation will be conducted. After the additional due diligence and investigation process is complete, the firm will determine whether to conduct a securities business with that institution. If J Alden chooses to move forward with that customer and the transaction, the decision-making process, including the rationale, will be documented in the customer file.

Customer Due Diligence (CDD Rule) – Beneficial Ownership Rule for Legal Entity Customers

On May 11, 2018, FinCEN adopted a final rule on Customer Due Diligence Requirements for Financial Institutions (CDD Rule) to clarify and strengthen customer due diligence for covered financial institutions, including broker-dealers. The Rule becomes effective on May 11, 2018.

In its CDD Rule, FinCEN identifies four components of customer due diligence: (1) customer identification and verification; (2) beneficial ownership identification and verification; (3) understanding the nature and purpose of customer relationships for the purpose of developing a customer risk profile; and (4) conducting ongoing monitoring to identify and report suspicious transactions and, on a risk basis, to maintain and update customer information. As the first component is already an AML program requirement (under the CIP Rule), the CDD Rule focuses on the other three components.

Specifically, the CDD Rule focuses particularly on the second component by adding a new requirement that covered financial institutions establish and maintain written procedures as part of their AML programs that are reasonably designed to identify and verify the identities of beneficial owners of legal entity customers, subject to certain exclusions and exemptions.

Under the CDD Rule, member firms must obtain from the natural person opening the account on behalf of the legal entity customer, the identity of the beneficial owners of the entity. In addition, that individual must certify, to the best of his or her knowledge, as to the accuracy of the information. FinCEN intends that the legal entity customer identify its ultimate beneficial owner(s) and not "nominees" or "straw men."

The CDD Rule does not prescribe the form in which member firms must collect the required information, which includes the name, date of birth, address and Social Security number or other government identification number of beneficial

owners. Rather, member firms may choose to obtain the information by using FinCEN's standard certification form in Appendix A of the CDD Rule (at https://www.fincen.gov/resources/filing-information) or by another means, provided that the chosen method satisfies the identification requirements in the CDD Rule. In any case, the CDD Rule requires that member firms maintain records of the beneficial ownership information they obtain.

Once member firms obtain the required beneficial ownership information, the CDD Rule requires that firms verify the identity of the beneficial owner(s) – in other words, that they are who they say they are – and not their status as beneficial owners through risk-based procedures that include, at a minimum, the elements required for CIP procedures for verifying the identity of individual customers. Such verification must be completed within a reasonable time after account opening. Member firms may rely on the beneficial ownership information supplied by the individual opening the account, provided that they have no knowledge of facts that would reasonably call into question the reliability of that information.

The CDD Rule's requirements with respect to beneficial owners of legal entity customers applies on a prospective basis, that is, only with respect to legal entity customers that open new accounts from the date of the CDD Rule's implementation. However, member firms should obtain beneficial ownership information for an existing legal entity customer if, during the course of normal monitoring, it receives information that is needed to assess or reevaluate the risk of the customer.

The required records to be created and maintained must include: (i) for identification, any identifying information obtained by the member firm pursuant to the beneficial ownership identification requirements of the CDD Rule, including without limitation the certification (if obtained); and (ii) for verification, a description of any document relied on (noting the type, any identification number, place of issuance and, if any, date of issuance and expiration), of any non-documentary methods and the results of any measures undertaken, and the resolution of each substantive discrepancy. In addition to complying with existing SEC and FINRA record retention requirements, member firms must maintain the records collected for identification purposes for a minimum of five years after the account is closed, and for verification purposes, for five years after the record is made.

Member firms may rely on the performance by another financial institution (including an affiliate) of the requirements of the CDD Rule with respect to any legal entity customer of the member firm that is opening, or has opened, an account or has established a similar business relationship with the other financial institution to provide or engage in services, dealings, or other financial transactions, provided that: (1) such reliance is reasonable under the circumstances; (2) the other financial institution is subject to a rule implementing 31 U.S.C. 5318(h) and is regulated by a Federal functional regulator; and (3) the other financial institution enters into a contract requiring it to certify annually to the member firm that it has implemented its AML program, and that it will perform (or its agent will perform) the specified requirements of the member firm's procedures to comply with the CDD Rule.

The CDD Rule also addresses the third and fourth components, which FinCEN states "are already implicitly required for covered financial institutions to comply

with their suspicious activity reporting requirements," by amending the existing AML program rules for covered financial institutions to explicitly require these components to be included in AML programs as a new "fifth pillar." These requirements are discussed further below.

Rules: 31 C.F.R. § 1010.230; 31 C.F.R. § 1023.210(b)(5); FINRA Rule 3310.
Resources: 81 Fed. Reg. 29398 (May 11, 2016) (Final Rule: Financial Crimes Enforcement Network; Customer Due Diligence Requirements for Financial Institutions); FIN-2016-G003: Frequently Asked Questions Regarding Customer Due Diligence Requirements for Financial Institutions (7/19/2016); Regulatory Notice 17-40; FIN-2018-G001: Frequently Asked Questions Regarding Customer Due Diligence Requirements for Financial Institutions (4/3/2018); Regulatory Notice 18-19.

The firm has established, documented and maintained written policies and procedures reasonably designed to identify and verify beneficial owners of legal entity customers and comply with other aspects of the Customer Due Diligence (CDD) Rule. We will collect certain minimum CDD information from beneficial owners of legal entity customers. We will understand the nature and purpose of customer relationships for the purpose of developing a customer risk profile. We will conduct ongoing monitoring to identify and report suspicious transactions, and, on a risk basis, maintain and update customer information.

Establishing a Relationship with a Legal Entity Customer
At the time of establishing an account for or a relationship with a legal entity customer, **the firm will identify any individual that is a beneficial owner of the legal entity customer by identifying any individuals who directly or indirectly own 25% or more of the equity interests of the legal entity customer, and any individual with significant responsibility to control, manage, or direct a legal entity customer.** The following information will be collected for each beneficial owner:

(1) the name;
(2) date of birth (for an individual);
(3) an address, which will be a residential or business street address (for an individual), or an Army Post Office (APO) or Fleet Post Office (FPO) box number, or residential or business street address of next of kin or another contact individual (for an individual who does not have a residential or business street address); and
(4) an identification number, which will be a Social Security number (for U.S. persons), or one or more of the following: a passport number and country of issuance, or other similar identification number, such as an alien identification card number, or number and country of issuance of any other government-issued document evidencing nationality or residence and bearing a photograph or other similar safeguard (for non-U.S. persons).

For verification, we will describe any document relied on (noting the type, any identification number, place of issuance and, if any, date of issuance and expiration). We will also describe any non-documentary methods and the results of any measures undertaken.

Rules: 31 C.F.R. § 1010.230(b); 31 C.F.R. § 1023.210(b)(5).

Resources: FIN-2016-G003: Frequently Asked Questions Regarding Customer Due Diligence Requirements for Financial Institutions (7/19/2016); Regulatory Notice 17-40.

Lack of Verification
When the firm cannot form a reasonable belief that it knows the true identity of a customer, the following will be done: (A) not open an account; (B) impose terms under which a customer may conduct transactions while the firm attempts to verify the customer's identity; (C) close an account after attempts to verify customer's identity fail; and (D) file a SAR-SF in accordance with applicable laws and regulation.

The firm will document verification, including all identifying information provided by a customer, the methods used and results of verification, and the resolution of any discrepancy in the identifying information. Records will be kept containing a description of any document relied on to verify a customer's identity, noting the type of document, any identification number contained in the document, the place of issuance, and if any, the date of issuance and expiration date. With respect to non-documentary verification, the firm will retain documents that describe the methods and the results of any measures taken to verify the identity of a customer. Records will be maintained of all identification information for five years after the account has been closed; the firm will retain records made about verification of the customer's identity for five years after the record is made.

Note: Information will be verified at the time any new account is opened, if possible, but must be done no later than 5 business days after the opening of the account. If there is a situation where a 5-day delay is too long, then the broker/dealer may refuse to complete the transaction prior to having verified the information. All verification records must be maintained for five years after the close of the account or when the customer's trading authority over the account has ended.

If any account is suspected of terrorist activities, the Anti-Money Laundering Compliance Officer will notify the proper individuals that the account is to be frozen and all future transactions are prohibited.

If any person refuses to provide the required, proper identification documentation and information, the registered representative should not open the account and possibly consider closing any existing account. In either case, the representative should immediately notify the AML Compliance Officer. The AML Compliance Officer will make the determination whether the situation should be reported to FinCEN or not.

When conducting due diligence or opening an account, the broker/dealer will immediately contact Federal law enforcement when necessary, and especially in these emergencies: a legal or beneficial account holder or person with whom the account holder is engaged in a transaction is listed on or located in a country or region listed on the OFAC list, an account is held by an entity that is owned or controlled by a person or entity on the OFAC list, a customer tries to use bribery, coercion, or similar means to open an account or carry out a suspicious activity if there is reason to believe the customer is trying to move illicit cash out of the government's reach, or if there is a reason to believe the customer is about to use the funds to further an act of terrorism. First call is to the OFAC Hotline at 1-800-540-6322. Emergency calls will also be placed to the Financial Institutions Hotline

(1-866-556-3974), the local US Attorney's Office, the local FBI Office and the local SEC Office.

Reliance on Another Financial Institution for Identify Verification

J Alden may, under the following circumstances, rely on the performance by another financial institution (including an affiliate) of some or all of the elements of our CIP with respect to any customer that is opening an account or has established an account or similar business relationship with the other financial institution to provide or engage in services, dealings or other financial transactions:

- when such reliance is reasonable under the circumstances;
- when the other financial institution is subject to a rule implementing the anti-money laundering compliance program requirements of 31 U.S.C. § 5318(h), and is regulated by a federal functional regulator; and
- when the other financial institution has entered into a contract with our firm requiring it to certify annually to us that it has implemented its anti-money laundering program and that it will perform (or its agent will perform) specified requirements of the customer identification program.

Filing, Maintenance and Retention of AML Forms and Records

J Alden' AML Compliance Officer and his designee will be responsible for ensuring that AML records are maintained properly, and that SAR-SFs are filed as required.

In addition, as part of the firm's AML program, J Alden will create and maintain SAR-SFs, CTRs, CMIRs, FBARs, and relevant documentation on customer identity and verification and funds transmittals. We will maintain SAR-SFs and their accompanying documentation for at least five years. We will keep other documents according to existing BSA and other recordkeeping requirements, including certain SEC rules that require six-year retention periods (*e.g.*, Exchange Act Rule 17a-4(a) requiring firms to preserve for a period of not less than six years, all records required to be retained by Exchange Act Rule 17a-3(a)(1)-(3), (a)(5), and (a)(21)-(22) and Exchange Act Rule 17a-4(e)(5) requiring firms to retain for six years account record information required pursuant to Exchange Act Rule 17a-3(a)(17)).

SAR-SF Maintenance and Confidentiality

SARs are required to be filed no later than 30 calendar days after the date of the initial detection of facts that may constitute a basis for filing the SAR. If no suspect was identified on the date of detection of the incident requiring the filing, a financial institution may delay filing a suspicious activity report for an additional 30 calendar days to identify a suspect. In no case shall reporting be delayed more than 60 calendar days after the initial detection of a reportable transaction. All SAR-SFs will be periodically reported to the Board of Directors and senior management, with a clear reminder of the need to maintain the confidentiality of the SAR-SF.

J Alden will hold SAR-SFs and any supporting documentation confidential. The firm will not inform anyone outside of FinCEN, the SEC, an SRO registered with the SEC or other appropriate law enforcement or regulatory agency about a SAR-SF. The firm will refuse any subpoena requests for SAR-SFs or for information that would disclose that a SAR-SF has been prepared or filed and immediately notify FinCEN of any such subpoena requests that are received. J Alden will segregate SAR-SF filings and copies of supporting documentation from other firm books and records to avoid disclosing SAR-SF filings. The AMLCO will handle all subpoenas or other requests for SAR-SFs. The firm may share information with another financial institution about suspicious transactions in order to

determine whether we will jointly file a SAR. In cases in which we file a joint SAR for a transaction that has been handled both by us and another financial institution, both financial institutions will maintain a copy of the filed SAR.

CTRs are required to be filed within 15 days of the transaction.

Report of International Transportation of Currency or Monetary Instruments (CMIR or Customs Form 4790) is required to be filed within 15 days after the receipt of the currency or monetary instrument.

Monitoring of activity to detect money laundering is an on-going activity.

Audits of the anti-money laundering program are conducted annually, at a minimum.

The evidence of any review concerning the anti-money laundering program will be maintained for three years, with the first two years being readily accessible.

Files documenting the review of the activities and procedures and files containing the SAR, CTR, CMIR, FBAR, IRS Form 8300 reports are maintained by the Anti-Money Laundering Compliance Officer at the home office for a period of five (5) years from the date of filing.

NOTE:	**The various anti-money laundering forms referenced in this procedure can be accessed FINRA web site or from www.fincen.gov.**

End of Section VI
Anti-Money Laundering

VIII. COMMUNICATIONS WITH THE PUBLIC

Responsibility for Advertising Compliance: The Designated Principal, as disclosed on the Supervisory Responsibilities Table, is responsible for review and approval of all advertising and sales literature pieces prior to use by the firm or any of its Registered Representatives. The Principal is also responsible for submitting the advertisement or sales literature piece to FINRA for approval, if required, and for maintaining an advertising file at the Home Office of all advertising and sales literature pieces submitted for approval.

It is the responsibility of the Registered Representative to submit any advertisement or sales literature piece to the Compliance Department and receive Principal approval prior to use. The Registered Representative is also responsible for checking with the Compliance Department for guidance and clarification on what is required to be included in any advertising or sales literature piece according to FINRA advertising rules and regulations.

A. Retail Communications

Retail communications is defined under Rule 2210 as any written or electronic communication that is distributed or made available to more than 25 retail investors within any 30-day calendar period. (Retail investors are any persons other than institutional investors, regardless of whether they have an account with the firm.)

The firm will ensure that a designated principal approves each retail communication before its use or before filing with FINRA's Advertising Regulation Department, whichever event comes first, unless:

1. Another member has filed the retail communication with the Advertising Department and received a letter from the Department stating that it appears to be consistent with applicable standards; and

2. The firm does not materially alter the communication and does not use it in a manner that is inconsistent with the condition of the Department's letter.

