Written Supervisory Policies and Procedures

(2022)

Section 1: Changes Made

The following sections are either added or amended for this version of the WSP. Please be familiar with the changes when/if you have any questions, please contact the firm's compliance team.

Section Number	Section Heading
14.3	Revised Fair Prices and Commissions
26.15	Supervision – MSRB Rule G-27 (removed reference to "Appendix")
26.9	Delivery of Investor Brochure – MSRB Rule G-10
26.10.1	Suitability of Municipal Securities Recommendations
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3. INTRODUCTION

This Manual has been developed to promulgate the written supervisory procedures and policies relating to broker/dealer practices and standards of conduct. It is designed to be a permanent record for the requirements and standards applied by Trustmont Financial Group ("Trustmont Financial Group" or “firm” or “we” or “TFG”).

Trustmont Financial Group is a registered broker-dealer approved for conducting a general securities business that includes mutual funds and variable contracts on a subscription basis.

Trustmont Financial Group is registered with the Securities and Exchange Commission ("SEC") pursuant to the Securities Exchange Act of 1934, as amended. It is also a member of FINRA, and is subject to state Blue Sky Laws in the various states in which it conducts its business.

Trustmont Financial Group endeavors at all times to operate in conformance with federal and state laws, and to comply with applicable FINRA rules. Trustmont Financial Group’s principals believe that they can best serve customers and take best advantage of the business opportunities when all personnel are informed as to the legal, technical and mechanical aspects of its business and have a good working knowledge of practices suited to achieve customer objectives and legal compliance.

This Compliance Manual should accomplish two things:

First, it should provide Trustmont Financial Group's personnel with an awareness of the requirements of the law, rules and regulations, and policies governing broker/dealer and associated persons' activities.

Second, it should set forth reasonably designed supervisory procedures to help insure that the firm’s operations and activities conform to applicable requirements.

This Compliance Manual should be kept on hand for easy reference. You are asked and encouraged to raise questions, criticisms or comments about the manual. Suggestions for changes or additions are welcome and should be directed to Trustmont Financial Group's President and Chief Compliance Officer.

All Trustmont Financial Group personnel have a responsibility for insuring that the firm's sales activities, operations and financial condition remain in continuous compliance with all relevant securities statutes, rules and by-laws. It is critical that everyone understand their responsibilities and be thoroughly advised of the procedural means by which they are expected to fulfill these responsibilities.

4. USE AND DISTRIBUTION

The Compliance Manual is a basic part of Trustmont Financial Group's compliance program. The firm will make the Manual available through the firm’s internal website. This Manual is intended to be revised or supplemented from time to time and will be distributed either via email, internal website or at the annual compliance meeting. This manual may be delivered in hard copy or electronic version. It is the responsibility of the holder to see that his or her copy is maintained in an up-to-date fashion by inserting new material as instructed or having access to the firm’s internal website.

5. OVERVIEW

The following overview of securities regulations will provide vital information for everyone involved in effecting securities transactions. It should be referred to regularly to clarify areas of concern. Any questions which arise regarding these regulations or the use and distribution of this manual should be directed to a principal of the firm.

5.1 State Securities Laws

The states have enacted legislation to regulate the sale of securities and those firms and individuals who engage in securities transactions. These laws are referred to as "Blue Sky Laws."

State regulation of the sale of securities in the United States dates from 1911 when the Kansas legislature passed the first securities law. North Carolina followed the same year and in 1912 Arizona and Louisiana enacted legislation in the field of securities regulation. The year 1919 found thirty-two states with this type of statute enacted. At present, the Federal government and all the states have passed legislation regulating the offering for sale, or sale of, corporate securities, bonds, investment contracts, and stocks.

The enactment of state securities legislation has been principally driven by a need to protect the investing public from dishonest and unscrupulous promoters and their speculative and often worthless stocks. These promoters, with their fraudulent practices and dishonest schemes, found a ready market with those who saw an opportunity to get rich quick. These statutes are generally and popularly referred to as "Blue Sky Laws," because of their purpose of preventing "speculative schemes which have no more basis than so many feet of blue sky." Hall v. Geiger Jones Co., 242 U.S. 539 (1917).

In 1934, the Securities and Exchange Commission was established by Congress. The first federal law governing the sales of securities, the Securities Act of 1933, expressly granted each state the right to enact legislation for the regulation of the securities industry within it. As a result, securities broker/dealers who engage in securities transactions in a particular state must be registered or licensed under both Federal and State law. Registration or licensing under Federal law generally does not exempt the securities or the securities broker/dealer from registration or licensing by various state regulatory commissions.

The state securities laws generally deal with fraudulent or other prohibited practices, registration of broker/dealers and investment advisers, and registration of specific securities. Violations may be subject to both civil and criminal action.

5.2 Securities Act of 1933

Essentially, the Act ensures full and fair disclosure of the nature of securities sold in interstate commerce and prevents fraud in their sale. Disclosure is achieved through requirements for the filing of a registration statement and the use of a prospectus. The SEC does not endorse any security or any dealer in securities. The Act merely provides a framework and means to assure full, fair and honest disclosure of the material aspects of any security offering.

Other sections of the Act are specifically directed, and therefore, important to those individuals who sell securities.

The definition of "sale" is very broad. As provided in Section 2(3), "sale" includes any attempt or offer to dispose of a security, or solicitation of an offer to buy.

Prospectus requirements are detailed, and are found in several inter-related sections. Section 5(b)(l) forbids the use of interstate commerce or the mails for transmission of a prospectus not complying with Section 10; Section 5(b)(2) forbids the use of interstate commerce or the mails for the sale or delivery of a security not accompanied or preceded by a prospectus complying with Section 10. Section 10 itself calls for some of the same statements found in the registration statement.

Section 2 (10) defines a prospectus as including notices, circulars, adds, letters, or other communications, via any medium, which offer a security for sale. Generally there are two exceptions: (l) where a communication states from whom a Section 10 prospectus may be obtained and does no more than identify the security, state its price, and state by whom the orders will be executed (i.e., "tombstone" advertisements); and, (2) when the prospect already has in his/her possession a current and appropriate Section 10 prospectus.

As a result, the distribution of retail communication material is permitted only if a Section 10 prospectus has already been provided or if the communication material is no more than a "tombstone" ad. In any other situation, the communication material could be construed to represent a prospectus and could be subject to prospectus requirements and, therefore, could involve criminal responsibility.

Generally, any sales activity involving interstate commerce or the mails must be preceded or accompanied by a Section 10 prospectus. As a practical matter, all securities are offered through means constituting interstate commerce and thus the limitations of the '33 Act are applicable. Additionally, the definition of a security has been interpreted broadly to include not only stocks and bonds but many other investment vehicles where a common enterprise relies on the efforts of others to make a profit. Therefore, where it can be established that an investment contract exists, the Act would apply.

Section 12 of the Securities Act provides for civil liability for failure to comply with prospectus provisions and for use of an untrue statement or material omission in the sale of a security involving interstate commerce or the mails; Section 17 makes unlawful the use of fraud, deceit, untrue statements, or material omissions in connection with a security sale involving interstate commerce or the mails. Criminal penalties for violation of the Act are established by Section 24. As securities may be delivered through the mails or interstate commerce, inducing sale, through an untrue statement or an omission of material fact, they would violate Section 12 of the 1933 Act whether or not the statements or omissions were themselves involved in interstate commerce.

5.3 Securities Exchange Act of 1934

The Securities Exchange Act of 1934 provides for the registration and regulation of securities exchanges, the registration of securities listed on such exchanges, and, under Section 12(g), the registration of securities traded over-the-counter whose issuers have total assets in excess of $l million and a class of equity securities held for record by at least 500 persons. It established for issuers of securities registered under the Act, financial and other reporting requirements, regulation of proxy solicitations, and requirements with respect to trading by directors, officers, and principal security holders.

The Act also provides for the registration and regulation of national securities associations and of broker/dealers doing business in the over-the-counter market. Included are provisions to prevent fraudulent, deceptive and manipulative acts and practices on the exchanges and in the over-the-counter markets, and authorizations for the Federal Reserve Board to regulate the use of credit in securities

transactions. The purpose of these statutory requirements is to ensure the maintenance of fair and honest markets in securities transactions on the organized exchanges and in the over-the-counter markets.

6. SIPC MEMBERSHIP

6.1 Membership Requirement

Unless exempt from SIPC, all broker-dealers registered under Section 15(b) of the Securities Exchange Act of 1934 are required by law to display evidence of membership in the Securities Investor Protection Corporation (SIPC) and to meet SIPC payment requirements. SIPC membership is automatic for all broker-dealers registering under the 1934 Act on or after 4/1/86.

SIPC Information – Rule 2266

All members, except those members: (a) that pursuant to Section 3(a)(2)(A)(i) through (iii) of the Securities Investor Protection Act of 1970 (SIPA) are excluded from membership in the Securities Investor Protection Corporation (SIPC) and that are not SIPC members; or (b) whose business consists exclusively of the sale of investments that are ineligible for SIPC protection, shall advise all new customers, in writing, at the opening of an account, that they may obtain information about SIPC, including the SIPC brochure, by contacting SIPC, and also shall provide the Web site address and telephone number of SIPC. In addition, such members shall provide all customers with the same information, in writing, at least once each year. In cases where both an introducing firm and clearing firm service an account, the firms may assign these requirements to one of the firms.

6.2 SIPC Protection

SIPC is a nonprofit corporation, established by Congress under the Securities Investors Protection Act of 1970. The purpose of SIPC coverage is ensuring that the securities and cash in customers' brokerage accounts are returned to customer, in the event of the brokerage firm's failure. SIPC will not reimburse customers for losses; it will only ensure that customers receive the securities that the brokerage firm was holding for them when it failed. SIPC offers protection up to $500,000 per customer, with a limit of $250,000 on cash or cash equivalents.

It is extremely critical that Trustmont Financial Group representatives have a complete understanding of what SIPC protection is and the difference between SIPC protection and FDIC insurance. All Trustmont Financial Group representatives must accurately represent SIPC protection to customers and are expressly prohibited from misleading customers into thinking that their principal is insured, that their investment is protected against market risk, or otherwise misrepresenting the nature of SIPC coverage. When discussing SIPC protection with customers and in written correspondence and retail communications, representatives must refrain from describing SIPC protection as "insurance".

6.3 SIPC Reports

Trustmont Financial Group will prepare and submit the SIPC Annual Assessment report to SIPC within 30 calendar days of the first half of Trustmont Financial Group‘s fiscal year end. A record of the report and evidence of payment, along with supporting documentation, shall be retained among the central records as evidence of annual completion. Verification of the accuracy of the report shall be evidenced by the Designated Principal‘s signature on the report and/or on the accompanying check..

The Securities and Exchange Commission Rule 17a-5(e) (4) requires Broker-Dealers (who file annual audited financial statements) whose gross revenues are in excess of $500,000, to file a supplemental independent public accountants report covering this SIPC-7T no later than 60 days after their fiscal year ends.

The firm's Financial Operations Principal will be responsible for the firm's compliance with SIPC requirement and books and records requirement in connection with SIPC.

6.4 SIPC Assessments

SIPC assessments must be calculated and are currently 0.25% of net operating revenue.

6.5 Displaying SIPC Membership

Broker-dealers are required to prominently display signage indicating SIPC membership at each office where the member conducts its business. In addition to displaying said evidence in the broker's place of business, SIPC membership must be made evident in "certain advertisements" by including at least the statement "Member SIPC." Members may, if they wish, use either of the following statements:

With respect to Trustmont Financial Group's website, references to SIPC must include a web link to SIPC's website.

Any questions concerning SIPC membership or its requirements can be addressed to: Securities Investor Protection Corporation, 900 Seventeenth Street, NW (Suite 800), Washington, DC 20006 (202-371-8300).

6.6 Supervision

The firm's designated principal shall ensure that appropriate SIPC disclosures are stated on all Trustmont Financial Group retail communication items and SIPC signs are displayed at each Trustmont Financial Group office. The financial operations principal will be responsible for ensuring that all SIPC assessments are paid on a timely basis. Copies of the SIPC 6 and SIPC 7 assessment forms and proof of payment will be maintained by the financial principal.

7. STANDARDS OF SUPERVISION

Trustmont Financial Group, through its principals and officers, has an affirmative obligation to perform proper supervision of its business activities under federal securities laws, FINRA Rules, and state laws.

7.1 Supervision under the Securities Exchange Act of 1934

The SEC has held that a violation of federal securities laws committed by officers or employees of a broker-dealer acting within the scope of their employment is a violation by the firm itself, and that the degree of fault of the firm is a factor to be considered in determining the sanction to be imposed.

The SEC is also authorized to proceed separately against the broker-dealer, its officers and supervisory employees for failure to adequately supervise the actual wrongdoers. In this connection "no person shall be deemed to have failed reasonably to supervise any person, if: (i) there were established procedures, and a system for applying such procedures, which could reasonably be expected to prevent and detect, insofar as practicable, any such violation by such other person; and (ii) such person has reasonably discharged the duties and obligations incumbent upon him or her by reason of such procedures and system without reasonable cause to believe that such procedures and system were not being complied with."

Thus, a broker-dealer, its officers and supervisory employees must enforce reasonable supervision over its

securities activities with a view toward preventing violations of the federal securities laws. The importance of adequate compliance procedures is self-evident and cannot be over emphasized. The duty of a broker-dealer to maintain and enforce adequate standards of supervision extends to every aspect of its activities. Customers dealing with a broker-dealer can expect and are entitled to be treated fairly and should be able to rely upon a broker-dealer to have systems of supervision and internal control over its employees providing safeguards against inadvertent violation of laws, rules, and regulations, and against those employees who may be tempted to engage in improper conduct. The SEC has stated that ".....where the failure of a securities firm and its responsible personnel to maintain and diligently enforce a proper system of supervision and internal control results in the perpetration of fraud upon a customer or in other misconduct in willful violation of the Securities Act or the Exchange Act, for purposes of applying the sanctions provided under the securities laws, such failure constitutes participation in such misconduct, and willful violations are committed not only by the person who performed the misconduct but also by those who did not properly perform their duty to prevent it." Reynolds & Co., 39 SEC 902,917 (1960).

FINRA Rules - Every FINRA member is required to establish, maintain and enforce written supervisory procedures in order to assure compliance by all broker/dealer personnel with the applicable securities laws, rules, and regulations. (FINRA Rules, Conduct Rule 3010). State requirements may require specific written procedures, as well.

7.1.1 3010 – Taping Rule

Under the Rule, member firms that hire a specified number of registered persons from Disciplined Firms must establish, maintain, and enforce special written procedures for supervising the telemarketing activities of all their registered persons. Such procedures must include tape-recording all telephone conversations between such firms' registered persons and both existing and potential customers. The Rule provides firms up to 60 days from the date they receive notice from FINRA or obtain actual knowledge that they are subject to the provisions of the Rule to establish and implement the required supervisory procedures, including installing taping systems. Such firms also are required to review the tape recordings, maintain appropriate records, and file quarterly reports with FINRA.

The Taping Rule permits member firms that become subject to the Rule for the first time a one-time opportunity to adjust their staffing levels to fall below the prescribed threshold levels and thus avoid application of the Rule (often referred to as the "opt out provision"). A firm that elects this one-time option must reduce its staffing levels to fall below the applicable threshold levels within 30 days after receiving notice from FINRA or obtaining actual knowledge that it is subject to the provisions of the Rule. Once a firm has made the reductions, the firm is not permitted to rehire the terminated individuals for at least 180 days.

FINRA also has the authority to grant exemptions from the Rule in "exceptional circumstances." In reviewing exemption requests, FINRA generally has required a firm to establish that it has alternative procedures to assure supervision at a level functionally equivalent to a taping system. Prior to these amendments to Rule 3010(b)(2)(L), the Rule was silent on the time frame for submitting an exemption request. However, because the Rule provides a firm a total of 60 days from the date it receives notice from FINRA or obtains actual knowledge that it is subject to the provisions of the Rule to implement the required supervisory procedures, a firm implicitly has that 60-day period to submit an exemption request.

A firm that submits an exemption request is not required to establish and implement the required supervisory procedures, including the taping system (i.e., such requirements are “tolled”) while the staff is reviewing the request and during the course of any subsequent appeals to FINRA’s National Adjudicatory Council (NAC). FINRA tolls the Taping Rule’s requirements during the exemption appeal process primarily due to the significant costs involved with installing a taping system and the possibility that the staff or NAC will grant the exemption. At the same time, firms often wait until the 60th day (or shortly before) to request the exemption, which, assuming the exemption was not granted, only further prolonged the establishment and implementation of the required supervisory procedures.

7.2 Compliance Resource Allocation

It is imperative that persons given supervisory functions spend appropriate time in the compliance effort and exercise adequate supervision over the broker dealer and its employees. Persons delegated compliance functions must have sufficient knowledge, adequate training and a sufficient level of sophistication required for the position.

Nominal compliance is unacceptable. When a broker-dealer sets up a program to effect compliance with the statutory standards and requirements, the SEC has stated: "..... responsibility is not discharged by the setting up of a compliance program with the creation of a position designated Compliance Director which does not confer the authority and provide the personnel, procedures and means necessary to accomplish its objectives.

In such case there is created merely an appearance of an effective compliance mechanism. Persons who are assigned to positions of Compliance Directors should be accorded the powers to initiate and implement steps required to achieve compliance." Alfred Bryant Tallman, Jr., Securities Exchange Act Release No. 8830 (March 2, 1970).

7.3 Compliance Training

Inexperienced personnel can unintentionally cause problems for a broker-dealer. Sales personnel will undergo adequate training before they assume their duties. From time to time, consideration will be given to refresher and advanced training for all sales personnel in order to maintain and improve their competence and qualifications.

Special training will also be given, where necessary, to those to whom authority and responsibility has been delegated for the supervision and control of the broker-dealer (each office, function or activity). Persons in areas other than sales, such as administration, accounting, and finance, should also undergo necessary training and continuing education.

7.4 ERISA Liability

Brokerage firms may have liability under ERISA for actions of brokers. The ERISA (Employee Retirement Income Security Act) Act of 1974 is a law governing the operation of most private pension and benefit plans and establishes guidelines for the management of pension funds.

A broad interpretation of ERISA is that a brokerage firm acquires fiduciary status because one of its brokers executes transactions on behalf of an ERISA account. This is warranted by ERISA's broad protective purpose, the U.S. District court for the northern district of Georgia said Stanton vs. Shearson Lehman/American Express Inc. (Civil Action No. C84-1731A, April 3, 1986).

The court ruled against Shearson Lehman/American Express Inc. on the issue of whether it had acquired fiduciary status. The court agreed to the firm's request to reconsider, but declined to vacate its earlier ruling, contrary case law notwithstanding.

Acknowledging a case, Robbins vs. First American Bank of Virginia, in which a bank was held not to have acquired fiduciary status where it only performed ministerial functions, even though its employees dealt with ERISA assets, the court declined to follow that precedent.

The court found that unless a fiduciary duty to use due care in the training and supervision of brokers was imposed on brokerage firms, firms could escape ERISA liability for the actions of brokers outside the scope of their employment simply by not exercising diligence against those acts.

The court noted that it was not adopting a strict liability rule. Therefore, if a firm was reasonably diligent in training and supervising brokers assigned to ERISA accounts, it would not be liable. A brokerage firm would, however, be liable if it fails to train and supervise its brokers according to ERISA's fiduciary standards, and that failure leads to a loss in an ERISA plan.

The action was brought by the profit sharing and money purchase plans and their trustees with respect to the actions of the brokerage firm and one of its brokers for the "self-direct(ed)" accounts of the plans' participants.

In its opinion, the court found that there was a factual question as to whether the broker acquired fiduciary status by exercising de facto control of the participant's assets. The court said even though a customer might have the final word over the investment of assets, and thus be in technical control, it is the broker who is in effective and realistic control where the customer "rubber stamps" the broker's recommendations. A jury will have to decide the extent to which the participant relied on the broker, the court said.

8. SUPERVISION

8.1 Supervisory System (3110(a))

Trustmont Financial Group is required (by FINRA) to establish and maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and applicable FINRA rules. The firm’s PRESIDENT is responsible for the firm’s supervisory system.

8.2 Written Procedures (“WSP”)

Pursuant to FINRA Rule 3110(a), the firm establishes and maintains its written procedures to supervise the types of business in which the firm engages and the activities of its associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules.

The firm’s WSP and its amendments will be distributed either via email, internal website or at the annual compliance meeting. The firm’s CCO is responsible for maintaining and making the firm’s WSP available to its associated persons.

Please note that it is the responsibility of each associated person to see that his or her copy is maintained in an up-to-date fashion by inserting new material as instructed or having access to the firm's internal website.

8.2.1 Review of Correspondence and Internal Communications (3110(b)(4))

See "Communications with the Public" section of this manual.

8.2.2 Customer Complaints (3110(b)(5))

Trustmont Financial Group is required to maintain a file containing all written complaints made by its customers (if any) at its main office and other Offices of Supervisory Jurisdiction, as well as copies of all Trustmont Financial Group's responses to complaints.

8.2.2.1 *Definition*

A "complaint" shall be considered as any written statement, by a customer or any person acting on behalf of a customer, which alleges a grievance against the firm or anyone in connection with the solicitation or execution of any securities transaction or the disposition of securities or the funds of that customer.

Please note that even though the term "complaint" when it is used in this section doesn't include a verbal complaint, all types of customer grievances, including both verbal and written, must be brought to the immediate attention of a designated principal. Under no circumstances are registered representatives to answer or settle any complaint directly with customers.

8.2.2.2 *Procedures of Handling Customer Complaints*

Upon receipt of a written complaint, the designated principal shall:

- ✓ Acknowledge receipt of the complaint, in writing, to the customer, or customer's counsel, and provide the customer with an "Investor Brochure" if the complaint involves a municipal security;
- ✓ Investigate the complaint and require written memoranda in response to the customer's allegations from registered representative and any others knowledgeable of the facts;
- ✓ Promptly respond to the customer, when the analysis is complete, maintaining a copy of the response in the file. Responses to complaints must be forwarded to the PRESIDENT for review prior to submission; and
- ✓ Retain all documentation relating to the complaint in the firm's central complaint file. The centralized file must include: the complainant's name, address, and account number; the date the complaint was received; the name of any other associated person identified in the complaint; a description of the nature of the complaint; and the disposition of the complaint. Note: Instead of the record, the firm may maintain a copy of each original complaint in a separate file by the associated person named in the complaint along with a record of the disposition of the complaint.

8.2.2.3 *Customer Complaints and Filing Requirements*

All written customer complaints are reportable pursuant to FINRA Rule 4530(a)(1)(B)i, 4530(d)ii, and/or Form U-4 reporting requirement(s). The firm's PRESIDENT will be responsible for

determining its filing requirement(s) and report accordingly.

8.3 Transaction Review and Investigation (3110(d))

Pursuant to FINRA Rule 3110(d), the firm has in its procedures a process for the review of securities transactions that are reasonably designed to identify trades that may violate the provisions of the Exchange Act, the rules thereunder, or FINRA rules prohibiting insider trading and manipulative and deceptive devices that are effected for the:

- ✓ Accounts of the firm
- ✓ Accounts introduced or carried by the firm in which a person associated with the firm has a beneficial interest or the authority to make investment decisions
- ✓ Accounts of a person associated with the firm that are disclosed to the firm pursuant to FINRA Rule 3050; and
- ✓ Covered accounts

8.3.1 Definitions

The term "covered account" shall include any account introduced or carried by the firm that is held by:

- ✓ The spouse of a person associated with the firm;
- ✓ 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;
- ✓ Any other related individual over whose account the person associated with the firm has control; or
- ✓ Any other individual over whose account the associated person of the firm has control and to whose financial support such person materially contributes.

The term "investment banking services" shall include, without limitation, acting as an underwriter, participating in a selling group in an offering for the issuer, or otherwise acting in furtherance of a public offering of the issuer; acting as a financial adviser in a merger or acquisition; providing venture capital or equity lines of credit or serving as placement agent for the issuer or otherwise acting in furtherance of a private offering of the issuer.

8.3.2 Internal Investigation

Securities transactions that are subject to this section and that present any possible or potential issues or violations must be forwarded to the firm's PRESIDENT for further internal investigation.

The firm's PRESIDENT will determine whether the trade is in need of further investigation. When/if concluded the trade requires the firm's internal investigation; the firm's PRESIDENT will conduct the internal investigation or will designate an appropriate individual to conduct such investigation.

8.3.3 Internal Investigation Reporting Requirements

The firm engages in investment banking services defined above. Therefore, the firm is subject to the internal investigation reporting requirement pursuant to FINRA Rule 3110(d)((3)(A)&(B). The firm's PRESIDENT will be responsible for determining the filing requirements(s) of each internal investigation conducted pursuant to 3110(d)(2).

Quarterly Reporting (FINRA Rule 3110(d)(3)(A):

Within ten (10) business days of the end of each calendar quarter, a written report (signed by the PRESIDENT) describing each internal investigation initiated in the previous calendar quarter pursuant to this section, including:

- ✓ the identity of the firm
- ✓ the date each internal investigation commenced
- ✓ the status of each open internal investigation
- ✓ the resolution of any internal investigation reached during the previous calendar quarter
- ✓ a copy of the firm's policies and procedures maintained pursuant to FINRA Rule 3110(d)(1)
- ✓ with respect to each internal investigation
    - identity of the security
    - trades
    - accounts
    - associated persons or associated person of the firm's family member holding a covered account defined above

If the firm did not have an open internal investigation, or either initiate or complete an internal investigation during a particular calendar quarter, the firm is not required to submit a report for the quarter.

Filing after Completion of an Internal Investigation (FINRA Rule 3110(d)(3)(B):

Within five (5) business days of completion of an internal investigation pursuant to 3110(d)(2) in which it was determined that a violation of the provisions of the Exchange Act, the rules thereunder, or FINRA rules prohibiting insider trading and manipulative and deceptive devices had occurred, a written report (signed by the PRESIDENT) detailing the completion of the investigation, including the results of the investigation, any internal disciplinary action taken, and any referral of the matter to FINRA, another self-regulatory organization, the SEC, or any other federal, state, on international regulatory authority.

8.4 Designation of Supervisory Personnel

Pursuant to FINRA Rule 3110(a)(2), Trustmont Financial Group designates[1] a registered principal with authority to carry out supervisory responsibilities for each type of business it is engaged in.

8.4.1 Documentation and Supervision of Supervisory Personnel (3110(b)(6))

The firm maintains its record of the names of all persons who are designated as supervisory personnel and the dates for which such designation is or was effective. (Refer to Appendix)

8.4.2 Minimum Criteria Acceptable in Hiring or Designating Supervisory Personnel

[1]The firm maintains a separate record. Contact the firm's Compliance Department to obtain the list.

Reasonable efforts must be made by the firm's PRESIDENT to determine that all supervisory personnel are qualified by virtue of experience and/or training to carry out their assigned responsibilities. This determination will be accomplished by review of the individual's employment application by experience, and/or through successful completion of an appropriate examination.

Years of experience as a supervisor: The firm will not set a minimum number of acceptable or unacceptable years of experience as a supervisor in the securities industry. In other words, as long as an individual has any experience as a supervisor, has been in a supervisory capacity or has appropriate license(s) or professional designation(s), the individual will be considered "qualified" for the supervisory position.

Minimum amount of associated persons supervised in the past: The firm will not set a minimum number of acceptable or unacceptable number of associated persons supervised. As long as an individual meets the experience requirement mentioned above, the individual will be considered "qualified" for the supervisory position.

Minimum amount of time as a branch supervisor: The firm will not set a minimum number of acceptable or unacceptable years as a branch supervisor. As long as an individual meets the requirement(s) described above and has been in the securities industry in any capacity at least for two (2) years will be considered "qualified" for the supervisory position.

CRD disclosures: Disciplinary history will be taken into account. Each case will be evaluated. The firm will not set a minimum number of acceptable or unacceptable disciplinary actions. Even though the firm does not set a minimum number of disciplinary actions in determining supervisory personnel, when/if an individual has two or more of disciplinary actions for the same or same type of violation(s) in two separate time period, the individual will be deemed not qualified or no longer qualified as a supervisor unless an exception is noted and/or granted by the PRESIDENT.

Number of customer complaints: Customer complaints history will be taken into account. However, due to subjectivity of each customer complaint, the firm will not set a minimum number of acceptable or unacceptable customer complaints in determining supervisory personnel. Rather, each customer complaint will be evaluated for the complaint filing date, severity of CRD disclosure language (i.e., fraud), the individual's monetary contribution, and etc. Even though the Firm does not set a minimum number of customer complaints in determining supervisory personnel, when/if an individual has two or more of customer complaints with the same or the same type of allegation(s) in two separate time period, the individual will be deemed not qualified or no longer qualified as a supervisor unless an exception is noted and/or granted by the PRESIDENT.

Minimum amount of business generated by the supervisor: Supervisor's designation will not be based on the individual's business production.

Product experience: Supervisor's designation will not be based on the individual's product experience. However, to ensure that the firm's producing registered representatives are properly supervised, each producing registered representative will be assigned to the Supervisor who is appropriately licensed and registered for the products and services the registered representative is intend to provide to his or her customers.

Exception

When the Firm has a reason[2] to believe that an individual is qualified as a supervisor but does not meet the firm's certain criteria, the firm's PRESIDENT, in his or her discretion, will designate the individual as a supervisor. In granting such an exception, the PRESIDENT will conduct an interview with the individual and will provide appropriate or additional training. The exception memo will be generated by the PRESIDENT, the memo will include, at least:

- Why the individual does not meet the firm's criteria
- What action(s) the Firm took or will take to accommodate or conciliate such deficiency
- Summary of the interview
- The date of such exception granted

8.4.3 Procedures Prohibiting Associated Persons Who Perform a Supervisory Function

The firm's policy prohibits supervisory personnel from:

- Supervising their own activities; and
- Reporting to, or having their compensation or continued employment determined by, a person or persons they are supervising.

Prior to assigning a Supervisor for a registered representative, the firm's President will evaluate their relationship or any arrangement they have or maintain to prevent the firm's supervisory system from being compromised due to the conflicts of interest.

8.5 Registration and Designation as Branch Office or Office of Supervisory Jurisdiction ("OSJ") (3110(a)(3))

The President will designate and register as a branch office or an office of supervisory jurisdiction each location, including the main office, that meets the definitions below.

In addition, the PRESIDENT will designate one or more registered principals in each OSJ branch office with authority to carry out supervisory responsibilities.

8.5.1 Definitions (3110(e))

(1) "Office of Supervisory Jurisdiction" means any office of a member at which any one or more of the following functions take place:

- order execution and/or market making;
- structuring of public offerings or private placements;
- maintaining custody of customers' funds and/or securities;
- final acceptance (approval) of new accounts on behalf of the member;
- review and endorsement of customer orders, pursuant to paragraph FINRA Rule 3110(b)(2);
- final approval of retail communications for use by persons associated with the firm, pursuant to FINRA Rule 2210(b)(1), except for an office that solely conducts final approval of research reports; or
- responsibility for supervising the activities of persons associated with the firm at one or more other branch offices of the firm.

[2]By obtaining the individual's licensing and registration information via CRD

(2) "Branch Office" means any location where one or more associated persons of the firm regularly conducts the business of effecting any transactions in, or inducing or attempting to induce the purchase or sale of, any security, or is held out as such, excluding:

- ✓ Any location that is established solely for customer service or back office type functions where no sales activities are conducted and that is not held out to the public as branch office;
- ✓ Any location that is the associated person's primary residence; provided that:
  - Only one associated person, or multiple associated persons who reside at that location and are members of the same immediate family, conduct business at the location;
  - The location is not held out to the public as an office and the associated person does not meet with customers at the location;
  - Neither customer funds nor securities are handled at that location;
  - The associated person is assigned to a designated branch office, and such designated branch office is reflected on all business cards, stationery, retail communications and other communications to the public by such associated person;
  - The associated person's correspondence and communications with the public are subject to the firm's supervision in accordance with the rule;
  - Electronic communications are made through the firm's electronic system
  - All orders are entered through the designated branch office or an electronic system established by the firm that is reviewable at the branch office;
  - Written supervisory procedures pertaining to supervision of sales activities conducted at the residence are maintained by the firm; and
  - A list of the residence locations is maintained by the firm
- ✓ Any location, other than a primary residence, that is used for securities business for less than 30 business days in any one calendar year; provided that firm complies with the provisions of subparagraphs above (regarding primary residence);
- ✓ Any office of convenience, where associated persons occasionally and exclusively by appointment meet with customers, which is not held out to the public as an office;
- ✓ Any location that is used primarily to engage in non-securities activities and from which the associated person(s) effects no more than 25 securities transactions in any one calendar year; provided that any retail communication identifying such location also sets forth the address and telephone number of the location from which the associated person(s) conducting business at the non-branch locations are directly supervised;
- ✓ The Floor of a registered national securities exchange where the firm conducts a direct access business with public customers; or
- ✓ A temporary location established in response to the implementation of a business continuity plan.

Notwithstanding any exclusions provided above, any location that is responsible for supervising the activities of persons associated with the firm at one or more non-branch locations of the firm is considered to be a branch office.

(3) The term "business day" as used in this section shall not include any partial business day provided that the associated person spends at least four hours on such business day at his or her designated

branch office during the hours that such office is normally open for business.

8.6 Supervision and Escalation

Pursuant to FINRA Rule 3110(a)(5), the firm's PRESIDENT will assign each registered person to an appropriately registered representative(s) or principal(s) who shall be responsible for supervising the person's activities.

8.6.1 Review of Exception Reports

Supervisors are the first line of command when it comes to supervision of trading activities in customer accounts. Accordingly, Supervisors or designee(s) are responsible for reviewing exception reports. The review should include, but not limited to, excessive trading, suitability, excessive commissions and charges, and high security concentrations. Such review should be done via the firm's internal system or clearing platform.

Accordingly, the firm's Supervisors or designee(s) will periodically review certain exception reports. The review will be ongoing to assure the entire year's activity is sampled. Any activity deemed to be unusual for any reason will be required to be immediately investigated by the Supervisor. Based on the findings of the Supervisor, the firm's Compliance Department may get involved for further investigation or corrective actions.

8.6.2 Issues Identified by Supervisors

Supervisors are the first line of command when it comes to supervision of business activities of registered representatives under their supervision. Therefore, Supervisors should be familiar with the firm's Written Supervisory Procedures ("WSP"), and should have access to the firm's most current version at all times.

As it is not possible for our WSP to address every possible circumstance which may arise or the entirety of the regulatory structure under which we transact our business, the firm expects all Supervisors to be thoroughly familiar as possible with any and all regulations applicable to the activities conducted by the registered representatives under their supervision.

When/if a questionable activity is identified, the Supervisor must exercise professional judgment based on the rules and regulations including the firm's internal policies and procedures. If determined that the questionable activity requires escalation, the Supervisor must consult with firm's CCO. If the issue is still not resolved, the Supervisor must escalate such matter to the firm's President .