B. Institutional Communications

Institutional communication is defined under Rule 2210 as any written or electronic communication that is distributed or made available only to institutional investors but does not include the firm's internal communications.

Institutional investors are defined in Rule 4512(c) as banks, savings and loan associations, or registered investment companies; investment advisers registered either with the SEC under Section 203 of the Investment Advisers Act or with a state securities commission (or any agency or office performing like functions); and any other persons (whether a natural person, corporation, partnership, trust or otherwise) with total assets of at least $50 million.

Institutional investors also include governmental entities or subdivisions of that entity, an employee benefit plan, qualified plans, another broker/dealer or person registered with another broker/dealer, and persons acting solely on behalf of the institution.

All written institutional communications will be approved by a designated principal prior to use.

C. Recordkeeping

The firm will maintain all retail and institutional communications as required. These records will include:

1. A copy of the communication and dates of first and last, if applicable, use.
2. The name of the designated principal who approved the communication and date of approval.
3. For communications not approved by a designated principal prior to first use, the name of the person who prepared or distributed the communication.
4. Detail regarding the source of any statistical table, chart, graph or other illustration used in the communication.
5. For any retail communication that has already been filed with FINRA by another firm, the name of the firm that filed the retail communication with FINRA and a copy of the corresponding review letter from the firm.

The firm will maintain these records for the length of time required by SEC Rule 17a-4(b).

D. Filing Requirements and Review Procedures

There are various circumstances and certain securities products that require approval by FINRA Advertising Regulation Department. They are as follows:

1. *New Member Firms:* Firms are required to file any retail communication with FINRA Advertising Regulation Department at least 10 business days prior to use and continue to file all retail communications for a period of one year from the membership approval date as noted in the FINRA CRD system.

   These retail communications shall include any that are published or used in any electronic or other public media, including any generally accessible website, newspaper, magazine or other periodical, radio, television, telephone or audio recording, video display, signs or billboards, motion pictures, or telephone directories other than routine listings.

2. *FINRA Filings 10 Business Days Prior to First Use: The following communications should be withheld from publication or circulation until any changes specified by FINRA have been made to the communication:*

   (a) Retail communications concerning registered investment companies (including mutual funds, exchange-traded funds, variable insurance products, closed-end funds and unit investment trusts) that include or incorporate performance rankings or performance comparisons of the investment company with other investment companies when the ranking or comparison category is not generally published or is the creation, either directly or indirectly, of the investment company, its underwriter or an affiliate. Such filings must include a copy of the data on which the ranking or comparison is based.
   (b) Retail communications concerning security futures.
   (c) Retail communications concerning bond mutual funds that include bond mutual fund volatility ratings.

3. *FINRA Filing Within 10 Business Days of First Use or Publication (if not required under the 2 categories listed above):*
   (a) Retail communications concerning registered investment companies (including mutual funds, exchange-traded funds, variable insurance products,

closed-end funds, and unit investment trusts) not included within the requirements of paragraphs(c)(1) or (c)(2). The filing of any retail communication that includes or incorporates a performance ranking or performance comparison of the investment company with other investment companies must include a copy of the ranking or comparison used in the retail communication.

(b) Retail communications concerning public direct participation programs.
(c) Any template for written reports produced by, or retail communications concerning, an investment analysis tool.
(d) Retail communications concerning collateralized mortgage obligations.
(e) Retail communications concerning any security that is registered under the Securities Act and that is derived from or based on a single security, a basket of securities, an index, a commodity, a debt issuance or a foreign currency.

4. *Date of First Use and Approval Information:* The firm must provide the following information with FINRA for each filing:
   (a) The actual or anticipated date of first use.
   (b) The name, title and CRD of the designated principal who approved the retail communication.
   (c) The date approval was given.

5. *FINRA Random Check:*
   The firm is aware that its written and electronic communications may be subject to a spot check by FINRA.

6. *Exclusions from Filing:*
   (a) Retail communications that have been previously filed with FINRA and that will be used without any material change.
   (b) Retail communications based on templates that were previously filed with FINRA, as long as the firm's updates are limited to more recent statistical or other non-narrative information.
   (c) Retail communications that do not make any financial or investment recommendation or promote a product or service of the member.
   (d) Retail communications that do no more than identify a national securities exchange symbol of the firm or identify a security for which the firm is a registered market maker.
   (e) Retail communications that do no more than identify the firm or offer a specific security at a stated price.
   (f) Prospectuses, preliminary prospectuses, fund profiles, offering circulars and similar documents that have been previously filed with the SEC or any State or that is exempt from such registration.
   (g) Retail communications prepared in accordance with Section 2(a)(10)(b) of the Securities Act, as amended, or any rule thereunder, such as Rule 134, and announcements as a matter of record that a member has participated in a private placement, unless the retail communications are related to publicly offered direct participation programs or securities issued by registered investment companies.
   (h) Press releases made available only to members of the media.
   (i) Any reprint or excerpt of any article or report issued by a publisher ("reprint"), provided that: publisher is not an affiliate of the member using the reprint or any underwriter or issuer of a security mentioned in the reprint that the member is promoting; neither the member using the reprint nor any underwriter or issuer of a security mentioned in the reprint has commissioned the reprinted

article or report; and the member using the reprint has not materially altered its contents except as necessary to make the reprint consistent with applicable regulatory standards or to correct factual errors.

(j) Correspondence.
(k) Institutional communications.
(l) Communications that refer to types of investments solely as a list of products or services offered by the firm.
(m) Retail communications posted on an online interactive electronic forum.
(n) Press releases issued by closed end investment companies that are listed on the NYSE.

Maintenance and Retention of Advertising Records:
Copies of all advertising or sales literature that has been submitted to the Compliance Department for approval must be retained along with the names of the person(s) who prepared the material, anticipated date of first use, signature or initials of the person who approved or disapproved the material, date of approval or disapproval and the source of any recommendations or the source of any statistical table, chart, graph or illustration. The file must also have a copy of FINRA advertising submission and approval or comments, if any.

Advertising and sales literature files must be maintained for a period of 3 years with the first 2 years readily accessible.

E. Content Standards

All firm communications will be based on principles of fair dealing and good faith, will be fair and balanced, and will provide a sound basis for evaluating the facts in regard to any particular security or type of security, industry or service. The designated principal will ensure that communication adhere to the guidelines issued in Rule 2210 (d)(1) and (2).

F. Comparisons

All firm retail communications that contain comparisons between investments or services, will disclose material differences in the investments or services, including investment objectives, costs and expenses, liquidity, safety, guarantees or insurance, fluctuation of principal or return and tax features.

G. Disclosure of the Firm's Name

Retail communications and correspondence will prominently disclose the name of the firm or the name under which the firm's broker/dealer business primarily is conducted as disclosed on the firm's Form BD; reflect any relationship between the firm and any non-member or individual who is also named; if it includes other names, reflect which products and services are being offered by the firm.

H. Tax Considerations

If there are any tax considerations to be taken into account in retail communications, the firm will adhere to the requirements of Rule 2210(d)(4).

I. Limitations on Use of FINRA's Name (Improper Use of FINRA Name)

If the firm, or any person associated with the firm, refers to their FINRA membership on a Web site, a hyperlink to www.finra.org must be provided. (Only one hyperlink is required.) The hyperlink must be located in close proximity to any FINRA reference as long as the reference is reasonably designed to draw the public's attention to FINRA membership.

J. Public Appearances

If the firm considers approving public appearances, the designated principal will supervise and review in accordance with Rule 2210(f).

K. Correspondence

There are several rules that address the treatment of incoming and outgoing correspondence.

Rule 2210 defines correspondence as "any written letter or electronic mail message distributed by a member to:

A. One or more of its existing retail customers; and
B. Fewer than 25 prospective retail customers within any 30 calendar-day period."

Rule 3110 requires that each firm "develop written procedures that are appropriate to its business, size, structure and customers for the review of incoming and outgoing written (i.e., non-electronic) and electronic correspondence with the public relating to its investment banking or securities business, including procedures to review incoming, written correspondence directed to registered representatives and related to the member's investment banking or securities business to properly identify and handle customer complaints and to ensure that customer funds and securities are handled in accordance with firm procedures." The rule also states that the firm must retain copies of outgoing correspondence (relating to its investment banking or securities business) of its registered representatives. The documentation retained must include the name of the person(s) who prepared the outgoing correspondence and the name of the person who reviewed the outgoing correspondence.

SEC Rule 17a-4(b)(4) requires that "Originals of all communications received and copies of all communications sent (and any approvals thereof) by the member, broker or dealer (including inter-office memoranda and communications) relating to its business as such, including all communications which are subject to rules of a self-regulatory organization of which the member, broker or dealer is a member regarding communications with the public."

The Designated Principal is responsible for the proper handling of incoming and outgoing correspondence. This includes opening, copying, reviewing and retaining the correspondence. The Designated Principal may authorize another person within the firm to handle the opening and copying of the correspondence. However, the Designated Principal must handle the review and approval.

<u>Incoming Written Correspondence</u>
Originals of all incoming correspondence must be retained for a period of three years, with the first two years in readily accessible.

The individual opening the mail should direct the original correspondence to the Designated Principal for review, copying and distribution. Any incoming correspondence that addresses any compliance issues should be directed to the Designated Principal or the Chief Compliance Officer, any checks made payable to the firm or to a Registered Representative should be directed to the Chief Compliance Officer, any customer securities received in the mail must be directed to the Chief Compliance Officer, any complaints should be directed to the Designated Principal or the Chief Compliance Officer.

The Designated Principal will review all incoming correspondence and evidence his review by initialing the original correspondence, copying the correspondence and distributing the correspondence to the indicated person. The Designated Principal is also responsible for the retention of originals of incoming correspondence.

Note: If a registered representative located at a location other than the Home Office receives any incoming correspondence regarding the securities business of the firm or of the Representative, the Registered Representative or his assistant, must send a copy of the correspondence via fax (on the day of receipt) to the Designated Principal. The Registered Representative must maintain a file of the originals of the incoming correspondence.

Outgoing Written Correspondence

Copies of all outgoing correspondence must be retained for a period of three years, with the first two years in readily accessible.

The Designated Principal is responsible for the review, approval (prior to distribution) and retention of outgoing correspondence created by any Associated/Registered Person of the firm.

The Designated Principal will review outgoing correspondence for the following:

- Untrue or exaggerated statements
- Flamboyant or superlative descriptions;
- Unsubstantiated recommendations;
- Rumors;
- Predictions or future results;
- Unsupported comparisons;
- Unsubstantiated yields or quotes;
- Material designated at "For Internal Use Only" or "For Broker/Dealer Use Only".

If the firm sends outgoing correspondence to Registered Representatives of the firm, it must be clearly marked "For Internal Use Only." If the outgoing correspondence is sent to other broker/dealers, it must be marked "For Broker/Dealer Use Only." Material marked as such must not be distributed to the firm's customers or to the public.

The Designated Principal will review outgoing correspondence and evidence his review by initialing a copy of correspondence and retaining the correspondence in an Outgoing Correspondence file. Retained outgoing correspondence documentation must include the name of the person(s) who prepared the outgoing correspondence and the name of the person who reviewed and approved/disapproved the outgoing correspondence.

Note: Form letters sent to 25 or more persons are considered sales literature and must be reviewed and approved according to the advertising and sales literature procedure.

L. Electronic Communications

The firm permits the use of email for correspondence with customers, but does not permit the use of Instant Messaging, Blackberry Messaging, or Social Media for correspondence with customers and/or while transacting firm business. E-mail (incoming and outgoing) is considered correspondence and must be reviewed and approved as well.

Registered Representatives of the firm will only be permitted to use email addresses provided by the firm with for correspondence with customers and/or while transacting firm business. Any use of any other unauthorized personal email address (i.e. hotmail.com,

yahoo.com, msn.com, aol.com, etc.) is strictly forbidden for correspondence with customers and/or while transacting firm business. The outsourced FINOP is allowed to use her business email address for conducting the financial and operations business of the firm, however, he will copy an individual registered with the firm when corresponding with a non-registered individual, such as a FINRA employee, to ensure that the email is properly captured and archived.

The Designated Principal is responsible for the review and approval of incoming and outgoing e-mail correspondence generated by their Registered Representatives. A random review of incoming and outgoing emails is conducted and documented by the Designated Principal or an individual designated by the Designated Principal. Electronic correspondence is reviewed and maintained electronically at the home office and by Global Relay, the third-party service provider. Reviews of correspondence and internal communications are to be conducted by a registered principal and evidenced in writing, either electronically or on paper.

All electronic correspondence such as e-mail must be handled with the same care as any written correspondence, however due to the potentially high volume of this type of correspondence the broker dealer will randomly review for purposes of compliance and monitoring. Electronic correspondence will be reviewed by the Designated Principal and/or his designee and electronically stored for easy review and retrieval. If an email is questionable, the Designated Principal will contact the Registered Representative regarding the situation.

Registered persons are required to use only firm-approved email addresses that are captured by Global Relay when communicating with customers and/or other J Alden associated persons. Failure to adhere to firm policy may result in termination.

Incoming and Outgoing E-mail

Due to the size of the firm and the volume of electronic correspondence the firm will take the following actions in the review of electronic communications. The firm will be taking a risk-based approach rather than a random sampling. The firm will create a pool of emails to be reviewed by removing general marketing / spam emails from those to be removed. The firm will then search for key words in the remaining emails. This will create a list of emails that the Compliance Department will review on a regular basis. From time to time there may be the need to update the list of email addresses that are generating spam as well as keywords to ensure that emails that warrant review are brought to the attention of the reviewer.

The Designated Principal's evidence of review is through the Global Relay system at least on a weekly basis if not more frequently.

If an email is questionable the Designated Principal will contact the Registered Representative and their Principal regarding the situation and take action if necessary.

Representatives failing to comply with the firm's policy and procedures on incoming and outgoing correspondence, including electronic communication, will be subject to disciplinary action.

Risk-based Review of Correspondence and Internal Communications

FINRA Rule 3110.6 covers the firm's ability to use a risk-based review process for its correspondence and internal communications. If the firm does not require all correspondence to be reviewed before use or distribution, the procedure must cover the education and training of associated persons regarding the firm's correspondence

procedures, documentation of that education and training and follow-up that the firm's procedures are being followed.

Use of Lexicon-based Screening Tools or Systems

If the firm contracts with a third party for email maintenance, storage and retention and utilizes automated tools or systems (i.e. lexicon-based system) for their review of electronic communications, the Designated Principal must understand the limitations of any system in use and determine if any additional supervisory review is needed to overcome those limitations. The firm is periodically review the key words and phrases to ensure that the system is not limited and allowing for a comprehensive review of electronic communications.

Additional Information for Review of Electronic Communications

For any electronic communications not selected for further review, the firm can ensure and prove compliance to FINRA Rule 3110.7 if the electronic review system utilized by the firm has a way of electronically recording evidence that those communications have been reviewed through the system. For further details see FINRA Rule 3110.7.

As mentioned in the procedures above, the Designated Principal or his designee will conduct the review of electronic communications. While the Rule states that the review is to be done by a Principal with the firm, the Rules does allow the Designated Principal to delegate the review to an unregistered person with the understanding that the Designated Principal is ultimately responsible for the performance of the reviews and compliance to the Rule.

M. Use of Social Media

Registered representatives are prohibited from engaging in business communications in a social media site that is not subject to supervision.

The firm allows appropriately trained registered representatives to use social media sites for business purposes only to post static content that consists solely of profile, background or wall information. Static social media accounts and listings must be approved by the Designated Principal **prior** to posting. The firm will retain records of the approved content and will monitor approved accounts on an on-going basis to ensure compliance with firm policies.

Existing accounts and listings must be disclosed to the Designated Principal for review and approval. If the account or listing is not approved, the Designated Principal will notify the registered representative in writing that the listing is not approved and/or must be removed.

The firm will maintain evidence of review and approval.

Registered representatives may not use social media sites to recommend specific investment products, engage in interactive electronic communications with customers, or publish links to such recommendations on social media sites, such as Facebook, LinkedIn and Twitter. Registered representatives are prohibited from interactive posting to message boards, blogs, Facebook, or any other social media sites.

If a registered representatives' use of social media does not comply with firm policies and procedures, or if the Chief Compliance Officer determines that his/her use of social media

presents compliance risks, disciplinary action, which may include termination, will be taken.

The firm will regularly conduct internet searches to ensure that no unapproved accounts or listings exist.

Training
The firm will ensure that registered representatives are properly trained on firm policies regarding the use of social media sites and the differences between business and non-business communications.

N. SIPC – Securities Investor Protection Corporation

What is SIPC: SIPC, Securities Investor Protection Corporation, is an organization that was established to restore public confidence in the securities industry and to protect customers' assets held by member (in case of the failure of the firm). SIPC provides a maximum protection of $500,000 for claims of cash and securities, with a limit of $100,000 on claims of cash or cash equivalents. *Note: SIPC does not protect investors against market risks or losses.*

Who is a SIPC Member: SIPC membership is automatic based on SEC registration in accordance with Section 15(b) of the Securities Act of 1934. However, there are two exceptions to the requirements to become a SIPC member. Those exceptions are:

1. A broker/dealer whose approved business activities consist of only the following:
   - the distribution of shares of mutual funds
   - the sale of Variable Annuities
   - the business of insurance, or
   - a firm furnishing investment advice to investment companies or insurance company separate accounts.

2. A broker/dealer whose principal business is conducted outside of the United States and US territories.

Display of SIPC Membership: SIPC members must prominently display a SIPC sign, easily viewed by customers, at the Home Office and at each branch office, if any. For additional details on the uses of the SIPC symbol, please see www.sipc.org, Article 11, Section 4, Advertisement of Membership.

Providing SIPC Information to Customers: All firms, except those that are excluded from membership in SIPC and that are not SIPC members, or whose business consists exclusively of the sale of investments that are ineligible for SIPC protection, must advise all new customers in writing at account opening, that they may obtain information about SIPC, including the SIPC brochure, by contacting SIPC. Written notification must also include SIPC's website address (www.sipc.org) and telephone number ((202) 371-8300). Customers must be provided with the same information in writing at least once each year.

Responsibility: SIPC is funded by annual assessments collected from the firms that are SIPC members. It is the responsibility of the FINOP to ensure that the annual assessments are paid as required in order to maintain membership in good standing with SIPC.

Retention of SIPC Records: Maintenance and retention of records of SIPC membership and annual paid assessments are maintained at the Home Office.

O. Approval of Letterhead and Business Cards

Compliance will approve standard firm letterhead and business cards which at a minimum will state the legal name of the regulated entity and that it is a Member FINRA / SIPC. Any deviation from the approved format will requires the approval of the revised version specifically when a "doing business as" name is being used. In these situations the cards will display:

- The legal name of the member.
- The relationship between the DBA being used and the member.
- And the products and services that are being offered.

End of Section VII
Communications with the Public

IX. BRANCH OFFICE ACTIVITIES

A. OSJ/Supervisory Branch Offices

FINRA Rule3110 (specifically FINRA Rule 3110(a)(4)) requires than an on-site principal with a "regular and routine" physical presence be designated as the supervisor for each and every OSJ. If a firm elects to have one principal supervise two or more OSJs, the firm must justify the reason for this supervisory structure in writing. This will also bring closer scrutiny from FINRA.

The Designated Principal is responsible for designating an OSJ Manager in every OSJ branch office location of the firm. The OSJ Manager is responsible for their Registered Representatives compliance to these Written Supervisory Procedures and for the maintenance and retention of the required branch office records.

The Designated Principal is responsible for conducting a periodic inspection (no less than annually) of each OSJ Branch Office. The Designated Principal may conduct the inspection or appoint another qualified individual within the firm to conduct the inspection.

Each OSJ Manager must have the "authority to carry out the supervisory responsibilities assigned to that office." The OSJ manager is to reasonably ensure compliance with the rules and regulations of the SEC and FINRA, and to the policies and procedures of the firm.

Each OSJ branch office must maintain certain books and records that relate to the activities of that office. These records include, but are not limited to, the following:

- Blotters;
- Order tickets;
- Customer account records;
- Records of Associated Persons assigned to that office;
- Customer complaints;
- Records evidencing compliance with rules regarding communications with the public;
- Records of persons who can explain the information found in branch office records; and
- Records of principal responsible for establishing the recordkeeping compliance procedures.

OSJs may engage in the following functions (under proper supervision by the home office):

- Accepting and approving new accounts
- Reviewing and approving customer orders
- Reviewing and approving correspondence
- Supervision of Associated Persons assigned to that office

<u>Inspection of OSJ Branch/Supervisory Branch Offices</u>
Each OSJ branch office must be reviewed no less than once per year to ensure compliance with the procedures and the guidelines detailed in these procedures. Any significant variance from these procedures may be cause for disciplinary action to be taken by the firm.

OSJ branch office records are to be maintained for the most recent two-year period. Inspection reports are to be maintained for a period of three years in a readily accessible location.

B. Non-OSJ/Non-Supervisory Branch Offices

The Designated Principal is responsible for designating a Branch Manager in every non-OSJ branch/con-supervisory office location of the firm. The Branch Manager is responsible for business conducted at that office and compliance to these Written Supervisory Procedures and for the maintenance and retention of the required branch office records.

The Designated Principal is responsible for conducting a periodic inspection (no less than once a year, or more often if deemed necessary) of each non-OSJ Branch Office. The Designated Principal may conduct the inspection, appoint another qualified individual within the firm to conduct the inspection or contract with an outside vendor.

Each non-OSJ branch office must maintain certain books and records that relate to the activities of that office. These records include, but are not limited to, the following:

- Blotters;
- Order tickets;
- Customer account records;
- Records of Associated Persons assigned to that office;
- Customer complaints;
- Records evidencing compliance with rules regarding communications with the public;
- Records of persons who can explain the information found in branch office records; and
- Records of principal responsible for establishing the recordkeeping compliance procedures.

Inspection of Non-OSJ/Non-Supervisory Branch Locations

The firm will inspect the non-supervisory branch location a minimum of once every three years, or more often if deemed necessary to ensure compliance with the procedures and the guidelines detailed in these procedures. (Note: Depending on the securities business of the firm, the volume of business and the number of persons assigned to the branch office, it may be determined that a more frequent inspection cycle is necessary. If a more frequent inspection cycle is scheduled, the firm must document the frequency of inspection and the rationale used in determining the more frequent inspection cycle.)

C. Non-Registered Locations

A Non-Registered Location (NRL) is a location in which a Registered Representative administers and manages his securities activities but is not "reasonably considered" by the public as a location where securities business is transacted. Each Non-Registered Location will be reviewed on a periodic basis, not less than once per year.

The Designated Principal is responsible for determining if these locations, based on FINRA Rules, are required to be registered as branch locations.

Determination that an Office is an NRL

The Designated Principal determines an NRL by investigating the following in regard to the location:

1. A sign or building directory indicating the name of the broker/dealer;
2. Printing of the name, phone number and address of the location on the Representatives business cards, stationery or letterhead;
3. Regular customer visitation to location to discuss their investments and issues concerning their securities accounts;
4. Listing of the name and address of the location in the yellow pages, white pages or other telephone directory listing;

5. Advertisement or communication with the public of the location's name, address, or phone number; and
6. Correspondence with the public that includes the non-registered location's name, address or phone number.

If the Designated Principal discovers the existence of any of the items listed above, there is a possibility the location must be registered with FINRA as a branch office. The Designated Principal will ensure that the proper steps are taken to establish the branch office in accordance with rules and regulations.

Private Residence NRLs

A non-registered location that is a private residence, is not required to maintain records at that location, provided that, 1) only one associated person, or multiple associated persons who reside at that location and are members of the same immediate family, regularly conduct business at the office; 2) the office is not held out to the public as an office, and 3) neither customer funds nor securities are handled at that office.

Records for non-registered locations that are private residences may be maintained at another location within the same state or be promptly produced at another agreed upon location. This will be determined at a later time.

Any questions about what requires an NRL to become a registered FINRA branch office should be directed to the Chief Compliance Officer/Designated Principal.

Inspection of Non-Branch Locations

J Alden has established the inspection cycle of non-branch locations as a minimum of every three years, or more often if deemed necessary. (Note: Depending on the securities business handled by the non-branch location and the nature and extent of its contact with customers, it may be determined that a more frequent inspection cycle is necessary. If a more frequent inspection cycle is scheduled for any non-branch location, the firm must document the frequency of inspection and the rationale used in determining the more frequent inspection cycle.)

Records of inspection of the non-registered/non-branch location will be maintained in a readily accessible location for a period of no less than three years.

D. Inspection of Branch Offices

FINRA Rule 3110 states that each branch office of the member shall be inspected according to a cycle which shall be set forth in the firm's written supervisory and inspection procedures. Each member shall retain a written record of the dates upon which each review and inspection is conducted. The firm shall conduct an annual inspection of each branch office in order to detect and prevent non-compliance with the policies and procedures of the firm, as well as with the rules and regulations set forth by the Commission (SEC) and the Association (FINRA).

The Designated Principal is responsible for:

- establishing the branch office inspection program;
- scheduling the branch office inspections;
- conducting the inspection of each branch office*;
- following up on any required action; and
- retaining and maintaining written records of the inspection and of any corrective actions taken.

* The Designated Principal will conduct the inspection of the branch office or may designate another qualified individual within the firm to conduct the inspection. *Note:* Office inspections and day-to-day oversight of customers of producing managers must be conducted by persons employed by the

member firm, and not by outside consultants, unless the consultant is registered with and employed by the member firm.

Inspection Process:

Objective
The primary objective of a branch office inspection is to protect the firm, it officers, its registered principals and its registered representatives from wrongdoing – either intentional on unintentional. Also, all compliance work has the ultimate objective of protecting the investing public from errors and omissions made by the sales force. More importantly, the inspection program should serve to detect and prevent any occurrence of wrongdoing. At this time the firm has opted into the FINRA Remote Inspections.

Mandatory Inspection Schedule
J Alden will inspect the Jenkintown, PA location (Home Office and single Office of Supervisory Jurisdiction) on an annual basis. The annual inspection will be conducted no later than the anniversary date of the previous year's inspection. The annual inspection requirement applies to any OSJ Office and any supervisory branch office that supervises one or more non-branch locations. At this time, J Alden operates only one Office of Supervisory Jurisdiction (Home Office). There are no plans to open any additional OSJ/supervisory branch offices.

The firm will inspect non-supervisory branch office locations a minimum of once a year, or more often if deemed necessary. (Note: Depending on the securities business of the firm, the volume of business and the number of persons assigned to the branch office, it may be determined that a more frequent inspection cycle is necessary. If a more frequent inspection cycle is scheduled, the firm must document the frequency of inspection and the rationale used in determining the more frequent inspection cycle.)

Also, at this time there are no plans to open any non-branch (non-registered) locations. If any non-branch locations are open in the future, the firm will inspect those locations on a regular periodic basis. J Alden has established the inspection cycle of non-branch locations as a minimum of every three years, or more often if deemed necessary. (Note: Depending on the securities business handled by the non-branch location and the nature and extent of its contact with customers, it may be determined that a more frequent inspection cycle is necessary. If a more frequent inspection cycle is scheduled for any non-branch location, the firm must document the frequency of inspection and the rationale used in determining the more frequent inspection cycle.)

Branch Office Review
FINRA Rule 3110(c)(3) prohibits an associated person from conducting a branch office location's inspection if the person either is assigned to that location or is directly or indirectly supervised by, or otherwise reports to, someone assigned to that location. J Alden will utilize an independent party to conduct branch office inspections to ensure independence and protect against potential conflicts of interest.

The inspection program is designed to identify current and potential problems and to set a course of corrective or preventive action. During the course of the branch office inspections, various documents will be reviewed, and individuals will be interviewed. Areas to be reviewed include, but are not limited to, the following:

- Complaint Files
- Adverting and Sales Literature Files
- Signage
- Production and Sales Reports

- Branch Office Roster
- Customer Account Files
- Trade Blotter
- Continuing Education File
- Correspondence File
- Due Diligence Files for M& A activity and Private Placements, if applicable

Things to look out for (red flags):
- Dramatic changes in production (either positively or negatively)
- Drop or increase in income
- Change in lifestyle

Exit Interview
Prior to conclusion of the inspection, the auditor will conduct an exit interview with the branch manager to discuss the findings and necessary action.

Written Inspection Report
The inspection reports shall include testing and verification of the firm's policies and procedures. Prior to the inspection, the firm's written supervisory procedures will be reviewed and then compared to the actual processes of the firm. Any deviation from the procedure or non-compliance to the procedures of the firm and/or the rules of FINRA and the SEC will be noted, and corrective action taken.