Please note that any activities or issues not clearly identified or described in the firm's WSP, or require interpretation of the rules and regulations, such activities or issues must be brought to the firm's compliance department.

8.6.3 Issues Identified by the Home Office Personnel

When/if a questionable activity is identified by an individual in the home office personnel, the issue must be brought to the Supervisor of the representative for investigation, explanation, and/or corrective action.

When/if determined that the questionable activity is in need of further investigation, or the activity in question is a compliance issue, the issues must be consulted with the firm's CCO and escalated to the

firm's President, if needed.

8.6.4 Issues Identified by the Firm's Compliance and Surveillance Department

When/if a questionable activity is identified by the firm's Compliance Department or Surveillance Department, such activity must be brought to the Supervisor for explanation, investigation or corrective action.

The Supervisor should bring the issue to the registered representative for explanation, investigation, or corrective action. Implementation of corrective action and/or corrective action taken should be also reported back to the initiated department or personnel. If the issue is still not resolved, the initiated party must escalate it to the firm's President.

8.6.5 Compliance Recommendations

When/if determined that a questionable activity is a violation of rules, regulations, or internal policies and procedures, the activity must be reported to the firm's Compliance Department by the Supervisor. After review and examination of the reported activity, the firm's CCO will provide its recommendation of handling the questionable activity and the representative(s) involved in such activity.

When the firm's Compliance Department makes a recommendation as a corrective action or resolution to a questionable activity, the following, but not limited to, will be considered:

- ✓ May the action or activity in question cause financial loss to our customers
- ✓ May the action or activity in question constitute a fraudulent or criminal act
- ✓ May the action or activity in question be deemed a violation of the rules and regulations
- ✓ May the action or activity in question result in disciplinary action or fine by a regulator
- ✓ May the action or activity in question be deemed a violation of the firm's internal policies and procedures
- ✓ May the action or activity in question cause negative media attention or damage the firm's reputation
- ✓ May the action or activity in question result in a substantial financial loss to the firm

Final decisions will be made by the firm's President.

8.6.6 Exceptions

Exceptions must be requested by the Supervisor in writing to the firm's President. Any exception to the policy must be approved by the President, and a note should be made indicating why such exception is granted and the period of time for which such exception will be in place, if necessary.

8.7 Annual Compliance Meeting (3110(a)(7))

At least annually, each registered person must participate in an interview or meeting at which relevant compliance matters will be discussed. The purpose of such meeting will be to discuss important compliance issues and insure all registered representatives are aware of their compliance responsibilities. All registered representatives will also have an opportunity to ask questions relating to compliance issues.

The firm may conduct its annual compliance meeting with registered representatives in conjunction with the annual branch office inspection or scheduled sales meetings. The CCO and/or the designated principals will conduct such meetings. Furthermore, all registered representatives and associated persons

of Trustmont Financial Group will be required to complete an annual compliance questionnaire designed to reinforce compliance awareness of Trustmont Financial Group policies and procedures and relevant securities laws, rules and regulations.

When such meeting is conducted in methods other than one-on-one face meetings, such as on-demand webcast, video conference, interactive classroom setting, telephone, or other electronic means, the CCO and/or the designated principal(s) will ensure that: (1) each registered person attends the entire meeting; and (2) attendees are able to ask questions regarding the presentation and receive answers in a timely fashion.

8.8 Annual Certification of Compliance and Supervisory Processes (FINRA Rule 3130)

The firm's PRESIDENT (or equivalent officer) will certify annually that the firm has in place processes to establish, maintain, review, test and modify written compliance policies and written supervisory procedures reasonably designed to achieve compliance with applicable FINRA rules, MSRB rules and federal securities laws and regulations, and that the chief executive officer has conducted one or more meetings with the CCO in the preceding 12 months to discuss such processes. The processes must be evidenced in a report that is provided to the member's board of directors and audit committee. The report must be produced prior to execution of the certification and be reviewed by any officers the member deems necessary to make the certification. It should include the manner and frequency in which the processes are administered, as well as the identification of officers and supervisors who have responsibility for such administration. The report need not contain any conclusions resulting from the processes set forth therein. The report may be combined with any other compliance report or other similar report required by any other self-regulatory organization provided it meets certain requirements set forth in the interpretive material.

The CCO will ensure that:

- ✓ the content of the annual certification by the PRESIDENT satisfies regulatory requirements, and that all annual certifications are completed on a timely basis;
- ✓ all meetings between the CCO and PRESIDENT which will be relied upon to satisfy the requirements of FINRA Rule 3130 will be appropriately documented and retained;
- ✓ the required annual report is adequate in scope and submitted to the board of directors and/or audit committee, as applicable, on a timely basis prior to the execution of the President's annual certification statement; and
- ✓ all annual reports are retained as required.

8.9 Designation of Chief Compliance Officer

The firm's CCO is designated on Form BD, accordance with FINRA Rule 3013. The designated registrations and licensing principal shall ensure that the CCO's designation on Form BD remains current.

8.10 Review of Supervisory System

FINRA requires broker-dealers to designate one or more principals who shall be responsible for reviewing the supervisory system, written supervisory policies and procedures, and implemented inspection system and for taking, or recommending to senior management, appropriate action reasonably designed to achieve compliance with applicable securities laws, rules and regulations. Trustmont Financial Group has

assigned this responsibility to the CCO of Trustmont Financial Group.

The principals of Trustmont Financial Group, who have been designated with supervisory authority to carry out Trustmont Financial Group's securities activities, shall also be responsible for reviewing the supervisory policies and procedures within their respective departments or business types and for recommending appropriate action to their designated supervisory principal when such policies and procedures require modification or supplementation to provide reasonable assurance of compliance. In such event, the designated supervisory principal shall promptly communicate reported deficiencies to the CCO who shall be responsible for ensuring that any necessary modification or supplementation to the firm's supervisory policies and procedures are adopted and enforced.

In making the annual assessment of Trustmont Financial Group's supervisory system, the CCO will take into consideration, among other things, the firm's size, organizational structure, scope of business activities, number and location of offices, the nature and complexity of products and services offered, the volume of business done, the number of associated persons assigned to a location, whether a location has a principal on-site, whether the office is a non-branch location, the disciplinary history of registered representatives or associated persons, etc. The procedures established and the reviews conducted must provide that the quality of supervision at remote offices is sufficient to assure compliance with applicable securities laws and regulations and with FINRA Rules.

8.11 Supervisory Control System (3120)

FINRA Rule 3120 requires broker-dealers to:

- ✓ Designate and specifically identify to FINRA one or more principals who shall 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 activities of the firm and its associated persons, to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules; and
  - Create additional or amend supervisory procedures where the need is identified by such testing and verification. The designated principal or principals must submit to the firm's senior management no less than annually, a report detailing each firm's system of supervisory controls, the summary of the test results and significant identified exceptions, and any additional or amended supervisory procedures created in response to the test results.

Accordingly, the firm has designated the CCO to establish and maintain a system of supervisory control policies and procedures that (A) test and verify that the firm's supervisory procedures are reasonably designed with respect to the activities of the member and its registered representatives and associated persons, to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules and (B) create additional or amend supervisory procedures where the need is identified by such testing and verification.

Please note that designated supervisory personnel are responsible for enforcing the firm's policies and procedures.

The CCO shall also ensure that the firm's compliance with FINRA Rule 3120(b), when/if applicable.

8.12 Testing/Verification of WSP's and Control Processes

The firm's testing and verification involves two separate components:

- periodically testing and verifying that the firm's written supervisory procedures are adequate in their ability to promote reasonable assurance that Trustmont Financial Group's activities will be conducted in conformance with applicable regulatory standards; and
- verification and testing of required supervisory processes.

With respect to this component, Trustmont Financial will selectively test the implementation of proscribed written supervisory procedures in order to assess the extent to which such processes are adequately implemented.

Verification and Testing of Supervisory Processes: The CCO will verify the adequacy of the firm's implementation of supervisory processes. The CCO shall prepare a report, and submit it to the firm's PRESIDENT detailing the Firm's system of supervisory controls, summary of test results and significant identified exceptions, and any additional or amended supervisory procedures created in response to the test results.

Certain testing and verification may be conducted during the branch inspection.

8.13 Review of Firm's Businesses

The Firm will conduct a review, at least annually, of each business engaged in designed to detect and prevent violations of, and achieving compliance with, securities laws and regulations. The firm's PRESIDENT is responsible for the review of the firm's business.

8.14 Review of Offices / Internal Inspections

Annual review of the firm's businesses shall also include consideration as to whether its offices must also be reviewed and inspected. Trustmont Financial Group shall inspect at least annually every office of supervisory jurisdiction and any branch office that supervises one or more non-branch locations and shall inspect at least every three (3) years every branch office that does not supervise one or more non-branch locations.

In addition, Trustmont Financial Group shall inspect on the same 3-year schedule every non-branch location.

Trustmont Financial Group has established a Branch Office Inspection Schedule and designated inspectors. The inspection cycle has been established considering the nature and complexity of the securities activities for which the location is responsible, the nature and extent of contact with customers, the nature and complexity of the securities activities for which the location is responsible, the volume of business done, and the number of associated persons assigned to the location.

8.14.1 Mandatory Inspection Cycles

Pursuant to FINRA Rule 3110(c), the firm will conduct the inspection of its remote locations as follows:

- Supervisory Branch – annually (on a calendar-year basis)
- Non-Supervisory Branch – every three years
- Non-Branch locations and unregistered locations, including those established for back

office-type functions – every three years

8.14.2 Inspection Report

Unless specifically approved in writing by the PRESIDENT, all office inspections shall include reviews of:

- ✓ Supervision of Supervisory personnel;
- ✓ Customer accounts and activity to detect and prevent irregularities or abuses;
- ✓ Safeguarding of customer funds and securities;
- ✓ Maintaining books and records;
- ✓ Supervision of customer accounts serviced by branch office managers;
- ✓ Transmittal of funds or securities
  - between customers and registered representatives;
  - between customers and third parties;
  - From customer accounts to locations other than the customer's primary residence; and
  - Hand-delivery of checks
- ✓ Validation of customer address changes; and
- ✓ Validation of changes in customer account information.

Trustmont Financial Group shall retain a written record of each inspection for a minimum of three years and such report shall address the testing and verification of the firm's procedures in the above areas.

8.14.3 Persons Restricted From Conducting Inspections

Regardless of "type" of branch, office inspections have the following restrictions regarding who may or may not conduct an office inspection.

- ✓ A branch office manager may not conduct a review of the office he or she manages
- ✓ Any person within a branch who has any supervising responsibilities relating to the branch may not conduct a review of that branch
- ✓ Any individual directly or indirectly supervised by (a) or (b) above may not conduct the branch inspection for the office and which (a) or (b) above are housed

8.15 Unregistered Locations

8.15.1 Definitions

The following locations or location types are excluded from a "registered branch office" definition:

- Any location that is established solely for customer service and/or back office type functions where no sales activities are conducted and that is not held out to the public as a branch office;
- Any location that is the registered representative's primary residence (only one associated person, or multiple associated persons who reside at that location and are members of the same immediate family, conduct business at the location);
- Any location, other than a primary residence, that is used for securities business for less than 30 business days in any one calendar year;
- Any office of convenience, where associated persons occasionally and exclusively by

appointment meet with customers, which is not held out to the public as an office;
- Any location that is used primarily to engage in non-securities activities and from which the associated person(s) effects no more than 25 securities transactions in any one calendar year;
- The floor of a registered national securities exchange where a member conducts a direct access business with public customers; or
- a temporary location established in response to the implementation of a business continuity plan

8.15.2 Limitations and Requirements

Unregistered locations are subject to the following specific limitations:

- ✓ The location may not be held out as an office
  - The location address may not be published as an office location
  - Business cards, stationery, advertisements and other communications with the public must indicate the designated supervisory location's address
- ✓ The location may not receive mail from customers
  - Must be directed to the designated supervisory location
- ✓ The associated person may not meet with customers at the location
- ✓ Neither customer funds nor securities may be handled at the location

When/if a registered representative wishes to maintain or engage in securities business from office of convenience, location primarily engaging in non-securities activities or temporary location, the registered representative must receive an approval from the Supervisor and the firm's CCO in writing. In addition, the registered representative will be required to maintain a location usage log. The log must be provided to the Supervisor at least monthly.

8.16 Transaction Approval

All applications shall be promptly endorsed or reviewed in writing by the Supervisor or designated principal. Such approval will evidence the order's compliance with all of the regulations and procedural standards addressed in this manual, including the following:

8.16.1 Required Information on Order Memoranda/Application

- Name/Number/Other Designation of customer account
- Name of Security
- Amount of order or # shares
- Term and conditions of order
- Registered Representative
- If discretionary power is used.
- Initials of registered principal reviewing order

8.16.2 Changes to Account Name or Designation on Order Memoranda

All changes to the account name or designation (including error accounts) of unexecuted orders/transactions are required to be submitted by each RR to their designated principal for written approval prior to effecting the change. Prior to approving any such change, the designated principal will inquire as to the essential facts relative thereto and indicate his or her approval of such change in

writing on the order or other similar record of the member, which will be retained for a period of not less than three years, the first two years in an easily accessible place, as the term "easily accessible place" is used in SEC Rule 17a-4.

8.17 Customer Account Activity Review

In addition to reviewing and approving all transactions, the Supervisors or designated principal(s) shall conduct periodic reviews of customer accounts that had activity during the review period. The primary purpose of these reviews will be to detect potential sales practice problems and abuses including unsuitable recommendations, unauthorized trading and excessive trading. The reviews will entail relating the customer's financial status and objectives to the activity in the customer's account. If the above review procedures reveal suitability or other potential problems, the designated principal(s) or the Supervisor should promptly inform the CCO.

If any unauthorized or suspicious trades are detected either in the daily review or other reviews, steps will be taken to immediately investigate this activity. The steps taken may include obtaining further documents, talking to the registered representative or other involved parties, visiting (either via phone call or letter) with the customer, etc. If fraudulent or other questionable activities are confirmed, Trustmont Financial Group should take immediate steps to suspend or terminate the person involved.

The designated principal(s) or Supervisors shall evidence such reviews through reviews. With respect to customer accounts of producing managers, however, the designated principal is required to review customer statements which capture all account activity.

8.18 Incoming Mail Procedures

The following procedures and guidelines are designed to ensure compliance with SEC and FINRA rules and policies requiring Trustmont Financial Group to monitor all incoming mail, regardless of whether addressed to a registered representative or to the firm itself. The procedures should also insure that all mail received is controlled and routed in an expeditious manner. The assigned principal should supervise all procedures relating to incoming and outgoing mail.

- All incoming mail must be opened, sorted and distributed only by designated staff that have been finger-printed. All checks and securities must be immediately transmitted to the cashiering department, regardless of whom the envelope was addressed to. Any written instructions relating to securities and money movements shall be reviewed and processed only by designated staff. NOTE: Trustmont Financial Group cannot receive customer securities. Customers must be instructed to ship securities direct to our clearing firm.

- Registered representatives and other office personnel must arrange to have all personal mail (i.e., non- business) addressed to somewhere other than their respective offices. Only mail related to Trustmont Financial Group's business is to be addressed to the firm's office location.

- The designated principal is responsible for insuring that each item of mail is distributed to the appropriate individual or department.

- Copies of all letters should be kept for a period of six years and archived.

- Personnel involved in mail distribution must be instructed to immediately deliver mail to a principal

when salespersons are absent for any reason. Under no circumstances is mail to be left unattended on a salesperson's desk.

• All return mail envelopes will be opened, regardless of any notations on the envelope. However, other mail marked "Personal" or "Personal and Confidential" will be given directly to the principal for opening in the registered representative's presence.

The above outlined procedures do not apply to inter-office mail dealing with internal firm matters. Inter-office mail marked "Personal," "Confidential," or "Personal and Confidential" will continue to be delivered unopened to the addressee.

8.19 Holding Customer Mail

The firm's policy prohibits from accepting any requests or instructions from a customer to hold mail for the customer or on behalf of customer who will not be at his or her usual address for the period of his or her absence.

Supervisors are responsible for making certain that all associated persons under their supervision are aware of such prohibition and comply as such.

8.20 Outgoing Mail Procedures

Outgoing written and electronic correspondence are subject to the firm's policies and procedures set forth in the "Communications with the Public" section of this manual.

8.21 Handling of Returned Mail

Returned mail received at the branch locations must be forwarded to the firm's Home Office. Once forwarded to the Home Office, it would be handled as though it was returned to the Home Office.

8.22 Assignment of Representatives to Supervisors

Each registered representative shall be assigned to a registered principal who shall be responsible for supervising the activities of the representative. The firm's Registrations Department will communicate and notify such assignment with and to both Registered Representative and his or her assigned Supervisor, however, Trustmont acknowledges that they use a "team" approach to supervise, and no single principal is responsible for a registrant.

8.23 Supervision of Off-Site Personnel

All individuals (both registered and unregistered) associated with Trustmont Financial Group are considered "Associated Persons" for purposes of FINRA compliance, regardless of whether they are registered or unregistered whether they are engaged in separate businesses or classified as "independent contractors" for compensation purposes. Accordingly, they are subject to supervision by Trustmont Financial Group. Therefore, the following must be carried out (as applicable) and enforced by Trustmont Financial Group:

- Education of personnel as to their responsibilities, including prohibited sales practices;
- Maintenance of a schedule of regular contact with such off-site individuals;
- Supervision of off-site personnel by, or through
    - ✓ Inspections and audits, including reviewing customer accounts and other records, sales

methods, and at least an annual inspection of OSJs,

- ✓ Reviewing correspondence and sales literature to ensure written approval by the firm and compliance with applicable regulations,
- ✓ on-site review of any individuals designated responsibility for reviewing other registered persons' activities,
- ✓ Ensuring compliance with the Private Securities Transactions Rule - Conduct Rule 3040,
- ✓ Ensuring compliance with FINRA Rule 3220 (Influencing or Rewarding Employees of others). A broker/dealer or associated person is prohibited from giving anything in excess of $100 value per individual per year in relation to the business of the recipient's employer, unless such employer consents by written agreement. (This is applicable as well to associated persons of another member firm.),
- ✓ Ensuring compliance with the firm's communications requirements.

All retail and institutional communications must be approved by signature, or initial, of the Supervisor and/or the firm's designated principal, or his/her designee, prior to use.

The firm's President and/or PRESIDENT should conduct continuous review of the number of registered representatives to determine if an adequate number of principals are in place for proper supervision.

8.24 Heightened Supervision

Trustmont Financial Group acknowledges that heightened supervision procedures and special educational programs may be required pursuant to Notice To Members 97-19, Regulatory Notice 18-15 and/or by regulation for an Associated Person whose record reflects disciplinary actions or sales practice events. Trustmont Financial Group will institute heightened supervision for registered representatives and others when appropriate. The following sections describe Trustmont Financial Group's procedures for identifying registered representatives subject to heightened supervision and the types of supervision that may be conducted.

8.24.1 Identifying Registered Representatives for Heightened Supervision

It is the responsibility of PRESIDENT to identify registered representatives for potential heightened supervision. Registered representatives will be identified at the time of hire or when a registered representative becomes subject to events, such as regulatory actions, customer complaints, or other potential misconduct, triggering heightened supervision consideration. Individuals who were previously registered and the subject of customer or regulatory complaints are also subject to consideration for heightened supervision.

8.24.2 Criteria for Identifying Candidates for Heightened Supervision

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

- Three or more customer complaints alleging sales practice abuse within the past two years (complaints include written complaints, arbitrations, other civil actions);
- Complaint filed by a regulator;

- Injunction in connection with an investment-related activity
- Termination for cause or permitted to resign from a former employer where the termination appears to involve a significant sales practice or regulatory violation
- Employment with three or more broker-dealers in the past five years

8.24.3 Heightened Supervision Memorandum

When a candidate is identified for possible heightened supervision, in consultation with the registered representative's supervisor, will consider whether heightened supervision will be established. After the determination is made, the firm will prepare a memorandum outlining action taken (or not taken).

8.24.4 Scope of Potential Heightened Supervision

Heightened supervision will be established after considering the specifics that apply to the registered representative. Heightened supervision may take many forms and may include some of the following, to be determined by the firm's Senior Management team. This list does not limit or prescribe how heightened supervision should be structured for any one registered representative, since each case must be reviewed individually.

- Limits on type of business
- Limits on types of accounts (discretionary, certain age groups or other demographics, etc.)
- Verification with customers of new account information when accounts are opened
- Pre-approval of some or all trades entered
- Pre-approval of certain types of accounts
- Contact with customers by the registered representative's designated supervisor
- Pre-approval of all written public communications originated by the registered representative
- Extra training or continuing education in areas subject to heightened supervision

8.25 Review of Written Supervisory Procedures

The CCO shall regularly monitor changes to: i) the firm's business; and ii.) regulatory standard, and shall conduct periodic, and no less than annual, assessments of the firm's businesses and recent rule enactments and amendments which verify that the firm's procedures reasonably address all relevant rules and regulations. The CCO shall amend the firm's written supervisory procedures as appropriate within a reasonable time following the detection of necessary changes. Trustmont Financial Group's President shall review, approve and authorize all changes to the firm's written supervisory procedures. The CCO shall be responsible for communicating all procedural and policy changes in the amended WSPs to appropriate personnel and departments responsible for the implementation of changes.

8.26 Application of Written Supervisory Procedures

The securities activities engaged in by the firm are designated on its Form BD and detailed in other regulatory documentation, such as the firm's membership agreement. To the extent that this procedures manual addresses business areas not conducted by the firm or relevant to the firm at the present time, the related policies and procedures are incorporated for reference only as these areas of business may become

relevant to the firm in the future.

8.27 Review and Compliance with Membership Agreement

To the extent TFG is subject to a FINRA membership agreement, the CCO shall be responsible for periodically affirming the firm's compliance with all terms, conditions, and restrictions set forth. No less than annually, the CCO shall review the membership agreement in order to verify the firm's compliance.

8.28 Designation of Registered Principals

A designated registered principal must be assigned and given authority to carry out the supervisory responsibilities for each type of business engaged in (including general securities, mutual funds, variable annuities, governments, investment banking, municipals and options). Designated principals are permitted to delegate supervisory responsibilities to other qualified principals who they have direct supervisory authority over. All such designations may become effective only after written approval[3] is given by the firm's President. As required by Conduct Rule 3010 of FINRA Rules, Trustmont Financial Group maintains a written record of principal designations (see Appendix).

The firm's PRESIDENT will be responsible for monitoring designation of principals.

8.29 Approval of New and Modified Products

When TFG introduces a new product, to ensure that the firm and its registered representatives offer only products that are reasonably suitable to some customers and to ensure that the firm and its registered representatives are in compliance with the rules and regulations, the following procedures concerning new products have been established:

- ✓ How to identify a new product
- ✓ How to conduct due diligence of a new product
- ✓ Who must conduct due diligence
- ✓ Approval

The firm's PRESIDENT will be responsible for conducting the product due diligence.

8.29.1 New Product Definition

Any products and/or services meeting at least one of the following criteria are considered a new product and therefore, subject to the new product vetting policies and procedures as set forth herein:

- ✓ The product is new to the firm pursuant to FINRA Rule 1017 filing and approval;
- ✓ Expansion of product availability (i.e.., expanded distribution to include institutional investors and retail investors, etc.);
- ✓ An existing product requiring material operational or system changes;
- ✓ An existing product being offered in a new geographic region, a new currency, or to a new type of customer;
- ✓ An existing product with a new or significant change in sales practices; or
- ✓ A product that raises concerns which were not previously identified and addressed.

[3]The President's approval either via written response or negative consent on proposed or suggested WSP and its Appendix will be deemed to be sufficient.

8.29.2 New Product Due Diligence

Once a product is identified as a new product, the firm's PRESIDENT will conduct due diligence to ensure that:

- ✓ The firm and its registered representatives understand the features of the product;
- ✓ The firm and its registered representatives understand the potential risks and rewards associated with the product; and
- ✓ The firm meets its responsibilities of establishing a reasonable-based suitability with the product.

Please note that the firm will not conduct any product related due diligence for the purpose of complying with FINRA Rule 2111 unless offering the product requires a selling agreement with the product provider or sponsor. Therefore, each Registered Representative is responsible for conducting due diligence on each product they recommend to their customers.

8.29.3 Heightened Supervision of Complex Products

Due to the fact that complex products present an additional risk to retail customers because of its complexity, the firm may impose heightened supervision on certain complex products. The PRESIDENT is responsible for determining heightened supervision requirements of complex products.

Complex products may include:

- ✓ Any product with multiple features that affect its investment returns differently under various scenarios is potentially complex (This is particularly true if it would be unreasonable to expect an average retail investor to discern the existence of these features and to understand the basic manner in which these features interact to product an investment return);
- ✓ Asset-backed securities that are secured by a pool of collateral such as mortgages, payments from consumer credit cards or future royalty payments on popular music, may be difficult for retail investors to understand. (With these securities, the creditworthiness of the underlying borrowers or the existence of prepayment risks, though critical to the evaluation of the product, may not be readily apparent to retail investors. Similarly, unlisted REITs may present liquidity and valuation issues for a retail investor);
- ✓ Products that include an embedded derivative component that may be difficult to understand, such as those:
  - In which repayment of principal or payment of yield depends upon a reference assets, when information about the performance of the reference asset is not readily available to investors. An example is structured notes with an embedded derivative for which the reference asset is a constant maturity swap rate.
  - That provide for different states returns throughout the lifetime of the product. For example, steepener notes typically offer a relatively high teaser coupon rate for the first year, after which they offer variable rates determined by the steepness of a yield curve. Similarly, some firms have offered structured notes with payoffs contingent on whether one or more reference asset performs within a certain range.
  - Under which the investor might incur a capital loss as a result of the fall in the value of

the reference asset without being able to participate in an increase in its value. So called reverse convertible notes may fall into this category.

- In which a change in the performance of the reference asset can have a disproportionate impact on the repayment of capital or on the payment of return. For example, knock in or knock out features associated with reverse convertible notes, in which a drop in the value of the reference asset to a pre-defined level, can affect determination of an investor's gains or losses.

✓ Products with contingencies in gains or losses, particularly those that depend upon multiple mechanisms, such as the simultaneous occurrence of several conditions across different asset classes. An example is range accrual notes for which the return of principal can depend upon the value of two or more reference assets on certain pre-defined dates;

✓ Structured notes with worst-of features, which provide payoffs that depend upon the worst performing reference index in a pre-specified group. These notes can limit the return of principal at maturity if either the reference index falls by a stated percentage or if any of the reference indices decline in value since the date of issue;

✓ Investments tied to the performance of market that may not be well understood by many investors. For example, some exchange traded products offer retail investors exposure to stock market volatility. Some of these products also provide inverse or leveraged exposure. The investable form of volatility may be in the form of futures on the CBOE Volatility Index (VIX) that reflect the market's expectation of volatility. Some investors may not understand that the product's return may not be based on VIX fluctuations actually experienced on a given day, but on the market's expectation of future volatility;

✓ Products with principal protection that is conditional or partial, or that can be withdrawn by the product sponsor upon the occurrence of certain events. Notes that can lost their principal protection based upon a stated event represent an example of a product with this feature;

✓ Product structures that can lead to performance that is significantly different from what an investor may expect, such as products with leveraged returns that are reset daily. Leveraged or inverse exchange-traded funds exemplify this feature.

Many leveraged and inverse ETFs reset daily, meaning that they are designed to achieve their stated leverage or inverse objectives on a daily basis. Their performance over longer period of time can differ significantly from what might be expected based on their daily leverage or inverse factors; and

✓ Products with complicated limits or formulas for the calculation of investor gains. For example, some structured notes have a payout structure that tracks the upside performance of a reference asset one-for-four, but if the reference asset's performance exceeds a specified threshold the payoff is reduced to a much lower, pre-set level, regardless of how it performs afterward.

9. OTHER REPORTING REQUIREMENTS

9.1 Filing Requirements under Rule 4530

9.1.1 Reporting Events Pursuant to 4530(a)

All FINRA firms must make an electronic filing of the following reportable events no later than 30 calendar days after Trustmont Financial Group knows of or should have known of the existence of any of these events.

(1) the member[4] or an associated person[5] of the member:

(A) Securities Laws or Regulation Violations - has been found to have violated any securities-, insurance-, commodities-, financial- or investment-related laws, rules, regulations or standards of conduct of any domestic or foreign regulatory body, self-regulatory organization or business or professional organization;

(B) Written Customer Complaints - is the subject of any written customer complaint involving allegations of theft or misappropriation of funds or securities or of forgery;

Please note that any written complaint involving allegations of theft or misappropriation of funds or securities or of forgery in connection with an associated person's outside business activity is also subject to the reporting requirement if the person (customer) has sought to engage in securities activities.

(C) Named Defendant or Respondent - is named as a defendant or respondent in any proceeding brought by a domestic or foreign regulatory body or self-regulatory organization alleging the violation of any provision of the Exchange Act, or of any other federal, state or foreign securities, insurance or commodities statute, or of any rule or regulation thereunder, or of any provision of the by-laws, rules or similar governing instruments of any securities, insurance or commodities domestic or foreign regulatory body or self-regulatory organization;

(D) Registration Disruption - is denied registration or is expelled, enjoined, directed to cease and desist, suspended or otherwise disciplined by any securities, insurance or commodities industry domestic or foreign regulatory body or self-regulatory organization or is denied membership or continued membership in any such self-regulatory organization; or is barred from becoming associated with any member of any such self-regulatory organization;

(E) Criminal Offenses - is indicted, or convicted of, or pleads guilty to, or pleads no contest to, any felony; or any misdemeanor that involves the purchase or sale of any security, the taking of a false oath, the making of a false report, bribery, perjury, burglary, larceny, theft, robbery, extortion, forgery, counterfeiting, fraudulent concealment, embezzlement, fraudulent conversion, or misappropriation of funds, or securities, or a conspiracy to commit any of these offenses, or substantially equivalent activity in a domestic, military or foreign court;

[4] Trustmont Financial Group
[5] Both registered and unregistered person of Trustmont Financial Group

Criminal offense means any misdemeanor or felony offense except for driving violations, e.g., speeding tickets. It would encompass DUI's (driving under the influence).

(F) Affiliations with a company - is a director, controlling stockholder, partner, officer or sole proprietor of, or an associated person with, a broker, dealer, investment company, investment advisor, underwriter or insurance company that was suspended, expelled or had its registration denied or revoked by any domestic or foreign regulatory body, jurisdiction or organization or is associated in such a capacity with a bank, trust company or other financial institution that was convicted of or pleaded no contest to, any felony or misdemeanor in a domestic or foreign court;

(G) Defendant or Respondent in Concluded Matter - is a defendant or respondent in any securities- or commodities-related civil litigation or arbitration, is a defendant or respondent in any financial-related insurance civil litigation or arbitration, or is the subject of any claim for damages by a customer, broker or dealer that relates to the provision of financial services or relates to a financial transaction, and such civil litigation, arbitration or claim for damages has been disposed of by judgment, award or settlement for an amount exceeding $15,000. However, when the member is the defendant or respondent or is the subject of any claim for damages by a customer, broker or dealer, then the reporting to FINRA shall be required only when such judgment, award or settlement is for an amount exceeding $25,000; or

(H) Statutory Disqualification – is, or is involved in the sale of any financial instrument, the provision of any investment advice or the financing of any such activities with any person who is, subject to a "statutory disqualification" as that term is defined in the Exchange Act. The report shall include the name of the person subject to the statutory disqualification and details concerning the disqualification; or

In addition, if Trustmont Financial Group internally disciplined any associated person by suspending, terminating, withholding of commissions or imposition of fines in excess of $2,500 or otherwise disciplined that person in a manner which significantly limits their activities on a temporary or permanent basis this must be reported.

Note: this filing would be separate and apart from the filing of a Form U-5 which may disclose Trustmont Financial Group's actions taken.

9.1.2 Internal Investigation and Reporting Requirements Pursuant to 4530(b)

Pursuant to 4530(b), Trustmont Financial is required to report to FINRA, but in any event not later than 30 calendar days, after Trustmont Financial has concluded or reasonably should have concluded that an associated person of the firm or the firm itself has violated any securities-, insurance-, commodities-, financial- or investment-related laws, rules, regulations or standards of conduct of any domestic or foreign regulatory body or self-regulatory organization.

Accordingly, when/if any violations or potential violations of any securities related rules and regulations are identified or reported, the firm's CCO will investigate such matters. When/if concluded that the firm's associated person or the firm itself has violated any securities related rules and regulations and also such event: (i) has widespread or potential widespread impact to the firm, customers or the markets; or (ii) has involvement of numerous customers, multiple errors or significant dollar amounts, the firm will report such event as required.

9.1.3 Statistical and Summary Information Reporting Requirement Pursuant to 4530(d)

Quarterly statistical data relating to "written[6]" customer complaints will be filed by Trustmont Financial Group if it has received a written customer complaint. If a firm has not received a written customer complaint, then no filing is required. The quarterly information is due 15 calendar days after the end of the calendar quarter in which the complaint is received.

Please note that for the purpose of this reporting requirement, customer complaints include any written grievance by customers who have engaged or have sought to engage in securities activities. Furthermore certain written customer complaints which do not require Form U-4 filing are still subject to Rule 4530(d) reporting requirement.

9.1.4 Other Filing Requirements under Rule 4530(f)

Trustmont Financial Group is also required to promptly file with FINRA copies of:

- any indictment, information or other criminal complaint or plea agreement for conduct reportable under paragraph (a)(1)(E)[7] of this Rule;
- any complaint in which a member is named as a defendant or respondent in any securities or commodities-related private civil litigation, or is named as a defendant or respondent in any financial-related insurance private civil litigation;
- any securities or commodities-related arbitration claim or financial-related insurance arbitration claim, filed against a member in any forum other than FINRA Dispute Resolution forum;
- 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 U-4, irrespective of any dollar thresholds Form U-4 imposes for notification, unless, in the case of an arbitration claim, the claim has been filed in FINRA Dispute Resolution forum.

9.2 Supervision

The regulation states the burden is on Trustmont Financial Group to make these filings no later than 30 calendar days "when it knows or should have known of the existence of any of the events mentioned above.

Accordingly, all associated persons are responsible for immediately notifying his or her immediate supervisor of the occurrence of any reportable events. The supervisor shall then transmit this information, including any related documentation, to the CCO for 4530 filings who will file the necessary information

[6] Including electronic communications

[7] 4530(a)(1)(E) is indicted, or convicted of, or pleads guilty to, or pleads no contest to, any felony; or any misdemeanor that involves the purchase or sale of any security, the taking of a false oath, the making of a false report, bribery, perjury, burglary, larceny, theft, robbery, extortion, forgery, counterfeiting, fraudulent concealment, embezzlement, fraudulent conversion, or misappropriation of funds, or securities, or a conspiracy to commit any of these offenses, or substantially equivalent activity in a domestic, military or foreign court.

electronically, or in document form (as applicable) with the SRO.