Areas to be tested and addressed within the inspection report include, but are not limited to:
- Maintenance of the firm's books and records;
- Safeguarding of customer funds and securities;
- Supervision of supervisory personnel;
- Supervision of customer accounts serviced by branch managers;
- Transmittal of funds or securities from customers to third party accounts; from customer accounts to outside entities, from customer accounts to locations other than a customer's primary residence, and between customers, including the hand delivery of checks;
- Validation of customer address changes; and
- Validation of changes in customer account information.

Note: Each of these areas must be addressed within the inspection report. If the firm is not approved to participate or does not participate in a particular activity listed above, it must be so stated within the inspection report. *For example:* At this time, J Alden does not accept customer funds or securities. If the firm begins to accept customer funds and securities, the Designated Principal will ensure that the firm is approved to conduct that type of activity and that the firm has in place the policies and procedures in order to supervise the activity.

Significant Findings – In the event that significant findings are uncovered during the review the Chief Compliance Officer and the individual responsible for the location will determine the proper course to take corrective action and for ongoing monitoring.

New Hires – All employment decisions and onboarding will be coordinated by the home office.

Brokers with a significant history of misconduct – While the firm tries to avoid reps who have disclosures it does happen from time to time. If there is a need to put a rep on heightened supervision the plan will be developed and overseen by the Chief Compliance Officer at the home office. The length of this added supervision will be determined based on the previous actions of the representative.

Outside business activities and "doing business as" – The approval, record keeping, and ongoing reviews of all OBAs and DBAs will be reviewed and approved by the Compliance Department.

Once the inspection is complete, a written report of the inspection (signed and dated by the individual conducting the inspection) will be provided to senior management of the firm and to the branch manager. The report will include the following:

1. Any deficiencies with the firm's policies and procedures;
2. Any deficiencies with the rules and regulations of FINRA and the SEC;
3. Follow-up actions requested and/or possible solutions to bring the branch office into compliance;
4. If applicable, any disciplinary action administered for non-compliance; and
5. Supporting documentation.
6. The firm will also update the FINRA CRD Platform to memorialize the review.

Record Retention

The Home Office will maintain a written record of the inspections and of any corrective actions taken. These records must be maintained at the Home Office for a period of at least three (3) years after the date of inspection.

End of Section VIII
Branch Office Activities

X. CONTINUING EDUCATION

In accordance with FINRA Rule 1250 – "Continuing Education Requirements", the firm has developed a plan for compliance with the requirements for the continuing education regulatory and firm elements. Karen Van Horn is the Designated Principal responsible for the CE program.

The Designated Principal (Karen Van Horn) is responsible for compliance with FINRA's continuing education requirements, including both the firm and regulatory elements. By December 31st of each year, the Designated Principal will review and update the firm's Continuing Education Written Training Plan and perform an assessment (Needs Analysis) of the training needs of all persons registered with the firm. The Designated Principal is also responsible for providing to FINRA the name and email address of the CE designated contact person. This is communicated to FINRA through FINRA Contact System (NCS). The CE contact information is reviewed on a quarterly basis (by the 17th business day after the end of the quarter) and updated if changes have been made to the CE contact person.

The continuing education plan requires that all registered persons with the firm receive continuing education training to ensure their compliance with the rules and regulations of the SEC, FINRA and with the policies and procedures of the firm.

The Designated Principal is responsible for compliance for both the regulatory and the firm element, including, but not limited to, the following:

- Creating the Written Training Plan;
- Creating internal procedures to monitor compliance to the regulatory and firm element;
- Establishing continuing education training objectives;
- Implement the firm element training program;
- Notifying Registered Persons regarding their requirement to complete the required continuing education sessions in a timely manner and the consequences if they fail to comply with the requirements;
- Evaluating the continuing education needs of the firm and its Registered Persons;
- Collecting continuing education program feedback from the firm's Registered Persons;
- Creating, reviewing and revising the annual Needs Analysis;
- Selecting the training material and/or selection of outside continuing education vendor(s);
- Monitoring and tracking the completion of the CE requirements by each Registered Person;
- Maintaining the firm's continuing education records; and
- Annual review of the firm's entire continuing education plan.

The regulatory element and the firm element are covered below. Additional information regarding the firm's continuing education program may be found in the firm's Continuing Education Written Training Plan.

A. Regulatory Element

The Regulatory Element consists of periodic computer-based training on regulatory, compliance, ethical and supervisory topics. Regulatory Element topics include, but are not limited to, the following:

- Registration and Reporting
- Communications with the Public

- Suitability
- Handling of Customer Accounts
- Business Conduct
- Customer Accounts, Trade and Settlement Practices
- Supervision, if applicable
- Insider Trading
- Money Laundering

Who is Required to Participate in the Regulatory Element and When?
Registered persons are required to participate and complete a designated Regulatory Element within a 120-day period that begins with the second anniversary of their initial securities registration and recurs every three years thereafter for as long as they remain in the securities business. (Note: The date of a person's initial securities registration is known as the base date. It is from the base date that Regulatory Element anniversaries are calculated.). The Regulatory Element must be completed within the 120-day window allowed by FINRA.

Also, any Registered Person who has been the subject of a significant disciplinary action must participate in the Regulatory Element. Significant disciplinary actions include suspension, a fine of $5,000 or more, or a statutory disqualification.

How to Participate in the Regulatory Element
FINRA Rule 1250(a)(6) was amended to allow registered individuals to participate in the regulatory element training via web-based, internet delivery. The new online regulatory element training program is known as CE Online and will administered through the FINRA CE Online System. FINRA Regulatory Notice 15-28 was published detailing the change, including the phased implementation schedule. First phase effective date is October 1, 2015. FINRA has changed the fees charged for Regulatory Element sessions from $100 per session to $55 when administered to the individual via the new web-based CE Online program.

Firm Notification of the Regulatory Requirements of Registered Persons
The firm must periodically review the continuing education information regarding Registered Persons found in the Firm Queues on CRD and immediately notify the Registered Person of their time requirement to complete the required training. The Designated Principal will notify each Registered Person about their upcoming CE requirements via e-mail with a read receipt requested as proof of notification. Continuing Education Firm Queues include:

- Approaching CE Requirement Queue (Individuals with CE windows starting within 28 days)
- Currently CE Required Queue (All individuals currently in their 120-day CE window)
- Recently CE Satisfied Queue (Individuals who have completed their Regulatory Element within a time period specified by the user.)
- CE Inactive Queue (Individuals who are currently CE Inactive)
- Current Individual Deficiencies Queue - CE Inactive (Lists new hires of the firm who are CE Inactive and whose registrations are therefore not approved.)
- Currently 2-Year CE Termed Queue (All individuals who have had their registrations administratively terminated because they were CE Inactive for 2 years or more.)

The firm may also request continuing education e-mail notifications from CRD. The first CE e-mail notification is sent to the firm whenever a Registered Person has not satisfied

his Regulatory Element requirement within the first 30 days of his 120-day window. The second CE e-mail notification is sent to the firm whenever a Registered Person at the firm becomes inactive for failing to satisfy the Regulatory Element requirement. The firm must request these e-mails notifications. Request is made through the firm's CRD page.

The Designated Principal will maintain a log of Registered Persons and their CE completion requirements. This log will be used to track the successful completion of the regulatory CE requirements. The log will include, but is not limited to, name, CRD number, CE course, date of open CE window, notification to rep, completion of the course and, if necessary, date Registered Person was placed on inactive status for failure to complete the required regulatory element.

Failure to Comply with the Regulatory Element Requirements

If a Registered Person does not complete a required Regulatory Element session within the prescribed 120-day time period, they are considered "inactive" until he satisfies the Regulatory Element requirement. The firm will not allow an inactive person to engage in, or be paid for, activities requiring securities registration. However, trail or residual commissions are permitted to be paid to an inactive person (commissions earned on business completed before the inactive period began). The Registered Person will be notified by certified mail that they have been placed on "inactive" status and that their activities with the firm are restricted to jobs/duties that do not require any form of securities registration. Continued failure to complete the required regulatory element may result in termination of employment/association with the firm.

Failure to comply with Regulatory Element requirements subjects the firm and the individual to potential disciplinary action by FINRA or other securities regulators.

B. Firm Element

The Firm Element is an on-going continuing education training program that is developed and delivered internally to the Associated Persons of the firm. The Firm Element training is based on the specific products and services offered by the firm. The program is designed to keep the Associated Persons of the firm current on new or revised rules and regulations, compliance issues and products.

In developing the Firm Element program, the firm must take into consideration its size, structure, scope of business and any regulatory concerns.

Who is Required to Participate in the Firm Element and When?

The Firm Element applies to all broker/dealers and their covered persons. The Firm Element requirement requires that the firm establish a training program for all of its registered persons who have direct contact with customers in the conduct of securities sales, trading, or investment banking activities, and for the immediate supervisors of each covered person. There are no firm element exemptions for any covered person.

Covered Persons: Covered persons are registered individuals who function as salespeople, traders, investment bankers, among others, and who conduct a securities business with public customers, as well as the immediate supervisors of such persons.

Customer: Customer refers to retail, institutional, and investment banking customers, but does not include other broker/dealers.

Each person subject to the Firm Element is required to complete the required Firm Element training within the time specified by the firm (At least 2 firm element sessions/classes/articles/seminars/etc. by the end of each calendar year.)

If the firm hires any new Registered Persons, these individuals will be required to participate in the firm element requirements of the firm during the time remaining in the calendar year.

It is the responsibility of the principal in charge of the continuing education plan to track the status of each Registered Person's firm element training.

Failure to Comply with the Firm Element Requirements

If a Registered Person does not complete the annual Firm Element requirements, he will be subject to firm sanctions, which may include withholding commissions until the scheduled training is complete. Failure to complete the Firm Element in some cases may result in termination of the Registered Person.

Topics for Consideration for Firm Element Training

Topics for the Firm Element training may include the following:

- Anti-Money Laundering
- Business Conduct (ex. Outside Business Activities, Private Securities Transactions)
- Suitability
- Ethics
- Insider Trading
- Communications with the Public (advertising, correspondence, electronic communications, web site, etc.)
- Research Analysts and Research Reports, if applicable
- Customer Accounts, Trade and Settlement Practices
- New and Amended SRO Rules and Regulations
- Registration and Reporting Requirements
- Books and Records
- Supervision

The firm will select the material that will benefit the Registered Person; however, all training material will be maintained in the Continuing Education file so that each Registered Person can see what material is available that may benefit their particular needs.

Training Material and Delivery Mechanism

The firm may prepare the training material or contract for firm element materials with a continuing education vendor. Once the firm is operational, this decision will be made by the principal in charge of the continuing education program and will be based on the needs of the firm and the needs of the Associated Persons of the firm.

Training is generally in the form online training through a third-party vendor (Quest CE), however it may also be delivered through group situations such as department meetings, companywide meetings, annual compliance meetings, etc.

Training material may take the form of:

- Current articles
- Newsletters
- Notices to Members or other regulatory bulletins
- On-line training (via disk or via the internet)

- Seminars
- Podcasts or Webinar
- Material developed internally
- Meetings, conferences, etc.
- Vendor developed programs

The Designated Principal in charge of the continuing education plan is responsible for distributing the internal firm element continuing education material to the Registered Persons required to participate in the firm element. Attached to the continuing education firm element material will be the Acknowledgment of Firm Element Completion Form. Upon completion of the material, the Registered Person must sign and date form indicating that they have received, read and understand the information as presented.

If the firm elects to contract with an outside continuing education vendor, it is the responsibility of the vendor to administer the externally developed program, under the supervision of the principal in charge of the continuing education program.

Firm Element Recordkeeping

Upon completion of each Firm Element, the Registered Person will complete the form Acknowledgement of Completion of Firm Element Training Session and return it to the principal in charge of the Continuing Education Program. A copy of the Acknowledgement must be kept in the Registered Person's file, as well as in the Firm's Continuing Education File. Maintenance of all Acknowledgement forms, CE correspondence and copies of training material is imperative. The Acknowledgment Form will be used in the case of self-study. For training offered through the third-party vendor, the firm will maintain Certificates of Completion of online training or a copy of the completion report from the third-party CE vendor. These reports/proof of training aid in the smooth operation of the CE program and in case the firm undergoes an audit.

The following books and records are maintained in relation to the continuing education Firm Element Program:

- Written Supervisory Procedures;
- Annual Needs Analysis;
- Written Training Plan;
- Records of specific training material used;
- Records of specific program material;
- List of candidates expected to participate in the Firm Element;
- Dates of Training;
- Content of Training;
- Records of persons actually attending or receiving training; and
- Records of feedback from the Regulatory Element.

C. Needs Analysis

The firm is required to conduct a continuing education Needs Analysis on an annual basis. The Needs Analysis analyzes and evaluates the training needs of the firm, as determined by the firm's size, structure, scope of business, types of products and services, as well as any regulatory developments. Special focus should be placed on any new products or services offered by the firm, any problems experienced by the firm or its Associated Persons and any new or amended rules of the Association or the SEC.

The Needs Analysis includes, but is not limited to, the following:

- Description of the firm's business, including its size, structure, scope of business, types of business and services offered by the firm, etc.;
- Review of current market and economic conditions affecting the securities products or services offered by the firm;
- Review of current legal and regulatory developments;
- Feedback on any critical issues from the firm's legal, compliance, trading, audit, operation, management and sales personnel;
- Review of sales and marketing strategies for products and services (including suitability issues, product risk and any other regulatory concerns); and
- Feedback received from the Regulatory Element.

End of Section IX
Continuing Education

XI. RECORDKEEPING

A. Books and Records

SEC Rule 17a requires your firm to keep certain records and to retain those records for a specified period of time. SEC Rule 17a-3 states which records must be maintained and SEC Rule 17a-4 states a certain period or length of time those records must be retained. This summary addresses the retention requirements of the rule. Please Note: Due to the approved business activities of the firm, some of these requirements may not apply.

Typically, the Chief Compliance Officer and the Financial and Operations Principal are responsible for maintaining the records for the business that they are responsible.

All books and records of the firm are to be produced on a timely basis and kept current as required by the various SEC and FINRA Rules.

Retention of various records is as follows (please see SEC Rule 17a-3 and 17a-4 for details regarding each type or record):

1. <u>Lifetime Records:</u>
    - Articles of Incorporation, Partnership Articles, Operating Agreement, Charter
    - Amendments to Articles
    - Minutes of Meetings
    - Records of Stockholders
    - Corporate Resolutions
    - Form BD and BDW, and all amendments
    - Copies of documentation showing registrations with any securities regulatory authority

2. <u>Six Year Records:</u>
    - Blotters - including trade, cash/checks received, securities received
    - Ledger accounts (customer cash and margin account records, purchase and sales, receipt and delivery of securities, any debits or credits to such accounts)
    - Records of Original Entry (any account cards or records which relate to the terms and conditions with respect to the opening and maintenance of the account). Note: Account record information must be maintained for 6 years after the earlier of the date the account was closed or the date on which the information was replaced or updated.
    - Ledgers Reflecting Assets and Liabilities, Income and Expense and Capital Accounts
    - Position Records (long or short positions carried by the firm for its account or account of its customers)
    - Contact Person Records – Record for each office listing all individuals by name or title who, without delay, can explain the types of records maintained at that office and the information included in those records.

- Responsible Principal Records – Listing of each principal responsible for establishing policies and procedures of the firm and for the acceptance and approval of records.

3. Three Year Records:
    - Ledgers reflecting securities in transfer, dividends and interest received, securities borrowed and securities loaned, securities failed to receive and failed to deliver, long and short security records; monies borrowed and monies loaned
    - Associated Person record listing each office where they conduct business (Record must include Associated Person's CRD number and any internal identification number)
    - Memorandum of all purchase and sale orders, including any instructions received regarding the purchase or sale of securities *(executed or unexecuted)*
    - Memorandum of all purchases and sales for the firm's account
    - "Long" and "short" securities differences (through examination, count, verification, or comparison)
    - Repurchase and reverse repurchase agreements
    - Record of puts, calls, spreads, straddles and other options where the firm has any direct or indirect interest
    - Copies of confirmations of trades
    - Originals of incoming and outgoing correspondence, including inter-office memoranda and communications
    - Record of each written customer complaint received on each Associated Person
    - Record proving that the customer received a notice of the address and telephone number of the department within the firm to where they should address any complaints
    - Compensation records and compensation and/or employment agreements
    - Communication supervision records stating that the firm has adopted policies and procedure for compliance with and approval of communications with the public and has complied with those requirements
    - Powers of Attorney or other records granting discretionary authority; or corporate resolutions granting an individual the right to act on behalf of a corporation
    - Trial Balance, net capital computation, financial statements, computation of aggregate indebtedness
    - Internal Audit Papers
    - Employment records of Registered Persons who left the Firm, including copies of fingerprint cards (3 years after termination of employment with the firm)
    - Checkbooks, Bank Statements, Cancelled Checks and Cash Reconciliations
    - Accounts Receivable or Accounts Payable relating to the business of the firm
    - Records relating to the $ amounts included in the firm's annual financial statements, FOCUS Reports and annual audit

- Written agreements entered by the firm relating to the business of the firm
- Each compliance, supervisory and procedures manual, including any updates, modifications and revisions (3 years after the termination of the use of the manual.)
- Any special reports requested by a securities regulatory authority pursuant to an order or settlement and each securities regulatory authority examination report (3 years after the date of the report)

4. Other Record Keeping Retention Requirements:
   - Exception Reports (or other activity reports), if applicable, to review for unusual activity in customer accounts (18 months after the date the report was generated)

For complete rule and details regarding the records to be maintained and retained, please see SEC Rules 17a-3 and 17a-4.

B. Storage of Firm's Records

J Alden will store some records via electronic means; however, not all records will be maintained solely via electronic means. J Alden maintains certain paper records, such as customer subscription documents, marketing materials, and corporate documents, in paper copy at the Home Office. Issuers with whom J Alden conducts business maintain additional copies of customer subscription documents and marketing materials. The clearing firm also stores customer records.

Pursuant to Section 17(d) of the Securities Exchange Act of 1934 the firm must notify FINRA (prior to use) of its intent to utilize electronic storage media. *Note:* If the firm chooses to utilize any electronic storage media other than optical disk technology (ex. CD-ROM), the firm will notify FINRA at least 90 days prior to using the designated storage media.

Electronic storage must:
- Preserve records in a non-rewriteable, non-erasable format
- Automatically verify the quality and accuracy of the storage media recording process
- Serialize the original; time and date for required retention period
- Ability to readily download indexes and records stored on the electronic storage media to an acceptable medium as required by FINRA, the SEC or any other self-regulatory organization

The Principals of the firm understand that if they utilize electronic storage media they must be able to readily produce readable images of anything maintained on electronic storage media and to be able to immediately produce a facsimile of the record at the request of FINRA, SEC or any state regulator. The Principals also understand that they must be able to maintain the original and store a duplicate copy of the original and to organize and index all information and records maintained on each. The Designated Principal will develop an audit process to ensure that the electronic storage media processes of the firm are effective in maintaining and preserving broker/dealer records as required by the rules.

Audit of the Electronic Storage System Utilized by J Alden

Email: The Chief Compliance Officer reviews emails via the Global Relay system. Due to the design technology of the Global Relay system, no emails may be deleted or changed in any way. The firm monitors the performance of Global Relay and conducts a third-party vendor review on an annual basis to ensure that the vendor continues to perform as required and as contracted.

Data: J Alden utilizes Carbonite for data and document backup, storage and retention. The President or the Chief Compliance Officer will verify that data is being stored as required.

In order to ensure that email, documents and data are backed up and retained as required, on an annual basis J Alden will review the processes and document the review. In addition to reviewing the process, the firm will also conduct a review of the vendor to ensure that they are operating according to the agreement with the firm. Evidence of this review/audit of the storage is maintained on a log that will indicate what is reviewed, date of review, outcome of review and person responsible for the review.

XII. FINANCIAL AND OPERATIONAL ACTIVITIES

A. Financial Recordkeeping and Reporting

The FINOP is responsible for ensuring that financial data is maintained in a manner necessary to meet FINRA and SEC requirements. The FINOP is also responsible for calculating net capital at least monthly, and more often if necessary, and for preparing and submitting quarterly FOCUS reports, Supplemental Statements of Income and Custody Reports.

Additional FINOP responsibilities include, but are not limited to, the following:

- Ensure that accurate financial reports are maintained, made, and kept current as necessary to meet the requirements of the SEC's books and records rules (SEC Rules 17a-3, 17a-4 and 17a-5). Financial reports include the general ledger, trial balance, balance sheet, income statement, expenses, capital accounts, etc.
- Review of financial statements
- Provide broker/dealer balance sheet upon request of customer (SEC Rule 17a-5).
- Monthly computation of net capital and aggregate indebtedness.
- Monitor bank accounts and supervise the monthly reconciliation of bank accounts.
- Monitor clearing firm accounts and supervise monthly reconciliations of clearing accounts.
- Monitor accounts receivable and accounts payable.
- Monitor financial trends and performance.

The FINOP ensures that records pertaining to the finances of the firm, including general ledgers, net capital computations, cash disbursements, FOCUS filings (and supporting documentation), secured demand notes, and subordinated loans, etc. are properly maintained. The FINOP also ensures that bank accounts are reconciled monthly for net capital purposes and reviews monthly bank statements and reconciliation reports.

Assignment of Responsibility for General Ledger Accounts

The CEO (Lee Calfo) has the primary responsibility for the firm's general ledger accounts to ensure that they are current and accurate. He also has supervisory responsibility for each account as required by FINRA Rule 4523(a). The FINOP will review the monthly general ledger and supervise accounting personnel.

The FINOP will work onsite or in person with firm accounting personnel once per quarter, or more often if necessary. In person work may occur at the FINOP's office, at the firm's Home Office, or in a location mutually agreed upon by the firm and the FINOP. Additionally, the FINOP participates in virtual weekly meetings with the accounting team, the CCO, and other executive staff to discuss active engagements, new product offerings, newly registered representatives, upcoming firm expenditures, etc., and communicates daily by email, telephone, or virtual meeting with the accounting team. (Exceptions occur from time-to-time when meeting participants are not available due to vacation or other business or personal obligations.)

Accounting Practices

Recording Revenue:
The firm recognizes revenue in the month in which the revenue is earned. Revenue received via ACH or check is entered into the accounting system in a timely manner, usually within 24 hours of receipt. Revenue from transactions that clear through Raymond James is recorded in the month in which transactions occur.

Related commissions payable to registered representatives are entered simultaneously.

The accounting department reviews commission statements, clearing reports, and other income reporting documents received from issuers to ensure that revenue is recorded in the proper period.

Aggregate Indebtedness:
SEC Rule 15c3-1 sets limits on the amount of aggregate indebtedness a broker/dealer can have. A broker/dealer must not allow its aggregate indebtedness to exceed 1500% of its net capital (15 to 1 ratio).

Aggregate indebtedness is based on unsecured liabilities recorded in the firm's books and records. Payables are recorded based on the invoice date and/or month in which expenses are incurred. Vendor invoices/bills will be recorded on a spreadsheet as they are received and entered in the accounting system upon receipt. At the end of the week, the spreadsheet will be compared to an accounts payable report generated by the accounting system to ensure that invoices are entered timely and correctly.

Commissions payable to registered representatives are recorded at the time revenue is recorded, regardless of the source of revenue.

When the firm receives commission revenue from a single product sponsor/issuer/carrier and the related commission payable is over $50,000, the commission is paid to the registered representative(s) the same day by ACH or wire.

Review of Monthly Financials:
The FINOP will review firm bank account balances, revenue and expenses, and other information that impacts financial books and records, with the accounting team throughout the month and, if necessary, calculate net capital. He/she will review preliminary month-end financial statements and supporting documents/reports, such as aging receivables and payable reports, clearing reports, etc. If no changes are necessary, the FINOP will prepare a net capital calculation, which will be provided to the firm along with month-end financial statements.

B. Net Capital Computations, Aggregate Indebtedness, FOCUS Filings, SSOI, Custody Reporting and Schedule I Reporting

J Alden has a minimum net capital requirement of $5,000.

The net capital rule establishes minimum financial standards for all registered broker/dealers. The three primary areas of regulation covered by the Rule are:

- Minimum net capital requirements
- Limits on the amount of broker/dealer aggregate indebtedness
- Debt-equity requirements which limit the amount of debt a broker/dealer may have as a percentage of its total capital

Net Capital Requirements

The FINOP performs a net capital computation as often as required, but no less than monthly. He/she is responsible for notifying FINRA and the SEC if the firm falls into early warning or has a net capital deficiency. Thresholds for net capital notifications and violations:

- If the firm falls into early warning (<120% of the required minimum net capital or >12 to 1 AI to NC ratio), the FINOP is required to notify, by telegraph or fax, the SEC in Washington, The SEC Regional Office and FINRA office in Washington, DC within 24 hours of the occurrence of violation.
- If the firm is found to have deficient net capital (<required minimum net capital amount or > 15 to 1 AI to NC ratio), the FINOP is required to notify, by telegraph or fax, the SEC in Washington on the same day and the firm must cease doing business.

Debt to Equity Requirements

SEC Rule 15c3-1 also sets limits to the amount of debt a broker/dealer can have, as a percentage of its net capital. The debt-to-equity rule states that a broker/dealer must not allow the total outstanding amounts of its satisfactory subordination agreements, except those which qualify as equity capital, to exceed 70% of its debt-equity total for a period exceeding 90 days.

FOCUS Reporting Requirements

FOCUS reporting requirements are outlined in SEC Rule 17a-5. The firm's FOCUS Part IIA is required to be electronically filed within seventeen (17) business days after the close of the calendar quarter.

Interim FOCUS IIA reports may be required if net capital falls below the required 120% of the required minimum net capital, if a full Form BDW is filed, or if the firm's fiscal year ends with a month other than a quarter month end.

C. Electronic Filing of Regulatory Notices or Documents

Reference: FINRA Rule 4517 – Member Filing and Contact Information Requirements and Notice to Members 06-61

As required by the Rule (FINRA Rule 4517 – Member Filing and Contact Information Requirements), the firm is required to file with FINRA specified regulatory notices and/or documents via an electronic format as specified by FINRA.

Effective January 1, 2007, the following notices must be electronically filed with FINRA:

- Withdrawals of equity capital
- Special Reserve Bank Account
- Electronic Storage Media Notification
- Replacement of accountant (independent financial auditor)

- Net capital deficiency
- Aggregate indebtedness is in excess of 1200 percent of net capital
- Net capital is less than 5 percent of aggregate debit items
- Net capital is less than 120 percent of required minimum dollar amount
- Failure to make and keep current books and records
- Material inadequacy in accounting systems, internal controls, or practices and procedures

Of the notification and documents that are required to be filed electronically, FINRA will no longer accept non-electronic transmissions or faxes of the specified notices or documents.

Note: Some electronic notifications also require the firm to attach a .pdf document as additional required documentation. Also, electronic filing of these specified notices with FINRA does not affect requirements to file notices with the SEC or any other securities regulatory agency.

D. Customer Protection Rule

As discussed further in the next procedure (Proper Handling of Customer Funds and Safekeeping and Segregation of Securities), the firm is an introducing broker/dealer, clearing all transactions through a clearing firm and operates under the (k)(2)(ii) exemption of SEA Rule 15c3-3.

The firm operates according to the exemptive provisions of SEA Rule 15c3- 3 paragraph (k)(2)(ii). SEA Rule 15c-3-3(k)(2)(ii) states that any broker or dealer, "Who, as an introducing broker or dealer, clears all transactions with and for customers on a fully disclosed basis with a clearing broker or dealer, and who promptly transmits all customer funds and securities to the clearing broker or dealer which carries all of the accounts of such customers and maintains and preserves such books and records pertaining thereto pursuant to the requirements, as are customarily made and kept by a clearing broker or dealer."

Since the firm operates according to the (k)(2)(ii) exemption of SEA Rule 15c3-3, the firm may not change its method of conducting business if the change alters the firm's exemptive status to a fully computing firm subject to all provisions under SEA Rule 15c3-3 without receiving prior approval of FINRA.

Accordingly, should the firm fail to abide by the exemptive provisions of subparagraph (k)(2)(ii), the firm will be fully subject to SEC Rule 15c3-3 (The Customer Protection Rule) and also may be in violation of the SEC Rule 15c3-1 (The Net Capital Rule).

The Designated Principal is responsible for ensuring that the firm is operating in a manner fully compliant with the k(2)(ii) exemption as allowed by the rules. To monitor the firm's proper handling of customer funds and securities, the Designated Principal will continually review the Checks Received and Forwarded Blotter and the Securities Received and Forwarded Blotter.