10. REGISTRATION, QUALIFICATION, AND EDUCATION

10.1 Registration Form Filings

The designated Registration/Licensing Principal or his or her designee shall be responsible for ensuring that all applicable form filings, including Forms U4, U5, BR, BD, BDW, and amendments, are submitted electronically in accordance with FINRA Rule 1010 within the proscribed time-period. This principal shall have the responsibility to review and approve the forms filed pursuant to this Rule shall be required to acknowledge, electronically, that he is filing this information on behalf of the member and the member's associated persons.

10.2 Form BD and Form BD Amendments

The designated Registration/Licensing Principal or his or her designee shall be responsible for ensuring that the firm's Form BD is kept current at all times and that all required amendments to the application are filed with FINRA not later than 30 days after learning of the facts or circumstances giving rise to the amendment.

10.3 Form BR and Form BR Amendments

The designated Registration/Licensing Principal or his or her designee shall be responsible for filing the uniform branch office registration form (Form BR) with the CRD to register new offices and for filing Form BR Amendments to reflect changes to existing offices. Compliance retains records of branch registration filings.

10.4 Appointment and Updates of Executive Representative

The designated registrations/licensing principal or his or her designee shall ensure that the firm's executive representative appointment remains current and that such person is a member of senior management and registered principal of Trustmont Financial Group. This principal, or designee, shall also review and, if necessary, update the firm's executive representative designation and contact information as required by FINRA Rule 4517 (formerly NASD Rule 1160) within 17 business days after the end of each calendar quarter. In addition, the designated registrations/licensing principal or his or her designee shall update the contact information promptly, but in any event not later than 30 days following any change in such information.

10.5 Registration Determinations

Trustmont Financial Group prohibits all of its associated persons from acting in a registered[8] capacity unless

[8]Any individual who is actively engaged, on a day-to-day basis, in the management of Trustmont Financial Group's securities business, including supervision, solicitation, conduct of business or training is required to be designated and registered as a principal.
Any individual who is actively engaged, on a day-to-day basis, in Trustmont Financial Group's securities business, including the functions of supervision, solicitation, conduct of business in securities, or training is required to be registered as a representative.

such persons are appropriately qualified and registered with FINRA. Each designated principal is responsible for evaluating new employees' job functions and determining whether the functions require the individuals' registration with FINRA. If so, the designated principal shall ensure that a Form U-4 is promptly filed with FINRA and the appropriate examinations are requested. Under no circumstances, may individuals be allowed to function in the capacity of representatives or principals unless they are registered with FINRA, designated by Trustmont Financial Group to serve in this capacity, and have passed the necessary qualification examinations.

10.6 Procedures of Hiring Representatives

10.6.1 Recruiting

A potential representative can initiate contact with us through several methods and we may have initiated contact first. Regardless of how the contact was made, the following procedures will apply.

10.6.2 Background Checks

The Designated Principal will be responsible for conducting a background on each applicant. Before an offer of association is made to a potential registered representative each person's experience, qualifications, character and business repute shall be investigated as required by FINRA Rule 3110 (formerly NASD Rule 3010**).**

Each member shall have the responsibility and duty to ascertain by investigation the good character, business repute, qualifications, and experience of any person prior to making such a certification in the application of such person for registration with this Association. Where an applicant for registration has previously been registered with the Association, the member shall review a copy of the Uniform Termination Notice of Securities Industry Registration (Form U-5) filed with the Association by such person's most recent previous FINRA member employer, together with any amendments thereto that may have been filed pursuant to Article V, Section 3 of the Association's By-Laws. The member shall review the Form U-5 as required by this Rule no later than sixty (60) days following the filing of the application for registration or demonstrate to the Association that it has made reasonable efforts to comply with the requirement. In conducting its review of the Form U-5 and any amendments thereto, a member shall take such action as may be deemed appropriate.

Where an applicant for registration has been previously registered with a registered futures association ("RFA") member that is or has been registered as a broker/dealer pursuant to Section 15(b)(11) of the Act ("notice-registered broker/dealer") with the SEC to trade security futures, the member shall review a copy of the Notice of Termination of Associated Person (Form 8-T) filed with the RFA by such person's most recent previous RFA member employer, together with any amendments thereto. The member shall review the Form 8-T as required by this Rule no later than sixty (60) days following the filing of the application for registration or demonstrate to the Association that it has made reasonable efforts to comply with the requirement. In conducting its review of a Form 8-T and any amendments, a member shall take such action as may be deemed appropriate.

FINRA Rule 3110(e) requires that each member firm ascertain by investigation the good character, business reputation, qualifications and experience of an applicant before the firm applies to register that applicant with FINRA and before making a representation to that effect on the application for registration.

10.6.3 Investigation Procedures and Resources for New Employees

Potential reps will complete a Pre-Hire Authorization form and a Credit Authorization and Disclosure form. After these have been signed and returned to the firm we will pull a FINRA CRD Pre-Hire Report and Credit Report. After the review of this information and after conducting a web search for additional information, if the firm is satisfied with the preliminary results, the firm will have the candidate complete a full rep registration kit. The firm may also search the National Insurance Producer Registry (NIPR).

Employment Forms

The following forms must be completed by all potential employees:

- Form U-4;
- Fingerprint Cards;
- Prior Employer Reference - A three-year (minimum) check of applicant's employment history, as set forth in the employment application, shall be conducted by the registered representative's designated principal. The check may be in written form or made by telephone.
- OBA Disclosure Form
- Outside Brokerage Account Disclosure - Written notice of whether or not an employee or his/her spouse or covered family members has an account with any securities firm;
- All required personnel and tax documentation such as IRS Form W4;
- Employment questionnaire and other documentation (if required).
- The designated registration principal shall ensure that the Firm has reviewed a copy of any Form U-5 filed by such person's most recent previous FINRA member employer, together with any amendments thereto that may have been filed, and shall retain such documentation in the firm’s files. This review shall be conducted no later than sixty (60) days following the filing of the application for registration. If not done, the designated registration principal must be able demonstrate that reasonable efforts were made to comply with the requirement.

10.6.4 Minimum Criteria Acceptable in Hiring Registered Representatives

Years of experience: The firm will not set a minimum number of acceptable or unacceptable years of experience in the securities industry. In other words, as long as an individual meets both registration and qualification requirements imposed by the industry or state(s), the individual will be considered “qualified” for the producing registered representative position.

Minimum amount of business generated: Hiring decision will not be solely based on the individual’s production. However, the individual’s production history and the productions and/or services the

individual provide to generate such business will be evaluated based on the individual's years in the business.

CRD disclosures: Disciplinary history will be taken into account. Each case will be evaluated. The firm will not set a minimum number of acceptable or unacceptable disciplinary actions. Even though the firm does not set a minimum number of disciplinary actions in making a hiring decision, when/if an individual has two or more of disciplinary actions for the same or same type of violation(s), the individual may be deemed not qualified or no longer qualified as a producing registered representative.

Number of customer complaints: Customer complaints history will be taken into account. However, due to subjectivity of each customer complaint, the firm will not set a minimum number of acceptable or unacceptable customer complaints in determining producing registered representative. Rather, each customer complaint will be evaluated for the complaint filing date, severity of CRD disclosure language (i.e., fraud), the individual's monetary contribution, and etc. Even though the firm does not set a minimum number of customer complaints in determining registered representatives, when/if an individual has two or more of customer complaints with the same or the same type of allegation(s) in two separate time period, the individual may be deemed not qualified or no longer qualified as a producing registered representative.

Product experience: Hiring decision will not be solely based on the individual's product experience. However, the firm will make certain that the individual meets both qualification and registration requirements for the products and services the individual is planning to provide to his or her customers.

Acceptance of Statutory Disqualified Person: Statutory disqualification status will be taken into account. However, an individual who is subject to statutory disqualification will not be automatically rejected. The event that is the basis for the statutory disqualification will be reviewed and the final determination will be made by the firm's PRESIDENT based on his person opinion after review of the event and interview with the individual. In no event shall the firm permit any statutory disqualified person to associate with the firm in any respect until the MC-400 application is approved by FINRA.

Exception

When the firm has a reason[10] to believe that an individual is qualified as a producing registered representative but does not meet the firm's certain criteria, the firm's PRESIDENT, in his or her discretion, will make a hiring determination. Prior to making such a decision, the PRESIDENT will conduct an interview with the individual and will provide appropriate or additional training, if needed. The exception memo will be generated by the PRESIDENT, the memo will include, at least:

- Why the individual does not meet the firm's criteria
- What action(s) the firm took or will take to accommodate or conciliate such deficiency

[10] By obtaining the individual's licensing and registration information via CRD.

- Summary of the interview
- The date of such exception granted

The firm's CCO may propose or request the individual's heightened supervision.

10.7 Form U-4

Applications for employment of registered representatives are prepared by the prospective employee on Form U-4. The designated registration principal shall ensure that Trustmont Financial Group retains in its files a manually completed and signed Form U4 for each of its representatives. This Form must be completed in its entirety. All Form U-4s shall be reviewed and signed by a designated principal before electronic submission to FINRA/CRD and other regulatory agencies and respective exchanges. Communication with former employers, as required by Form U-4 in order to verify the employment history of new representatives, shall be carried out by the designated registration principal or designee.

10.7.1 When a Form U-4 Must Be Updated

Registered representatives are under a continuing obligation to amend and update information required by Form U-4 as changes occur. Furthermore, any status change(s) to the items or events disclosed pursuant to section 14 (Disclosure Questions) of Form U4 must be also updated in a timely manner.

All changes must be notified to the Supervisor and the firm's Registrations Department. Registered representatives are responsible for making certain that information on their form U-4 is current at all times and all changes and updates are made in a timely manner as required.

Supervisors are responsible for monitoring Form U-4s of the registered persons under their supervision. The firm's designated Registration/Licensing Principal or his or her designee will retain a copy with original signatures of the initial Form U4 and amendments to DRPs U4, if required, in the rep file.

10.7.2 Form U4/Form U5 Amendment Late Filing Fees

Background

Article V, Section 2(c) of FINRA By-Laws requires that Forms U4 and U5 be "kept current at all times by supplementary amendments that must be filed with FINRA not later than 30 days after learning of the facts or circumstances giving rise to a reporting obligation". If the filing involves a statutory disqualification as defined in Section 3(a)(39) and Section 15(b)(4) of the Exchange Act, "such amendment must be filed not later than 10 days after such disqualification occurs".

FINRA's Late Disclosure Fee FAQ's explains the circumstances that will result in a firm being assessed a late fee of $100 for the first day a form filing is late and $25 for each subsequent day, up to a maximum of $1,575 when it fails to timely report a new disclosure event or a change in the status of a disclosure event previously reported on an initial Form U4, an amendment to a Form U4, or an amendment to a Form U5.

Designated Supervising Principal

While activities relating to the maintenance of U4s and U5s on WebCRD may be undertaken by various

individuals within this Firm including Licensing and Registration, Senior Management has oversight responsibilities for ensuring amendments are handled in such a manner as to comply with applicable rules and regulations.

Supervisory Review Procedures and Documentation

Individuals failing to timely disclose information which may require a form filing amendment may be required to explain, in writing, why the failure occurred and may face internal sanctions.

Registered representatives through quarterly mandatory webinars, annual compliance meetings, branch examinations, and at various other times, are reminded of their obligation to review and ensure the information contained in their U4 is accurate and complete. Registered representatives are required to certify on an annual basis the accuracy and completeness of the information contained in their U4. This is accomplished through the Annual Compliance Questionnaire. Documentation will be maintained in the Firm's Compliance records.

During branch office examinations, registered representatives are required to review their U4. If no changes are necessary, the registered representative will sign and date the first page of the report. If updates are required, the registered representative will place in writing the necessary changes. Compliance will notify Licensing and Registration of the required amendment(s). Documentation will be maintained in the Firm's Compliance records.

The supervising principal or his/her designee will oversee the timely filing of U4 and U5 amendments via monitoring of queues for open work to ensure amendments are handled in a timely manner.

Amending Form U5

If the Firm obtains information on a terminated individual regarding a possible disclosure event which may require a U5 amendment, our licensing and registration department, with oversight from Senior Management, is responsible for ensuring that the form is updated with a copy of the amendment sent to the previously associated individual at the address currently appearing on WebCRD. The amended U5 will be filed within 30 days of learning of facts of any reportable event. Documentation of such actions will be maintained in the firm's records.

10.8 Disclosure to New Employees

The designated principal shall ensure that associated persons hired by Trustmont Financial Group are provided with the following written statement whenever the associated person is asked to sign a new or amended Form U-4.

The Form U-4 contains a pre-dispute arbitration clause. It is in item 5 on page 4 of the Form U-4. You should read that clause now. Before signing the Form U-4, you should understand the following:

- You are agreeing to arbitrate any dispute, claim or controversy that may arise between you and your firm, or a customer, or any other person that is required to be arbitrated under the rules of the self-regulatory organizations with which you are registering. This means you are giving up the right to sue a member, customer, or another associated person in court, including the right to a trial by jury, except as provided by the rules of the arbitration forum in which a claim is filed.
- A claim alleging employment discrimination, including a sexual harassment claim, in violation of a

statute is not required to be arbitrated under FINRA rules. Such a claim may be arbitrated at FINRA only if the parties have agreed to arbitrate it, either before or after the dispute arose. The rules of other arbitration forums may be different.

- Arbitration awards are generally final and binding; a party's ability to have a court reverse or modify an arbitration award is very limited.
- The ability of the parties to obtain documents, witness statements and other discovery is generally more limited in arbitration than in court proceedings.
- The arbitrators do not have to explain the reason(s) for their award.
- The panel of arbitrators may include arbitrators who were or are affiliated with the securities industry, or public arbitrators, as provided by the rules of the arbitration forum in which a claim is filed.
- The rules of some arbitration forums may impose time limits for bringing a claim in arbitration. In some cases, a claim that is ineligible for arbitration may be brought in court.

10.9 Fingerprinting

The designated Registration/Licensing Principal or his or her designee will ensure that all associated persons (both registered and unregistered) who are not exempt from the requirements of SEC Rule 17f-2 are fingerprinted within 30 days of association with the firm. All fingerprints will be submitted to the FBI via FINRA. Upon return of any RAPP sheet, the designated principal will evidence review of the RAPP sheet and communicate the information in the RAPP sheet to the representative’s designated principal.

10.10 Statutorily Disqualified Individuals (“SDIS”)

Prior to hiring any person, including those being considered for clerical or ministerial positions, the firm is responsible for determining whether the person is statutorily disqualified pursuant to federal and/or SRO regulations. Such determinations shall be made in accordance with the firm’s hiring procedures, interview processes, background checks, and fingerprinting procedures. Should the firm determine to hire any SDI in the future, it shall develop a comprehensive heightened supervision plan and incorporate such plan in the required Form MC-400 application. The PRESIDENT shall sign-off on the MC-400 application and heightened supervision plan. In no event shall the firm permit any SDI to associate with the firm in any respect until the MC-400 application is approved by FINRA.

10.11 Form U-5

Upon termination of a registered person, the Firm shall electronically file a Form U-5 with FINRA and other regulatory authorities within 30 days of termination. The firm shall also provide a copy of the Form U-5 to the terminated person within 30 days of termination. The designated Registration / Licensing Principal or his or her designee is responsible for making certain that a Form U-5 has been filed and provided a copy to the registered person in a timely manner.

Upon employing an individual previously registered with another broker/dealer, Trustmont Financial Group shall request and obtain a copy of the individual's Form U-5 within 30 days of submitting the individual's Form U-4. Upon request by the Firm, the individual is required to provide the Form U-5 within two business days, if the Form U-5 had been previously provided to the person by his or her former employer. (The firm may obtain a copy directly from the CRD system when/if available). If a former employer has failed to

provide the Form U-5 to the applicant, the applicant is required to promptly request a copy of the Form U-5 and provide it to Trustmont Financial Group within two business days of receipt.

10.12 Parking Licenses

Firms may only register principals and representatives who intend to engage or are engaged in the securities business. "Parking" inactive licenses to avoid retaking exams is prohibited.

10.13 State Registration

Trustmont Financial Group also prohibits all persons from transacting business in any state, as a broker/dealer or agent, unless the person is registered under that state's blue sky laws, as required. Trustmont Financial Group will not allow an employee to act as a sales agent until such time as that individual is fully registered under all applicable state rules and regulations.

10.14 Activities of Unregistered Persons

10.14.1 Hiring Unregistered Persons

Broker-dealers are required to conduct a reasonable investigation of all persons' (both registered and unregistered) background to determine that they are not statutory disqualified from becoming associated with a broker-dealer.

Accordingly, when registered representatives hire unregistered persons in their business location, the following procedures must be followed:

- Unregistered persons who have or will have access to the firm's books and records are required to be fingerprinted;
- During the pre-hire interview of an individual, the registered representative should ensure that if the individual is or was, with another broker-dealer, his or her fingerprints are indicated on the system as "clear". (this review will allow the firm to be aware of circumstances that could possibly subject the individual to statutory disqualification);
- Submit a "New Application for Non-Registered Fingerprint Person" form; and
- Limit the access until the registered representative receives a "clear" notification from the firm's Registration Department.

Please note that any notices received from FINRA/CRD indicating anything less than "clear" for the fingerprints it may require that the registered representative terminates or disassociates the individual's association with the branch and the firm.

In addition, when an unregistered person terminates his or her association, such termination must be communicated to the firm's Registration Department to ensure that the unregistered person's access to the customers' nonpublic confidential information has been disabled.

10.14.2 Unregistered Persons' Responsibilities

Unregistered persons are also subject to certain rules and regulations including the firm's internal policies and procedures. Unregistered persons are responsible for complying with the following, but not limited to:

- Private Securities Transaction
- Personal Securities Transaction
- Gift and Gratuities
- Protection of Customers' Non-Public Information
- Insider Trading
- Anti-Fraud

The above mentioned requirements are only part of what unregistered persons should comply with. All unregistered persons should be also familiar with the rules and internal policies and procedures.

10.14.3 Limited Activities

Trustmont Financial Group shall observe the following guidelines relating to the activities of unregistered persons:

- Unregistered persons may not discuss general or specific investment products or services offered by the firm, pre-qualify prospective customers as to financial status and investment history and objectives, or solicit new accounts or transactions.
- Trustmont Financial Group will provide unregistered persons with orientation and training that specifically addresses the limitations of such persons' activities, the regulatory consequences of exceeding these limitations, and the fact that such persons are associated persons of the member, subject to the rules of FINRA and its disciplinary authority.
- Trustmont Financial Group will conduct a reasonable investigation of such persons' backgrounds to determine that they are not statutorily disqualified from becoming associated with Trustmont Financial Group.
- Unregistered persons are regarded as employees of Trustmont Financial Group and should not be compensated on any basis other than salary or hourly wage.
- Trustmont Financial Group will take reasonable steps to assure that the activities of unregistered persons are consistent with applicable state statutes and rules and with the rules of other SROs, if applicable.
- Trustmont Financial Group will review the activities of unregistered employees to ascertain that such persons are not functioning in a manner requiring registration.

FINRA has clarified the circumstances under which a member may employ unregistered persons ("cold callers") to contact prospective customers. Accordingly, unregistered persons of Trustmont Financial Group may contact prospective customers for purposes of:

- Extending invitations to firm sponsored events at which any substantive presentations and account or order solicitation will be conducted by appropriately registered personnel;
- Inquiring whether the prospective customer wishes to discuss investments with a registered person; and
- Determining whether the prospective customer wishes to receive investment literature from the firm.

10.15 Renewal Procedures

Trustmont Financial Group is required to renew annually its registration with FINRA and all states in which it is registered, as well as to renew all registered representative registrations. This is accomplished, with few exceptions, through FINRA Central Registration Depository ("CRD") at year-end, usually mid-December.

A designated principal will review the CRD renewal rosters, and process them accordingly to renew the firm and registered representative registrations on a timely basis.

The firm will also file Amendments to Form BD as required, including notice of transfer of control, name change, material changes to Form BD, and opening and/or closing of branch offices.

Supervision

A designated principal is responsible for insuring that all required Form U-4 and U-5 filings are filed promptly and accurately. Although the registration forms may be completed by other persons, all forms should be provided to the PRESIDENT or President for his review and written approval before filing with CRD. All principals designated to supervise unregistered persons shall be responsible for ensuring that unregistered persons' activities conform to the aforementioned policies and regulatory restrictions.

10.16 Continuing Education

There are two elements to the continuing education rule: 1) Regulatory Element which will encompass all registered personnel, and 2) Firm Element which would be applicable to registered producing personnel in sales, trading, and investment banking positions who conduct business with customers (retail or institutional) and their first-level immediate supervisors.

10.16.1 Regulatory Element

All registered persons are required to take the appropriate Regulatory Element module on the second anniversary of their registration, and every three years thereafter. Persons subject to the program will have 120 days after the anniversary date to meet the requirements of the Regulatory Element.

If they do not meet this requirement, then the person will be inactive until they meet said requirement. Any person whose registration is deemed inactive will be required to cease all activities as a registered person, will be prohibited from performing any duties and functioning in any capacity which requires registration, and will be prohibited from receiving any sales-based compensation during this time period.

Persons registered in any kind of a principal capacity will take a principal-level module instead of the module taken by general securities representatives. Persons registered as principals/supervisors will continue to take the current Regulatory Element Program until implementation of the new Supervisor Program.

Each registered person must attend all required regulatory element training at a designated testing. The Regulatory Element will be delivered through a computer-based program in a series of realistic situations and interactive instructions related to those situations

10.16.1.1 *Computer Based Training*

As of January 4, 2016, the S101 Regulatory Element Program will be available through the CE

Online Program. Individuals who have an S101 CE enrollment window that is open on January 4, 2016, may take it using FINRA CE Online System™ instead of going to a testing center. The session will need to be completed by the required end date of their Regulatory Element CE 120-calendar-day window. Please see FINRA's CE Online Web page for further information about satisfying the S101 Regulatory Element Program via CE Online.

10.16.2 Supervision of Regulatory Element Requirements

The designated Registration/Licensing Principal or his or her designee shall track Regulatory Element requirements by accessing WebCRD and all applicable queues. The designated Registration/Licensing Principal or his or her designee shall also be designated FINRA CE Contact Person. A memorandum regarding a registered person's anniversary requirement for the Regulatory Element will be disseminated to the targeted registered representative, notifying him/her of the need to complete the Computer Based Training (CBT) within the 120-day window. The Registration/Licensing Principal or his or her designee may, at his or her discretion, determine additional contact with the registered person is needed or take any other action deemed appropriate to assure each person complies with the Regulatory Element requirement.

The Registration/Licensing Principal or his or her designee shall communicate the impending inactive status of any registered representative to person's designated supervisor at least 3-days prior to the representative becoming inactive. The Registration/Licensing Principal or his or her designee will track registered persons to ensure they sit for CBT. Should the individual fail to complete the Regulatory Element within the proscribed time period, such person's registration will be deemed inactive and that person may not act in any capacity requiring registration. As a result, such person may not be physically present at the firm, may not contact or communicate with customers, or earn or receive commission-based compensation until such time as they have complied with the Regulatory Element. The Registration/Licensing Principal or his or her designee shall communicate the impending inactive status of any registered representative to person's designated supervisor (Supervisor) at least 3-days prior to the representative becoming inactive. The Supervisor will monitor inactive registrations. The Supervisor shall be responsible for ensuring that the representative complies with Trustmont Financial Group's and regulatory requirements for inactive representatives. Any registered representative who becomes inactive may, at the discretion of Trustmont Financial Group, be subject to a fine or termination.

10.16.3 Firm Element

The Firm Element will be applicable to registered producing personnel in sales, trading, and investment banking positions who conduct business with customers (retail or institutional) and their first-level immediate supervisors. The CCO shall be responsible for ensuring that the firm's needs analysis and trading plans are updated annually.

Beginning January 1, 1996, securities firms will have to provide annual training for their personnel in keeping with their job functions and products. Such training would emphasize both product knowledge and sales practices. Trustmont Financial Group will have to demonstrate the reasonableness of its programs (for their size, organization, and nature of business) through internal records upon request or in the course of routine regulatory examinations. The training materials can be developed internally

or an outside vendor can be utilized. This can be done individually or combined with the annual compliance meeting. Training materials and Firm Element Completion Records should be retained by the Firm. The Firm Element Training can be done individually or combined with the annual compliance meeting.

10.16.4 Supervision – Firm Element

The purpose of the Firm element is to better serve investors by fostering higher standards of proficiency and professionalism by ensuring that all covered persons are trained regularly and in acceptable depth on investments or services in which they deal. Keeping the firm element purpose in mind, the CCO will conduct and prepare a written "needs analysis" which is an assessment of Trustmont Financial Group's own key factors. The needs analysis forms the basis for establishing training priorities and drafting a written training plan. This will analyze the range of factors impacting Trustmont Financial Group's training needs. Key factors of the needs analysis may include:

- Legal and regulatory developments
- New products and services
- Economic conditions
- Complaints
- Market performance
- Business plans (adding or deleting product lines)
- Arbitration/litigation
- Marketing strategies
- Organization-wide input/feedback
- Supervisory needs

After the needs analysis has been concluded, Trustmont Financial Group will then write a training plan based on this needs analysis which describes what will be done. The plan will set forth the following:

- Specific training needs and programs
- Link programs to specific individuals or groups if necessary
- Identify training medium
- Establish time frame for delivery
- Allow for appropriate feedback

After the plan has been written, the CCO must monitor all required training and ensure that the training plan is adequately implemented. In addition, documentation must be obtained and retained in Trustmont Financial Group's files evidencing the provision of all required training.

Each year the CCO will review the needs analysis to make sure it still accurately addresses Trustmont Financial Group's training needs. In addition, the CRD reports from the Regulatory Element will be analyzed for common patterns of deficiencies and areas that additional work may be needed. The

results and internal feedback from the previous year's continuing education will also be reviewed and analyzed. After this review, the training plan will be revised according to the results. All revisions and amendments will be made in writing.

Record Retention: The Firm shall retain evidence of persons who received training for a period of three years. The firm shall maintain the training material from the Firm Element training for three years.

11. NEW ACCOUNT REQUIREMENTS

11.1 Regulation S-P

The Gramm-Leach-Bliley Act was enacted to protect the privacy of consumer information. Regulation S-P was adopted by the SEC in response to this Act. Pursuant to Regulation S-P, Trustmont Financial Group has adopted the following standards for ensuring compliance:

Trustmont Financial Group's policy prohibits any sharing of nonpublic information concerning Trustmont Financial Group's customers with any non-affiliated third party unless the customers authorize such sharing in writing, or if such sharing is necessary to open the customer's account or to settle a transaction in the customer's account;

Trustmont Financial Group will ensure that all non-institutional customers are provided with the written disclosure required by Regulation S-P contemporaneous with the establishment of their accounts. The firm will retain documentation sufficient to evidence provision; Trustmont Financial Group will ensure that all non-institutional customers are provided with the required annual written disclosure on a timely basis. The firm will retain documentation sufficient to evidence provision.

Trustmont Financial Group has adopted a Privacy Policy which is provided to customers at the time a new account is opened. Notice is also sent to all customers on an annual basis. The Privacy Policy explains the Firm's policies regarding safeguarding of customer information and records and whether Trustmont Financial Group shares information with outside parties. Trustmont Financial Group also publishes its Privacy Policy on its web site, should one exist.

SEC Regulation S-P (Privacy of Consumer Financial Information) applies only to accounts for individuals (i.e., institutional accounts are not affected) and differentiates between customers, where Trustmont Financial Group has an established relationship with the individual, and consumers, where there is no pre-established relationship. For purposes of this section, any individual from whom information is obtained (and their legal representative acting on their behalf) to open an account or to obtain services or products from Trustmont Financial Group is considered a customer. The term consumer will be considered synonymous with customer for purposes of this section.

The Privacy Policy applies to all individual customers of Trustmont Financial Group, whether U.S. residents or foreign residents.

11.1.1 Public vs. Non-Public Personal Information about Customers

Generally, information provided to Trustmont Financial Group by a customer or potential customer in the normal course of Trustmont Financial Group offering a product or service is considered nonpublic personal information. Identifying whether information is public or nonpublic is important as to the

Firm's obligations if Trustmont Financial Group shares information with nonaffiliated third parties. Public information is information that Trustmont Financial Group reasonably believes may be obtained from three sources:

- Federal state or local government records;
- Widely distributed media; or,
- Disclosures to the general public that are required to be made by federal, state, or local law.

Nonpublic personal information also includes any list, description, or other grouping of customers (and publicly available information about them) that is derived from financial information that is not publicly available.

11.1.2 Sharing Nonpublic Information

In the normal course of business, we will share customer nonpublic information with service providers such as clearing firms or service bureaus. The firm does not share customer nonpublic information with non-affiliated companies or non-exempt service providers.

Subject to applicable laws, rules and regulations, TFG's general policy is that registered representatives of TFG are allowed to retain certain of their customers' information should he or she elect to move their registration(s) to another broker-dealer.

11.1.3 Annual Notification

On an annual basis, Trustmont Financial Group will provide all customers with notice regarding the Firm's Privacy Policy.

11.1.4 Protection of Customer Information and Records

Trustmont Financial Group has adopted procedures for the administrative, technical and physical safe guarding of customer information, including the following:

- It is the Firms policy NOT to share information with nonaffiliated third parties.
- Customers will be provided the Firm's Privacy Policy at the time an account is opened.
- Computerized customer information is accessed by password protection or other established controls within the Firm's (or clearing firm's) system to ensure only authorized persons gain access. For example, sales personnel may access information regarding accounts assigned to them but not the accounts assigned to others.
- Requests for customer information from outside parties such as regulators, the IRS, and other government or civil agencies, are referred to Compliance for review and response.
- All agreements with clearing firms and other service providers include the third party's privacy policies.
- The integrity of the Firm's internal computer systems, including privacy protection, is subject to regular review.
- All hard-copy customer non-public information will be secured and stored in locked physical facilities including, but not limited to: lockable offices, file drawers and cabinets. All locks used to secure such information shall be secured daily upon the close of business.

If an associated person becomes aware that customer's non-public information security has been breached, lost, or stolen by an unauthorized party, the associated person must immediately notify the firm's Compliance Department within 24 hours of the associated person becoming aware of the theft or possible unauthorized access.

Failure to comply with this policy may result in disciplinary action up to and including termination.

11.2 Required New Account Information

A broker/dealer has the responsibility for using due diligence to learn essential facts concerning every customer. Information must be obtained about the customer's financial situation and investment objectives, approved by the principal prior to, or promptly after, the completion of the initial transaction, and reviewed periodically. It is the principal's responsibility to see that registered representatives initially obtain, and periodically update, essential facts about the customer. Information must be obtained regarding special circumstances appropriate to any unusual transactions.

11.2.1 Required Information for Individual/Joint Customer Accounts

The following is a minimal checklist of information which should be contained on a new account record regarding a particular customer:

- Customer's full name and residence;
- Signature of registered representative, principal, and customer (Customer must also sign margin agreement if a margin account.);
- Tax identification or social security number;
- Whether the beneficial owner of securities registered in street name objects to having its identity, address and securities positions disclosed to issuers;
- Money and securities handling instructions;
- Customer's financial status (including net worth, liquid net worth, annual income and funds available for investment). Note: In the case of a joint account, 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;
- Customer's tax status;
- Customer's investment objectives;
- Employment status including name and address of employer and occupation of customer;
- Whether customer is of legal age;
- Customer's date of birth;
- Customer's telephone number;
- Whether customer is an associated person of another member; and,
- Option questionnaire information (if option account).
- If discretionary, the dated signature of each customer or owner granting the authority and the dated signature of each natural person to whom discretionary authority was granted.
- Trusted contact person's name and contact information

11.2.2 Required Information for Corporations, Partnerships, Trusts or Other Entities (which are not Institutions)

When opening corporate, partnerships, trust and other legal entity accounts, the following information is required:

- Entity's full name and address;
- Signature of registered representative, principal and customer (Customer must also sign margin page for margin accounts.);
- Tax identification or social security number;
- Money and securities handling instructions;
- Net worth of entity;
- Annual net income of entity;
- Tax status of entity;
- Investment objectives of entity;
- Whether the entity is associated with a FINRA or NYSE member;
- Names of those authorized to transact business on behalf of entity;
- Signed corporate resolution form for corporate accounts;
- Signed partnership agreement form for partnership accounts;
- Signed Trust Certification of Investment Powers form for trust accounts;
- Signed sole proprietorship agreement for sole proprietorships; and,
- Option questionnaire information (if option account).

11.2.3 Required Information for Institutional Accounts

Institutions are defined as banks, savings and loans, insurance companies, investment companies, investment advisers, or other entities with assets of $50 million or more. These types of accounts should include the following information:

- Name and address of institution;
- Signature of registered representative, principal and customer (Customer must also sign margin agreement for margin accounts.);
- Tax identification or social security number;
- Whether or not the beneficial owner of securities registered in street name objects to having its identity, address and securities positions disclosed to issuers;
- Money and securities handling instructions;
- Whether customer is an associated person of another member;
- Names of those authorized to transact business on behalf of the entity;
- Signed corporate resolution form for corporate accounts; and,
- Option questionnaire information (if option account).

11.2.4 DVP/RVP Account Requirements

When a custodian/trustee institution opens a DVP account as a representative of one or more particular beneficiaries and all of the transactions in the account are solely for these beneficiaries, Trustmont Financial Group's customer is the custodian/trustee institution and the account should be opened as follows:

- Account Name: Name of custodian trustee institution (DVP) EBO
- Name(s) of beneficiary (ies) - if available

11.2.5 DVP/RVP Information Requirements

- Custodian/trustee's name and address;
- Tax identification number of custodian/trustee or beneficial owner;
- Names of individual(s) authorized to transact business on behalf of the custodian/trustee institution; Registered representative signature;
- Principal signature; and,
- Investment Advisor Certification of Trading Authorization form signed by the investment advisor (if applicable).

11.2.6 Required Information and Documentation for Managed Money Accounts

Refer to the firm's Investment Adviser Policies and Procedures Manual.

11.2.7 Wrap Fee Accounts

Refer to the firm's Investment Adviser Policies and Procedures Manual.

11.2.8 Performance Based Fees

Trustmont Financial Group does not presently accept performance based fee arrangements.

11.2.9 Pension and Profit Sharing Accounts

With respect to employee benefit plans that are customer/customers, in addition to the account form, a current copy of the plan document should be obtained and placed in the customer file. Written authorization executed by an independent fiduciary must be obtained, and renewed annually. The authorization must provide the plan with the right to terminate its trading authorization at will. In addition, Trustmont Financial Group must not be the trustee or administrator of the plan or the employer of any employee covered by the plan.

11.3 Discretionary Accounts

Trustmont Financial Group prohibits all representatives from accepting discretionary authority on customer accounts except in accordance with the following requirements:

- Explicit written approval must be obtained from the representative's designated principal prior to employing any discretionary authority;
- No activity is permitted which is excessive in size or frequency in view of the financial resources and character of such account; and
- No RR may exercise any discretionary power in a customer's account unless such customer has

given prior written authorization to the RR and the account has been accepted by Trustmont Financial Group, as evidenced in writing by the RR's designated principal.

11.3.1 Supervision of Discretionary Accounts/Transactions

Each principal designated to supervise representatives maintaining discretionary accounts have a heightened responsibility to ensure that the activity recommended is consistent with the customer's suitability profile. Such principals are required to review and approve promptly in writing each discretionary order entered and shall review all discretionary accounts at frequent intervals in order to detect and prevent transactions which are excessive in size or frequency in view of the financial resources and character of the account.

At the present time, the firm's policy prohibits our registered representatives from opening and maintaining any discretionary accounts. When/if a registered representative wishes to open a discretionary account, he or she must receive a written approval from the firm's President and/or PRESIDENT.

11.4 Margin Accounts

FINRA Rule 4210 (Margin Requirements) describes the margin requirements that determine the amount of collateral customers are expected to maintain in their margin accounts, including both strategy-based margin accounts and portfolio margin accounts. The rule explains the margin requirements for equity and fixed income securities, along with options, warrants and security futures. - See more at: http://www.finra.org/industry/interpretations-margin-rule#sthash.CSR8MJ9s.dpuf

11.4.1 Regulation T

The Securities Exchange Act of 1934 gave the Federal Reserve Board (FRB) the responsibility and authority to regulate the extension of credit on the purchase of securities. The FRB, under its Regulation T ("Reg T"), regulates the extension of credit by brokerage firms.

(The complete text of Reg T is to be found in FINRA Manual, Paragraph 4001 and contains the rules and regulations concerning the extension and maintenance of credit, the making and preservation of records, net capital rule and other matters pertinent to a broker/dealer involved in margin transactions.)

11.4.2 Margin Requirements

The FRB can change the margin requirement to either tighten (raise requirement) or loosen (lower requirement) credit. Currently (as of 1986), the FRB minimum margin requirement is 50 percent; the customer must deposit at least 50 percent (1/2) of the total purchase price, and the brokerage firm may lend the customer the remaining 50 percent.

Reg T stipulates that the deposit must be made within seven business days; an extension, however, may be granted for valid reasons and an exception is also allowed if the amount of the Reg T call is $500 or less. The broker/dealer would, in such instance, not need to request the money from the customer, but could rather add it to the amount of the loan in the account.

11.4.3 Opening of Margin Accounts

When opening a margin account, the customer must sign a margin agreement stating all of the rules

with which the customer must abide, giving the broker/dealer the right to hypothecate (pledge securities as collateral) the customer's securities at the bank to secure the call loan. The clearing firm may hypothecate securities with a value equal to 140 percent of the customer's debit balance. However, it may only borrow an amount equal to the debit balance. All securities in excess of the 140 percent of the debit balance must be segregated. All securities in margin accounts are to be held in clearing firm's name ("street name") in order for clearing firm to be able to sell these securities should the customer not meet his or her margin call.

11.4.4 Disclosures to Customers

The designated principal responsible assigned to each representative establishing a margin account on behalf of a non-institutional customer shall ensure that the customer is provided, prior to or at the time of opening the account, in writing or electronically, a margin disclosure statement required by FINRA Rule 2341. This statement must be conspicuously posted to any website of Trustmont Financial Group if Trustmont Financial Group offers online trading services.

11.4.5 Restricted Accounts

The FRB requires that a customer deposit the margin requirement within seven days from the trade date. If the customer does not pay in the prescribed time and an extension is not granted, the broker/dealer must sell out the account, selling the securities to cover the margin call, and the account must be frozen. Once an account is so frozen, it must remain so for a period of 90 days. If a customer with a frozen account wishes to purchase securities in that account, he or she must deposit the full purchase price in the account before the order may be entered. If a customer wishes to sell securities in a frozen account, the firm must have possession of the securities prior to executing the transaction.

11.4.6 Regulation T Supervision

Clearing firm has direct responsibility for insuring compliance with Regulation T and hypothecation of customer securities. The cashiering and operations principals will be responsible for facilitating communications between clearing firm and Trustmont Financial Group's customer in order to promptly process Reg T calls and maintenance calls.

11.5 Day Trading Accounts

Day trading accounts require special review and pre-approval of the firm's President and CCO in writing.

11.5.1 Definitions

The term "Day-trading strategy" means an overall trading strategy characterized by the regular transmission by a customer of intra-day orders to effect both purchase and sale transactions in the same security or securities.

The term "Non-institutional customer" means a customer that does not qualify as an "institutional account" under Rule 4512(c).

The term "Pattern day trader" means any customer who executes four or more day trades within five business days. However, if the number of day trades is 6 percent or less of total trades for the five business day period.

11.5.2 Account Approval Procedures

No registered representative shall open an account for or on behalf of a non-institutional customer, unless, prior to opening the account, the registered representative has furnished to the customer the risk disclosure statement. In addition, the account must be pre-approved by both (i) the Supervisor or his or her designee and (ii) the firm's President and/or PRESIDENT.

In order to approve a customer's account for a day-trading strategy, the Supervisor or designee shall have reasonable grounds for believing that the day-trading strategy is appropriate for the customer. In making this determination, the Supervisor or designee shall exercise reasonable diligence to ascertain the essential facts relative to the customer, including:

- Investment objectives;
- Investment and trading experience and knowledge (e.g., number of years, size, frequency and type of transactions);
- Financial situation, including: estimated annual income from all sources, estimated net worth (exclusive of family residence), and estimated liquid net worth (cash, securities, other);
- Tax status;
- Employment status (name of employer, self-employed or retired);
- Marital status and number of dependents; and
- Age

11.5.3 Special Account Requirements for Pattern Day Traders

The minimum equity required for the accounts of customers deemed to be pattern day traders shall be $25,000. This minimum equity must be deposited in the account before such customer may continue day trading and must be maintained in the customer's account at all times. In the event that the registered representative at which a customer seeks to open an account or resume day trading in an existing account, knows or has a reasonable basis to believe that the customer will engage in pattern day trading, then the minimum equity requirement ($25,000) must be deposited in the account prior to commencement of day trading.

Pattern day trading accounts will be also subject to the clearing firm's day trading account requirements, such as margin and minimum maintenance requirements.

11.6 Customers on Premises of Financial Institutions

First, because Trustmont Financial Group is not a bank, the investments offered: (i) are not bank deposits and are not insured by the FDIC; (ii) are not obligations of, or guaranteed by, any affiliated bank; (iii) are not guaranteed by any federal governmental agency (excluding U.S. Government and federal agency securities); and, (iv) may fluctuate in value and may be sold for more or less than the amount invested. To the extent Trustmont Financial Group conducts business on the premises of a financial institution, it will ensure that this disclosure is imprinted on all new account applications, and communicated verbally by sales personnel.

In addition to disclosing the non-insured nature of securities, all sales representatives must inform their customers that the securities products offered by Trustmont Financial Group carry investment risks unlike bank products. It is absolutely essential that sales representatives convey an understanding of these

investment risks to their customers. Representatives must very clearly communicate and establish that their customers understand that all securities carry a degree of risk which is almost always greater than the risk associated with traditional bank products such as CDs. All applicable, material risks must be explained including credit, market and interest rate risk. Simply making the disclosure and assuming that the customer understands the difference is unacceptable. Sales representatives must go on to explain that the customer's net asset value and principal will fluctuate to a greater or lesser extent depending on the mutual fund or other security purchased and market conditions, and is subject to a loss of principal when the investment is sold.

Sales representatives must be extremely cautious when comparing CDs and other traditional bank products to securities. Such comparisons are strictly prohibited when the securities product being offered carries significantly higher risk to principal than the bank product. Although rate comparisons are permitted under certain circumstances, such as when comparing a CD rate to the rate on a U.S. government or municipal security, the comparison must also disclose the additional risks and disadvantages associated with the security, including but not limited to market risk, credit risk, sales charges, redemption fees and surrender charges.

11.6.1 Physical Setting

Each location that conducts broker-dealer services on the premises of a financial institution must:

- Be clearly identified as the person providing broker-dealer services and shall distinguish its broker-dealer services from the services of the financial institution
- Conduct its broker-dealer services in an area that display clearly the firm's name; and
- To the extent practicable, maintain its broker-dealer services in a location physically separate from the routine retail deposit-taking activities of the financial institution.

Please note that each location will be subject to: (i) the firm's internal inspection pursuant to the firm's branch inspection policies and procedures; and (ii) the regulators' (such as SEC and FINRA) inspection of the books and records and other relevant information maintained with respect to the broker-dealer services provided in the location.

11.6.2 Networking Agreements

Networking arrangements between the firm and a financial institution shall be governed by a written agreement that sets forth the responsibilities of the parties and the compensation arrangements and include all broker-dealer obligations, as applicable, set forth in Rule 701 of the SEC Regulation R.

Accordingly, the firm's CCO is responsible for making certain that the firm is in compliance with all broker-dealer obligations, as applicable, under Rule 701 of SEC Regulation R.

In addition, the firm's CCO is responsible for notifying the financial institution if any associated person of the firm who is employed by the financial institution is terminated for cause by the firm.

11.6.3 Customer Disclosure

Because Trustmont Financial Group is not a bank, the investments offered: (i) are not bank deposits and are not insured by the FDIC; (ii) are not obligations of, or guaranteed by, any affiliated bank; (iii) are not guaranteed by any federal governmental agency (excluding U.S. Government and federal

agency securities); and, (iv) may fluctuate in value and may be sold for more or less than the amount invested.

Accordingly, at or prior to the time that a customer account is opened on the premises of a financial institution, registered representatives must disclose in writing to each customer that the broker-dealer services are being provided by TFG and not by the financial institution, and that the securities products purchased or sold in a transaction are:

- Not insured by the Federal Deposit Insurance Corporation ("FDIC')
- Not deposits or other obligations of the financial institution and are not guaranteed by the financial institution; and
- Subject to investment risks, including possible loss of the principal invested

In addition to disclosing the non-insured nature of securities, registered representatives must inform their customers that the securities products offered by Trustmont Financial Group carry investment risks unlike bank products. It is absolutely essential that registered representatives convey an understanding of these investment risks to their customers. Registered representatives must very clearly communicate and establish that their customers understand that all securities carry a degree of risk which is almost always greater than the risk associated with traditional bank products such as CDs.

All applicable, material risks must be explained including credit, market and interest rate risk. Simply making the disclosure and assuming that the customer understands the difference is unacceptable. Registered representatives must go on to explain that the customer's net asset value and principal will fluctuate to a greater or lesser extent depending on the mutual fund or other security purchased and market conditions, and is subject to a loss of principal when the investment is sold.

Registered representatives must be extremely cautious when comparing CDs and other traditional bank products to securities. Such comparisons are strictly prohibited when the securities product being offered carries significantly higher risk to principal than the bank product. Although rate comparisons are permitted under certain circumstances, such as when comparing a CD rate to the rate

on a U.S. government or municipal security, the comparison must also disclose the additional risks and disadvantages associated with the security, including but not limited to market risk, credit risk, sales charges, redemption fees and surrender charges.

11.6.4 Referral Fees

Neither the firm nor its registered representatives shall compensate any employees of a financial institution incentive compensation for any brokerage business unless such employees are also registered with the firm.

Employees of a financial institution may receive compensation for the referral of any customer if the compensation is a nominal one-time cash fee of a fixed dollar amount and the payment of the fee is not contingent on whether the referral results in a transaction.

Please note that all cash compensation to any individual including employees of a financial institution must be paid by the firm. In other words, registered representatives are prohibited from directly giving any cash compensation to any employees of a financial institution.

Giving gifts or non-cash compensation to employees of a financial institution is also subject to the firm's policies and procedures. Refer to the firm's WSP on the subject.

11.6.5 Communications with the Public

Advertisements and sales literature distributed on the premises of a financial institution used by the registered representatives of a financial institution must include the following disclosures:

- Not FDIC Insured
- No Bank Guarantee
- May Lose Value

In addition, communications material must also include the location of a financial institution where broker-dealer services are provided.

11.6.6 Supervisory Responsibilities

The designated principal(s) will periodically review sales presentations and insure that the requisite disclosures are made to all new customers. In addition, registered persons will be reminded of the importance of these disclosures during periodic compliance meetings.

11.7 Customers Refusing to Provide Information

As a general rule, accounts should not be accepted if all required information is not provided by the customer. Any exception to this rule must be approved and documented by a designated principal and the PRESIDENT.

11.8 Furnishing Accounts Records to Customers

The designated principal will ensure that, for each account with a natural person as a customer or owner, there is a record indicating that:

- The firm has furnished each customer with a copy of the account record that includes the information required by paragraph (a)(17)(i)(A) of Rule 17a-3 (or an alternate document containing that information) within 30 days of the opening of the account, and at least every thirty-six months thereafter.
- The firm has obtained account record information for each customer or owner of every account and furnished the customer with a copy of the account record that includes the information required by paragraph (a)(17)(i)(A) of Rule 17a-3 (or an alternate document containing that information) within three years.
- The firm has included with the account record or alternate document prominent statements that the customer or owner should mark any corrections and return the account record or alternate document to the firm, and that the customer or owner should notify the firm of any future changes to information contained in the account record.
- The firm has furnished the customer or each joint owner, and the associated person, if any, responsible for that account, with notification of any change in the account record to the name or address of the customer or owner on or before the 30th day after the date the firm received notice of the change. If it is an address change, the notifications should be sent to

that customer's old address.

- For each change in an account's investment objectives, the firm has furnished each customer or owner and the associated person, if any, responsible for that account with a copy of the updated customer account record that includes the information required by paragraph (a)(17)(i)(B) of Rule 17a-3 (or an alternate document containing that information), on or before the 30th day after the date the firm received notice of the change (or, if the account was updated for some reason other than the firm receiving notice of a change, after the date the account record was updated).
- Each customer has been provided a copy of each written agreement entered into pertaining to the account and, if requested by the customer, he or she was furnished with a fully executed copy of each agreement.
- Each customer has been provided with a notice containing the address and telephone number of the department of the firm to which any complaints as to the account may be directed.

11.8.1 Exemption from the Account Record Information and Furnishing Requirements

The account record and furnishing requirements of Rule 17a-3(a)(17) will only apply to accounts for which a firm is, or has within the past 36 months been, required to make a suitability determination under the federal securities laws or under the requirements of a self-regulatory organization of which it is a member.

11.9 Arbitration Clause

Every firm using a pre-dispute arbitration clause in a customer agreement must highlight that clause and provide disclosures concerning the nature of arbitration and the waiver of the customer's right to litigate disputes arising under the agreement. Language in the agreement may not limit or contradict any self-regulatory organization's rules. (See NTM 89-21.)

Trustmont Financial Group's pre-dispute arbitration clause is contained on all new account applications.

11.10 Review of New Account Documentation

All new customer account applications must be reviewed and approved promptly following initial activity in the customer's account by a designated principal.

Review of Cash Accounts: The designated principal shall review each new cash account and is responsible for:

- Insuring that all supporting documents have been obtained (e.g. Corporate Resolutions, Adoption Agreements, Trustee Certification forms, Partnership Agreements, etc.);
- Insuring that new account applications have been completed in their entirety and that all required information has been obtained, including the customer's and the registered representative's signature;
- Verifying the customer's address is in a state where both the firm and the representative are registered;
- Documenting approval of the account by signing the new account application;

- As applicable, checking the investment purchased in association with the customer's financial status, age and investment objectives and determining whether the investment was suitable for the customer;
- Insuring that any required prospectus has been sent to the customer, and,
- Insuring all account documentation is properly retained.

11.11 Review of Changes of New Account Documentation

11.11.1 Changes to Customer Address and Investment Objectives

No person associated with the firm is permitted to accept/process a change in customer's address or investment objectives unless the change is submitted in documented form. All change in address requests must be signed by the customer.

The above change requests must be directed first to the principal responsible for supervision of the customer's account, and second to the principal designated for maintenance of new account documentation. The responsible principal shall follow-up on the change by sending validation letters to the customer within 30 days of the change. Such letters shall be retained in the firm's records. If any problems or concerns are detected, they must be immediately directed to the CCO.

11.12 Investor Education and Protection (FINRA Rule 2267)

Except as otherwise provided in this Rule, the Firm shall once every calendar year provide in writing (which may be electronic) to each customer the following items of information:

- FINRA BrokerCheck Hotline Number;
- FINRA Web site address; and
- A statement as to the availability to the customer of an investor brochure that includes information describing FINRA BrokerCheck.

Notwithstanding the previous requirement of this Rule,

- Any member whose contact with customers is limited to introducing customer accounts to be held directly at an entity other than a FINRA member and thereafter does not carry customer accounts or hold customer funds and securities may furnish a customer with the information required by paragraph (a) of this Rule at or prior to the time of the customer's initial purchase, in lieu of once every calendar year; and
- Any member that does not have customers or is a party to a carrying agreement where the carrying firm member complies with paragraph (a) of this Rule is exempt from the requirements of this Rule.

11.13 Retirement Plan Rollover Accounts

11.13.1 Recommending a Rollover or Transfer of Assets in an Employer-Sponsored Retirement Plan ("the plan") to an IRA

A plan participant leaving an employer typically has four options (and may engage in a combination of these options):

- Leave the money in his former employer's plan, if permitted

- Roll over the assets to his new employer's plan, if one is available and rollovers are permitted
- Roll over to an IRA
- Cash out the account value and pay taxes and penalties, if applicable

In addition, certain employer sponsored retirement plans allow its participants (currently employed with the employer) to withdraw or transfer full or part of the assets held within the employer sponsored retirement plan.

Prior to recommending a customer to roll over the plan or plan assets, either full or partial, to an IRA, registered representatives should evaluate and compare advantages and disadvantages of the options[11] available for the customer based on, but not limited to:

- Available Investment options
- Available services
- Fees and expenses
- Withdrawal options

Furthermore, registered representatives must have a reasonable basis to believe that such recommendation is suitable for the customer taking into account factors such as:

- Tax treatment and implications
- Legal ramifications (i.e., protection from creditors and legal judgments)
- Customer's unique financial needs and retirement plans

11.13.2 Securities Recommendations

When recommending a customer to withdraw or transfer either full or part of the plan assets currently held in the customer's employer (current or former employer) sponsored retirement plan for the purpose of: (i) rolling over the assets to an account(s) held with Trustmont Financial Group Corporation; and/or (ii) participating in investment(s) or transaction(s) offered or through Trustmont Financial Group Corporation, the registered representative(s) must also have a reasonable basis to believe that such recommendation is suitable for the customer.

Accordingly, registered representatives, in making a securities recommendation, must consider:

- The customer's investment profile
- The customer's age
- Other investments
- Financial situation and needs
- Tax status
- Investment objectives
- Investment experience

[11] Keeping assets in a previous employer's plan, rolling over to a new employer's plan, and rolling over to an IRA.

- Investment time horizon (i.e., expected retirement date)
- Liquidity needs
- Risk tolerance
- Other information the customer may disclose

Also refer to “Suitability” section of this manual.

11.13.3 Prohibited Sales Practice

As the firm’s policy, registered representatives are strictly prohibited from recommending customers to roll over their retirement plan account(s) or assets, either full or partial, to an IRA only for the purpose of gaining the registered representative’s economic benefit(s), such as commissions and fees, as such result.

11.13.4 Documentation Requirements

When opening a new account for or with the assets transferred or withdrawn from an employer sponsored retirement plan (either former or current), registered representatives must present their reasonable diligence on obtaining and evaluating the customer’s suitability of the recommendation(s) by completing an “IRA Rollover Acknowledgment” form. The form must be also signed by the customer.

Additional transfer or deposit(s) of an employer sponsored retirement plan asset(s) (either former or current) in an existing account with Trustmont Financial Group Corporation also requires the customer sign an “IRA Rollover Acknowledgment” form

11.13.5 Supervisory Responsibilities

Supervisors are responsible for collecting and reviewing a “IRA Rollover Acknowledgment” form to make certain that their registered representative(s)’ recommendation(s) to roll over an employer sponsored retirement plan and/or plan assets (either from former or current employer plan) to an IRA is suitable for the customer based on the options obtained through reasonable diligence, the customer’s specific needs and the customer’s investment profile.

12. STANDARDS OF CONDUCT FOR ASSOCIATED PERSONS

12.1 Prohibited Act

Associated persons are specifically prohibited from engaging in the following actions:

- Engaging in "private securities transactions", as defined by FINRA, without prior written approval from a designated principal. A registered representative may not effect securities transactions for any person or entity outside the scope of his or her employment with Trustmont Financial Group unless such prior approval is granted. This prohibition is intended to cover any investment transaction. Any registered representative who effects private securities transactions without first receiving written permission from a principal of Trustmont Financial Group may have his or her employment with Trustmont Financial Group immediately terminated.

- Transactions excluded from the above prohibition are: (a) Those subject to FINRA Rule 3050; (b) personal transactions in investment company and variable annuity securities; and (c) those transactions among immediate family members for which no associated person receives any selling compensation;
- Raising money individually or as an agent for any business enterprise whatsoever without the advance written consent of Trustmont Financial Group;
- Guaranteeing a customer against loss in connection with any securities transaction or in any securities account of such customer, or warranting or guaranteeing the present/future value or price of any security or warranting that any company, partnership, or issuer of securities will meet its obligations, promises, or comply with its representations to investors;
- Agreeing to repurchase a security at some future time from a customer for the registered representative's account, for the account of Trustmont Financial Group, or for any other account;
- Using Trustmont Financial Group's name or resources for the purpose of raising money for a charitable or political organization without obtaining written authorization from a designated principal prior to the commencement of such activity;
- Acting as personal custodian of securities, stock powers, money or other property belonging to a customer;
- Arranging for or accepting authority to be granted access to a safety deposit box or other safekeeping place belonging to a customer/customer;
- Borrowing money or securities from a customer (unless in accordance with other policies/procedures contained herein);
- Receiving compensation for securities transactions from anyone (customers or other securities dealers) for services rendered. This includes finder's fees, purchaser representative fees, investment advisory fees, and commissions of any sort. This prohibition can be waived in writing only by a designated principal in advance of any transaction;
- Making arrangements for borrowing of monies by a customer for the purpose of purchasing securities, other than through the establishment of a margin account;
- Maintaining a joint account in securities with any customer, or sharing any benefit, profit or loss with any customer resulting from a securities transaction;
- Entering into any business transaction or relationship jointly with a customer without the specific advance written approval of a designated principal;
- Making any written or oral representations regarding securities, other than those contained in the official offering prospectus, if the issue is under registration, or in materials specifically authorized by Trustmont Financial Group;
- Accepting an account from a customer on a discretionary basis;
- Making arrangements for the purchase or sale of securities for a customer/customer except through Trustmont Financial Group, unless specifically authorized by a designated principal;
- Advertising any product or service offered by Trustmont Financial Group in any newspaper or publication without obtaining written approval of a designated principal of Trustmont Financial Group;
- Offering or selling securities in any state in which the registered representative is not registered with

the state securities authority;

- Recommending the purchase of securities or the continuing purchase of securities in amounts which are inconsistent with the reasonable expectation that the customer/customer has the financial ability to meet such a commitment;
- Compensating any person, firm, or entity other than a registered representative of Trustmont Financial Group for any services rendered in connection with the sale of a security to a customer without express written advance approval of a registered principal;
- In many states (Connecticut, for example), it is prohibited for agents to represent more than one broker/dealer or issuer unless they are so affiliated by direct or indirect common control;
- Executing any transaction on behalf of a customer without authority to do so;
- Accepting cash from customers;
- Charging customers excessive markups. The SEC states that the anti-fraud provisions of the federal securities laws proscribe charging excessive mark-ups to retail customers without proper disclosure to the customers, and that rules of the self-regulatory organizations proscribe excessive mark-ups on the sale of securities in a principal transaction, regardless of whether or not the mark-up is disclosed.
- Marking the close. It is unlawful to influence the closing price of a security through the entry of trades at or near the end of the day. Trade reports to the NASDAQ System are available on request. The designated principal will periodically review trading to make certain such closing price influence is not occurring;
- Sharing directly or indirectly in the profits or losses in any account of a customer unless: (i) the RR obtains prior written authorization from Trustmont Financial Group; (ii) the RR obtains prior written authorization from the customer; and (iii) the RR shares in the profits or losses in any account of such customer only in direct proportion to the financial contributions made to such account by either the member or person associated with a member.
- Other exceptions may apply relating to RR/RIAs which also will require conformance with the exception provisions and Trustmont Financial Group’s prior written approval.
- Recommending speculative low-priced securities to customers without knowledge of or attempt to obtain information concerning the customers' other securities holdings, their financial situation and other necessary data.
- Recommending excessive activity in a customer's account, often referred to as "churning" or "overtrading."
- Excessive trading in mutual fund shares on a short-term basis.
- Engaging in fraudulent activity including: i.) establishment of fictitious accounts in order to execute transactions which otherwise would be prohibited, such as the purchase of hot issues, or to disguise transactions which are against firm policy; ii.) effecting transactions in discretionary accounts in excess of or without actual authority from customers; (iii) causing the execution of transactions which are unauthorized by customers or the sending of confirmations in order to cause customers to accept transactions not actually agreed upon; iv.) unauthorized use or borrowing of customers' funds or securities; v.) forgery; vi.) non-disclosure or misstatement of material facts, manipulations and various deceptions.

12.2 Restrictions Involving Equity IPO's

In March 2004, FINRA replaced its Free Riding and Withholding Interpretation which governed "hot issues" with FINRA Rule 2790. This Rule generally prohibits Trustmont Financial Group from purchasing a New Issue (see Rule for definition) for, and selling a New Issue to, any Restricted Person. Restricted Persons include:

- Members or other broker/dealers
- B/D personnel including any officer, director, general partner, associated person, or employee of a member or any other broker/dealer (other than a limited business broker/dealer) and any agent of a member or any other broker/dealer (other than a limited business broker/dealer) that is engaged in the investment banking or securities business; or
- An immediate family member of a person specified in paragraph #2 above if the person specified:
  - ✓ 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 who with respect to the security being offered, a finder or any person acting in a fiduciary capacity to the managing underwriter, including, but not limited to, attorneys, accountants and financial consultants; and
- An immediate family member of a person specified in paragraph #4 if the person specified materially supports, or receives material support from, the immediate family member
- Portfolio Managers who has authority to buy or sell securities for a bank, savings and loan institution, insurance company, investment company, investment advisor, or collective investment account.
- An immediate family member of a person specified in paragraph #6 that materially supports, or receives material support from, such person
- Persons Owning a Broker/Dealer including:
  - ✓ any person listed, or required to be listed, in Schedule A of a Form BD (other than with respect to a limited business broker/dealer), except persons identified by an ownership code of less than 10%;
  - ✓ any person listed, or required to be listed, in Schedule B of a Form BD (other than with respect to a limited business broker/dealer), except persons whose listing on Schedule B relates to an ownership interest in a person listed on Schedule A identified by an ownership code of less than 10%;
  - ✓ any person listed, or required to be listed, in Schedule C of a Form BD that meets the criteria of subparagraphs above;
  - ✓ any person that directly or indirectly owns 10% or more of a public reporting company listed, or required to be listed, in Schedule A of a Form BD (other than a reporting company that is listed on a national securities exchange or is traded on the Nasdaq National Market, or other than with respect to a limited business broker/dealer);
  - ✓ any person that directly or indirectly owns 25% or more of a public reporting company listed,

or required to be listed, in Schedule B of a Form BD (other than a reporting company that is listed on a national securities exchange or is traded on the Nasdaq National Market, or other than with respect to a limited business broker/dealer);

- ✓ an immediate family member of a person specified in subparagraphs above unless the person owning the broker/dealer:

- does not materially support, or receive material support from, the immediate family member;
- is not an owner of the member, or an affiliate of the member, selling the new issue to the immediate family member; and
- has no ability to control the allocation of the new issue.

Before selling a new issue to any account, each designated principal must ensure that Trustmont Financial Group has, obtained within the twelve months prior to such sale, a representation from:

- Beneficial Owners that the account holder(s), or a person authorized to represent the beneficial owners of the account, that the account is eligible to purchase new issues in compliance with this rule;
- Conduits including a bank, foreign bank, broker/dealer, or investment adviser, or other conduit that all purchases of new issues are in compliance with this rule.

Trustmont Financial Group may not rely upon any representation that it believes, or has reason to believe, is inaccurate. The designated principal shall ensure that copies of all records and information relating to whether an account is eligible to purchase new issues in its files for at least three years following Trustmont Financial Group's last sale of a new issue to that account.

To the extent any exemption is claimed from the Rule's prohibitions, it must be documented to the extent required by the Rule and any interpretation and to the satisfaction of the Designated Principal.

12.3 Transactions for or by Associated Persons

12.3.1 Determination of Adverse Interest

A member who knowingly executes a transaction for the purchase or sale of a security for the account of a person associated with another member, or for any account over which such associated person has discretionary authority, shall use reasonable diligence to determine that the execution of such transaction will not adversely affect the interests of the employer member.

12.3.2 Obligations of Executing Member

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

- ✓ notify the employer member in writing, prior to the execution of a transaction for such account, of the executing member's intention to open or maintain such an account;
- ✓ upon written request by the employer member, transmit duplicate copies of confirmations, statements, or other information with respect to such account; and,
- ✓ notify the person associated with the employer member of the executing member's

intention to provide the notice and information required.

12.3.3 Obligations of Associated Persons Concerning an Account with a Member

Associated persons of Trustmont Financial Group must provide written notice to:

- Trustmont Financial Group prior to opening or placing an initial securities order (account) with another FINRA member; and
- the executing broker/dealer notifying it of the registered representative's association with Trustmont Financial Group.

However, if the account was established prior to the association of the person with Trustmont Financial Group, the associated person shall notify Trustmont Financial Group and the executing broker/dealer promptly after becoming so associated.

12.3.4 Obligations of Associated Persons Concerning an Account with an Investment Advisor, Bank or Other Financial Institution

A person associated with Trustmont Financial Group who opens a securities account or places an order for the purchase or sale of securities with a domestic or foreign investment adviser, bank or other financial institution, except a member, shall:

- notify Trustmont Financial Group in writing, prior to the execution of any initial transaction, of the intention to open the account or place the order; and
- upon written request by Trustmont Financial Group, request in writing and assure that the investment adviser, bank or other financial institution provides Trustmont Financial Group with duplicate copies of confirmations, statements, or other information concerning the account or offer; provided, however, that if an account subject of this subsection was established prior to a person's association with a member, the person shall comply with this subsection promptly after becoming so associated.

These provisions shall apply to an account or order in which an associated person has a financial interest or with respect to which such person has discretionary authority.

12.3.5 Exemption for Transactions in Investment Company Shares and Unit Investment Trusts

The provisions of this section shall not be applicable to transactions in unit investment trusts and variable contracts or redeemable securities of companies registered under the Investment Company Act of 1940, as amended, or to accounts which are limited to transactions in such securities.

12.3.6 Supervision of Transactions by Associated Persons

Each associated person will be advised of the requirements of FINRA Rule 3050 orally in periodic compliance meetings and in writing, as stated herein. In addition, all associated persons will complete an annual compliance questionnaire which requests information about securities accounts with which the person has a financial interest.

Furthermore, all associated persons are required to complete a disclosure form attesting to whether they maintain outside securities/commodities accounts and are required to provide supplemental information on this form pertaining to any such accounts. Prior to establish any such account,

associated persons are required to complete and submit this disclosure form to the CCO.

Trustmont Financial Group policy requires a designated principal to request duplicate statements for all outside brokerage accounts of Trustmont Financial Group registered representatives and associated persons. Statements received shall be reviewed either by the designated principal or the Supervisor upon receipt to ensure that the transactions do not adversely affect Trustmont Financial Group's interests.

Accounts opened by Trustmont Financial Group for individuals associated with other member firms or financial institutions will be so identified on the new account card. Written disclosure from these individuals as required by FINRA Rule 3050 and New York Stock Exchange Rule 407 will be directed to the designated principal who will ensure that the Rule's requirements are met and to ensure that the employing member is notified in writing of the establishment of the account. Copies of all notification letters will be retained in the customer's file. To the extent that the employing member requests duplicate statements or confirmations, the designated principal shall ensure that instructions are implemented and that documentation is retained evidencing this.

12.3.7 Books and Records

The firm's Chief Operating Officer or his or her designee is responsible for maintaining records of associated persons' accounts held at other broker-dealer and the evidence of such accounts being reviewed pursuant to the firm's policies and procedures.

12.4 Transactions and Account of FINRA/AMEX Employees

Special requirements apply to customers (who have a financial interest or trading authority over any account) who are FINRA/AMEX employees. Upon notice of their employment with FINRA/AMEX, Trustmont Financial Group shall obtain and implement instructions from such person to direct duplicate account statements to FINRA. Supervisory responsibilities shall be the same as those above pertaining to accounts established by Trustmont Financial Group for associated persons of other members.

In addition, Trustmont Financial Group is prohibited from:

- directly or indirectly loaning money or securities to such person (whether or not a customer) except in the context of disclosed routine banking and brokerage agreements, or loans that are clearly motivated by a personal or family relationship;
- directly or indirectly giving or permitting to be given anything of more than nominal value to such person (whether or not a customer) who has responsibility for a regulatory matter involving Trustmont Financial Group. The term "regulatory matter" includes, but is not limited to, examinations, disciplinary proceedings, membership applications, listing applications, delisting proceedings, and dispute-resolution proceedings that involve the member.

12.5 Outside Business Activities

In compliance with FINRA rules, all registered persons are required to provide Trustmont Financial Group with prompt written notice of any employment or receipt of compensation from any other person or entity (other than a passive investment) prior to engaging in such activity. Registered representatives are specifically asked to disclose and attest all outside business activities annually on the annual compliance questionnaire.

12.5.1 Principal Review of Outside Business Activities (OBAs)

A principal of the Firm will review the Outside Business Activities disclosed to the firm and approve or disapprove the activity in writing. The review will include, but not limited to, whether the proposed activity will:

- interfere with or otherwise compromise the registered person's responsibilities to the member and/or the member's customers or
- be viewed by customers or the public as part of the member's business based upon, among other factors, the nature of the proposed activity and the manner in which it will be offered.

The OBA disclosures on the CRD Form U-4 should be kept current with changes in the Registered Reps disclosed OBA's.

12.5.2 Detecting Unreported Outside Business Activities

Supervisors are responsible for detecting unreported outside business activities. Methods of detection could include but are not limited to: Review of tax returns; Review of checking, savings, and investment accounts; Comparison of lifestyle and community standing vs. stated OBA income and/or spousal income; Branch Audits and interviews with reps and staff; etc.