If the firm, or an Associated Person of the firm, fails to appropriately handle customer funds/securities according to the rules and the procedures of the firm, the firm could be in danger of losing the exemption as allowed by SEC Rule 15c3-3 and could possibly place the firm into a net capital violation.

E. Proper Handling of Customer Funds and Safekeeping and Segregation of Securities

The firm is an introducing broker/dealer, clearing transactions through a clearing firm and operates as a $5,000 minimum net capital broker/dealer according to SEA Rule 15c3-1; therefore, the firm may not receive any customer funds or customer securities.

Rule 2150 relates to the proper handling of customer's securities and funds and the segregation of customer's securities and requires that the firm adhere to the provisions of SEC Rule 15c3-3.

The Designated Principal is responsible for ensuring that customer funds and securities are handled in accordance with FINRA Rules and SEC Rule 15c3-3 and for educating all Associated Persons as to the proper handling of customer funds and securities.

The Designated Principal is also responsible for educating the firm's Associated Persons of the following:

- No person shall lend (to himself or to anyone else) the securities carried for the account of any customer, unless there is written authorization permitting the lending of the securities.
- No person shall hold securities carried for the account of any customer which have been fully paid for or which are excess margin securities unless the securities are segregated and identified by a method indicating the interest of the customer in those securities.
- No person can guarantee a customer against loss in any security, any security transaction or in any securities account.
- No person may share directly or indirectly in the profits or losses in any customer's account unless prior written authorization is received from the customer and from the firm employing the Associated Person.

<u>Proper Handling of Checks</u>

Based on the business of the firm, the firm operates as a $5,000 minimum net capital broker/dealer according to SEC Rule 15c3-1 and under the exemptive provision of SEC Rule 15c3-3 paragraph (k)(2)(ii). Therefore, the firm may not, and does not, receive any customer funds or customer securities.

- *Handling of Compensation Checks*

  The Designated Principal is responsible for reviewing checks for acceptability and ensuring that the firm's compensation checks are properly processed for deposit to the firm's account. The Designated Principal is also responsible for educating all Associated Persons as to the proper handling of incoming checks.

  When the firm receives a compensation check for deposit into the firm's account, the deposit will be prepared by an Associated Person of the broker/dealer. Once prepared, the deposit will be reviewed and approved by one of the principals of the firm. This review and approval will be conducted prior to the deposit being made with the bank. The Principal will initial the deposit ticket as evidence of his review and approval.

- *Handling of Customer Checks*

  The firm will instruct customers to make checks payable to the clearing firm, the issuer or to an independent escrow account established for the offering. Checks may not be accepted and made payable to the introducing broker/dealer (the firm). The Designated Principal is responsible for determining the acceptability of all

forms of fund deposits and will ensure that the Checks Received and Forwarded Blotter is prepared and maintained. Should the firm receive any checks made payable to the clearing firm, issuer or the escrow account, the Designated Principal will log the checks received on the Checks Received and Forwarded Blotter, and promptly forward all checks to the appropriate party. Checks must be forwarded by noon of the next business day.

If an occasional check is received from a client and made payable to the broker/dealer, the check must be returned to the customer and the firm is required to notify the investor, in writing, of the error. A copy of the letter will be maintained in the customer file. A log will be maintained of all checks that are not properly made payable.

Handling of Customer Securities

The firm will not handle (receive or hold) any customer securities.

Handling of Customer Funds in a Best Efforts Distribution (Escrow Account)

SEC Rule 15c2-4 applies to the handling of customer funds in a best effort distribution of securities. Specifically, the rule requires special handling of customer funds when the offering has a contingency. Such contingencies usually take the form of an "all-or-none" or a "minimum/maximum" offering. Under SEC Rule 15c2-4, if a firm wishes to maintain its exemptive provision to SEC Rule 15c3-3 (The Customer Protection Rule) and therefore maintain less than $250,000 in Net Capital, the firm is required to establish an escrow account with an independent bank escrow agent. All customer funds must be deposited into the escrow account until the contingency is met with good funds in the account.

SEC Rule 10b-9 prohibits certain representations in connection with Best Efforts Underwritings. It is the Designated Principal's responsibility to ensure that all provisions of SEC Rule 10b-9 are followed, including disclosures that certain offerings are made on an "all or none" basis or are being offered or sold on any other basis unless the offerings meet strict criteria as defined in SEC Rule 10b-9. Rule 10b-9 was enacted to ensure that the representation of "all or none" would not be used unless prompt refunds would be made to purchasers if all of the securities were not sold at the specified price within the specified time and if the total amount due the seller was not received by a specified date.

Responsibility

The Designated Principal is responsible for the proper handling of customer funds and securities in connection with best efforts underwriting and for ensuring that the representatives are making true and accurate representations in accordance with SEC Rule 10b-9.

The issuer is responsible for establishing an escrow account with an unaffiliated bank. The Designated Principal is responsible for making sure that all customer checks are made out properly and are received and promptly transmitted to the bank escrow agent or to the issuer if the contingency has already been obtained.

All contingent offerings require the firm to ensure an independent bank escrow account has been established and make sure all customer checks are made properly payable to the escrow agent. The firm is also responsible for overseeing the escrow agent to ensure funds are not distributed until the contingency is met.

The firm will not handle any customer funds or safekeep customer securities.

The Designated Principal(s) will review all best efforts underwriting agreements, prospectuses and/or private placement memorandums for securities sold by the Company.

This review will encompass:

- registration exemptions
- disclosures to investors
- compensation to underwriters
- contingencies of the offering
- escrow requirements
- due diligence materials

The Designated Principal will ensure that all sales to customers are executed in accordance with the provisions of the offering memorandum. Salespersons will ensure that customers receive the appropriate offering document. Such provisions may include:

- suitability profile (accredited vs. non-accredited)
- use of an escrow agent pursuant to SEC Rule 15c2-4
- meeting contingencies required by the offering through bona fide sales only (min-max/all or none)

In order to ensure that offerings are represented to customers according to Rule 10b-9, the Designated Principal will review incoming and outgoing correspondence to/from the representatives. The Designated Principal will also review any material being created regarding the offering to ensure that 1) no material has been created that summarizes the offering, 2) that no information other than the information presented in the offering memorandum is discussed, and 3) that no erroneous statements are made regarding the "all or none" or "mini-max" basis.

The Designated Principal will review the above noted documents and evidence his/her review by initialing that record.

Each contingent offering should have a separate escrow account established. Monies collected for different offerings are not to be commingled in the same escrow account.

Best efforts offerings which include contingencies such as "all or none", or "minimum-maximum" subscription amounts, require the prompt deposit of investor funds into a separate bank escrow account pursuant to SEC Rule 15c2-4. The rule allows certain broker/dealers to act as agent for investors, however, most firms or issuers must appoint a bank as escrow agent. This is determined by the amount of capital a firm is required to maintain under SEC Rule 15c3-1. Funds deposited in either type of escrow account are held until the contingency outlined in the offering document is met and then distributed to the issuer. In the event that the contingency is not met within the time frames allowed, the funds are returned directly to the investors. Sales used to meet any contingencies must be bona fide sales for investment purposes; therefore, it may be a violation of SEC Rule 10b-9 if an underwriter or its affiliates purchase securities for the purposes of meeting a contingency.

The issuer will open an escrow account as required by SEC Rule 15c2-4 for contingent best efforts offerings. An independent bank escrow agent will act as trustee for the separate bank account pursuant to paragraph (b) of SEC Rule 15c-2-4. All checks will be made out to the escrow account and those received by the broker/dealer will be promptly transmitted, by noon of the next business day, to that escrow account. The receipt of checks will be recorded on the firm's cash receipts and delivery blotter. An escrow agreement will be in force at the time that the account is open. The Designated Principal will ensure that the

escrow account has been properly established. The principal will review and monitor the activity of the escrow account (via copies of account statements) frequent basis. Initialing and dating the statements will evidence all reviews. The Designated Principal will determine when contingencies have been met pursuant to the offering memorandum and subsequently authorize the escrow account trustee to release funds to the issuer. This will be documented by memo from the principal to be maintained in the escrow account file. In cases in which the Company is not managing the offering, it will request a letter from the issuer or managing broker/dealer confirming that the contingency was met.

Under no circumstances will the Company "force-close" a deal through the purchase of the security for its own account or that of related parties for the purpose of resale subsequent to the closing. The Company will ensure compliance with the provisions of SEC Rule 10b-9 and 15c2-4 and will maintain copies of the escrow account statements for at least three (3) years.

The firm is responsible for ensuring each contingent offering is handled properly. Even if the escrow account is covered by a master escrow agreement, the firm should not assume the escrow agent will handle the offering correctly. It is important to note that the improper processing by the escrow agent will cause the firm to violate SEC Rule 15c2-4, which in turn may cause the firm to violate SEC Rule 15c3-3 (The Customer Protection Rule), which could cause the firm to violate SEC Rule 15c3-1 (The Net Capital Rule).

The firm must maintain records of customer funds received in the escrow account and details regarding the distribution of funds from the escrow account. These records must be kept for a minimum of three years and during the first two years they should be in a readily accessible location.

Note: Due to the type of business that J Alden will conduct, the firm will not accept customer funds or hold customer securities, the minimum net capital requirement is $5000.

F. Annual Financial Audit

SEC Rule 17a-5(d) requires that all broker/dealers file an annual audit of financial statements on a calendar year or fiscal year basis. The annual audit must be performed by an independent public accountant and must be completed and filed no later than 60 days after fiscal year end.

It is the responsibility of the FINOP to select the Independent Public Accountant/Auditor to conduct the audit and to direct the fiscal year end activities to ensure the audit is conducted and completed in the time required. The auditor/accounting firm selected for this audit must be a PCAOB registered firm.

Copies of the Annual Audited Reports must be filed with the following:

- Regional SEC Office (1 copy)
- SEC office in Washington, DC (2 copies)
- FINRA in Washington, DC (1 copy)
- FINRA District (1 copy)
- Any states where the firm is registered that require a copy of the annual audit.

As of 2016, the SEC changed the EDGAR filing system to accept online filing of annual audits.

SEC Rule 17a-5 for full rules and requirements concerning the Annual Audit of Financial Statements.

G. Fees Charged to Customers

FINRA Rule 2122 – Charges for Services Performed – states, "Charges, if any, for services performed, including, but not limited to, miscellaneous services such as collection of monies due for principal, dividends, or interest; exchange or transfer of securities; appraisals, safe-keeping or custody of securities, and other services, shall be reasonable and not unfairly discriminatory between customers."

The Designated Principal is responsible for ensuring any charges for services will be conducted to determine that the fees charged to customers were reasonable and were not made in any unfair discriminatory nature.

H. Clearing Agreements

Note: J Alden has a fully disclosed clearing agreement with Raymond James and Associates.

As required by the Rule 4311, clearing agreements must specify which party is responsible for:

- Opening, approving and monitoring customer accounts;
- Extension of credit;
- Maintenance of books and records;
- Receipt and delivery of funds and securities;
- Safeguarding of funds and securities;
- Confirmations and statements; and
- Acceptance of orders and execution of transactions.

The Chief Compliance Officer is also responsible for notifying FINRA of any change in the clearing firm and for submitting Clearing Agreements to FINRA for review and approval if any changes/amendments are made or if the firm enters into any new agreements.

<u>Customers of Clearing Firm</u>
The Raymond James Clearing Agreement should state the following (or similar language): "*For purposes of the Securities Investors Protection Act and the financial responsibility rules promulgated by the SEC, the Accounts shall be deemed customers of the Clearing Firm. For all other purposes, the responsibilities of the Clearing Firm and you with respect to the Accounts shall be as specified herein, including with respect to your supervisory responsibility specified herein."*

<u>Notification at Opening of Account</u>
Upon opening of an account, J Alden customers must be notified, in writing, that J Alden has a clearing agreement in place with Raymond James. The Chief Compliance Officer will identify, from the clearing agreement (which is required to identify the party responsible for providing such written notification) the responsible party for making such disclosure and for ensuring that proper disclosure is made.

<u>Assets of Introducing Broker/Dealer Held by Clearing Firm</u>
The Chief Compliance Officer is responsible for ensuring that all Clearing Agreements into which the firm enters contain appropriate "PAIB" (Proprietary Account of an Introducing Broker/Dealer) language.

<u>Clearing Firm Deposit</u>

For firms that do not have a proprietary trading account, a PAIB agreement is still required for the introducing broker/dealer to treat its deposit at the clearing firm as an allowable asset for net capital computation purposes. The FINOP is responsible for ensuring that proper calculations of net capital are undertaken, treating clearing firm deposit monies as either allowable or non-allowable assets, depending upon the existence of an appropriately worded PAIB agreement.

In order to treat the clearing deposit as an allowable asset, the clearing agreement must clearly state that the deposit will be returned to the firm within 30 calendar days after cancellation of the agreement.

If the clearing agreement contains a termination penalty clause, the following language must be included in the agreement in order for the firm to treat the clearing deposit as an allowable asset:

> In the event that J Alden is the subject of the issuance of a protective decree pursuant to the Securities investor Protection Act of 1970 (15 USC 78aaa-III), J Alden's claim for payment of a termination fee under this Agreement shall be subordinate to claims of J Alden's customers that have been approved by the Trustee appointed by the Securities Investor Protection Corporation pursuant to the issuance of such protective decree.

Note: J Alden is required to have a deposit with the clearing firm.

Customer Complaints

Should the clearing firm receive a customer complaint about the introducing broker/dealer (J Alden), relating to the function and responsibilities of J Alden, the clearing firm must forward the complaint to J Alden and send a copy of the complaint to FINRA.

The clearing firm will provide written notification to the customer stating that the clearing firm received the complaint, and the complaint has been sent to the introducing broker/dealer (J Alden) and that a copy has also been provided to FINRA.

Exception Reports

The clearing firm must provide to J Alden a list/description of exception reports that are offered by the clearing firm for use in daily activity supervision, monitoring of customer accounts and for any other need the firm has to carry out its responsibilities as described in the clearing agreement. The clearing firm must provide this list of reports to J Alden at the start of the clearing relationship and thereafter on an annual basis. In return, J Alden must notify the clearing firm, in writing, of the specific reports that J Alden will require from the clearing firm in order to adequately supervise and monitor the firm's customer accounts.