12.5.3 Special Treatment of Equity Indexed Annuities ("EIA's")

Due to the uncertainty as to whether a particular unregistered EIA may be a security, as well as the potential regulatory violations and investor protection issues that would arise from the marketing and sale of unregistered EIA's that are deemed to be securities, Trustmont Financial Group has adopted special procedures with respect to these products. Trustmont Financial Group requires that their associated persons to promptly notify their designated supervisor in writing when they intend to sell unregistered EIA's. Moreover, all recommendations to liquidate or surrender a registered security such as a mutual fund, variable annuity, or variable life contract must be suitable, including where such liquidations or surrender are for the purpose of funding the purchase of an unregistered EIA.

With respect to unregistered EIA's, the firm's policy requires such transactions to be handled and supervised in accordance with the private securities transactions requirements and procedures unless the EIA is determined not be a security. In this case, the associated person's participation may be treated as an outside business activity. If an associated person is selling the unregistered EIA through the firm, the firm will supervise the marketing material, suitability analysis, and other sales practices associated with the transaction in the same manner that it supervises the sale of securities. The firm will also consider whether any special training of persons selling unregistered EIA's through the firm is appropriate and will implement any necessary training.

(Activities subject to Conduct Rule 3040 of FINRA Rules -- Private Securities Transactions -- are exempt from this requirement as this already requires written notification.)

12.6 Private Securities Transactions

A "private securities transaction", as defined by FINRA, is any securities transaction outside the regular course or scope of an associated person's employment with a member, including, though not limited to, new offerings of securities which are not registered with the SEC. Excluded from the definition are

transactions with/through FINRA member broker/dealers, investment advisors, banks or other financial institutions, transactions among "immediate family members" (as defined by FINRA) for which the associated person receives no selling compensation, and personal transactions in investment company shares and variable annuities.

Prior to participating in any private securities transaction, associated persons must provide written notice to the firm describing in detail the proposed transaction and their proposed role. The Associated person must receive Principal approval from the firm prior to participating in the private security transaction. (In a series of related transactions in which no selling compensation has or will be received, a single written notice can be provided.)

In transactions for which the associated person will receive compensation, the firm must advise the individual in writing indicating approval or disapproval. If approved, the transactions will be recorded on the books and records of the firm (either by maintaining a separate transaction blotter or the account statements) and the individual will be supervised. If disapproved, the individual is prohibited from participating in the transaction.

In transactions for which the associated person will not receive compensation, the firm will provide the individual with written acknowledgement of the person's notice, and, at Trustmont Financial Group's discretion, shall require the person to adhere to specific conditions in connection with the transaction.

"Private securities transactions" and "selling compensation" are defined terms in FINRA Conduct Rule 3040 and all associated persons are required to be fully familiar with their scope and meanings. Note that this rule applies to individuals forming or selling limited partnership interests for which they serve as general partners. Examples of records which the firm should maintain may include: (1) individual and security; (2) amount of compensation (and from whom); (3) investor's name, amount of investment, and date; (4) issuer, syndicator, or broker/dealer; (5) how the representative's participation was supervised.

All Trustmont Financial Group registered representatives are advised of the prohibitions concerning Private Securities Transactions and are specifically asked if they have participated in any such transactions annually when completing the annual compliance questionnaire.

12.6.1 Supervisory Responsibilities

Supervisors must make certain that their registered representatives:

- Are aware of the firm’s policies and procedures and the rules governing private securities transactions
- Have access to the firm’s policies and procedures at all times; and
- Follow the firm’s policies and procedures

Supervisors are also responsible for ensuring that: (i) associated persons under their supervision do not engage in either unreported or unapproved private securities transactions; (ii) violations or any potential violations have been reported to the firm’s Compliance; and (ii) all books and records on private securities transactions are properly maintained.

12.7 RRs Affiliated with Independent RIA(s)

Representatives or their business entities may be independently registered as investment advisers,

however, under FINRA regulations (See NTM 94-44 and 96-33); the investment adviser activities may be subject to the supervision of Trustmont Financial Group. Therefore, independent registration as an investment adviser requires the approval of the Firm prior to engaging in investment adviser activities. Requests for approval should be submitted to the CCO for review and approval and include the following:

- the name under which the investment adviser activity will be conducted;
- a copy of Form ADV for the adviser
- any other information and documentation deemed necessary

Based upon this information as well as ensuing discussion, the activity will be designated by the CCO as either (a) an outside business activity or (b) private securities transactions. The CCO will retain a copy of the request and the approval or disapproval.

If approved as an outside business activity under FINRA Rule 3270, the RR is required to provide copies of the following information to the designated supervisor on an ongoing basis:

- updates to the ADV
- any other information and documentation deemed necessary

If approved as a private securities transaction under Conduct Rule 3040, the IC will be required to provide copies of the following information:

- updates to the ADV
- all investment adviser agreements and account applications with adviser customers, within 10 days of receipt by the adviser
- correspondence regarding investment adviser activities
- reports to adviser customers
- proposed allocation
- all confirmations and account statements
- any other information and documentation deemed necessary

As required by FINRA Rule 3280 (formerly NASD Rule 3040), Trustmont Financial Group and the designated supervisor will maintain evidence that it has reviewed and approved all information detailed above.

12.7.1 Communications with the Public

Written communications material, such as retail communications and institutional communications (aka advertising and sales literature) related to or regarding investment advisory business conducted under or by independent RIAs must be reviewed by the firm's Compliance Department prior to its use.

The firm will review the items submitted by independent RIAs for its appropriateness, especially, use of or representation of Trustmont Financial Group Corporation. The firm's Compliance Department will neither approve nor disapprove any written communications material on behalf of the independent RIA(s).

Written communications for and/or regarding independent RIA(s) should be maintained in a separate file by the RIA(s).

12.8 Gifts and Gratuities

No member or person associated with the firm shall, directly or indirectly, give or permit to be given anything of value, including gratuities, in excess of $100 per individual per year to any person, principal, proprietor, employee, agent, or representative of another person where such payment or gratuity is in relation to the business of the broker/dealer. An exception to this rule pertains to persons who have entered into, prior to the time of employment or before the services are rendered, a written agreement with the firm, specifying the nature of the proposed employment, the amount of the proposed compensation, and the written consent of such person's employer or principal.

All associated persons seeking reimbursement from the firm for any business –related expense (including eligible gifts and gratuities) are required to complete the firm's expense reimbursement form. All such forms are to be submitted to the associated person's designated supervisor who shall review for completeness and any indications of impropriety with respect to gifts and gratuities and any other matters. All reimbursement requests must be accompanied by receipts documenting the nature and amount of claimed expenses. The supervisor shall document all approvals on the reimbursement form and forward the reimbursement request to appropriate accounting staff for disbursement processing. To the extent company credit cards are used as payment methods, accounting personnel shall verify expenses by comparing receipts with credit card statements (upon issuance). If any significant problems are detected through the foregoing review processes, the CCO is required to be notified.

12.9 Referral Fees

Trustmont Financial Group and its associated persons are prohibited from paying referral fees directly to non-registered persons when such fees are related, directly or indirectly, to transaction-based compensation.

12.10 Borrowing from or Lending to Customers

Trustmont Financial Group prohibits associated persons from borrowing money from or lending money to any customer unless the lending or borrowing arrangement meets one of the following conditions: (A) the customer is a member of such person's immediate family; (B) the customer is a financial institution regularly engaged in the business of providing credit, financing, or loans, or other entity or person that regularly arranges or extends credit in the ordinary course of business; (C) the customer and the registered person are both registered persons of the same member firm; (D) the lending arrangement is based on a personal relationship with the customer, such that the loan would not have been solicited, offered, or given had the customer and the associated person not maintained a relationship outside of the broker/customer relationship; or (E) the lending arrangement is based on a business relationship outside of the broker-customer relationship.

1. With respect to the situations described in (C), (D), and (E) above, all associated persons must submit the borrowing/lending arrangement in writing to Trustmont Financial Group and the arrangement is required to be approved in writing before any borrowing/lending arrangement can begin.
2. With respect to the lending or borrowing arrangements described in (A) above, RR's are not required to notify the member or receive member approval either prior to or subsequent to entering into such lending or borrowing arrangements.

3. With respect to the lending or borrowing arrangements described in (B) above, RR's are not required to notify Trustmont Financial Group either prior to or subsequent to entering into such lending or borrowing arrangements, provided that, the loan has been made on commercial terms that the customer generally makes available to members of the general public similarly situated as to need, purpose and creditworthiness.

12.11 Interference with Account Transfers

Trustmont Financial Group prohibits any associated person from interfering with a customer's request to transfer his or her account in connection with the change in employment of the customer's registered representative, provided that the account is not subject to any lien for monies owed by the customer or other bona fide claim.

12.12 Dealing with Non-Members

Trustmont Financial Group prohibits all associated persons from dealing with any non-member broker or dealer except at the same prices, for the same commissions or fees, and on the same terms and conditions as are by such member accorded to the general public. No associated person shall:

- ✓ in any transaction with any non-member broker or dealer, allow or grant to such non-member broker or dealer any selling concession, discount or other allowance allowed by Trustmont Financial Group to a member of a registered securities association and not allowed to a member of the general public;
- ✓ join with any non-member broker or dealer in any syndicate or group contemplating the distribution to the public of any issue of securities or any part thereof; or
- ✓ sell any security to or buy any security from any non-member broker or dealer except at the same price at which at the time of such transaction Trustmont Financial Group would buy or sell such security, as the case may be, from or to a person who is a member of the general public not engaged in the investment banking or securities business.

12.13 Cash and Non-Cash Compensation

Trustmont Financial Group has adopted the following policies and procedures with respect to receipt and payment of compensation associated with various types of securities transactions and activities.

In connection with the public offering of any security and the sale/distribution of investment company securities, Trustmont Financial Group and its associated persons:

- ✓ shall maintain records of all compensation received by it or its associated persons from offerors. The records shall include the names of the offerors, the names of the associated persons, the amount of cash, the nature and, if known, the value of non-cash compensation received;
- ✓ shall not accept any cash compensation from an offeror unless such compensation is described in a current prospectus of the investment company. When special cash compensation arrangements are made available by an offeror to Trustmont Financial Group, which are not made available on the same terms to all members who distribute the investment company securities of the offeror, Trustmont Financial Group shall not enter into such arrangements unless Trustmont Financial Group's name and the details of the arrangements are disclosed in the prospectus.

- ✓ shall not directly or indirectly accept or make payments or offers of payments of any non-cash compensation, except as follows:
  - ➢ Gifts that do not exceed an annual amount per person fixed periodically by the Association and are not preconditioned on achievement of a sales target;
  - ➢ An occasional meal, a ticket to a sporting event or the theater, or comparable entertainment which is neither so frequent nor so extensive as to raise any question of propriety and is not preconditioned on achievement of a sales target;
  - ➢ Payment or reimbursement by offerors in connection with meetings held by an offeror or by a member for the purpose of training or education of associated persons of a member, provided that:
    - records are prepared and retained which include the names of the offerors, the names of the associated persons, the amount of cash, the nature and, if known, the value of non-cash compensation received;
    - associated persons obtain the member's prior approval to attend the meeting and attendance by a member's associated persons is not preconditioned by the member on the achievement of a sales target or any other incentives pursuant to a permitted non-cash compensation arrangement;
    - the location is appropriate to the purpose of the meeting, which shall mean an office of the offeror or the member, or a facility located in the vicinity of such office, or a regional location with respect to regional meetings;
    - the payment or reimbursement is not applied to the expenses of guests of the associated person; and
    - the payment or reimbursement by the offeror is not preconditioned by the offeror on the achievement of a sales target or any other permitted non-cash compensation arrangement.
- ✓ shall not accept any compensation from an offeror which is in the form of securities of any kind unless the receipt of such is approved in writing by Trustmont Financial Group and conforms with all regulatory standards including FINRA Rule 2710.

Under no circumstances may associated persons accept any compensation from anyone other than Trustmont Financial Group unless such arrangement is approved in advance in writing by Trustmont Financial Group and operates in conformance with applicable rules.

12.14 Penny Stock Transactions

The firm's policy prohibits solicited transactions in penny stocks traded on the OTC Bulletin Board or National Quotation Pink Sheets ("penny stock"). However, there will be occasions when a customer may request transactions of such securities on an unsolicited basis. Therefore, the firm's policy allows registered representatives to act as an order taker with regard to penny stock transactions for sell side only.

In other words, only unsolicited liquidation of penny stock positions may be accepted. To meet the definition of "Unsolicited" order, the following conditions must be met:

- Customer initiates the transaction by contacting the registered representative;

- The registered representative has not made any comment on the stock; and
- The registered representative has not influenced the customer in any way regarding the liquidation or holding of the penny stock.

Please note that registered representatives are prohibited from making any recommendations with regard to penny stock or investment strategy involving a penny stock.

Any exception to the firm's policies on penny stock transactions or recommendations must be granted by the registered representative's Supervisor and the PRESIDENT or his or her designee.

12.14.1 Accepting Penny Stock Positions

When a customer wishes to transfer penny stock positions or deposit penny stock certificates to his or her TFG account, the registered representative must notify the firm's AML officer and receive the AML's officer' approval prior to accepting such request.

Please note that receiving securities (physical certificate) is prohibited. Should a customer erroneously send or submit securities to the firm's home office or branch location, the securities must be immediately returned to the customer.

12.14.2 144 Stock Certificates

144 Stock Certificates cannot be accepted for deposit. Customers wishing to deposit 144 Stock Certificates will need to work with the transfer agent for the security in question to remove any legend or restriction on the shares. Once the shares have been cleared the client should be able to instruct the transfer agent to deliver the securities to their account.

12.14.3 Violations and Penalties

Failure to adhere to the firm's policies and procedures may result in disciplinary action up to and including the registered representative's termination with TFG.

If certificate is determined to be acceptable, registered representative shall provide the customer with an instruction to deliver the acceptable certificate directly to the firm's clearing firm.

12.14.4 Supervisory Responsibilities

Supervisors must make certain that their registered representatives:

- ✓ Are aware of the firm's penny stock policies and procedures and the rules
- ✓ Have access to the firm's policies and procedures at all times; and
- ✓ Follow the firm's policies and procedures

Supervisors are also responsible for ensuring that: (i) violations or any potential violations have been reported to the firm's Compliance and/or Supervision Department; and (ii) all penny stock transaction order tickets are properly coded as an unsolicited transaction; and (iii) all penny stock transaction orders and have been reviewed and approved pursuant to the firm's policies and procedures.

12.15 Time and Price Discretion

When a registered representative is authorized to determine the price and/or the time for the purchase or sale of definite amount of a specified security, such transaction will not be deemed an unauthorized

transaction. However, such authority to exercise time and price direction will be considered to be in effect only until the end of the business day on which the customer granted such discretion.

12.15.1 Time and Price Discretion Documentation Requirements

When a customer orally grants time and price discretion, such discretion is limited to the day it is granted, unless the registered representative has received from the customer a signed and dated written authorization allowing the registered representative to carry the order forward to completion. In addition, any exercise of time and price discretion must be reflected on the order ticket.

12.16 Front Running and Trading Ahead of Customer Orders

No persons associated with the firm shall cause to be executed an order*** to buy or sell a security or a related financial instrument when they have material, non-public market information concerning an imminent block transaction in that security, a related financial instrument or a security underlying the related financial instrument prior to the time information concerning the block transaction has been made publicly available or has otherwise become stale or obsolete.

***It applies to orders caused to be executed for:

- Any account in which the firm or person associated with the firm has an interest
- Any account with respect to which the firm or person associated with the firm exercises investment discretion
- Any account of customers or affiliates of the firm when the customer or affiliate has been provided such material, non-public market information by the firm or any person associated with the firm.

In addition, no registered representatives associated with the firm shall:

- place their orders ahead of customer's block transactions of the same security on the same side of the market;
- receive the better price than their customers order for the same security on the same side of the market when the orders are placed on the same day;
- place or recommend to place any orders for customers or own accounts based on their knowledge of block transactions or the information not publicly available.

Definitions:

Examples of block transactions: In the context of equity securities, a transaction involving 10,000 shares or more of a security, an underlying security, or a related financial instrument overlying such number of shares, is generally deemed to be a block transaction, although a transaction of fewer than 10,000 shares could be considered a block transaction. A block transaction that has been agreed upon does not lose its identity as such by arranging for partial executions of the full transaction in portions which themselves are not of block size if the execution of the full transaction may have a material impact on the market.

Publicly available information: Information as to a block transaction shall be considered to be publicly available when it has been disseminated via a last sale reporting system or high speed communications line of one of those systems, a similar system of a national securities exchange under Section 6 of the Exchange Act, an alternative trading system under SEC Regulation ATS, or by a third-party news wire service. The

requirement that information concerning the block transaction be made publicly available will not be satisfied until the entire block transaction has been completed and publicly reported.

Related financial instrument: The term "related financial instrument" means any option, derivative, security-based swap, or other financial instrument overlying a security, the value of which is materially related to, or otherwise acts as a substitute for, such security, as well as any contract that is the functional economic equivalent of a position in such security.

12.17 RR Being Named a Customer's Beneficiary or Holding a Position of Trust, FINRA Rule 3241

12.17.1 Registered representatives shall decline being named a beneficiary of a customer's estate or receiving a bequest from a customer's estate upon learning of such status unless one of the following conditions is satisfied:

1. The customer is a member of the registered person's immediate family; or
2. Upon learning of such status, the registered person provides written notice to Compliance describing the proposed status utilizing the approval request form located on the Trustmont website and receives written approval from a Principal of such status prior to being named a beneficiary of a customer's estate or receiving a bequest from a customer's estate. If the request is not approved or conditions or limitations are placed on it, the registered person shall not assume such status or shall comply with such conditions or limitations.

12.17.2 Registered representatives shall decline being named as an executor or trustee or holding a power of attorney or similar position for or on behalf of a customer upon learning of such status unless one of the following conditions is satisfied:

1. The customer is a member of the registered person's immediate family; or
2. Upon learning of such status, the registered person provides written notice to Compliance utilizing the approval request form located on the Trustmont website describing the position and the proposed role with which the registered person is associated, and receives written Principal approval of such status prior to acting in such capacity or receiving any fees, assets or other benefit in relation to acting in such capacity; and
    a) The registered person does not derive financial gain from acting in such capacity other than from fees or other charges that are reasonable and customary for acting in such capacity; and
    b) If the position is not approved or if conditions or limitations are placed on it, the registered person shall not act in such capacity or shall comply with such conditions or limitations.

12.17.3 Review Process

Upon receipt of a written notice from the registered person, the Principal reviewing the request shall:

1. perform a reasonable assessment of the risks created by the registered person assuming such status or acting in such capacity, including, but not limited to, an evaluation of whether it will interfere with or otherwise compromise the registered person's responsibilities to the customer; and

2. make a reasonable determination of whether to approve the registered person assuming such status or acting in such capacity, to approve it subject to specific conditions or limitations, or to disapprove it.

Upon completion of the assessment by the designated Principal, advisement will be made to the registered person in writing whether the activity is approved or disapproved, and if approved, whether conditions or limitations are imposed on the activity.

The Principal reviewing the request may require a signed and notarized statement from the customer detailing his/her intentions, the relationship to the registered person, the length of time the customer and the registered person have known each other, and a statement from the customer that the decision is made independent of any pressure or coercion of the registered representative. Other information and documentation may be required of the reviewing Principal including a statement from the customer's legal counsel. All documentation used in the review process will be retained in the registered representative's file for at least three years after the registered person's association with Trustmont has terminated.

12.17.4 Supervisory Responsibilities

Supervisors must make certain that their registered representatives:

- Are aware of the firm's policies and procedures
- Have access to the firm's policies and procedures at all times; and
- Follow the firm's policies and procedures

Registered representatives are specifically asked to disclose and certify annually on the annual compliance questionnaire all such relationships maintained with customer accounts. The questionnaires will be reviewed by Compliance to verify that proper approval was given, if applicable.

12.17.5 Training

Trustmont Financial Group shall provide training to representatives concerning its established policies on client fiduciary appointments, typically on an annual basis as part of the Firm's annual compliance meeting, quarterly webinars, firm element continuing education, in-person interviews, emails, or other appropriate means.

12.17.6 Terms as defined by FINRA Rule 3241

1. Definition of Immediate Family

The term "immediate family" means parents, grandparents, mother-in-law or father-in-law, spouse or domestic partner, brother or sister, brother-in-law or sister-in-law, son-in law or daughter-in-law, children, grandchildren, cousin, aunt or uncle, or niece or nephew, and any other person who resides in the same household as the registered person and the registered person financially supports, directly or indirectly, to a material extent. The term includes step and adoptive relationships.

2. Customer: For purposes of this Rule, a "customer" would include any customer that has, or in the previous six months had, a securities account assigned to the registered person at any member.

3. Estate: For purposes of this Rule, a customer's estate would include any cash and securities, real estate, insurance, trusts, annuities, business interests and other assets that the customer owns or has an interest in at the time of death.

4. Position Prior to Association With Member: If a registered person was named as a beneficiary or to a position of trust prior to the registered person's association with the member, the registered person, within 30 calendar days of becoming so associated, shall provide notice to and receive approval from the member consistent with this Rule to maintain the beneficiary status or position of trust.

5. Pre-Existing Positions: With respect to agreements to assume such status or act in such capacity that were entered into prior to the existence of a broker-customer relationship, such as where the customer was not a customer of the registered person at the time at which the registered person was named beneficiary or to a position of trust, these agreements raise similar conflict of interest concerns as agreements to assume such status or act in such capacity entered into subsequent to the existence of a broker-customer relationship. Therefore, the registered person must act consistent with paragraph 12.17.1/12.17.2 for any existing beneficiary status or position of trust prior to the initiation of the broker-customer relationship. Moreover, upon receipt of notice of such a position, the member should evaluate the beneficiary status or position of trust consistent with paragraph 12.17.3.

6. Naming Other Persons: A registered person instructing or asking a customer to name another person to be a beneficiary of the customer's estate or to receive a bequest from the customer's estate would present similar conflict of interest concerns as the registered person being so named. Accordingly, a registered person instructing or asking a customer to name another person, such as the registered person's spouse or child, to be a beneficiary of the customer's estate or to receive a bequest from the customer's estate would not be consistent with the Rule.

13. FINANCIAL AND OPERATIONAL POLICIES AND PROCEDURES

13.1 Customers Protection Rule

Trustmont Financial Group Corporation is an introducing broker or dealer, clears transactions with and for customers on a fully disclosed basis with a clearing broker or dealer, RBC.

Accordingly, pursuant to k(2)(ii), all customers funds received and made payable to the clearing firm must be transmitted by noon of the next business day following receipt.

In addition, receiving securities is prohibited. Nevertheless, the branch must maintain a "securities received blotter" file. Should a customer erroneously send or submit securities to the branch location, the securities must be returned to the customer. The logs must be provided to and reviewed by the Supervisor to ensure that all securities received are appropriately sent in a timely manner.

13.1.1 Agreement

Currently, Trustmont Financial Group has a clearing arrangement with RBC on a fully disclosed basis. The firm's FINOP is responsible for reviewing all clearing agreements for conformance with FINRA Rule 3230, and that all other requirements of this Rule are satisfied including the customer notification

provisions.

13.1.2 Changing Exemptive Status

FINRA requires an existing member to obtain prior written approval from FINRA before altering its method of operation by changing its exempt status under the SEC Customer Protection Rule (15c3-3). Under the rule, any member planning to change its exemptive status in order to begin carrying customer accounts, maintaining customers' free credit balances, holding customer securities, or operating in some other manner so as to no longer qualify it for continued exemptive status under the Rule, must obtain prior written approval of the relevant FINRA district office before effecting such change.

13.2 Net Capital – SEC Rule 15c3-1

The Financial and Operational Principal is responsible for the following:

- Insuring that net capital is being computed in accordance with the provisions of the rule and that the firm is and has been in capital compliance during all hours in which business was being conducted;
- Establishing, maintaining and verifying that all accruals are being posted properly and in compliance with Generally Accepted Accounting Principles. Cash Basis Accounting is not allowed for financial reporting by the SEC, although it is allowed for tax reporting by the IRS;
- Analyzing for allowable and non-allowable assets periodically, and at a minimum, at least every two weeks.

Receivables from other broker/dealers for other than regular securities transactions are generally non allowable for capital (this includes receivables from tax shelter programs among others);

- Conducting reviews of secured demand notes carried by Trustmont Financial Group to make certain collateral value, after appropriate "haircuts" are applied, equals or exceeds face value of notes;
- If Trustmont Financial Group is carrying inventory, reviewing frequently the market value of the positions with an eye towards possible concentrated positions (being conservative in valuations and making sure of "haircut" deductions);
- Making certain adequate capital is being carried prior to the underwriting of a "firm commitment" offering by applying a "haircut" on the underwriting commitment;
- Establishing procedures which will allow all reconciliations and analyses to be completed in time for the prompt preparation and filing of monthly Focus I Report within the ten business day filing requirement of the designated examining authority;
- Reviewing all bank reconciliation on a monthly basis and ensuring that all unreconciled material items are properly accounted for;
- Making certain that all books and records are properly prepared and posted on a current basis;
- Reconciling bank balances on a timely basis and posting all necessary adjustments to appropriate records;
- Verifying the accuracy of the month-end trial balance and that it agrees with the corresponding

balances in the general ledger;

- Insuring that relevant sub-ledger balances agree with general ledger balances; and,
- Insuring the firm complies with all financial reporting requirements, which include:
  - Preparing, reviewing and filing FOCUS Reports on a timely basis in accordance with SEC Rule 17a-5;
  - Verifying that financial statements of the firm are supplied to customers (if self-clearing), the SEC, and the designated examining authority in compliance with paragraph (m) of Rule 17a-5 ("Periodic Statements of Financial Condition"),
  - Ascertaining that the reports required to be filed under SEC Rule 17a-11 (e.g., if net capital is less than 120 percent minimum required, or AI/NC Ratio is less than 15:1) have been filed on a timely basis and that the cause for filing such has been corrected, and
  - Filing the required annually audited statements with the appropriate regulatory bodies within 60 calendar days of year end.

13.2.1 Net Capital Requirement

Trustmont Financial Group must maintain minimum net capital of $5,000 in accordance with SEC Rule 15c3-1. The firm must maintain at least 120 percent of the minimum requirements at all times to avoid being subject to the early warning requirements of SEC Rule 17a-11.

In addition, the firm's net capital may not fall below 6 2/3 percent of aggregate indebtedness. Due to the variables setting minimum net capital requirements, it is incumbent upon the firm's financial principal to be aware of the firm's minimum requirement at all times and to advise the President and CCO if the firm's minimum net capital requirement changes for any reason.

The net capital rules require continuous compliance. Computation will be made by or under the direction of the principal as frequently as necessary to determine compliance but in no event less than once per month. [Securities Exchange Act Rule 17a 3(a) (11)]. All monthly computations of net capital will be retained for a three-year period. (Securities Exchange Act Rule 17a-4(b)(5).) The audited financial statements on Form X 17A-5 (known as the "Focus Report") contain a net capital computation under Securities Exchange Act Rule 15c3-1. This format can be used for the basic net capital computation.

13.2.2 Change of Independent Accountant

If the firm elects to change its independent accountant, it shall notify the SEC and FINRA by filing a new designation of accountant agreement, along with required disclosures and notations, no later than 15 days after the change.

13.2.3 Fidelity Bond Coverage

The firm will maintain a blanket Fidelity Bond and state Surety Bond as required. It will be the responsibility of the financial principal to assure such coverage is adequate and will review the bond's features and coverage at least annually.

13.2.4 Events Requiring Application filings with FINRA

In accordance with FINRA Rule 1017, all member firms are required to make application with FINRA at least 30 days prior to: (a) any merger of the member; (b) an acquisition by the member; (c) an acquisition of the member or substantially all of its assets; and (d) any change in the equity ownership or partnership capital of the member which results in one person or entity owning 25 percent or more of such equity ownership or partnership capital. The firm is also required to file an application prior to engaging in any material change in business.

The CCO is responsible for ensuring that any required application is filed on a timely basis.

13.2.5 SEC Rule 15c3-1 Regarding Withdrawals of Net Capital

FINRA Notice to Members 91-20 outlines amendments to Rule 15c3-1 (net capital rule) as it applies to all broker/dealer capital withdrawals of over $500,000. (See FINRA Notice to Members #91-20.)

Capital withdrawals include withdrawals, advances and loans (i.e., any transaction between a broker/dealer and an affiliate or insider that results in a decrease of net capital would be considered a loan or an advance).

As formal net capital computations are not often prepared daily, the SEC has allowed that excess net capital and haircuts may be determined based upon the most recently filed FOCUS report, provided that the broker/dealer reasonably assures itself that the only changes, from the date of such report, have served to either reduce haircuts or increase net capital.

FINRA Notice 91-20 should be consulted carefully to ensure compliance with SEC Rule 15c3-1 in this particular aspect. (Questions should be addressed to FINRA Financial Responsibility Division at 202/728-8472).

13.3 List of Reports

Pursuant to FINRA Rule 4311(h), the clearing firm will provide a list of all reports, such as exception reports, available to TFG.

The firm's PRESIDENT or his or her designee is responsible for:

- ✓ Making certain that the firm receive such document in a timely manner;
- ✓ Reviewing the list and select and request appropriate reports to the clearing firm; and
- ✓ Maintaining such request as part of the firm's books and records.

13.4 Books and Records

The following procedures specifically detail how Trustmont Financial Group shall comply with financial and operational requirements, which are set forth by the United States Securities and Exchange Commission.

Books and Records - General Preparation

The firm's designated principal(s) shall make certain the following books and records, when and if necessary, are properly prepared, maintained (SEC Rule 17a-3) and preserved (SEC Rule 17a-4).

BLOTTERS (or other records of original entry) containing an itemized daily record of all purchases and sales of securities, cash received and disbursed, and securities received and disbursed in which Trustmont Financial Group is the selling broker. The blotter must show the account for which each transaction was

effected, the name and amount of securities, the unit and aggregate purchase or sale price (if any), the trade date, and the name or other designation of the person from whom purchased or received or to whom sold or delivered.

CHECKS OR CERTIFICATES RECEIVED BLOTTER: It is our policy to advise customers to send checks, appropriately made out, directly to the appropriate third party. However, when customers do send checks, made payable to a third party, to the branch location, the branch must send the check to the appropriate third party no later than noon of the following business day. Should a customer send or submit a check payable to "Trustmont Financial" or the registered representative, the check must be returned to the sender.

When a check or certificate is received, the following are required to be entered on the blotter. Date received, date forwarded, account number, name/number, check or certificate number and account, name check endorsed to, and the identifying Representative.

CASH DEPOSITS ARE NOT ACCEPTED

SECURITIES RECEIVED BLOTTER: Receiving securities is prohibited. Nevertheless, the branch must maintain a "securities received blotter" file. Should a customer erroneously send or submit securities to the branch location, the securities must be returned to the customer. The logs must be received by the Supervisor to ensure that all securities received are appropriately sent in a timely manner.

LEDGERS (or other records) reflecting all asset, liability, income, expense and capital accounts.

LEDGER ACCOUNTS (or other records) itemizing separately as to each account of every customer, all purchases, sales, receipts and deliveries of securities for the account and all debits and credits to the account. This requirement is only applicable to accounts for transactions in securities which are not cleared through NYSE or ASE member firms (i.e., private placements).

LEDGERS (or other records) reflecting the following:

- ✓ dividends and interest received (if any);
- ✓ securities borrowed and securities loaned (if any);
- ✓ monies borrowed and monies loaned (if any) together with a record of the collateral therefore and any substitutions in such collateral;
- ✓ securities failed to receive and failed to deliver (if any);
- ✓ securities in transfer (if any); and,
- ✓ all long and short stock record differences arising from the examination, count, verification and comparison pursuant to Rule 17a-13 and Rule 17a-5 hereunder (by date of examination, count, verification, and comparison showing for each security the number of shares of long or short count differences).

SECURITIES POSITION LEDGERS. A securities record or ledger reflecting separately for each security as of the settlement dates of all long or short positions, if any (including securities in safekeeping, if any) carried by such member or broker/dealer for its account or for the account of its customers or partners and showing the location of all long securities and the offsetting position to all short securities, including long security count differences and short security count differences classified by the date of physical count and

verification in which they were discovered, and in all cases the name or designation of the account in which each position is carried.

ORDER TICKETS. A memorandum of each brokerage order (order ticket) and of any other instruction, given or received for the purchase or sale of securities, whether executed or unexecuted. This memorandum, including handwritten order tickets, shall include the following information:

Name of security;

Terms and conditions;

- ✓ Customer name or account number;
- ✓ Number of shares purchased/sold;
- ✓ Time of order entry;
- ✓ If sale, whether long or short;
- ✓ If sale, whether in customer possession and good deliverable form or long in account;
- ✓ Principal approval;
- ✓ Date prospectus sent/provided;
- ✓ Whether the order was solicited or unsolicited; and,
- ✓ If option trade, whether to open or close and ROP signature.

PURCHASE & SALES LEDGERS. A memorandum of each purchase and sale for the account of such member, broker, or dealer showing the price and, to the extent feasible, the time of execution, and, in addition, where such purchase or sale is with a customer other than a broker or dealer, a memorandum of each order received, showing the time of receipt, the terms and conditions of the order, and the account in which it was entered.

CONFIRMATIONS. Copies of confirmations of all purchases and sales of securities and copies of notices of all other debits or credits for securities, cash and other items for the account of customers of Trustmont Financial Group. Confirmations will be printed and delivered to customers immediately upon execution of an order or placement of an open order. Confirmations will be delivered by mail to the address of record on the account from the main office. A copy of the confirmation should be forwarded to the cage for settlement, with a copy retained by trading.

CASH AND MARGIN ACCOUNTS. A record in respect to each cash and margin account with such member or broker/dealer indicating (i) the name and address of the beneficial owner of such account; (ii) whether or not the beneficial owner of securities registered in the name of such member or broker/dealer, or a registered clearing agency or its nominee, objects to disclosure of his or her identity, address and securities positions to issuers; and (iii) in the case of a margin account, the signature of such owner, provided that, in the case of a joint account or an account of a corporation, such records are required only in respect to the person or persons authorized to transact business for such account.

OPTIONS RECORDS. A record of all puts and calls, spreads, straddles, and other options in which such member or broker/dealer has any direct or indirect interest or which such member or broker/dealer has granted or guaranteed, containing, at least, an identification of the security and the numbers of units involved.