Check Writing

Currently, J Alden does not have permission to issue checks to our customers, drawn on the clearing firm's account. Should this situation change in the future and the agreement allow J Alden to issue such checks, J Alden must be able to represent to the clearing firm that (a) J Alden has established and (b) will maintain and enforce written procedures with respect to the issuance of negotiable instruments.

I. FINRA Annual Assessment

As a FINRA member, the firm is required to pay annual fees and assessments to FINRA based on the firm's revenue as reported on the FOCUS Reports. Records of this assessment and payment are maintained in the Home Office.

End of Section XI
Financial and Operational Activities

XIII. TRADING

A. Best Execution

According to FINRA Rule 5310(a)(1), any "member or persons associated with a member shall use reasonable diligence to ascertain the best inter-dealer market for the subject security and buy or sell in such market so that the resultant price to the customer is as favorable as possible under prevailing market conditions." In addition, Rule 5310 has Supplementary Material .06 regarding Orders Involving Securities with Limited Quotations or Pricing Information. This supplementary material requires that each member firm create and maintain written policies and procedures to address how the firm will determine the best inter-dealer market for a security in the absence of pricing information or multiple quotations and the firm must document its compliance to those policies and procedures.

Broker/dealers are required to periodically assess that customers' orders are executed at the "best execution price available". Factors such as general market condition, market liquidity and order specifics should be taken into consideration.

The firm is responsible for providing "best execution" of customer orders. The Designated Principal will monitor the execution of customer orders to make a reasonable determination that investors are receiving good executions from the broker/dealer.

The Designated Principal will periodically review the best execution practices of the firm to ensure the quality of the executions of their customers' orders.

If the Designated Principal of the firm receives multiple complaints or observes any questionable best execution practices, they will bring the matter to the attention of the Compliance Department for review.

If the Designated Principal believes that best execution has not been achieved, the Principal will take corrective action, which may include consultation with the registered representative consult with the Compliance Department on any required corrective action to ensure best execution in the future.

Any document produced to analyze, review and determine best execution is a record subject to SEC Rule 17a-4 and therefore must be maintained by the broker/dealer for a minimum of 3 years, with the first two years readily accessible.

<u>Best Execution Report Review</u>
The Designated Principal shall review the best execution reports on a monthly basis as provided by the clearing firm. If it is determined that a better price may have been obtained on any transaction, the transaction will be questioned, and changes will be documented.

B. Manipulative and Deceptive Devices

SEC Rule 10b-5 covers the use of manipulative and deceptive devices in a securities distribution. The rule states that it is "…unlawful for any person, directly or indirectly, by the use of any means or instrumentality of interstate commerce, or of the mails, or of any facility of any national securities exchange,

a. to employ any device, scheme, or artifice to defraud,

b. to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, or

c. to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person, in connection with the purchase or sale of any security.

It is the Designated Principal's responsibility to review order tickets to ensure that the Registered Representative is not using any manipulative or deceptive devices in their course of business to defraud or mislead customers. He shall also evaluate on a selected basis, customer account forms, customer orders and underwriting, if applicable, they have invested in for any device, scheme or artifice to defraud.

Any statements made by the Registered Representative regarding any securities or underwriting offered by the firm, must state true facts. Statements or material facts given to customers must be obtained from approved sources. If the Registered Representative is in doubt as to whether the statement is from an approved source, he should contact the Compliance Department.

If followed, this procedure should hinder any act, practice or course of business which operates or would operate as a fraud or deceit upon the firm's customers in connection with the securities distribution.

The Designated Principal will document his review by initialing any items reviewed in conjunction with the securities distribution (i.e. customer account forms, customer order tickets, any statements made by the Registered Representative concerning the security or offering, etc.). Monitoring of Registered Representative activity concerning manipulative and deceptive practices is performed on an on-going basis.

Documentation of the review is maintained in a file at the home office according to SEC Rules 17a-3 and 17a-4.

C. Restrictions on Purchase & Sale of Initial Equity Public Offerings

See FINRA Rule 5130 for complete requirements.

FINRA Rule 5130 – Restrictions on the Purchase and Sale of Initial Equity Public Offerings. The purpose of the rule is to protect the integrity of the public offering process by:

- Ensuring that members made a bona fide public offering of securities at the public offering price;
- Ensuring that members do not withhold securities in a public offering for their own benefit or use such securities to reward certain persons who are in a position to direct future business to the member; and
- Ensuring that industry "insiders," including members and their associated persons, do not take advantage of their "insider" position in the industry to purchase hot issues for their own benefit at the expense of public customers.

Failure to do so would be inconsistent with the high standards of commercial honor and just and equitable principals of trade.

<u>Definitions</u>

New Issue: New issue means any initial public offering of an equity security as defined in Section 3(a)(11) of the Securities Exchange Act of 1934.

Restricted Person: A restricted person includes:

- FINRA Members or Other Broker/Dealers
- Broker/Dealer Personnel (including any officer, director, general partner, associated person, or employee of a member or any other broker/dealer; any agent of a member or any other broker/dealer that is engaged in the investment banking or securities business; or an immediate family member of a person specified above if the person specified above materially supports, or receives material support from the immediate family member, is employed by or associated with the member, or an affiliate of the member, selling the new issue to the immediate family member; or has an ability to control the allocation of the new issue.)
- Finders and Fiduciaries
- Portfolio Managers
- Persons Owning a Broker/Dealer

See FINRA Rule 5130 for additional definitions applicable to the rule.

Prohibitions on the Sale of New Issues

Rule 5130 states that a member or a person associated with a member may not:

- Sell, or cause to be sold, a new issue to any account in which a restricted person has a beneficial interest, unless otherwise permitted;
- Purchase a new issue in any account in which such member or person associated with a member has a beneficial interest, unless otherwise permitted; and
- Continue to hold new issues acquired by the member as an underwriter, selling group member or otherwise, except as otherwise permitted by the rule.

However, the rule does not prohibit:

- Sales or purchases from one member of the selling group to another member of the selling group that are incidental to the distribution of a new issue to a non-restricted person at the public offering price; or
- Sales or purchases by a broker dealer of a new issue at the public offering price as part of an accommodation to a non-restricted person that is a customer of the broker/dealer.

Preconditions for Sale

Before selling a new issue to any account, the firm must in good faith obtain within the twelve months prior to such sale, a representation from:

- Beneficial owners, account holder(s), or persons authorized to represent the beneficial owners of the account that states the account is eligible to purchase new issues in compliance with this rule; and
- Banks, foreign banks, broker/dealers, investment advisers, or other conduits that state all purchases of new issues are in compliance with the rule.

The firm must maintain a copy of all records and information relating to whether an account is eligible to purchase new issues in its files for a minimum of three years following the member's last sale of a new issue to that account.

Responsibility

It is the Designated Principal's responsibility to monitor Registered Representative activity in order to detect any potential violation of FINRA Rule 5130.

In order to detect non-compliance with Rule 5130, the Designated Principal will review accounts held by Associated Persons of the firm and accounts held by the Associated Person's immediate family members. This review will include looking for transactions in new issues on the customer account statements, confirmations, blotters, etc. The Designated Principal will also review incoming and outgoing correspondence to determine if any Associated Person has publicized the new offering prior to issue.

Exemptions from Rule 5130

See the Rule for general exemptions to this rule.

Monitoring of registered representative activity concerning FINRA Rule 5130 is performed on an on-going basis and takes place shortly after each underwriting.

Documentation of account activity and review are kept on file at the home office.

End of Section XII
Trading

XIV. SUPERVISORS, ASSIGNMENT OF REPS, CONTACT PERSONS, DESIGNATION OF BRANCH OFFICES, SUPERVISORY RESPONSIBILITIES, etc.

J Alden Associates, Inc.

Note: All designations as of the date of the procedures.

Designation of Supervisors

At this time, the following are supervising principals of J Alden:

Name	Title	Location
Peter Engelbach CRD # 201177	President, General Securities Principal, Branch Supervisor, Options Principal, Executive Representative	Wayne, PA
Lee Calfo CRD # 4782334	CEO, General Securities Principal	Wayne, PA
Joseph Gladue CRD # 2444732	General Securities Principal, Research Principal	Wayne, PA
Karen Van Horn CRD#3176835	Chief Compliance Officer/Chief Risk Officer, Options Principal, AML Officer	Wayne, PA

Designation of Supervisors per Specific Business Type

	Business Type	Supervisor Following Change	Current Securities Registrations
Currently Approved Products	Equities	Peter Engelbach	Series 1 (now Series 7), 24, 27, 4, 51, 53, 99, 63 and Series 65
	Corporate Debt	Matthew Resch	Series 7, 27, 24, 52, 53, 63 and Series 65
	Underwriter or Selling Group Participant	Lee Calfo	Series 7, 79, 24, 99, 86, 87, 63 and Series 65
	Mutual Funds	Peter Engelbach	Series 1 (now Series 7), 24, 27, 4, 51, 53, 99, 63 and Series 65
	Municipal Securities	Matthew Resch	Series 7, 27, 24, 52, 53, 63, 79, 99 and Series 65
	Variable Products	Christopher Coloracci	Series 3, 7, 9, 10, 63 and Series 65
	Options	Karen Van Horn	Series 65, 4, 7, 9, 10, 63 and Series 65
	Private Placements/DPPs/Limited Partnerships in Primary Distributions	Lee Calfo	Series 7, 79, 24, 99, 86, 87, 63 and Series 65
Busin	Research	Joe Gladue	Series 7, 24, 87 and Series 63

ess Expansion Requested Products	M&A Advisory Services	Lee Calfo	Series 7, 79, 24, 99, 86, 87, 63 and Series 65
	Capital Raises	Lee Calfo	Series 7, 79, 24, 99, 86, 87, 63 and Series 65
	Wholesaling of Mutual Funds	Karen Van Horn	Series 7, 79, 24, 4, 53, 55, 99, 63 and Series 65
	Wholesaling of CDs and Structured Products/Notes	Karen Van Horn	Series 7, 79, 24, 4, 53, 55, 99, 63 and Series 65
	Wholesaling ETFs	Karen Van Horn	Series 4, 7, 9, 10, 63 and Series 65
	Commission Sharing Arrangements with other Broker/Dealers	Lee Calfo	Series 7, 79, 24, 99, 86, 87, 63 and Series 65
	Private (non-traded) REITs	Lee Calfo	Series 7, 79, 24, 99, 86, 87, 63 and Series 65

Assignment of Representatives

List of representatives and principals they report to are maintained by the CCO.

Contact Person Record

Following is a list of individuals at the home office who, without delay, can explain the types of records maintained at the home office.

Name	Location	Responsible for
Lee Calfo	Wayne, PA	Executive Representative
Karen Van Horn	Wayne, PA	All compliance records of the broker/dealer.
Carol Ann Kinzer	Wayne, PA	As the FINOP, all financial books and records of the broker/dealer.

Responsible Principal Records

Following is a list of individuals responsible for establishing policies and procedures of the firm to ensure compliance with rules and regulation and requiring principal acceptance or approval of records.

Name	Responsible for
Karen Van Horn as Chief Compliance Officer, Anti-Money Laundering Compliance Officer, Municipal Securities Principal	All compliance, supervision and sales practice procedures and approvals.
Carol Ann Kinzer as the FINOP	Procedures for the financial operations of the firm and for all financial reporting.

Designation of Offices of Non-Supervisory Branch Offices

XIV Regulation BI

REGULATION BEST INTEREST/FORM CRS

1. REGULATION BEST INTEREST OVERVIEW/DEFINITIONS

Regulation Best Interest ("Reg. BI") was adopted by the Securities and Exchange Commission ("SEC") on June 5, 2019 as new SEC Rule 15*l*-1. This rule applies only to broker-dealers. In conjunction with the adoption of this rule, the SEC also adopted a new Form CRS Relationship Summary and amendments to Form ADV, which will apply to both broker-dealers and investment advisers.

Reg. BI applies to a recommendation to a *retail customer* of any securities transaction or *investment strategy involving securities*, regardless of whether a broker-dealer receives compensation, and who *uses* that recommendation primarily for *personal, family or household purposes.*

The general obligation of Reg. BI requires that a broker-dealer must act in the retail customer's best interest and cannot place its own interest ahead of the customer's interest. There are four component obligations of this general obligation:

1. Disclosure Obligation: includes providing certain prescribed disclosures before or at the time of the recommendation about the recommendation and the relationship between the retail customer and the broker-dealer.

2. Care Obligation: requires the exercise of reasonable diligence, care, and skill in making the recommendation.

3. Conflict of Interest Obligation: establishing, maintaining, and enforcing policies and procedures reasonably designed to address conflicts of interest.

4. Compliance Obligation: establishing, maintaining, and enforcing policies and procedures reasonably designed to achieve compliance with Reg. BI.

The General Obligation is satisfied only if the broker-dealer complies with **all** of these mandatory components.

This rule does not impose a duty to monitor a customer's account following a recommendation. A voluntary account review is not account monitoring.

Determining the capacity in which a dual registrant is making a recommendation is a facts and circumstances test, with no one factor being determinative, but the SEC considers, among other factors, the type of account, how the account is described, the type of compensation, and the extent to which the dual registrant made clear to the customer or client the capacity in which it is acting.

Definitions:
Retail investor is defined as a natural person, or the *legal representative* of such natural person, who: (A) receives a recommendation of any securities transaction or investment strategy involving securities from a broker, dealer, or a natural person who is an associated person of a broker or dealer; and (B) uses the recommendation primarily for personal, family, or household purposes.

Legal representative only covers non-professional legal representatives.

Investment strategy involving securities includes account recommendations, including account types and rollover recommendations.

A retail customer *uses* a recommendation when (1) the customer opens an account with the broker-dealer, regardless of whether the broker-dealer receives compensation; (2) the customer has an existing account with the broker-dealer and receives a recommendation, regardless of whether the broker-dealer will receive compensation; or (3) the broker-dealer receives compensation, directly or indirectly, as a result of that recommendation even if the customer does not have an account at the firm. *Use* includes both accepting or rejecting the recommendation.

Personal, family or household purposes means any recommendation to a natural person for his or her account, including retirement accounts. If a plan representative of a retirement plan is a sole proprietor or other self-employed individual who will participate in the plan, the plan representative will be a retail customer. It does not include recommendations to a natural person seeking services for an employer or small business or another entity such as a charitable trust, but it does include trusts that represent the assets of a natural person.