FINANCIALS. A record of the proof of money balances of all ledger accounts in the form of trial balances, and a record of the computation of aggregate indebtedness and net capital, as of the trial balance date. All checkbooks, bank statements, canceled checks and cash reconciliations; All bills receivable or payable (or copies thereof, paid or unpaid) relating to Trustmont Financial Group's business;

EMPLOYEE RECORDS. A questionnaire or application for employment executed by each "associated person" (as hereinafter defined) of such member or broker/dealer which questionnaire or application shall be approved in writing by an authorized representative of such member or broker/dealer and shall contain at least the following information with respect to such person:

- name, address, social security number, and employment starting date or other association with the member or broker/dealer;
- date of birth;
- a complete statement of all consecutive business connections for at least the preceding ten years;
- a record of any denial of membership or registration, and of any disciplinary action taken, or sanction imposed, upon the individual by any federal or state agency, or by any national securities exchange or national securities association including any finding that he or she was a cause of any disciplinary action or had violated any law;
- a record of any denial, suspension, expulsion or revocation of membership or registration of any member or broker/dealer with which he or she was associated in any capacity when such action was taken;
- a record of any permanent or temporary injunction entered against him or her or any member or broker/dealer with which he or she was associated in any capacity at the time such injunction was entered;
- a record of any arrest or indictment for any felony or misdemeanor pertaining to securities, commodities, banking, insurance, real estate (including but not limited to, acting as or being associated with a broker/dealer, investment company, investment adviser, futures sponsor, bank, or savings and loans association), fraud, false statements or omissions, wrongful taking of property or bribery, forgery, counterfeiting or extortion, and the disposition of the foregoing; and,
- a record of any other name or names by which he or she has been known or has used, provided, however, that if the associated person has been registered as a registered representative of broker/dealer and such employment has been approved by FINRA or any of the stock exchanges, then retention of a correct, complete copy of the application for registration and its approval shall be deemed to satisfy the requirement of this subparagraph. (Use of Form U-4 simplifies this procedure, along with fingerprints.)

For purposes of this section the term "associated person" shall mean a principal, officer, director, salesman, trader, manager, or any employee handling funds or securities or soliciting transactions or accounts for the member or broker/dealer.

ASSOCIATED PERSON LOCATION AND IDENTIFICATION NUMBER RECORDS containing a list of every office where each associated person regularly conducts business; their CRD number, if any; and every internal identification number or code assigned to that person by the broker/dealer. Record Retention: Three years after the associated person has terminated employment and all other connections with the firm.

ASSOCIATED PERSON COMPENSATION RECORDS for each associated person containing: each purchase and sale of a security attributable to that associated person for compensation purposes; the amount of compensation attributable to each purchase or sale, if monetary, and a description of the compensation, if non-monetary; and all agreements pertaining to the relationship between the broker/dealer and each associated person. Record Retention: Three years, the first two years in an easily accessible place. Note: New Rule 17a-3(a) (19) (i) requires each broker/dealer to create a record for each associated person listing each purchase and sale of a security attributable, for compensation purposes, to that associated person. The record has to include the amount of compensation if monetary and a description of the compensation if non-monetary.

ASSOCIATED PERSON AGREEMENTS pertaining to the relationship between each associated person and the broker/dealer, including a summary of each associated person's compensation arrangements such as commission and concession schedules. Some associated persons do not directly participate in securities transactions with customers. Generally, if an associated person is not directly involved with or compensated based on securities transactions with customers, the broker/dealer would not be required to create the record required pursuant to Rule 17a-3(a)(19)(ii).

ASSOCIATED PERSON COMPLAINT RECORDS that, for each associated person, contains a record of each written customer complaint received by the firm concerning that associated person which includes: the complainant's name, address, and account number; the date the complaint was received; the name of any other associated person identified in the complaint; a description of the nature of the complaint; and the disposition of the complaint. Note: Instead of the record, the firm may maintain a copy of each original complaint in a separate file by the associated person named in the complaint along with a record of the disposition of the complaint. Record Retention: Three years, the first two years in an easily accessible place.

COMMUNICATIONS SUPERVISION RECORDS (which need not be separate from the advertisements, sales literature, or communications) documenting that the firm has complied with, or adopted policies and procedures reasonably designed to establish compliance with, applicable federal and SRO requirements, of which the firm is a member, requiring principal approval of advertisements, sales literature or other communications with the public by the firm or its associated persons. Record Retention: Three years, the first two years in an easily accessible place.

CONTACT PERSON RECORDS for each office listing all individuals by name or title at that office who, without delay, can explain the types of records maintained at that office and the information therein. Record Retention: Six years, the first two years in an easily accessible place.

RESPONSIBLE PRINCIPAL RECORDS listing each principal responsible for establishing policies and procedures reasonably designed to ensure compliance with any applicable federal requirements or rules of an SRO of which the firm is a member, requiring principal acceptance or approval of records. Record Retention: Six years, the first two years in an easily accessible place.

OFFICE RECORDS as to each office providing for the preparation of certain books and records that reflect the activities of the office. (This includes: blotters, order tickets, customer account records, records with respect to associated persons, customer complaints, records evidencing compliance with SRO rules with regard to communications with the public, records of persons who can explain the information in the broker/dealer's records, and records of each principal responsible for establishing recordkeeping

compliance procedures.) Note: The term “office” means any location where one or more associated persons regularly conduct the business of handling funds or securities or effecting any transactions in, or inducing or attempting to induce the purchase or sale of, any security. Record Retention: For the most recent two year period.

COMMUNICATIONS WITH THE PUBLIC. All originals of all communications received and copies of all communications sent (and any approvals thereof) by the firm (including inter-office memoranda and communications) relating to the firm’s business as such, including all communications which are subject to SRO rules of which the firm is a member regarding communications with the public. Record Retention: The firm’s policy requires such records to be retained for six years, the first two years in an easily accessible place.

ORGANIZATIONAL DOCUMENTS including all partnership articles or, in the case of a corporation, all articles of incorporation or charter, minute books and stock certificate books (or, in the case of any other form of legal entity, all records such as articles of organization or formation, and minute books used for a purpose similar to those records required for corporations or partnerships), all Forms BD and BDW, including all amendments thereto, and all licenses or other documentation showing registrations with any securities regulatory authority. Record Retention: Life of the enterprise and of any successor enterprise.

SPECIAL REPORTS including each report which a securities regulatory authority has requested or required a broker/dealer to make and furnish to it pursuant to an order or settlement, and each securities regulatory authority examination report. Record Retention: Three years after the date of the report. Note: The SEC stated in its Interpretive release that Rule 17a-4(e) (6) does not require a broker/dealer to preserve documents or other materials delivered to the Commission in response to a subpoena. However, if those documents are otherwise required to be created and maintained pursuant to Rules 17a-3 and 17a-4, the broker/dealer must preserve them in compliance with those provisions. In addition, the SEC notes that a broker/dealer, under other applicable laws or rules, may have an obligation to preserve such reports, documents or other materials.

COMPLIANCE, SUPERVISORY & PROCEDURES MANUALS including any updates, modifications, and revisions to the manual, describing the policies and practices of the broker/dealer with respect to compliance with applicable laws and rules, and supervision of the activities of associated persons. Record Retention: Three years after the termination of use of manual.

EXCEPTION REPORTS including all reports produced to review for unusual activity in customer accounts.

In addition, to the extent not addressed above, the following records shall be kept and preserved for a period of not less than three years, the first two in an easily accessible place:

- Originals of all mail and other communications received, and copies of all mail and other communications sent (including inter-office memoranda and communications) relating to its business;
- All guarantees of accounts and all powers of attorney and other evidence of the granting of any discretionary authority given in respect of any account, and copies of resolutions empowering an agent to act on behalf of a corporation (if any);
- All written agreements (or copies thereof) entered into by the member or broker/dealer relating to its business, including agreements with respect to any account; and,

- Records which contain the information in support of amounts included in the report prepared as of the audit date on Form X-17A-5 (Focus Report), Part II or Part IIA, and in the annual financial statements.

Pursuant to 240.15c-3(d)(4), Trustmont Financial Group is required to preserve for six years after the closing of any customer account, any records relating to the terms and conditions of the opening, maintenance and closing of the account.

Records of any "associated person(s)" who have terminated their employment must be preserved for three years thereafter. Also, any and all records as described in Rule 240.17a-3 (a) (12), (a) (13), (a) (15) and 240.17f-2 (d) must likewise be preserved.

13.5 Files Required to Be Maintained at Registered Locations

The firm's branch offices (both Registered Branches and Unregistered Locations) should maintain, as applicable, the following files in the books and records system provided by the firm.

13.5.1 Address Change File

Both Registered and Unregistered Locations must maintain this file. The file should include, but is not limited to:

- Address change form signed by the customer
- Evidence of being reviewed and approved by the Supervisor or designated supervisor prior to being processed
- Evidence of such request being processed or access to such evidence
- Maintain this file in chronological order
- Additional copy should also be maintained in the customer's file

Address change requests must be received in writing from the customer. Address changes for multi-party accounts must have a written request from each party. In addition, requests to change an address to a post office box will only be accepted if the customer's permanent street address is maintained in the customer file, both at the home office and the branch.

13.5.2 Branch File

Registered Branches must maintain this file. The file should include, but not limited to:

- Branch inspection report and response letter
- RR's monthly checklist (not currently required but recommended)

The Person-in-Charge of the location is responsible for maintaining the file.

13.5.3 Cash and Non-Cash Compensation File

Both OSJ branches and non-OSJ branches must maintain this file. The file should include, but not limited to:

- Cash and Non-Cash Compensation Log
- Evidence of the log being reviewed by a Supervisor
- Evidence of the cash or non-cash compensation being approved by the firm's Compliance

Department

- Maintain this file in a chronological order

The log should include all non-cash compensation (including travel expenses, meals, lodging, prizes, and awards) received including those offered from third party product sponsors or providers. In addition when/if a third party pays, in whole or in part, for an educational meeting or seminar hosted by RR, such payment must be pre-approved by the firm's Advertising Compliance Department and such payment must be also recorded in the log. **(RRs may not receive any compensation directly from outside firms or persons)**

13.5.4 Checks Received File

Both Registered Branch and unregistered locations must maintain this file. The file should include, but not limited to:

- Checks received log with copies of checks
- Evidence of being reviewed by the Supervisor
- Copies of checks should also be maintained in the customer's file
- Maintain this file in chronological order

It is our policy to advise customers to send checks, appropriately made out, directly to the appropriate third party. However, when customers do send checks, made payable to a third party, to the branch location, the branch must send the check to the appropriate third party no later than noon of the following business day. Should a customer send or submit a check payable to Trustmont Financial or the registered representative, the check must be returned to the sender.

13.5.4.1 Exception for holding Subscription-way transaction checks

Background and Discussion SEC No-Action Letter Recently, the staff of the Securities and Exchange Commission's (SEC) Division of Trading and Markets (SEC staff) issued a no-action letter[1] providing relief from the requirement to promptly transmit customer funds received in connection with sales of securities on a subscription-way basis.[2] If the no-action letter's conditions are met, a firm is permitted to hold a customer check payable to an issuer for up to seven business days from the date that the firm's OSJ receives a complete and correct application package in order for a principal to complete a suitability review of each sale of a recommended subscription-way security.

Prior to the issuance of the no-action letter, a firm was required to send a check a registered representative received in connection with the sale of securities on a subscription-way basis to the issuer of such securities by noon local time on the business day following receipt regardless of the location at which the check was received.[3] In providing no-action relief, SEC staff considered that a firm's obligation to supervise customer subscription-way transactions under FINRA Rules 2111 and 3110 to ensure, among other things, that the recommended transactions were suitable may conflict with the firm's obligation to promptly transmit funds to issuers under SEA Rule 15c3-3.

FINRA Relief: To alleviate any potential conflict between the relief provided by SEC staff in the

no-action letter and FINRA rules, FINRA is providing limited relief, as described below, to firms from the requirements of FINRA Rule 2150(a) and FINRA Rule 2341 (formerly NASD Rule 2830(m) regarding the obligation to promptly transmit customer funds to an issuer in connection with sales of securities on a subscription-way basis. FINRA Rule 2150(a) generally prohibits firms from making improper use of customer funds. FINRA Rule 2341 (formerly NASD Rule 2830(m) requires firms that engage in direct retail transactions for investment company shares to transmit payments received from customers for such shares to the appropriate third-party payee (e.g., the investment company or its agent) by: (i) the end of the third business day following a receipt of a customer's order to purchase such shares; or (ii) the end of one business day following receipt of a customer's payment for such shares, whichever is the later date. Regulatory Notice 3 June 2015 15-23 Without violating either FINRA Rule 2150(a) or FINRA Rule 2341 (formerly NASD Rule 2830(m), a firm may hold a customer check payable to an issuer for up to seven business days from the date that an OSJ receives a complete and correct application package for the sale of securities on a subscription-way basis provided that all seven conditions delineated below are present.

1. The reason that the firm is holding the application for the securities and a customer's non-negotiated check payable to a third party is to allow completion of principal review of the transaction pursuant to FINRA Rules 2111 and 3110.

2. The associated person who recommended the purchase of the securities makes reasonable efforts to safeguard the check and, after receiving information necessary to prepare a complete and correct application package, promptly prepares and forwards the complete and correct copy of the application package to an OSJ.

3. The firm has policies and procedures in place that are reasonably designed to ensure compliance with condition number 2 above.

4. A principal reviews and makes a determination of whether to approve or reject the purchase of the securities in accordance with the provisions of FINRA Rules 2111 and 3110.

5. The firm holds the application and check no longer than seven business days from the date an OSJ receives a complete and correct copy of the application package.

6. The firm maintains a copy of each such check and creates a record of the date the check was received from the customer and the date the check was transmitted to the issuer or returned to the customer.

7. The firm creates a record of the date when the OSJ receives a complete and correct copy of the application package. If any of these seven conditions are not present, FINRA's limited relief will not apply and it will enforce FINRA Rule 2150(a) and FINRA Rule 2341 as appropriate.

13.5.5 Correspondence File (Incoming)

Both Registered Branch Offices and unregistered locations must submit all copies of correspondence to the main office and file a monthly correspondence report.

Incoming Correspondence (including incoming fax) is defined as any written letter, electronic mail message, and any letter received from a customer or prospective customer and is reviewed by a

Supervisor or designee. (No need to maintain a copy of electronic mail message in this file.) Any mail containing a complaint of any nature is to be immediately given to the Compliance Department. Please note that originals received for or from off-site locations must be also maintained in the OSJ Branches' Incoming Correspondence file

13.5.6 Due Diligence File (Products)

If required, the file should include, but is not limited to:

- General product information
- Any third party issued due diligence report, if any
- Reason for recommending the product to customers
- Reasonable-Basis Suitability Assessment Report, if utilized
- Maintain this file in alphabetical order

Because each product may involve different risk and investment objectives, each Registered Representative should exercise due diligence to ensure that the product they recommend is consistent with the customer's investment objective and must establish reason for recommending the product to customers.

13.5.7 Gifts, Gratuities and Entertainment File

Both OSJ branches and non-OSJ branches must maintain this file. The file should include, but not limited to:

- Gift & Gratuity log
- The log must also include all gifts and entertainments offered and received by both registered and unregistered persons
- Maintain this file in chronological order

When an Associated Person receives or offers a gift that exceeds the $100 limitation, either alone or when aggregated with other gifts from the same product sponsor within the calendar year, the person must immediately report the gift to his or her Supervisor and return the gift. Evidence of the gift's return should be maintained. Entertainment includes a broad range of activities such as trips, parties, and other activities. RRs must accompany entertainment to avoid entertainment being considered a gift which is subject to $100 limitation. Records of entertainment must include details of who was entertained and the nature of entertainment.

14. GENERAL SALES AND TRADING STANDARDS

14.1 Know Your Customer (KYC) FINRA Rule 2090

FINRA Rule 2090[13] ("KYC" rule") requires registered representatives to use reasonable diligence, in regard to the opening and maintenance of every account, to know and retain the essential facts concerning every customer and concerning the authority of each person acting on behalf of the customer.

For purposes of this KYC rule, facts "essential to knowing the customer" are those required to:

- Effectively service the customer's account;
- Act in accordance with any special handling instructions for the account;
- Understand the authority of each person acting on behalf of the customer; and
- Comply with applicable laws, regulations, and rules.

Pursuant to the KYC rule, registered representatives, at the time of account opening, must obtain information, such as, but not limited to;

- The customer's identity;
- Background;
- Investment history;
- Source of investable funds;
- The names of any persons authorized to act on behalf of the customer; and
- Any limits on their authority that the customer establishes.

The KYC requirement is not tied to a recommendation of investments or investment strategies; rather, it arises at the beginning of a customer-broker relationship and continues through the end of that relationship. Therefore, registered representatives are responsible for making certain that their customers' essential facts are current at all times.

Please note that when/if a customer declines to provide certain relevant information (essential facts), the registered representative may not open the account without first obtaining the Supervisor's and the firm's President's written approval.

Furthermore, when/if a customer requires or wishes to add or impose any special handling instructions other than those permitted as part of the new account application process, such instruction must be: (i) provided by the customer in writing; and (ii) pre-approved by both the Supervisor and the firm's President or PRESIDENT in writing.

[13]FINRA Rule 2090: Every member shall use reasonable diligence, in regard to the opening and maintenance of every account, to know (and retain) the essential facts concerning every customer and concerning the authority of each person acting on behalf of such customer.

At the present time, the firm neither has nor establishes any guideline of evaluating customers' instructions of handling of their accounts. Each request will be evaluated and determined its appropriateness at the time of or after the firm receives such request in writing. The firm's determination will be communicated to the registered representative and the customer in writing.

Essential Facts. For purposes of this Rule, facts "essential" to "knowing the customer" are those required to (a) effectively service the customer's account, (b) act in accordance with any special handling instructions for the account, (c) understand the authority of each person acting on behalf of the customer, and (d) comply with applicable laws, regulations, and rules.

14.1.1 Uniform Transfers to Minors Act (UTMA) and Uniform Grants to Minors Act (UGMA) Accounts

FINRA Rule 2090 (Know Your Customer) requires member firms and their associated persons to use reasonable diligence to determine the "essential facts" about every customer and "the authority of each person acting on behalf of such customer." Regulatory Notice 11-02 (SEC Approves Consolidated FINRA Rules Governing Know-Your-Customer and Suitability Obligations) advised that firms verify the essential facts about a customer "at intervals reasonably calculated to prevent and detect any mishandling of a customer's account that might result from the customer's change in circumstances."

Trustmont Financial Group, Inc. and our associated persons have a continuing obligation to know the essential facts relating to UTMA/UGMA account customers. Specifically, the circumstances concerning the authority of a person acting on behalf of a customer will change in UTMA/UGMA accounts when the account beneficiary reaches the age of majority.

Generally, when UTMA or UGMA accounts are established, the beneficiary (a minor) becomes the owner of the property at the time of the gift; however, the custodian manages and invests the property on the beneficiary's behalf until the beneficiary reaches the age of majority. Once the beneficiary has reached the age of majority, the custodian is required to transfer the custodial property to the beneficiary. This means the beneficiary will need to take ownership of the UGMA/UTMA assets in an account in his or her own name. Once a beneficiary reaches the age of majority, custodians are no longer permitted to effect transactions in, and withdraw, journal and transfer money from UTMA/UGMA accounts.

Supervisory Review Procedures and Documentation

For every new UTMA or UGMA account, a Client Profile Form is required to be completed with information pertaining to the custodian of the account and the beneficiary (minor). Documentation required to open a UGMA or UTMA account must include the following:

- Minor's date of birth
- Minor's state of residence
- Minor's social security number

A transfer of property into a UGMA or UTMA account represents a complete and irrevocable transfer of property to the minor. The transferor gives up all rights to the property; the transfer cannot be revoked.

Restrictions on Custodial Account Transactions:

- An UGMA or UTMA account can only list one custodian and one minor
- Powers of attorney giving discretionary authority over a UGMA or UTMA account to persons/entities other than professional money managers are prohibited and will not be accepted.
- UGMA or UTMA accounts are not eligible for margin or futures trading
- Option trading activity is limited in UGMA or UTMA accounts to purchasing puts against long stock positions and selling covered calls.

Ongoing Review and Compliance:

Registered representatives are required to keep track of the age of the beneficiary of the UGMA/UTMA account and to communicate with the custodian at the appropriate time regarding the transfer of custodial property once the beneficiary of the account reaches the age of majority.

Supervisors are responsible for periodic review of customers' accounts to verify the authority of custodians of UTMA/UGMA accounts. Such review will include the creation of a report generated through our data system, Jaccomo, which indicates those accounts whose beneficiaries are either approaching the age of majority or are past the age of majority. Should the report indicate non-compliance with rules governing UGMA/UTMA accounts, the registered representative responsible for the account will be contacted and required to provide an explanation. Failure to comply with this policy may result in disciplinary action.

14.1.2 Supervisory Responsibilities

Supervisors are responsible for:

- ✓ Making certain that the registered representatives under their supervision are aware of the firm's policies and procedures surrounding the Know Your Customer obligation;
- ✓ Making certain that the firm's policies and procedures have been followed by the registered representatives;
- ✓ Making certain that violation(s) or potential violation(s) have been reported to the firm's CCO and the Compliance Department;
- ✓ Maintaining a list of accounts approved based on any exceptions;
- ✓ Ongoing review and approval of new account and account updated documents to ensure that it contains appropriate and complete information pursuant to the KYC obligation and do not raise any areas of concern.

Supervisors are also responsible for periodic review of customers' accounts. When any unexplained or sudden changes are discovered during the routine review, the Supervisor should contact the customer and make certain that essential facts concerning the customer are noted and the customer's profile is updated in a timely manner. The contact records and actions taken should be also maintained in the customer file.

Please note that Supervisors must receive the President's approval, in writing, prior to accepting any special handling instructions requested by customers.

14.1.3 Home Office Responsibilities

The firm's Operations Department is responsible for maintaining a list of accounts with any special instructions. The list must also include, but not limited to:

- ✓ Account number;
- ✓ Customer's name;
- ✓ Customer's special handling instructions;
- ✓ The firm's approval status of proposed handling instruction; and
- ✓ Name of the person who approved and approval date

Any changes to previously approved customers' instructions must be also approved and documented as mentioned above.

14.2 Suitability FINRA Rule 2111

FINRA Rule 2111[14] ("Suitability rule") requires registered representatives to have a reasonable basis to believe that a recommended transaction or investment strategy involving a security or securities is suitable for the customer based on the information (the customer's investment profile) obtained through the reasonable diligence of the registered representative.

As mentioned in various articles and regulatory release, the suitability rule is also fundamental to fair dealing and is intended to promote ethical sales practices and high standards of professional conduct.

To ensure that both the firm and our registered representatives comply as such, the firm establishes and maintains the following policies and procedures surrounding the suitability rule. All registered representatives are expected to read and be familiar with the firm's policies and procedures.

14.2.1 Scope of Suitability Obligations

As stated in FINRA Rule 2111, recommendations of investments and investment strategies with or without resulting in transactions are subject to the suitability obligation. In other words, it is not required that a transaction occurs in determining whether registered representatives have a suitability obligation with respect to the recommendations of investments or investment strategies

[14] **FINRA Rule 2111(a):** A member or an associated person must have a reasonable basis to believe that a recommended transaction or investment strategy involving a security or securities is suitable for the customer, based on the information obtained through the reasonable diligence of the member or associated person to ascertain the customer's investment profile. A customer's investment profile includes, but is not limited to, the customer's age, other investments, financial situation and needs, tax status, investment objectives, investment experience, investment time horizon, liquidity needs, risk tolerance, and any other information the customer may disclose to the member or associated person in connection with such recommendation.

14.2.1.1 Investment Strategies

As mentioned above, in addition to a recommended purchase, sale or exchange transaction, the suitability obligation also covers "investment strategies".

Pursuant to FINRA Rule 2111.03, investment strategies would include, among other things:

- ✓ A recommended investment strategy regardless of whether the recommendation results in a securities transaction or even references a specific security or securities; upon the basis of the facts, if any, disclosed by such customer as to his other security holdings and as to his financial situation and needs.
- ✓ A recommendation to purchase securities using margin or liquefied home equity[16] or to engage in day trading[17], irrespective of whether the recommendation results in a transaction or references particular securities; and
- ✓ When a registered representative meets with a customer during a quarterly or annual investment review and explicitly recommends the customer not to sell any securities in or make any changes to the account or portfolio.

Please note that hold recommendations are subject to the suitability obligation regardless of whether the registered representative previously recommended the purchase of the securities, the customer purchased them without a recommendation, or the customer transferred them into the account from another firm where the same or a different registered representative had handled the account.

14.2.1.2 *Exceptions*

Pursuant to FINRA Rule 2111.03, the following communications are excluded from the definition of investment strategies as long as they do not include a recommendation of a particular security or securities:

- ✓ General financial and investment information, including:
  - basic investment concepts, such as risk and return, diversification, dollar cost averaging, compounded return, and tax deferred investment,
  - historic differences in the return of asset classes (e.g., equities, bonds, or cash) based on standard market indices,
  - effects of inflation,
  - estimates of future retirement income needs, and
  - assessment of a customer's investment profile;

[16] The firm's policy prohibits registered representatives from recommending such strategy.

[17] The firm's policy prohibits registered representatives from recommending such strategy.

- ✓ Descriptive information about an employer-sponsored retirement or benefit plan, participation in the plan, the benefits of plan participation, and the investment options available under the plan;
- ✓ Asset allocation models that are:
  - based on generally accepted investment theory,
  - accompanied by disclosures of all material facts and assumptions that may affect a reasonable investor's assessment of the asset allocation model or any report generated by such model, and
  - in compliance with FINRA Rule 2214 (formerly NASD IM-2210-6) (Requirements for the Use of Investment Analysis Tools) if the asset allocation model is an "investment analysis tool" covered by FINRA Rule 2214 (formerly NASD IM-2210-6); and
- ✓ Interactive investment materials that incorporate the above.

14.2.2 Reasonable-Basis Suitability Obligation

The suitability rule requires that, before recommending an investment or investment strategy, registered representatives must have a reasonable basis for believing that the recommendation is suitable for at least some investors. Accordingly, registered representatives must conduct due diligence on certain securities and investment strategies they recommend to their customers to ensure that no securities product is recommended to the customer before it has been thoroughly assessed with the reasonable basis suitability.

14.2.2.1 *Scope of Reasonable Diligence*

What constitutes reasonable diligence will vary depending on the complexity of and risks associated with each security or investment strategy and the registered representative's familiarity with the security, the type of security, and/or investment strategy.

In general, registered representatives' reasonable-basis suitability due diligence must include, but not limited to:

- ✓ The general investment objective (who is suitable for the security type);
- ✓ How will the investment or investment strategy add to or improve customer account;
- ✓ What market, performance factors, or assumptions determine the return of the investment or investment strategy;
- ✓ What are the risks for customers;
- ✓ What risks must be disclosed and how to be disclosed to customers;
- ✓ How will the firm and its representatives be compensated; and
- ✓ How liquid is the investment.

Also refer to each product type section of this manual for additional suitability due diligence items associated with the product type.

14.2.2.2 *Training Requirements*

To ensure that registered representatives understand the potential risks and rewards associated

with certain investment, investment types or investment strategies, the firm will provide training on certain product types either as the firm's annual compliance meeting or the firm element continuing education.

Please note that the firm will not provide any specific security's related training. It is each registered representative's responsibility to gain knowledge of risks and rewards associated with each security they recommend to their customers. (Certain insurance related products require additional training and certification prior to soliciting the sale or purchase.)

14.2.2.3 *Supervisory Responsibilities*

Supervisors are responsible for making certain that all registered representatives under their supervision:

- ✓ Are aware of the firm's policies and procedures and the rules;
- ✓ Have access to the firm' policies and procedures at all times; and
- ✓ Follow the firm's policies and procedures on the suitability rule and reasonable-basis due diligence requirement.

Supervisors are also responsible for:

- ✓ Making certain that a reasonable basis due diligence has been conducted for each investment or investment strategy;
- ✓ Reviewing and scrutinizing their registered representatives' reasonable basis due diligence to make certain that they are adequate and do not raise any areas of concern;
- ✓ Maintaining a due diligence file in the OSJ Branch location.

Supervisors must conduct periodic reviews of customers' accounts for their activities and current holdings to make certain that they are suitable based on the reasonable-basis suitability assessment.

14.2.3 Customer-Specific Suitability Obligation

As mentioned above, FINRA Rule 2111 requires registered representatives to have a reasonable basis to believe that a recommended transaction or investment strategy involving a security or securities is suitable for the customer based on the customer's investment profile.

Accordingly, registered representatives must obtain and be familiar with the customer's investment profile to ensure that the recommended investment or investment strategy is suitable for the customer in light of the customer's investment profile factors for the account.

14.2.3.1 *Customer's Investment Profile*

Registered representatives must obtain the customer's investment profile for each account (not for each customer) before making recommendations. The customer's investment profile includes, but not limited to:

- ✓ The customer's age
- ✓ Other investments

- ✓ Financial situation and needs
- ✓ Tax status
- ✓ Investment objectives
- ✓ Investment experience
- ✓ Investment time horizon[18]
- ✓ Liquidity needs[19]
- ✓ Risk tolerance[20]
- ✓ Any other information the customer may disclose in connection with the recommendation

Registered representatives are responsible for not only obtaining but also maintaining each customer's investment profile current at all times.

Please note that if a registered representative wishes to establish and/or maintain a customer-broker relationship with an individual who declines to provide certain information, the registered representative must document: (i) his or her efforts to obtain such information: and (ii) the explanation why the information which the individual refused to provide may not be relevant to the suitability analysis for the recommendation.

Furthermore, such document must be also reviewed and approved by both the registered representative's Supervisor and the firm's CCO in writing prior to establishing the customer-broker relationship.

14.2.3.2 Customers with Multiple Accounts

Customers with multiple accounts may have varying investment profiles or investment profile factors for different accounts. Therefore, registered representatives should document the customers' intent for specific accounts to avoid confusion.

[18] "Time horizon" represents the "expected number of months, years, or decades [a customer plans to invest] to achieve a particular financial goal." *Regulatory Notice 11-25,* at 4.

[19] "Liquidity needs" represent the "extent to which a customer desires the ability or has financial obligations that dictate the need to quickly and easily convert to cash all or a portion of an investment or investments without experiencing significant loss in value from, for example, the lack of a ready market, or incurring significant costs or penalties." *Regulatory Notice 11-25,* at 4. FINRA stated that "examples of possible liquid investments include money market funds, Treasury bills and many blue-chip stocks, ETFs and mutual funds." *Id.* at 9 n.11. FINRA emphasized, however, "that a high level of liquidity does not, in and of itself, mean that the recommended product is suitable for a customer. For instance, some relatively liquid products can be complex and/or risky and therefore unsuitable for some customers."

[20] "Risk tolerance" is a customer's "ability and willingness to lose some or all of [the] original investment in exchange for greater potential returns." *Regulatory Notice* 11-25, at 4. For a discussion of the relationship between time horizon, liquidity needs and risk tolerance, *see Regulatory Notice* 11-25, at 5.

In addition, for each account, the account profile and all profile factors should be independently completed. In other words, the registered representative could not borrow profile factors from the different account(s) to justify a recommendation that would not be appropriate for the account for which the recommendation was made.

14.2.3.3 *Institutional Accounts*

The suitability rule provides an exemption to customer-specific suitability obligation to institutional customers under certain circumstances.

For purposes of the suitability rule, the term, "institutional account"[21] shall mean:

- ✓ A bank, savings and loan association, insurance company or registered investment company;
- ✓ 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
- ✓ Any other person (whether a natural person, corporation, partnership, trust or otherwise) with total assets of at least $50 million.

There are two factors[22] in determining the scope of a registered representative's suitability obligations in making recommendations to an institutional account. They are:

- ✓ The customer's capability to evaluate investment risk independently; and
- ✓ The customer is exercising independent judgment in evaluating a recommendation.

The rule also requires the institutional customer affirmatively indicates that it is exercising independent judgment in evaluating the recommendations.

Accordingly, the firm's policy prohibits its registered representatives from opening and maintaining an institutional account without either: (i) the institutional customer's investment 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.

[21] As defined in FINRA Rule 4512(c)

[22] **FINRA Rule 2111(b)**: 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.

14.2.4.1 *Excessive Transaction and Definition*

An excessive transaction occurs when a registered representative actively trades a customer's account, usually, with no apparent strategy other than to generate commissions for the registered representative's own gain.

The term excessive transaction (aka churning) has a number of elements including, but not limited to:

- ✓ Control of the account by the registered representative
- ✓ Excessiveness[23] of transactions;
- ✓ Intent to defraud which may be defined as the registered representative acting in the registered representative's own interest contrary to the customer's interest; and
- ✓ Motive to generate commissions.

In other words, excessive transaction takes place when a registered representative uses his or her influence over a customer to induce excessive trading in the customer's account for the purpose of generating additional commissions.

Excessive transactions are not only a violation of the suitability rule, but also are an act of the antifraud provisions of FINRA Rules, SEC Rules, and state antifraud laws. Therefore, an excessive transaction is an unacceptable practice and any registered representatives found to be engaging in such transaction may be subject to disciplinary action, up to and including termination.

14.2.4.2 *Supervisory Responsibilities*

Supervisors are responsible for on-going review of each account to make certain that:

- ✓ Registered representatives are not making decisions or inducing customers to make decisions based on the registered representatives' own financial needs rather than in the best interest of their customers; and
- ✓ A series of recommended transactions are suitable for the customer.

Supervisors should also take the following actions, if necessary:

- ✓ Make direct contact with the customer and verify the customer's authorization of each securities transaction;
- ✓ Restrict or limit activities or securities transactions; and
- ✓ Request and obtain a "Customer Suitability Profile and Request to Maintain an Active Trading Account" form.
- ✓ Supervisors should maintain their contact records and actions taken in the customer file.

[23] Regardless of the profitability in the account, the excessiveness of trading depends upon the nature of the customer's account and the customer's investment objectives and financial circumstances, as well as the rate of turnover in the account or the presence of in-and-out trading.

14.2.5 Documentation of Recommendations of Investments and Investment Strategies

It is important that registered representatives document their recommendations of investments and investment strategies

14.2.5.1 *Recommendations with Securities Transactions*

In general, when a recommendation is involved or resulted in a securities transaction, such recommendation will be documented by the securities transaction ticket or the securities trading system. In other words, transactions identified as "solicited" transaction in the ticket are deemed the transaction recommendation was made by the registered representative who entered the transaction.

Therefore, it is imperative that registered representatives understand and accurately record their capacities (solicited vs. unsolicited)[24] for each transaction.

Please note that a customer's called-in order for a security or securities of his or her registered representative mentioned or made comment on must be identified as "solicited."

14.2.5.2 *Recommendations without Securities Transactions*

Recommendations of investments or investment strategies without securities transactions must be also documented. Therefore, registered representatives, at the time of recommendation, must document, such as, but not limited to:

- ✓ Hold recommendation in the sense of a suggestion that the customer stay the course with the current investment or investment strategies;
- ✓ Meeting with the customer for a routine review, and during the review explicitly recommended to customer not to sell any securities or make any changes to the account;
- ✓ The recommendation to hold the transferred securities in the account
- ✓ Recommendations of the following investment strategies; and
  - Use of bond ladder
  - Use of margin account
  - Use of liquefied home equity (prohibited)
  - Use of day trading strategy (prohibited)
- ✓ Recommendations of asset allocation model(s) personalized or customized for the customer.

Please note that registered representatives must also document their reason of recommendations for:

[24] To meet the definition of "Unsolicited" transaction, the following conditions must be met:
- Customer initiates the transaction by contacting the registered representative;
- The registered representative has not made any comment on the security; and
- The registered representative has not influenced the customer in any way regarding the purchase, liquidation or holding of the security.

✓ A hold recommendation when the securities involved have a short-term investment component, have a periodic reset, or have some similar mechanism that alters the securities' character over time;

✓ A hold recommendation when the securities are particularly vulnerable to changes to market conditions or are otherwise risky to hold at the time the hold recommendation was made;

✓ A hold recommendation when the customer is heavily concentrated in the security or industry at issue, if the security is particularly risky or if the security is inconsistent with the customer's profile for the account

14.2.5.3 *Exceptions*

As the firm's policy, recommendations of the following securities or type of securities, if such recommendations do not result in or involve in a securities transaction, are excluded from the recommendation documentation requirement (i.e., hold recommendations of the following securities or security types are excluded from the documentation requirement):

✓ Investment company products

✓ Investment strategies mainly involving investment company products generally invested in large cap or value oriented equities;

✓ Target dated investment company products; and

✓ Investment strategies mainly involving target dated investment company products.

Please note that even though they are excluded from the documentation requirement for recommendation when no transaction is involved, recommendations of these investments and investment strategies are still subject to the reasonable-bases suitability obligation and the customer-specific suitability obligation.

14.2.5.4 *Home Office Responsibilities*

The firm's Operations Department is responsible for maintaining the record of all securities transactions and recommendations.

14.2.6 Recommendations to Customers

14.2.6.1 *Suitability of Recommendations*

In recommending to a customer the purchase, sale or exchange of any security, a registered representative must have reasonable grounds for believing that the recommendation is suitable for such customer based upon essential information obtained from the customer, including:

- the customer's age;
- financial status;
- tax status;
- investment objectives;
- occupation; and,
- previous investment experience.

Recommending the purchase, sale, or exchange of any security without reasonable grounds for believing that the recommendation is suitable is expressly forbidden.

- Unsuitable investment recommendations take many forms but the most common are:
- Recommending investments which fluctuate in value to customers who cannot afford to lose principal; Recommending long-term investments to customers with short term time horizons; and,
- Recommending aggressive investments such as growth stocks and equity funds to elderly customers needing income for retirement.

Trustmont Financial Group has adopted the following standards which prohibit or restrict registered representatives' authority to give investment advice and to make recommendations. These standards are designed not only for the purpose of minimizing the likelihood of unsuitable investment recommendations, but also for managing other areas of risk exposure associated with particular securities and investment practices.

14.2.6.2 *Suitability Standards*

Sound investment advice is implied to be the product of reasonable investigation and research, or due diligence, by a qualified professional. Trustmont Financial Group has adopted the following standards to promote the quality and soundness of advice offered to customers:

- Sales representatives are prohibited from making investment recommendations which cannot be reasonably supported, justified and defended;
- Prior to making investment recommendations, representatives must possess product knowledge sufficient to: (i) support their basis for making the recommendations; and (ii) understand and convey the material risks associated with the investments; and
- Investments may not be selected on the basis of selling compensation or any other consideration which may compromise Trustmont Financial Group's obligation to promote the customer's best interests at all times.

14.2.6.3 *Accounts Records Maintained by Sales Personnel*

Sales representatives, as part of their duties and responsibilities, must maintain or have ready access to a complete, accurate and up-to-date record of customers' transactions and holdings. Representatives must also regularly update and keep current customers' new account information, including financial status, investment objectives, and other suitability information. Under no circumstances may a representative make securities recommendations without first determining that the transaction is suitable based upon the customers documented suitability profile.

All customer records, which must be kept currently posted, are always subject to surprise inspections by a principal, CCO, internal auditor or external regulator (such as the SEC, FINRA, Federal Reserve, or state).

Each customer account record must contain sufficient current information upon which suitability determinations can be made and must indicate the investment objective or objectives of the customer with an appropriate notation in case these objectives change or a customer wishes to place a certain proportion of funds in securities or products which are contrary to the customer's primary investment objective. Each sales representative is responsible for monitoring suitability

information for currency and making the necessary updates to the customer's new account records promptly upon becoming aware of any changes.

All customer account records as recorded and maintained are the property of Trustmont Financial Group.

14.2.6.4 *Institutional Suitability*

The two most important considerations in determining the scope of a member's suitability obligations in making recommendations to an institutional customer are the customer's capability to evaluate investment risk independently and the extent to which the customer is exercising independent judgment in evaluating a member's recommendation. RR's must conform their recommendations to these considerations and to the foregoing additional standards.

A determination of capability to evaluate investment risk independently will depend on an examination of the customer's capability to make its own investment decisions, including the resources available to the customer to make informed decisions. Relevant considerations could include:

- the use of one or more consultants, investment advisers or bank trust departments;
- the general level of experience of the institutional customer in financial markets and specific experience with the type of instruments under consideration;
- the customer's ability to understand the economic features of the security involved;
- the customer's ability to independently evaluate how market developments would affect the security; and
- the complexity of the security or securities involved.

A determination that a customer is making independent investment decisions will depend on the nature of the relationship that exists between the member and the customer. Relevant considerations could include:

- any written or oral understanding that exists between the member and the customer regarding the nature of the relationship between the member and the customer and the services to be rendered by the member;
- the presence or absence of a pattern of acceptance of the member's recommendations;
- the use by the customer of ideas, suggestions, market views and information obtained from other members or market professionals, particularly those relating to the same type of securities; and
- the extent to which the member has received from the customer current comprehensive portfolio information in connection with discussing recommended transactions or has not been provided important information regarding its portfolio or investment objectives.

14.2.6.5 *Supervision of Recommendations*

The designated principals shall review and endorse, in writing, all transactions and regularly verify that registered representatives are complying with the aforementioned standards. Appropriate

supervision shall be conducted through: (i) initial and on-going suitability reviews of account activity; (ii) review of correspondence; (iii) periodic monitoring of sales presentations; and (v) periodic spot-checking of due-diligence files (if applicable).

14.3 Fair Prices and Commissions: FINRA Rule 2121

In securities transactions, whether in "listed" or "unlisted" securities, if a member buys for its own account from its customer, or sells for its own account to its customer, it shall buy or sell at a price which is fair, taking into consideration all relevant circumstances, including:

- market conditions with respect to such security at the time of the transaction,
- the expense involved,
- the fact that the member is entitled to a profit;

If the member acts as agent for its customer in any such transaction, it shall not charge its customer more than a fair commission or service charge, taking into consideration all relevant circumstances, including,

- market conditions with respect to such security at the time of the transaction,
- the expense of executing the order
- the value of any service the member may have rendered by reason of its experience in and knowledge of such security and the market.

Transactions which flow through our firm account are of industry standard, the firm does not hold inventory in any security (equities or fixed) in which the firm would buy/sell to public at a markup/markdown.

14.3.1 Markups/Markdowns/Commissions

It is a violation of FINRA Rule 2010 and Rule 2121 for a member to enter into any transaction with a customer in any security at any price not reasonably related to the current market price of the security or to charge a commission which is not reasonable. Commissions on customer transactions must comply with FINRA's policy which includes a 5% guideline. The markup policy is not applicable to the sale of securities where a prospectus or offering circular is required to be delivered and the securities are sold at the specific public offering price.

While FINRA has established a "5% Policy", it is meant only as a guide, not a rule. In no way should it be assumed that any charge below 5% would be deemed reasonable. In the same respect, there may be occasions when a charge in excess of 5% may be acceptable, i.e. the firm sets a "minimum commission." In addition, the following factors must be considered when determining fairness of charges:

(1) The Type of Security Involved

Some securities customarily carry a higher cost than others. For example, a higher percentage of commissions and/or charges applies to a common stock transaction than to a bond transaction of the same size. Likewise, a higher percentage applies to sales of units of direct participation programs and condominium securities than to sales of common stock.

(2) The Availability of the Security in the Market

In the case of an inactive security, the effort and cost of buying or selling the security, or any other unusual circumstances connected with its acquisition or sale may have a bearing on the amount of commissions and/or other charges justified.

(3) The Price of the Security

While there is no direct correlation, the rate of commission generally increases as the price of the security decreases. Even where the amount of money is substantial, transactions in lower priced securities may require more handling and expense and may warrant a wider spread.

(4) The Amount of Money Involved in a Transaction

A transaction which involves a small amount of money may warrant a higher percentage of commission to cover the expenses of handling.

(5) Disclosure

Any disclosure to the customer, before the transaction is effected, of information which would indicate (A) the amount of commission charged in an agency transaction or (B) mark-up made in a principal transaction is a factor to be considered. Disclosure itself, however, does not justify a commission or mark-up which is unfair or excessive in light of all other relevant circumstances.

(6) The Pattern of Mark-Ups

While each transaction must meet the test of fairness, particular attention should be given to the pattern of the firm's mark-ups.

(7) The Nature of the Registered Representative's Capacity

The differences in the services and facilities which are needed by and provided for customers—If not excessive, the cost of providing such services and facilities, particularly when they are of a continuing nature, may properly be considered in determining the fairness of commissions and other charges (such as, solicited vs. unsolicited)

In addition, the commissions, and other charges on proceeds transactions must also be considered. In other words, when a customer sells one security and buys another security at the same time, using the proceeds of the securities position liquidated to pay for the second position, the proceeds provision requires that both trades be treated as a single transaction for commission purposes. Consequently, the total remuneration for both transactions should not exceed the remuneration amount for a single transaction.

However, if the customer deposits new funds by Reg-T date or by any extension granted, such transactions will not be subject to the firm's proceeds transaction violation.

14.3.2 Small Transactions and Maximum Commissions

As the firm's policy, for transactions of less than $1,000 principal amount (quantity times price), the firm's allowable maximum commission is $50 excluding other fees, such as handling fee.

For transactions of the equal to or greater than $1,000 principal amount (quantity times price), the

firm's allowable maximum commission is 5% excluding other fees, such as handling fee.

14.3.3 Fixed Income Securities

Supervisors are responsible for ensuring that a reasonable effort was made to obtain a price for the customer that is fair and reasonable in relation to prevailing market conditions.

In addition, Supervisors are responsible for reviewing the reasonableness of mark-ups and mark-downs on customer trades. In determining fair and equitable mark-ups or mark-downs, relevant factors may include:

- The best judgment of the firm as to the fair market value of the securities at the time of the transaction and of any securities exchanged or traded in connection with the transaction
- The expense involved in effecting the transaction
- Total dollar amount of the transaction
- Availability of the security
- The price or yield of the security
- The maturity of the security
- Resulting yield to the customer, as compared to the yield on other securities of comparable quality, maturity, coupon rate, and block size then available in the market
- The nature of the firm's business
- Any other relevant facts at time of execution

As the Firm's policy, under no circumstances will any markup, markdown or commission shall exceed 3% unless authorization is obtained from a principal PRIOR to such charges being made.

14.3.4 Other Charges

Charges, if any, for services performed, including miscellaneous services, such as collection of funds due for principal, dividends, or interest; exchange or transfer of securities and other services, shall be reasonable and not unfairly discriminatory between customers.

14.3.5 Prohibited Commission Practices

Registered representatives are prohibited from engaging in and/or facilitating the following commission practices.

- Giving to, or accepting from a customer, whether directly or indirectly, a gratuity or anything of value that would constitute a rebate of fees and/or commissions or any other compensation;
- Rebating to anyone, directly or indirectly, any commission or compensation received;
- Changing commission charged without receiving pre-approval from the Supervisor (reason for such change must be also documented);
- Sharing commissions or compensation with non-registered persons;
- Any payment or sharing arrangement to a non-registered person without the firm's written

approval;

- Sharing compensation for securities transactions with persons or entities that are not appropriately registered (this would include paying a non-registered and unlicensed person a referral or finder's fee related to the sale of any securities product);

- Rebating commission for settling complaints or errors directly with customers (registered representatives may not make payments to customers of any kind to resolve an error or customer compliant);

- Paying any part of his or her commission to any other registered representative, including registered representatives associated with the firm without prior written approval from the firm; and

- Paying any part of securities transaction based compensation to registered representatives affiliated with other broker-dealers without first obtaining written approval from the firm prior to the transaction.

Please note that commissions will only be paid to registered representatives who are properly registered at the time of sale and who have met applicable continuing education requirements.

14.3.6 Supervisory Review Procedures

The Compliance Team under the supervision of the CCO will ensure compliance with Rule 2121, including that appropriate personnel receive all necessary training. Documentation will be maintained of all training efforts, including dates, copies of training materials utilized, method of delivery (i.e. Annual Compliance Meeting, CE, online training, etc., and names of individuals who received the training.

FINRA's "5% policy" will be utilized as a guideline, along with other factors detailed above, in all reviews to determine that no violation of Rule 2121 has occurred. Supervisors are also responsible for reviewing, on a daily basis, the reasonableness of other charges and fees, including miscellaneous charges.

Supervisors, under the direction of the CCO are responsible for:

- Making certain that the individuals under their supervision are aware of the firm's policies and procedures surrounding commission practices;

- Making certain that the firm's policies and procedures have been followed by the individuals under their supervision;

- Ongoing review of customer accounts for appropriateness of commission charged;

- Daily reviews of the trade blotter will be done to determine the appropriateness of the markup or markdown being charged. If, during daily reviews of transactions, it is determined that charges in excess of firm policy has been charged without receipt of prior approval, an investigation will be undertaken to determine why procedures have not been followed.

- Making certain that violation(s) or potential violation(s) have been reported to the firm's Compliance Department.

14.3.7 Exception Reports

The Compliance Team under the supervision of the CCO, and working with other principals of the firm, ensures that appropriate exceptions reports are generated to undertake sufficient surveillance to uncover questionable account activities that require further investigation and possible corrective measures. These exception reports should include, but not be limited to, variable and mutual fund switching activities, sales near breakpoint, variable product replacements, increased activity in customer accounts, excessive commissions, transactions over a certain monetary amount, or any patterns that may be red flags of non-compliant or fraudulent activities, such as active accounts, cost to equity, and account turnover.

The Compliance Team under the supervision of the CCO, will determine the appropriate parameters to be set for each type of alert used to monitor and detect potential trade violations. Alerts will be evaluated on a regular basis to ensure that the parameters set for each alert are generating accurate and precise results. Any changes to alert settings must be authorized by the CCO.

The designated principal, under the direction of the CCO, will conduct a daily review and analysis of exception reports created by our trade and account compliance and surveillance system (currently Jaccomo). Violations or potential violations are to be immediately reported to the firm's Compliance Department. The CCO along with other appropriate principals of the firm will determine what corrective measures, if any, are required to be taken. The Compliance Team under the supervision of the CCO will oversee any required refunds that may be due to customers as the result of Rule 2121 non-compliance.

All individuals engaged in surveillance activities using exception reports will receive appropriate training on what the reports mean, how to identify red flags and how to initiate investigations. Documentation will be retained of all such training efforts, including lists of attendees and the training dates.

14.4 Best Execution

The duty of best execution requires the firm to seek to obtain the most favorable terms available under the circumstances for its customer orders. This applies whether the firm is acting as an agent or as principal. The firm must use "reasonable diligence" to determine the best market for a security, and buy or sell the security in that market, so that the price to the customer is as favorable as possible under prevailing market conditions. The factors the firm should consider in determining best execution include:

- The character of the market for the security, such as price, volatility, liquidity and pressure on available communications;
- The size and type of transaction;
- The number of primary markets checked' and
- Location of and the firm's accessibility to the primary markets and quotations systems.

The firm will not, in its transactions with customers, interject a third party between itself and the best available market unless by doing so, the firm can gain a better price for the customer than the current inter-dealer market. The firm may forward its customers' orders to its clearing firm for execution, but the cost of such services cannot be borne by the customer. The firm will bear the primary responsibility to

ensure its clearing firm is obtaining best execution on its customers' order. If the clearing firm knowingly allows the firm to disregard its best execution responsibilities, the clearing firm could also be deemed to have failed to provide best execution.

The designated principal will monitor the executions received on customer orders, working with its clearing firm to ensure the best executions are obtained. Any issues discovered will be addressed with the clearing firm's compliance and/or trading departments.

14.5 Market Making and Trading

Trustmont Financial Group does not engage in market making activities of any kind. All Trustmont Financial Group equity trading is effected on an "as-agent" basis only. Trustmont Financial Group introduces all transactions to its clearing firm for execution.

Order Size Limits

While representatives may not be subject to explicit order size limitations, these representatives are required to make affirmative determinations based on their knowledge of the customer that the customer will complete the transaction. If an affirmative determination cannot be made, the representative shall require the customer to deposit sufficient funds or securities to cover the potential exposure from any resulting buy-in or sell-out prior to entering the customer's order. Representatives assume full liability for all losses incurred from buy-ins and sell-outs.

14.6 Confirmations Disclosures

FINRA Rule 2232 and MSRB Rule G-15 require that the firm, at or prior to completion of each transaction with a customer, give or send the customer a written confirmation disclosing:

- Whether the firm is acting as a broker for the customer, as a dealer for its own account, as a broker for some other person or as a broker for both the customer and some other person;
- In the case where the firm is acting as a broker for the customer or as the broker for both the customer and some other person, either the name of the person from whom the security was purchased from or sold to and the date and time of the trade or the fact that such information is available upon request by the customer; and
- The source and amount of any commission or remuneration received or to be received by the firm in connection with the trade.
- The amount of the mark-up or mark-down in dollars and percentage.
- For all non-institutional/retail customer accounts, the execution time of the customer transaction shall be included on the customer confirmation. For corporate and agency debt securities, the time is to be expressed to the second.

SEC Rule 10b-10 addresses confirmation disclosure requirements and alternatives to sending confirmations at the time of each trade. SEC Rule 17a-4 (b) (1) requires the firm to keep copies of confirmations for three years, of which the first two years must be in an accessible place.

The specific product sponsors with whom Trustmont Financial Group maintains selling agreements will prepare trade confirmations of all customer trades.

Pricing Disclosures

The amount of mark-ups and mark-downs will be disclosed on non-institutional customer confirmations. Two additional disclosures include:

(1) a reference (or hyperlink if the confirmation is electronic) to the MSRB's EMMA website containing publicly-available trading data for the security traded; for all transactions in corporate or agency debt securities a reference, and hyperlink if the confirmation is electronic, to a web page hosted by FINRA that contains Trade Reporting and Compliance Engine (TRACE) publicly available trading data for the specific security that was traded, and

(2) the execution time expressed to the second.

Disclosure is required if the Firm executes one or more offsetting principal trades in the same security on the same trading day which, in aggregate, meet or exceed the size of the customer trade. Disclosure may also be required because of an offsetting principal trade executed by a Firm affiliate that did not occur at arm's length [defined in FINRA Rule 2232(f)(3)]. Disclosure is not required for principal trades executed on a trading desk functionally separate from a trading desk that executes customer trades. It is also not required for municipal fund securities or bonds acquired in a fixed-priced offering and sold to non-institutional customers at the same offering price the same day Trustmont acquires the bonds.

Supervisory Review Procedures and Documentation

The firm’s CCO in conjunction with the Municipal Securities Principal are responsible for establishing procedures regarding the preparation and transmission of customer confirmations, including information required under MSRB Rule G-15 and FINRA Rule 2232.

The firm’s Compliance Team under the supervision of the CCO will review a sampling of confirmations each quarter to determine that they are being sent promptly and meet the requirements of the applicable rules. Should omissions or deficiencies be discovered, we will contact the appropriate person at our clearing firm and alert him/her to the problem. Instruction will be given to issue a correct confirmation and have the problem corrected. A record of the review will be kept including the date of the review, the number of confirmations sampled and notation of omissions found and the corrective action taken.

The firm’s CCO or designated supervisor will review all municipal securities transactions to ensure that all markups and markdowns are appropriate. Questionable markups or markdowns will be investigated, with steps taken to modify and if deemed appropriate. Documentation will be maintained of all such questionable transactions.

14.7 Active Trading Accounts

Active trading may incur substantial transaction charges and commissions, tax ramifications, and increase of the overall risk. Therefore, registered representatives should make certain that the customers who wish to maintain their active trading accounts understand such facts. In addition, due to the fact that there is an inherent conflict of interest with active trading, because it will increase the compensation to the registered representative and TFG, registered representatives must disclose such fact.

The firm’s policy requires the customers who wish to maintain active trading account should complete and

sign a "Customer Suitability Profile and Request to Maintain an Active Trading Account" form. Registered representatives are responsible for requesting to and obtaining from the customer the document.

Furthermore, if an account is identified as an active trading account by the Supervisor or the firm's Home Office, the registered representative will be required to obtain a completed and signed "Customer Suitability Profile and Request to Maintain an Active Trading Account" form. When/if the required document is not received in a timely manner, the account will be coded for no more business until the Supervisor and the firm's Home Office receive a copy of the document.

Remember! Inducing or recommending customers in active trading or excessive trading activities for the registered representative's own benefit is strictly prohibited.

14.7.1 Supervisory Responsibilities

Supervisors and/or designee(s) must make certain that all Registered representatives under their supervision:

- Are aware of the firm's policies and procedures and the rules;
- Have access to the firm' policies and procedures at all times; and
- Follow the firm's policies and procedures on active trading and document requirement.

Supervisors and or designee(s) are also responsible for:

- Reviewing and identifying accounts for active trading;
- Reviewing "Customer Suitability Profile and Request to Maintain an Active Trading Account" forms for its completeness and appropriateness;
- Approving submitted forms
- Ongoing review of customer accounts for its appropriateness of active trading;
- Reviewing and scrutinizing exception reports for trading activities; and
- Reporting violations or any potential violations to the firms' CCO or his or her designee.

Please note that Supervisors and/or designee(s) should review the account activities and securities transactions to make certain that the registered representatives are not making decisions or inducing customers to make decisions based on the registered representatives' own financial needs rather than in the best interest of the customers.

TFG recommends its Supervisors and/or designee(s) to make a direct contact with customers: (i) to go over the customer's understanding of transactions; and (ii) to verify the customer's authorization of securities transactions.

Be Aware! When/if the Supervisor, especially if the Supervisor receives an override, fails to detect his or her Representative's engaging in churning, it can be construed by the regulators that the Supervisor may have looked the other way because the excessive trading created additional compensation for the Supervisor.

14.8 Soliciting Business Internationally

Registered representatives are prohibited from soliciting business internationally without complying with the country's rules and regulations governing such activities.

It is each Registered Representative's responsibilities to research and comply with each country that they engage in solicitation. The Registered Representative must document their compliance with each country's rules and regulations and must also provide the evidence of their compliance as such.

In addition, prior to opening an account, the Registered Representative must provide the signed customer's form, a "Foreign Investor Agreement and Certification". The form must be sent to the Supervisor with the account opening documents as required by the firm and the clearing firm.

Supervisory Responsibilities

Supervisors should review registered representatives' compliance with each country at the time of opening a new account. The Supervisor must approve only after they have confirmed with the registered representative's compliance with the foreign country's rules and regulations and only after they receive the customer signed Investor Agreement form.

14.9 Rep Code Assignment

Each registered representative will be assigned to a rep code by the firm's Registrations Department. The firm documents the registered representative(s) who is (are) responsible for customer accounts by using the assigned rep code(s) to each registered representatives. Therefore, registered representatives must conduct their Trustmont Financial Group Corporation related business only under their assigned rep code(s).

For individual rep codes, the assigned registered representative has full responsibilities with respect to the accounts under the rep code.

For joint rep codes, in the absence of the documentation[26] indicating the scope of each registered representative's responsibilities, it will be considered that all registered representatives named under the joint rep code are equally responsible in all capacities.

Accordingly, when registered representatives wish to maintain a joint rep code with separate responsibilities, the registered representatives should submit a "Joint Rep Code and Separate Responsibilities Request" form to their Supervisor who will then forward the request to the firm's Registrations Department for the firm's approval.

15. TELEMARKETING

Trustmont Financial Group, Inc. does not engage in telemarketing activities. If in the future we should permit telemarketing, the following procedures would apply.

15.1 Definitions

The term "established business relationship" means a relationship between the firm and the recipient of the call if:

[26] For joint rep codes, a record indicating the scope of each registered representative's responsibilities must be submitted and documented by providing a "Joint Rep Code and Separate Responsibilities Request" form.

- The recipient has made a financial transaction or has a security position, a money balance, or account activity with the firm within the previous 18 months immediately preceding the date of the call;
- The firm is the broker-dealer of record for an account of the recipient within the previous 18 months immediately preceding the date of the call; or
- The recipient has contacted the firm to inquire about a product or service offered by the firm within the previous three (3) months immediately preceding the date of the call.

Please note that the recipient's request to be placed on the firm Do-Not-Call list terminates the established business relationship exception even if the recipient continues to do business with the firm.

The term "outbound telephone call" means a telephone call initiated by a registered representative to induce the purchase of goods or services or to solicit a charitable contribution from a donor.

The term "personal relationship" means any family member, friend, or acquaintance of the person associated with a member making an outbound telephone call.

The term "telemarketing" means consisting of or relating to a plan, program, or campaign involving at least one outbound telephone call, for example cold-calling. The term does not include the solicitation of sales through the mailing of written marketing materials, when the person making the solicitation does not solicit customers by telephone but only receives calls initiated by customers in response to the marketing materials and during those calls takes orders only without further solicitation. For purposes of the previous sentence, the term "further solicitation" does not include providing the customer with information about, or attempting to sell, anything promoted in the same marketing materials that prompted the customer's call.

The term "unencrypted" means not only complete, visible account numbers, whether provided in lists or singly, but also encrypted information with a key to its decryption.

15.2 General Telemarketing Requirements

15.2.1 Internal System Requirement

Prior to engaging in any type of telemarketing activities, registered representatives must obtain access to the firm's internal CRM system.

15.2.2 Time of Day Restriction

Registered representatives are prohibited from initiating an outbound telemarketing call to any residence of a person before the hour of 8 a.m. or after 9 p.m. (local time at the called party's location) unless:

- The firm has an established business relationship with the person as defined above; or
- The firm has received that persons' prior invitation or permission in writing.

15.2.3 Identification Requirements

Registered representatives making cold calls must provide the called party with their name, business phone number and address, and state their affiliation with Trustmont Financial Group;

In addition, the caller must disclose the purpose of the call which is "to solicit the purchase of securities or related service."

15.3 Firm-Specific Do-Not-Call List

The firm's policy prohibits registered representatives from making a telemarketing call including a referral call to the numbers listed on the firm's Do-Not-Call list. The firm maintains the firm Do-Not-Call list and makes the list available on the firm's CRM system. Accordingly, prior to making an outbound telemarketing call, registered representatives must check the firm Do-Not-Call list through the firm's internal CRM system.

If a recipient requests to be placed on the firm Do-Not-Call list, such request must be honored and the registered representative receiving such request must promptly (and no later than 30 days from the date of such request) submit the request to the firm's Operations Department or enter the request via the firm's internal CRM system. Any failure to do so may result in discipline up to, but not limited to, termination of the registered representative's association with the firm.

The telephone numbers on the firm Do-Not-Call lists may not be used for any purpose other than preventing outbound telemarketing calls to the numbers on the lists.

15.4 National Do-Not-Call List

The firm's policy prohibits registered representative from making an outbound telephone call including a referral call to the numbers listed on the National Do-Not-Call list. The firm maintains the National Do-Not-Call database and makes it available on the firm's internal CRM system. Accordingly, prior to making an outbound telephone call, registered representatives must check the National Do-Not-Call list through the internal CRM system unless:

- The firm has an established business relationship with the recipient of the call and the recipient's phone number is not listed on the firm's Do-Not-Call list;
- The firm or the registered representative has obtained the recipient's prior express invitation or permission. (Such permission must be evidenced by a signed, written agreement (or by a similar written document or record) between the recipient and the registered representative which states that the recipient agrees to be contacted by the registered representative and includes the phone number to which the calls may be placed) ; or
- The recipient of the call has a personal relationship with the registered representative and the recipient's phone number is not listed on the firm's Do-Not-Call list.

15.5 State Do-Not-Call List

A state may maintain its own Do-Not-Call list and have more restrictive rule than the federal rule. Therefore, registered representatives are responsible for obtaining and checking the state Do-Not-Call rules and lists through the firm's internal CRM system.

15.6 Calls Made in Error

When/if a registered representative inadvertently makes a call to a person on the Do-Not-Call lists by dialing a phone number incorrectly, the registered representative should apologize to the call recipient and must immediately notify his Supervisor and the firm's Compliance Department.

With such notification, the registered representative must also provide the following information, as

applicable:

- Intended telephone number;
- Incorrectly dialed telephone number;
- Date and time of the call made;
- Evidence that shows the registered representative tried to reach the intended phone number but dialed an incorrect telephone number (i.e., lead card with the intended telephone number);
- A statement that the registered representative checked the number against all Do-Not-Call lists (firm Do-Not-Call, national Do-Not-Call, and state Do-Not-Call) via the firm's CRM system prior to making such call; and
- Evidence that shows the recipient meets one of the national Do-Not-Call exceptions as mentioned above, if applicable.

15.7 Wireless Communications

The firm's telemarketing policies and procedures apply to the telemarketing calls to wireless telephone numbers.

15.8 Outsourcing Telemarketing

Trustmont Financial Group prohibits registered representatives from using or hiring another individual or entity to perform telemarketing services on behalf the registered representative.

15.9 Caller Identification Information (Caller ID)

Registered representatives who engage in telemarketing must transmit or cause to be transmitted their phone number, and when made available by the telephone carrier, the name of the firm, to any caller identification service in use by a recipient of an outbound telephone call. In addition, the phone number so provided must permit any person to make a do-not-call request during regular business hours.

In addition, registered representatives are prohibited from blocking the transmission of caller identification information.

15.10 Unencrypted Consumer Account Numbers

Trustmont Financial Group prohibits registered representatives from disclosing or receiving unencrypted customer account numbers (and/or nonpublic personal information of any kind) for purposes of engaging in or making outbound telemarketing calls.

15.11 Submission of Billing Information

Registered representatives are prohibited from engaging in telemarketing transaction involving pre-acquired account information and a fee-to-pay conversion feature.

Pre-acquired account information is any information that enables sellers and telemarketers to place a charge against a customer's account without getting the account information directly from the customer during the transaction for which the account will be charged.

15.12 Abandoned Calls and Prerecorded Messages

Absent good reason(s), registered representatives are prohibited from abandoning any outbound

telephone call. An outbound telephone call is “abandoned” if a person answers it and the call is not connected to the registered representative within two seconds of the person’s completed greeting.

Furthermore, registered representatives are prohibited from employing or use of prerecorded message telemarketing, predictive dialers, telemarketing promoters, and similar means.

15.13 Credit Card Laundering

Registered representatives are prohibited from obtaining access to customers’ or prospective customers’ credit card information for the purpose of depositing into or for making payment of or for any securities transactions in the customers’ accounts.

15.14 Telemarketing Scripts

Telemarketing scripts are deemed a retail communication pursuant to FINRA Rule 2210. Accordingly, registered representatives must submit their telemarketing scripts to their Supervisor who will then forward it to the firm’s Communications Compliance Department for review and approval. See “Retail Communications” section of this manual. No telemarketing scripts may be used, in whole or in any part, prior to the firm’s express approval. And the firm reserves the right to disapprove, in whole or in any part, any proposed telemarketing script.

Records of the review and approval (or disapproval) shall be retained as with other retail communications material

15.15 Training

As may be appropriate from time to time in light of its and its registered representatives’ particular business, Trustmont Financial Group shall provide training to representatives concerning its established cold-calling policy and procedures. Typically, such training is expected to occur on an annual basis as a part of the firm element continuing education, as part of the firm’s annual compliance meeting or interview via either in-person lectures or webinars or other appropriate means.

15.16 Supervisory Responsibilities

Supervisors are responsible for taking reasonable and appropriate actions, depending on the applicable circumstances, to ensure that their registered representatives:

- Are aware of the firm’s telemarketing policies and related rules and regulations;
- Have access to the Do-Not-Call list(s) through the firm’s internal CRM system; and
- Check all relevant Do-Not-Call list(s) prior to making outbound telemarketing calls.

Supervisors must maintain the following in the OSJ Branch location, as applicable:

- Recipients’ written documentation or consent forms, if any;
- A list of firm Do-Not-Call request and related documents, if any.

Supervisors are also responsible for taking reasonable and appropriate actions, depending on the applicable circumstances, to ensure that:

- Each firm Do-Not-Call request has been honored, processed and recorded within 30 days from the date of such request;
- The firm’s policies and procedures have been followed by the registered representatives under

their supervision; and

- Violations or potential violations have been reported to the firm's CCO.

15.17 Home Office Responsibilities

The firm's CCO is responsible for:

- Making the firm's policies and procedures available to its registered representatives;
- Providing training on telemarketing to registered representatives either as needed or as part of the firm's regular training endeavors;
- Making certain that the firm is in compliance with FINRA Rule 3170, "Tape Recording of Conversation", if applicable.

The firm's Operations Department is responsible for:

- Processing and maintaining the firm Do-Not-Call list, via the CRM system or otherwise;
- Making the firm Do-Not-Call lists and the firm's internal CRM system available to registered representatives;
- Maintaining the Do-Not-Call lists as part of the firm's books and records

16. NEW ACCOUNT AND TRANSACTION APPROVAL

16.1 Accounts Held under the Clearing Arrangement

Customer Accounts Procedures:

All new accounts opened with TRUSTMONT FINANCIAL GROUP will require the firm's acceptance of such account. Acceptance will be acknowledged by the Supervisors signing and dating of all Client Profile Forms.

New Account Application or Update:

Required for each type of account (i.e. individual, IRAs, Joint, Trusts, etc.). This form must be filled out and signed and dated by the registered representative and the approving principal. The Supervisor, prior to, or concurrent to, an initial transaction must approve all NEW accounts.

Within 30 calendar days after the account is opened, the customer(s) signed Client Profile Form must be provided to the Supervisor. When/if the customer(s) signed Client Profile form is not received within 30 calendar days from the account opened date, the account will be frozen and coded "No More Business" until the documents are received.

16.2 Directly Held Accounts

Customer Accounts and Transaction Procedures

All new accounts opened with TRUSTMONT FINANCIAL GROUP will require the firm's acceptance of such account. Acceptance will be acknowledged by the Supervisors signing and dating of all Client Profile Forms.

All documents including the product sponsor required documents must be sent to the Home Office for approval and process.