Retail customer's investment profile includes, but is not limited to, the customer's age, other investments, financial situation and needs, tax status, investment objectives, investment experience, investment time horizon, liquidity needs, risk tolerance, and any other information the retail customer may disclose to the broker, dealer, or associated person in connection with the recommendation. Broker-dealers may generally rely on a customer's responses absent "red flags" indicating the information is inaccurate.

2. FORM CRS OVERVIEW

In conjunction with Reg BI, on June 5, 2019, the Securities and Exchange Commission ("SEC") adopted rules and forms to require registered investment advisers and registered broker-dealers to provide a brief relationship summary to retail investors ("Form CRS" for broker-dealer customers and "Form ADV Part 3" for advisory clients).

The relationship summary is intended to inform retail investors about: (i) the types of client and customer relationships and services the firm offers; (ii) the fees, costs, conflicts of interest, and required standard of conduct associated with those relationships and services; (iii) whether the firm and its financial professionals currently have reportable legal or disciplinary history; and (iv) how to obtain additional information about the firm. The relationship summary will also reference Investor.gov/CRS, a page on the SEC's investor education website.

For investment advisers registered with the SEC, a new Form ADV Part 3 will describe the requirements for the relationship summary and it will be required by amended Rule 203-1 of the Investment Advisers Act of 1940. For broker-dealers, Form CRS will be required by new Rule 17a-14 of the Securities Exchange Act of 1934.

Retail investors will receive a relationship summary at the beginning of a relationship with a firm, communications of updated information following a material change to the relationship summary, and an updated relationship summary upon certain events. The relationship summary is subject to SEC filing and recordkeeping requirements.

Investment advisers and broker-dealers will be limited to two pages and dual registrants will be limited to four pages.

The instructions permit, and in some instances require, a firm to cross-reference additional information (e.g., concerning services, fees, and conflicts), and will require embedded hyperlinks in electronic versions

to facilitate layered disclosures. Alden has taken advantage of this ability to have layered disclosure and included hyperlinks in the Relationship Summary that will link a client to the "Investor" section of the Firm's website where he/she can find additional disclosure information on specific products as well as additional resources and investor education.

Based on SEC guidance, Alden has created two different relationship summaries, a four-page version and a two-page version. The four-page version is to be used by all financial professionals who are affiliated with Alden corporate RIA as well as those individuals who are not Investment Advisory registered. The two-page version of the relationship summary is to be used by those Financial Professionals who are affiliated with an Independent RIA firm (outside of Alden).

Financial Professionals must deliver the relationship summary to each new or prospective customer who is a retail investor before or at the earliest of: (i) a recommendation of an account type, a securities transaction, or an investment strategy involving securities; (ii) placing an order for the retail investor; or (iii) the opening of a brokerage account for the retail investor.

3. DISCLOSURE OBLIGATION
Scope and Terms of the Relationship

Under the Disclosure Obligation, a financial professional is required, prior to or at the time of the recommendation, to provide the retail customer, in writing, a full and fair disclosure of all material facts related to the scope and terms of the relationship with the retail customer and all material facts relating to conflicts of interest that are associated with the recommendation. At a minimum, these disclosures are required:

A. All material facts relating to the scope and terms of the relationship with the retail customer, including;
    1. That the broker, dealer, or such natural person (financial professional) is acting as a broker, dealer or associated person of a broker-dealer with respect to the recommendation.
    2. The material fees and costs that apply to the retail customer's transactions, holdings, and accounts.
    3. The type and scope of services provided to the retail customer, including any material limitations on the securities or investment strategies involving securities that may be recommended to the retail customer.

B. All material facts relating to conflicts of interest that are associated with the recommendation.

A conflict of interest is an interest that might incline a broker, dealer, or an associated person – consciously or unconsciously –to make a recommendation that is not disinterested. Only material facts regarding conflicts of interest are required to be disclosed under the Disclosure Obligation. Such material facts would include conflicts associated with proprietary products, payments from third parties, and compensation arrangements.

A fact is *material* if there is a substantial likelihood that a reasonable retail customer would consider it important.

Broker-dealers and investment advisers are required to deliver to retail investors a Relationship Summary (Form CRS) as an initial layer of disclosure, with the Disclosure Obligation reflecting more specific and additional detailed layers of disclosure. In some instances, disclosures made pursuant to Form CRS may be sufficient to satisfy some aspects of the Disclosure Obligation, but in most cases the Relationship Summary will not be sufficient. The Disclosure Obligation is designed to provide an expanded description of the information in the Relationship Summary. To supplement the disclosure in the relationship summary, the financial professional will be required to complete the "**Reg BI Disclosure Form**". This form is used to document the recommendation being made to the client as well as documenting if the recommendation required the delivery of an additional Relationship Summary. The financial professional should sign this form and provide it to the client at the time of the recommendation. Additionally, this form will need to be uploaded to the client profile in AFO for recordkeeping.

If a financial professional has disclosures not covered in Form CRS or the Alden "**Reg BI Disclosure Form**" he/she may satisfy the Disclosure Obligation by making supplemental verbal disclosures no later than at the time of the recommendation, provided that the financial professional maintains a record of the fact that verbal disclosure was provided to the customer. Financial professionals will utilize the "**Verbal Disclosure Form**" to document these verbal disclosures and upload the completed for to the client file in AFO.

Where existing regulations permit disclosure after the recommendation (e.g., trade confirmations, prospectus delivery), a financial professional may satisfy its Disclosure Obligations by providing such document to the customer after the recommendation is made. However, it must first provide an initial disclosure in writing that identifies the material facts and describes the process through which such fact

may be supplemented, clarified, or updated. This initial disclosure should indicate that additional information will be forthcoming, the point at which the additional information will be delivered, and the method by which it will be conveyed.

If an associated person of a broker-dealer that offers a full range of products is licensed solely as a Series 6 representative, that limitation on the scope of services must be made sufficiently clear in the financial professional's disclosures. Otherwise, additional clarifying disclosures by the associated person would be necessary.

To help satisfy the Disclosure Obligation of Reg BI, Alden uses the "**Reg BI Disclosure Form**" and the **"Verbal Disclosure Form**" for documentation and record keeping purposes. Both forms are required to be scanned and indexed in the client file in AFO to evidence delivery. Failure to evidence delivery to a client/prospective client will result failure to abide by the Disclosure Obligation.

The Alden "**Reg BI Disclosure Form**" is not required to be signed by the client/prospective client but must be delivered prior to or at the time of any recommendation, includes general disclosure information as required by Reg BI and has an embedded link/web address to a public facing Alden Reg BI Disclosure Page where additional product specific disclosure information is displayed

The "**Verbal Disclosure Form**" is required to be completed by the financial professional in order to document any verbal disclosures made to the client/prospective client prior to or at the time of each recommendation. Disclosure items required to be disclosed verbally include but are not limited to:

- Material fees and costs
- Type and scope of services provided, including any material limitations on the securities or investment strategies that may be recommended, including if the associated person does not offer investment advisory services or is only registered as a Series 6 representative
- Material facts regarding conflicts of interest
- Account minimums
- Material changes to the Alden Disclosure Statement prior to the document being updated

If material changes or inaccuracies within the Alden Reg BI Disclosure Statement are identified, a notice will be send to the field outlining those changes or inaccuracies so proper verbal disclosures can be made by the financial professionals to clients/prospective clients until the Disclosure Statement can be updated. All material changes or inaccuracies within the Alden Disclosure Statement will be made as soon as practical, but no later than thirty days after identification.

Once the Form CRS has been updated with the material change the firm will deliver to the SEC the revised document within 30 days of the revision and within 60 days to all clients.

4. CARE OBLIGATION

The Care Obligation requires that when making a recommendation to a retail client, a financial professional must exercise reasonable diligence, care, and skill to:

1. Understand the potential risks, rewards, and costs associated with the recommendation and to have a reasonable basis to believe that the recommendation could be in the best interest of at least some retail customers.

2. Have a reasonable basis to believe that the recommendation is in the best interest of a particular customer based on the *retail customer's investment profile* and the potential risks, rewards, and costs associated with the recommendation and does not place the financial interests of the broker, dealer or associated person ahead of the interests of the customer; and

3. Have a reasonable basis to believe that a series of recommended transactions, even if in the customer's best interest when viewed in isolation, is not excessive and is in the customer's best interest when taken together in light of the customer's investment profile and does not place the financial interests of the broker, dealer, or associated person ahead of the interests of the customer.

The client profile form, includes, but is not limited to, the customer's age, other investments, financial situation and needs, tax status, investment objectives, investment experience, investment time horizon, liquidity needs, risk tolerance, and any other information the retail customer may disclose to the broker, dealer, or associated person in connection with the recommendation. Broker-dealers may generally rely on a customer's responses absent "red flags" indicating the information is inaccurate.

Although cost has been expressly included as a factor, it is not a dispositive factor and is not meant to limit or foreclose a recommendation of a more costly or complex product. The Care Obligation does not require the lowest cost option.

When making a recommendation, the financial professional should consider reasonably available alternatives. This reasonably available alternatives will need to be documented and uploaded.

A financial professional is required to "exercise reasonable diligence, care, and skill" to satisfy the three components of the Care Obligation. What will constitute reasonable diligence, care and skill will vary depending on, among other things, the complexity of and risks associated with the recommended security or investment strategy and the financial professional's familiarity with the recommended security or investment strategy. Compliance with this obligation will be evaluated as of the time of the recommendation, not in hindsight.

To comply with the Care Obligation, financial professionals should generally consider important factors such as the security's or investment strategy's investment objectives, characteristics (including any special or unusual features), liquidity, volatility, and likely performance in a variety of market and economic conditions, the expected return of the security or investment strategy, as well as any financial incentives to recommend the security of investment strategy.

Variable Annuities

Recommendations of variable annuities would require careful attention and a specific understanding of whether the product provides tax-deferred growth, or a death or living benefit, before a broker-dealer could establish an understanding of the product, which is consistent with existing rules. Prior to recommending a variable annuity financial professionals should generally develop a reasonable basis to believe that the retail customer will benefit from certain features of the variable annuity.

Where a financial professional making a variable annuity recommendation believes longevity risk is an important factor for a particular retail customer and that such factor is necessary to develop a reasonable basis to believe the product is in the best interest of that retail customer, that financial professional should consider and utilize that factor.

Account Types

Reg. BI will apply to recommendations by a financial professional of an account type. The factors that must be considered are:

1. The services and products provided in the account;
2. The projected cost to the customer of the account;
3. Alternative account types available;
4. The services requested by the customers; and

5. The customer's investment profile.

A limited selection of account types would not excuse a financial professional from making a recommendation not in the customer's best interest.

IRA Rollovers and Related Recommendations

The Care Obligation requires a financial professional to have a reasonable basis to believe that a recommendation for an IRA or IRA rollover is in the best interest of the customer and does not place the financial or other interest of the financial professional ahead of the customer's interests.

Financial professionals should consider a variety of additional facts specifically salient to IRAs and workplace retirement plans in order to compare the customer's existing account to the IRA offered by the financial professional. These factors should generally include, among other relevant factors: fees and expenses; level of service available; available investment options; ability to take penalty-free withdrawals; application of required minimum distributions; protection from creditors and legal judgments; holdings of employer stock; and any special features of the existing account.

With respect to available investment options, financial professionals are cautioned not to rely on, for example, an IRA having "more investment options" as the basis for recommending a rollover.

Unsolicited or Self-Directed Transactions

Reg. BI does not require a financial professional to refuse to accept a customer's order that is contrary to the financial professional's recommendation. Reg BI does not apply to self-directed or unsolicited transactions by a client.

5. CONFLICTS OF INTEREST OBLIGATION

The Conflict of Interest Obligation creates an overarching obligation to establish written policies and procedures to identify and at a minimum disclose or eliminate all conflicts of interest associated with recommendations. It also requires broker-dealers to establish policies and procedures to be reasonably designed to mitigate or eliminate certain identified conflicts of interest.

Alden Products, Services, and Conflicts Review Committee (PSCRC) is responsible for reviewing the products and services offered by the Firm as well as to identify any conflicts related to existing or potential products or services offered by the firm and mitigate or disclose any identified conflicts as necessary. Additionally, PSCRC will review conflicts of interest that are independent of a product or service. The committees review will consist of, but not be limited to:

Products and Services

- Alternative Investments (REITs, DPPs, BDCs, Interval Funds, etc.)
- Annuities & Insurance (VAs, VULs, FIAs, EIAs, etc.)
- Investment Advisory (Custodians, Money Managers/Strategists, Investment Platforms)
- Retirement Plans (TPAs, Recordkeepers, Custodians)
- Practice Management (Website Providers, Financial Planning Providers, Retirement Income Providers, Risk Analyzers, additional Financial Technology)
- Mutual Funds

Conflicts of Interest on Products and Services

- Third-Party Payments
- Revenue-Sharing Agreements (marketing allowances, due diligence fees, program fees, platform fees, etc.)

- Markups (program fees, platform fees)
- Adoption/Usage Discounts
- Trails (12b-1 fee, Sub-TA fee)

Conflicts of Interest Independent of Products and Services

- Product/services payout grid structures
- Financial Professional payout structures
- General compensation issues
- Annual Partners Conference qualifications
- Executive Summit qualifications
- Transition loans
- Outside Business Activities
- Any additional potential conflicts presented to the committee

When/if a potential conflict is identified by any Financial Professional affiliated with the Firm, he/she should immediately contact a member of the Supervision or Compliance Department for evaluation and submission to PSCRC for official review.

6. COMPLIANCE OBLIGATION

Record-Making and Recordkeeping

Reg. BI adds new section SEC Rule 17a-3(a)(35) which requires that for each retail customer to whom a recommendation of any securities transaction or investment strategy involving securities is or will be provided, the broker-dealer shall make:

(i) A record of all information collected from and provided to the retail customer pursuant to § 240.15*l*-1, as well as the identity of each natural person who is an associated person, if any, responsible for the account.

(ii) For purposes of this paragraph (a)(35), the neglect, refusal, or inability of the retail customer to provide or update any information described in paragraph (a)(35)(i) of this section shall excuse the broker, dealer, or associated person from obtaining that required information..

Reg. BI also amends SEC Rule 17a-4(e)(5) to require all records collected from or provided to each retail customer pursuant to Reg. BI to be maintained for at least six years after the earlier of the date the account was closed or the date on which the information was replaced or updated.