16.3 Equity Transactions Approval

All equity transactions shall be promptly endorsed in writing by the designated principal. Such approval will evidence the order's compliance with all of the regulations and procedural standards addressed in this manual, including the following:

Required Information on Order Memoranda:

- Name/Number/Other Designation of customer account
- Capacity - agency or principal
- Name of Security
- Number of shares, bonds, units, etc.
- Term and conditions of order:
  - ✓ Buy
  - ✓ Sell
- Trade Date
- Settlement Date
- Limit order type (GTC, Day, etc.)
- Price executed
- Price - if limit order
- Registered Representative
- Type - margin, cash etc.
- Solicited or unsolicited
- If agency transaction, the time of entry and the time of execution. If principal trade, only the time of execution need be noted
- If discretionary power is used.
- Initials of registered principal reviewing trade if the order ticket is the document reviewed.
- Identify 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 a customer entered the order on an electronic system, a notation of that entry;

If SELL

- whether long or short
- location of stock if short sale & if stock available
- prompt receipt & delivery - where stock is located, in safekeeping, deliver 3 days etc.

Compliance with Rule 3370:

- It will be deemed a violation of FINRA Conduct Rule 3370 for Trustmont Financial Group or person associated with Trustmont Financial Group to violate the provisions of the following interpretation thereof:

  a. Purchases:

  No Firm or person associated with Trustmont Financial Group may accept a customer's purchase order for any security unless it has first ascertained that the customer placing the order or its agent agrees to receive securities against payment in an amount equal to any execution, even though such an execution may represent the purchase of only a part of a larger order.

b. Sales:

(1) Long Sales

No person associated with Trustmont Financial Group will accept a long sale order from any customer in any security unless:

A. Trustmont Financial Group has possession of the security,

B. The customer is long in his or her account with Trustmont Financial Group,

C. Trustmont Financial Group or person associated with a Firm makes an affirmative determination that the customer owns the security and will deliver it in good deliverable form within three (3) business days of the execution of the order; or

D. The security is on deposit in good deliverable form with a member of FINRA, a member of a national securities exchange, a broker/dealer registered with the SEC, or any organization subject to state or federal banking regulations and that those instructions have been forwarded to that depository to deliver the securities against payment.

(2) Short Sales

A. Customer short sales. Neither Trustmont Financial Group nor any person associated with Trustmont Financial Group will accept a "short" sale order for any customer in any security unless Trustmont Financial Group or person associated with Trustmont Financial Group makes an affirmative determination that Trustmont Financial Group will receive delivery of the security from the customer or that Trustmont Financial Group can borrow the security on behalf of the customer for delivery by settlement date. Availability of stock will be noted on the order ticket. This requirement will not apply, however, to transactions in corporate debt securities.

B. Proprietary short sales. Neither Trustmont Financial Group nor any person associated with Trustmont Financial Group will affect a "short" sale for its own account in any security unless Trustmont Financial Group or person associated with Trustmont Financial Group makes an affirmative determination that Trustmont Financial Group can borrow the securities or otherwise provide for delivery of the securities by settlement date. This requirement will not apply to transactions in corporate debt securities, to bona fide market making transactions by Trustmont Financial Group in securities in which it is registered as an NASDAQ market maker, to bona fide market maker transactions in non NASDAQ securities in which the market maker publishes a two sided quotation in an independent quotation medium, or to transactions which result in fully hedged or arbitrage positions.

(3) Affirmative Determination

A. To satisfy the requirements for an "affirmative determination" contained in subsection (b) (1) (C) above for long sales, Trustmont Financial Group or person associated with a Firm must make a notation on the order ticket at the time the order is taken which reflects the conversation with the customer as to the present location of the securities in question, whether they are in good deliverable form and the customer's ability to deliver them to

Trustmont Financial Group within three (3) business days. The other determining factor can be a “hard to borrow” list of stocks which is received from the clearing firm each morning. The list will be reviewed to determine the availability of stock.

B. To satisfy the requirement for an "affirmative determination" contained in subsection (b) (2) above for customer and proprietary short sales, Trustmont Financial Group or person associated with a Firm must keep a written record which includes:

i. if a customer assures delivery, the present location of the securities in question, whether they are in good deliverable form and the customer's ability to deliver them to Trustmont Financial Group within three (3) business days; or

ii. if Trustmont Financial Group or person associated with a Firm locates the stock, the identity of the individual and firm contacted who offered assurance that the shares would be delivered or that they were available for borrowing by settlement date and the number of shares needed to cover the short sale.

C. An affirmative determination and annotation of that affirmative determination must be made for each and every transaction since a "blanket" or standing assurance that securities are available for borrowing is not acceptable to satisfy the affirmative determination requirement. This determination will be made on the appropriate order ticket.

16.4 Changes to Account Name or Designation

All changes to the account name or designation (including error accounts) of unexecuted orders/transactions are required to be submitted by each RR to their designated principal for written approval prior to effecting the change. Prior to approving any such change, the designated principal will inquire as to the essential facts relative thereto and indicate his or her approval of such change in writing on the order or other similar record of the member, which will be retained for a period of not less than three years, the first two years in an easily accessible place, as the term "easily accessible place" is used in SEC Rule 17a-4.

16.5 Customer Account Activity Review

In addition to reviewing and approving all transactions, the designated principal(s) shall conduct reviews of customer account activity. The primary purpose of these reviews will be to detect potential sales practice problems and abuses including unsuitable recommendations, unauthorized trading and churning. A representative sample of trades should be selected for review based upon known concerns, magnitude of account activity, and level of speculative account activity. The review will entail relating the customer's investment objectives, income and net worth to the activity in the customer's account activity. If the above review procedures reveal suitability or other potential problems, the designated principal(s) should promptly inform the Chief Compliance Officer. If any unauthorized or suspicious trades are detected either in the daily review or other reviews, steps will be taken to immediately investigate this activity. The steps taken may include obtaining further documents, talking to the registered representative or other involved parties, visiting with the customer, etc. Detailed notes shall be prepared and maintained describing the events, facts uncovered and actions taken. If fraudulent or other questionable activities are confirmed, TFG should take immediate steps to suspend or terminate the person involved.

The designated principal(s) shall conduct and evidence such reviews on at least a semi-annual basis, and retain all supporting documentation for the time period proscribed by SEC Rule 17a-4.

16.6 Audit Trail System (OATS)

FINRA has established the Order Audit Trail System (OATS) as an integrated audit trail of order quote and trade information for NASDAQ securities. FINRA uses this audit trail system to recreate events in the life cycle of orders and to more completely monitor the trading practices of member firms.

Under FINRA Rules 6950 through 6957, firms executing applicable transactions are required to develop a means for electronically capturing and reporting to OATS specific data elements related to the handling or execution of orders, including recording all times of these events in hours, minutes and seconds and to synchronize their business clocks.

Trustmont Financial Group's clearing firm will be responsible for all OATS reporting. To the extent that TFG receives, routes, and/or executes applicable orders, it will ensure that such orders are time-stamped as required, and that its time-stamping mechanism is synchronized on a daily basis. The principal designated to oversee trading and execution activities is responsible for regularly documenting that the firm's synchronization procedures are followed.

16.7 Trade Reporting and Compliance Engine (TRACE)

All broker dealers who are FINRA member firms have an obligation (under relevant SEC rules) to report transactions in TRACE-eligible securities to TRACE. TRACE-eligible Securities, under FINRA Rule 6710 shall mean a debt security that is United States (U.S.) dollar-denominated and is:

- Issued by a U.S. or foreign private issuer, and, if a "restricted security" as defined in Securities Act Rule 144(a)(3), sold pursuant to Securities Act Rule 144A;
- Issued or guaranteed by an Agency as defined in paragraph (k) or a Government-sponsored Enterprise as defined in paragraph (n); or
- A U.S. Treasury Security as defined in paragraph (p).

TRACE-eligible Security does not include a debt security that is issued by a foreign sovereign or a Money Market Instrument as defined in paragraph (o).

Trustmont Financial Group has established an agreement with our clearing firm to undertake TRACE reporting on our behalf to the TRACE system developed by FINRA. Our designated principal will ensure that such arrangement is clearly indicated in the clearing agreement. The clearing agreement must indicate which party is responsible for which required actions under FINRA Rule 6730. While the clearing firm may appropriately undertake such reporting responsibilities on our behalf, it remains our responsibility in such instances to ensure that such reporting is correctly undertaken and that all reports are submitted in a timely manner. Trustmont Financial Group retains the ultimate responsibility for all reporting requirements.

The principal overseeing trading in TRACE-eligible securities is responsible for ensuring that we are in full compliance with all rules relating to TRACE reporting requirements. He/she is responsible for obtaining sufficient information and documentation from our clearing firm to ensure:

a. appropriate reports are filed on our behalf
b. the reported information is complete and accurate
c. the reports are submitted in a timely manner

d. any discrepancies are noted and dealt with in a timely and appropriate manner

The designated principal will conduct periodic reviews of TRACE reporting activities to verify compliance with the rule. We will maintain documentation of all such reviews, including the dates, the names of individuals conducting the review, scope of the review, findings and corrective measures taken due to deficiency findings. The designated principal will obtain the "TRACE Quality of Markets Report Card" which will provide us with information relating to certain potential exceptions identified in our transaction report to TRACE.

This report will be used to monitor and review certain aspects of our TRACE reporting in relation to industry and peer group statistics. In addition, a separate available file, providing detail of each trade report identified as a potential exception, will be reviewed. We will document evidence of such reviews.

In addition, we will review the TRACE Operations Report made available to participants by FINRA, which provides us with a breakdown of TRACE submissions within current and future reporting requirements, as well as by trade type and submission method. We will review this report to help identify any operational issues with our TRACE reporting processes.

Trustmont Financial Group must inform FINRA of non-compliance with, or changes to, any of the participation requirements set forth above.

17. UNDERWRITING

TFG limits its underwriting participations in public offerings to that of a selling group member and does not act as an underwriter (with liability) in any offerings. To the extent that it intends to modify its business to include underwriting activities, it will first consult with FINRA to determine whether an application is required to be filed pursuant to FINRA Rule 1017. In addition, it will review the following standards for adequacy prior to engaging in any underwriting activity.

17.1 Public Offerings

Registration Statement:

The form of registration statement utilized and the information which must be provided to customers purchasing securities in a public offering are dependent on the type of securities offered (debt, common stock or preferred stock, convertible or nonconvertible), the type of issuer involved (established or newly organized, privately held or the issuer of securities previously sold to the public, a government or quasigovernmental agency, etc.), the dollar amount of the offering and the seller of the securities (the issuer or stockholders). The general instructions preceding each Form of registration statement authorized by the SEC set forth proper utilization of that Form. Regardless, of the form of registration statement utilized, all employees of the Firm must act with extreme care to ensure that the Firm exercises due diligence in the fulfillment of its underwriting obligations.

Special rules govern the purchase and sale of securities from time to time pursuant to a shelf registration statement. Any employee who receives any inquiry regarding such a purchase or sale must contact the Chief Compliance Officer prior to entering any orders for that security.

17.2 Due Diligence

It shall be the responsibility of the PRESIDENT of Trustmont Financial Group to determine and conduct whatever due diligence inquiry is deemed appropriate in connection with any public offering by an issuer in

which this Firm acts as the managing underwriter. The following documents are examples of what may be reviewed:

The Financial Statements:

- Audited (or unaudited if not available) financial statements for the past five (5) years
- Budgets, forecasts and internal audit controls
- Official Statement as to its accuracy
- Verify with the appropriate auditors, counsel and other independent personnel and information
- Litigation and Administrative Proceedings and obtain opinion of counsel
- Use of Proceeds
- Accountant engagement letter

Additionally, the financial advisors of the issuer shall be interviewed to determine the adequacy of the disclosure relating to the issuer and its management. Generally, Trustmont Financial Group's counsel shall conduct the majority of the due diligence in consultation with Trustmont Financial Group's President or designee. The extent of any due diligence inquiry shall be determined by the Firm's President or the President's designee, taking into account the size of the offering and prior dealings between TFG and the issuer and the nature of the proposed use of proceeds.

Other Documents:

- Recent financial statements of the issuer
- Schedule of all pending or threatened legal proceedings in which the issuer is a party
- Copies of all documents evidencing title or leases to the issuer's material real property (if any)
- Most recent letters from lawyers to the issuer's independent public accountants in connection with lawyer's work on matters for the issuer
- Reports ("management letters") of the issuer's independent public accountants for the last three years relating to management and accounting procedures of the issuer
- Financial forecasts, pro-forma use of proceeds
- Copies of all fidelity or other bonds carried by issuer for liability or loss due to acts or omissions of its employees and copies of all applications to procure such bonds for the last two years, copies of all claims made under such bonds, and disposition of claims, for the last two years
- Applications to and /or reports or ratings from rating agencies (e.g., Standard & Poors, Moody's)

17.3 Distributions (Public and Private)

The term "distribution," as used herein, includes all distributions of securities whether they are registered or unregistered whether they are primary or secondary offerings. No associated person of Trustmont Financial Group is authorized to commit Trustmont Financial Group to participate in any distribution except with prior written approval of the President.

17.3.1 Disclosure of Affiliation

The designated underwriting principal is responsible for ensuring that Trustmont Financial Group does not participate in the distribution of any securities if Trustmont Financial Group controls, is controlled

by, or is under common control with the issuer of any security unless Trustmont Financial Group, before entering into any contract with or for any customer purchasing or selling the securities, discloses to such customer the existence of such control in writing prior to the completion of the transaction.

17.3.2 Disclosure of Interest in Distribution

The designated underwriting principal is responsible for ensuring that Trustmont Financial Group does not participate in the primary or secondary distribution of any securities if Trustmont Financial Group intends to receive fees from customers advised to purchase the securities unless, before entering into any contract with or for any customer purchasing or selling the securities, provides written notification to such customer of Trustmont Financial Group's participation and interest in the distribution.

17.4 Regulation M

17.4.1 Restrictions on Trading When Participating in a Distribution of Securities

In general, Regulation M makes it unlawful for any person, while participating in a distribution of a security, to bid for, purchase or induce others to purchase, another shares of that security, any shares of a security of the same class and series as the security being distributed, or any option or right to purchase any such security, until the participation has been completed. The Firm's involvement in both public and private distributions of securities is governed by Regulation M. Trustmont Financial Group's participation in a distribution of securities is deemed to commence from the time it agrees to manage or become a member of the syndicate or selling group or to submit a bid to become a syndicate member.

The distribution is not considered completed for purposes of SEC Rules until Trustmont Financial Group has distributed its participation and any stabilizing arrangements and trading restrictions to which it is a party have been terminated. Also, the distribution is not considered completed if the Firm holds any outstanding options to purchase an additional amount of securities not necessary to cover a syndicate short position that remains in connection with such distribution. The Syndicate Manager shall be responsible for providing all employees with timely notice of the Firm's participation in any distribution of securities to ensure compliance with SEC Rules. Certain transactions are exempt under Rule 10b-6. Because these exemptions are complicated, before relying on any of them in a particular case, an RR, except the Syndicate manager handling the account during the participation, should check with the Chief Compliance Officer.

17.4.2 Disclosures and Solicitation

If the Firm is acting as an underwriter or a placement agent of a distribution of securities and the Firm and its employees are not prohibited from effecting transactions in the securities under SEC Rule 10b-6, or if the Firm is otherwise financially interested in distribution, all employees and associated persons who effect transactions in such securities must disclose the Firm's participation or interest in the distribution to any customer prior to completion of such transaction. A list of distributions in which the firm is participating or is financially interested shall be distributed weekly by the Firm. No employee or Account Executive shall solicit the purchase on a national securities exchange of any security of an issuer, which is effecting a distribution of securities in which the Firm is participating or is financially interested.

17.5 Restrictions Involving Equity IPOs

In March 2004, FINRA replaced its Free Riding and Withholding Interpretation which governed "hot issues" with FINRA Rule 2790[27]. This Rule generally prohibits Trustmont Financial Group from purchasing a New Issue (see Rule for definition) for, and selling a New Issue to, any Restricted Person. Restricted Persons include:

1. Members or other broker/dealers

2. B/D personnel including any officer, director, general partner, associated person, or employee of a member or any other broker/dealer (other than a limited business broker/dealer) and any agent of a member or any other broker/dealer (other than a limited business broker/dealer) that is engaged in the investment banking or securities business; or

3. An immediate family member of a person specified in paragraph #2 above if the person specified:

   a. materially supports, or receives material support from, the immediate family member;

   b. is employed by or associated with the member, or an affiliate of the member, selling the new issue to the immediate family member; or

   c. has an ability to control the allocation of the new issue.

4. Finders and Fiduciaries who with respect to the security being offered, a finder or any person acting in a fiduciary capacity to the managing underwriter, including, but not limited to, attorneys, accountants and financial consultants; and

5. An immediate family member of a person specified in paragraph #4 if the person specified materially supports, or receives material support from, the immediate family member

6. Portfolio Managers who has authority to buy or sell securities for a bank, savings and loan institution, insurance company, investment company, investment advisor, or collective investment account.

7. An immediate family member of a person specified in paragraph #6 that materially supports, or receives material support from, such person

8. Persons Owning a Broker/Dealer including:

   a. any person listed, or required to be listed, in Schedule A of a Form BD (other than with respect to a limited business broker/dealer), except persons identified by an ownership code of less than 10%;

   b. any person listed, or required to be listed, in Schedule B of a Form BD (other than with respect to a limited business broker/dealer), except persons whose listing on Schedule B relates to an ownership interest in a person listed on Schedule A identified by an ownership code of less than 10%;

[27] FINRA Rule 5130

c. any person listed, or required to be listed, in Schedule C of a Form BD that meets the criteria of subparagraphs above;

d. any person that directly or indirectly owns 10% or more of a public reporting company listed, or required to be listed, in Schedule A of a Form BD (other than a reporting company that is listed on a national securities exchange or is traded on the Nasdaq National Market, or other than with respect to a limited business broker/dealer);

e. any person that directly or indirectly owns 25% or more of a public reporting company listed, or required to be listed, in Schedule B of a Form BD (other than a reporting company that is listed on a national securities exchange or is traded on the Nasdaq National Market, or other than with respect to a limited business broker/dealer);

f. an immediate family member of a person specified in subparagraphs above unless the person owning the broker/dealer:

- ✓ does not materially support, or receive material support from, the immediate family member;
- ✓ is not an owner of the member, or an affiliate of the member, selling the new issue to the immediate family member; and
- ✓ has no ability to control the allocation of the new issue.

Before selling a new issue to any account, each designated principal must ensure that Trustmont Financial Group has, obtained within the twelve months prior to such sale, a representation form[28]:

1. Beneficial Owners that the account holder(s), or a person authorized to represent the beneficial owners of the account, that the account is eligible to purchase new issues in compliance with this rule;

2. Conduits including a bank, foreign bank, broker/dealer, or investment adviser, or other conduit that all purchases of new issues are in compliance with this rule.

Trustmont Financial Group may not rely upon any representation that it believes, or has reason to believe, is inaccurate. The designated principal shall ensure that copies of all records and information relating to whether an account is eligible to purchase new issues in its files for at least three years following Trustmont Financial Group's last sale of a new issue to that account.

To the extent any exemption is claimed from the Rule's prohibitions, it must be documented to the extent required by the Rule and any interpretation and to the satisfaction of the Designated Principal.

17.6 Fraud and Liability

As a placement agent of securities sold in a private offering, as an underwriter of securities sold in a public offering, and as a purchaser or seller of securities, the Firm is subject to various public and private liability provisions set forth in the Securities Act, the Exchange Act and the rules and regulations of the SEC

[28] Certificate for the Purchase of Initial Public Offerings of Equity Securities (5130 Form)

promulgated there under. Any person who acquires a security which is sold by means of a registration statement containing an untrue statement of a material fact or omitting a material fact that is required to be stated or necessary to make the statements not misleading may sue the issuer, the underwriters, including the Firm, and various other persons affiliated with the issuer and professionals associated with the offering for damages.

17.7 Corporate Finance Filing

The Corporate Finance Principal is responsible for ensuring that all required filings in connection with offerings are filed on a timely basis with FINRA Corporate Finance. To ensure compliance with FINRA's Corporate Financing Rules, and prior to commencing any work on any offering of securities in which the TFG will participate, the Corporate Finance Principal will confirm with the Chief Compliance Officer whether outside counsel should be consulted to determine whether any such filings are required.

18. REGULATION A OFFERINGS

Regulation A is an exemption for public offerings. When a company chooses to rely on this exemption, the company must file an offering statement with the SEC on Form 1-A, consisting of a notification, offering circular, and exhibits.

Felons and other "bad actors" are disqualified from Regulation A. An issuer seeking reliance on Regulation A is required to determine whether the issuer or any of its covered persons has had a disqualifying event. The list of covered persons and disqualifying events appear in Rule 262 of Regulation A. An issuer that is disqualified from these rules may still qualify to apply for a waiver of disqualification. See "Process for Requesting Waivers of 'Bad Actor' Disqualification under Rule 262 of Regulation A and Rules 505 and 506 of Regulation D" for a description of the waiver process.

Regulation A offerings share many characteristics with registered offerings. For example, purchasers must be provided with an offering circular similar to a prospectus. Just as in registered offerings, the securities can be offered publicly, using general solicitation and advertising, and purchasers do not receive "restricted securities," as explained below under the heading "Resales of restricted securities." The principal differences between Regulation A offerings and registered public offerings are:

- ✓ financial statements for a Regulation A offering are simpler and do not need to be audited unless audited financial statements are otherwise available;
- ✓ Regulation A issuers do not incur either Exchange Act reporting obligations after the offering or Sarbanes-Oxley Act obligations applicable only to SEC reporting companies, unless the company meets the thresholds that trigger Exchange Act registration;
- ✓ companies may choose among three formats to prepare the Regulation A offering circular, one of which is a simplified question-and-answer document; and
- ✓ companies may "test the waters" to determine market interest in their securities before going through the expense of filing with the SEC.

SEC reporting companies are not eligible to use Regulation A. All other types of companies may use Regulation A, except development stage companies without a specified business (for example, "blank check companies")

and investment companies registered or required to be registered under the Investment Company Act of 1940. In most cases, shareholders may use Regulation A to resell up to $1.5 million of securities.

The "test the waters" provisions of Regulation A allow companies to publish or deliver a written document to prospective purchasers or make scripted radio or television broadcasts to determine whether there is an interest in their contemplated securities offering before filing an offering statement with the SEC. This gives companies the opportunity of being able to determine whether enough market interest in their securities exists before they incur the full range of legal, accounting, and other costs associated with filing an offering statement with the SEC. Companies may not, however, solicit or accept money for securities offered under Regulation A until the SEC staff completes its review of the filed offering statement and the company delivers offering materials to investors.

18.01

Regulation A+ Regulation A under the Securities Act of 1933 has been a longstanding exemption from the registration requirement for offerings of up to $5 million of securities in any 12-month period, pursuant to Title IV of the Jumpstart. Our Business Startups (JOBS) Act, 2 the SEC recently updated and expanded Regulation A with amendments that became effective on June 19, 2015. The new amendments, popularly known as Regulation A+, allow offerings of up to $50 million of securities in a 12-month period.

18.1 Due Diligence

Please note that even though securities offered through Regulation A are not restricted stocks, certain securities offered through Regulation A may have a limited liquidity. The firm’s PRESIDENT is responsible for making certain that each offering’s liquidity is clearly stated in the offering document prior to signing the agreement.

18.2 Suitability

Securities recommendations offered through public offerings must be suitable for the customer. Accordingly, prior to offering such securities, the registered representative must conduct the customer’s specific suitability assessment. Refer to section “Suitability” section of this manual.

Please note that registered representatives are also responsible for conducting a reasonable basis suitability assessment for each Regulation A offering prior to recommending it to their customers. Refer to “Suitability Rule” section of this document.

18.3 Supervisory Responsibilities

Supervisors are responsible for reviewing transactions of public offerings to make certain that they are suitable for the customer. Supervisors must also review 5130 Certification document, if required, to make certain that the customers are eligible to participate in such offerings.

19. DIRECT PARTICIPATION PROGRAM

We may offer investments in direct participation programs. When such products are made available to registered representatives of the Firm, representatives must follow certain procedures and observe a much higher degree of suitability in recommending such products to investors.

19.1 Definition

Direct participation program (program) is a program which provides for flow-through tax consequences regardless of the structure of the legal entity or vehicle for distribution including, but not limited to, oil and gas programs, real estate programs, agricultural programs, cattle 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. A program may be composed of one or more legal entities or programs but when used herein and in any rules or regulations adopted pursuant hereto the term shall mean each of the separate entities or programs making up the overall program and/or the overall program itself. Excluded from this definition are real estate investment trusts, tax qualified pension and profit sharing plans pursuant to Sections

401 and 403(a) of the Internal Revenue Code and individual retirement plans under Section 408 of that Code, tax sheltered annuities pursuant to the provisions of Section 403(b) of the Internal Revenue Code, and any company including separate accounts, registered pursuant to the Investment Company Act.

19.2 Registration Requirement

Registered representatives must have the necessary licensing to sell DPP products, including:

- ✓ General securities registration (Series 7)
- ✓ Direct participation program limited registration (S22)

Please note that registered representatives with S6, S62, or S79 may not offer REITS.

19.3 Limited Principal (Direct Participation Programs) (FINRA Rule 1022(e))

The Company may employ one or more individuals whose activities are limited solely to the interests in or the debt of direct participation programs. Prior to such individuals being assigned supervisory responsibilities, they shall first register and qualify with FINRA as a Limited Principal—Direct Participation Program.

Those individuals registered solely as a Limited Principal—Direct Participation Program shall not be assigned any supervisory responsibilities except as relates to the equity interests in or the debt of direct participation programs.

19.4 Requirements

19.4.1 Reasonable Basis Suitability and RR's Product Due Diligence

The suitability rule requires that, before recommending an investment or investment strategy, registered representatives must have a reasonable basis for believing that the recommendation is suitable for at least some investors.

Accordingly, registered representatives must conduct due diligence on DPP products they recommend to their customers. Registered representatives' due diligence on DPP products must also include:

- ✓ If all material facts are adequately and accurately disclosed by reviewing a prospectus or other materials provided or made available by the sponsor
- ✓ Liquidity and marketability of the program

- ✓ Whether the sponsor has offered prior programs

Also refer to "Suitability and 2111" section of this manual.

19.4.2 Customer Specific Suitability Assessment

In recommending to a customer the purchase, sale or exchange of an interest in a direct participation program, registered representatives shall:

i. have reasonable grounds to believe, on the basis of information obtained from the customer concerning his investment objectives, other investments, financial situation and needs, and any other information known by the registered representative, that:

a. the customer is or will be in a financial position appropriate to enable him to realize to a significant extent the benefits described in the prospectus, including the tax benefits where they are a significant aspect of the program;

b. the customer has a fair market net worth sufficient to sustain the risks inherent in the program, including loss of investment and lack of liquidity; and

c. the program is otherwise suitable for the customer; and

ii. maintain in the files of the required documents disclosing the basis upon which the determination of suitability was reached as to each customer.

In other words, the registered representative recommending a DPP product is responsible for determining that the customer's investment in the offering is suitable for the customer based on information provided and known about the customer. The registered representative must consider minimum investor requirements and other suitability standards for each private placement offering.

Accordingly, in addition to the document(s) required by the product sponsors, registered representatives must also execute a "Direct Participation Programs, REITs and Private Placement Suitability Checklist" form.

Certain offering may have specific suitability standards such as the customer's income and/or net worth requirements. When determining the suitability of a particular DPP product, registered representatives must also consider the illiquidity of most private placements and must fully describe such fact to customers.

Accordingly, our registered representatives are discouraged from recommending and should avoid any single DPP product of more than 15% of the customer's liquid net worth[29]. A customer's total investment in DPP products should not exceed 25% of the customer's liquid net worth. Any exception must be made by the Supervisor and documented in writing explaining the circumstances. This guidance may be superseded by stricter state requirements in the customer's home state.

[29] Liquid net worth is net worth minus assets that **cannot be converted quickly** and easily into cash, such as real estate, business equity, personal property and automobiles, expected inheritances, assets earmarked for other purposes, and investments or accounts subject to substantial penalties if they were sold or if assets were withdrawn from them.

Please note that DPPs are not suitable for a customer who expects to invest his or her funds on a short-term basis.

19.4.3 Firm Due Diligence

Refer to "New Product Due Diligence" section of this manual.

19.4.4 Disclosure Requirement[30]

Prior to executing a purchase transaction in a direct participation program, registered representatives must disclose the following:

- ✓ The illiquid nature of the investment
- ✓ Tax consideration of the investment
- ✓ Long-term nature of the investment
- ✓ No public market for the investment
- ✓ Risk of investment, up to and including loss of principal

19.4.5 Discretionary Transactions

As the firm's policy, no registered representative shall execute any transaction in direct participation program in a discretionary account. In other words, registered representatives must obtain prior written approval of the transaction in direct participation program by the customer.

19.5 Compensation in Connection with Public DPPs

A. Payment to the Company - All compensation involving direct participation programs, including expense reimbursement, non-cash compensation or sales incentives, must be paid directly to the Company and not to any registered representative or employee of the Company.

B. Aggregate Value. The aggregate value of non- cash sales incentive Items shall not exceed a minimum amount per year by any sponsor, such amount to be reasonably established by the PRESIDENT or President.

C. Compensation to be Mutually Beneficial. The Company's compensation policies should be designed to align the interests of the customer, the registered representative and the Company, and to encourage long-term relationships among all parties.

D. Sales Contests-Sales contests involving DPP's are prohibited.

E. Indeterminate Compensation

Prohibited Compensation. Types of compensation prohibited as "indeterminate" include, but are not limited to:

[30] FINRA Rule 2310(b)(3)-(D)

- ✓ A percentage of management fees;
- ✓ profit- sharing arrangements;
- ✓ overriding royalty interests;
- ✓ net- profit interests;
- ✓ a percentage of revenues;
- ✓ reversionary interests;
- ✓ a working interest;
- ✓ a security or right to acquire a security having an indeterminate value.

F. Conditions for Acceptance.

Indeterminate compensation may be accepted by the Company only if the following conditions are satisfied:

- ✓ Receipt. Indeterminate compensation may be received only after all investors have received cash distributions from the program equal to 100 percent of their cash investment plus 6 percent cumulative annual return on their adjusted investment. The "cash investment" includes the amount paid by the investor for the security in cash, payments of assessments, and reinvestment of a limited partner's income in the same program, but does not include any amounts represented by an outstanding promissory note on unpaid installments;
- ✓ Calculation. Indeterminate compensation must be calculated as a percentage of cash distributions from the program;
- ✓ Back-End Compensations. The amount of back-end compensation must be restricted to no more that 3 percent of a partnership's cash distributions for each one percentage point that the total of all underwriting compensation received at the time of the offering falls below 9 percent. Thus, indeterminate compensation is permitted only when the aggregate of all categories of front-end compensation is below 9 percent.
- ✓ Total Compensation. The total amount of indeterminate compensation is restricted to 12% of the cash distributions from the program. In addition, the percentage of indeterminate compensation provided from a limited partner's interest in program distributions cannot exceed the percentage that limited partners are entitled to receive.

G. Approval of Compensation. The Chief Compliance Officer will evidence his/her review and approval of compensation by virtue of their acceptance of such compensation paid to the Company.

Also refer to "Cash and Non-Cash Compensation" section of this manual.

19.6 Participation in Rollups

At the present time, the firm does not participate in rollups. When/if the firm wishes to participate in such program, the firm will amend this section accordingly.

19.7 Supervisory Responsibility

The Designated Supervisory Principal is responsible for ensuring the Company's compliance with all laws, rules and regulations applicable to direct participation programs. Responsibilities shall include, but are not

limited to:

- Review and approval of all direct Participation Programs (DPP's)
- To ensure compliance with FINRA's Rule 2310, prior to commencing any work on any offering of securities in which the Company will participate
- Maintenance of due diligence files;
- Preparing a list of approved DPP's, updating the list monthly and circulating it throughout the company.
- Reporting Requirements (FINRA Rule 5123), if required

In addition, prior to participating in a public offering of a direct participation program, the Designated Supervisory Principal shall have reasonable ground to believe, based on information made available to him by the sponsor through a prospectus or other materials, that all material facts are adequately and accurately disclosed and provide a basis for evaluating the program.

Supervisors are responsible for:

- Making certain that the individuals under their supervision are aware of the firm's policies and procedures surrounding private placement and sales practice;
- Making certain that the firm's policies and procedures have been followed by the individuals under their supervision; and
- Making certain that violation(s) or potential violation(s) have been reported to the firm's Sales Supervision Department.
- Supervisors are also responsible for reviewing documents related to the sales of direct participation products upon receipt to ensure that the customer's purchase of the product is appropriate and suitable and does not raise any areas of concern.

Supervisors' review of customer's suitability should also include:

- Investment amount in a direct participation program;
- The customer's total investments in direct participation programs;
- The customer's liquid net worth; and
- The customer's liquidity needs.

19.8 Review and Approval

Supervisors shall review and give prior approval to all transactions in DPP's, to be evidenced by the initiating of order tickets and/or account application document(s) at the time of transactions upon receipt of the signed documents.

20. REAL ESTATE INVESTMENT TRUSTS (REITS)

We may offer investments in real estate investment trust or real estate investment trust security. When such products are made available to registered representatives of the Firm, representatives must follow certain procedures and observe a much higher degree of suitability in recommending such products to investors.

20.1 Registration Requirement

Registered representatives must have the necessary licensing to sell REITs, including:

- General securities registration (Series 7)
- Corporation securities registration (S62)

Series 65 or 66 if advisory shares are available.

20.2 Requirements

20.2.1 Reasonable Basis Suitability and RR's Product Due Diligence

The suitability rule requires that, before recommending an investment or investment strategy, registered representatives must have a reasonable basis for believing that the recommendation is suitable for at least some investors.

Accordingly, registered representatives must conduct due diligence on REITs they recommend to their customers. Registered representatives' due diligence on REITs must also include:

- If all material facts are adequately and accurately disclosed by reviewing a prospectus or other materials provided or made available by the sponsor
- Liquidity and marketability of the program
- Whether the sponsor has offered prior programs
- Whether the fees charged are fair and reasonable

Completion of AI Insight or other required training.

Also refer to "Suitability" section of this manual.

20.2.2 Customer Specific Suitability Assessment

In recommending to a customer the purchase, sale or exchange of an interest in a REIT, registered representatives shall:

i. have reasonable grounds to believe, on the basis of information provided by the client concerning his investment objectives, other investments, financial situation and needs, and any other information known by the registered representative, that:

a. the client is or will be in a financial position appropriate to enable him to realize to a significant extent the benefits described in the prospectus, including the tax benefits where they are a significant aspect of the program;

b. the client has a fair market net worth sufficient to sustain the risks inherent in the program, including loss of investment and lack of liquidity; and

c. the program is otherwise suitable for the customer; and

ii. maintain the required documents disclosing the basis upon which the determination of suitability was reached as to each customer.

The registered representative must consider minimum investor requirements and other suitability standards for each private placement offering.

Accordingly, in addition to the document(s) required by the product sponsors, registered representatives must also execute a "Direct Participation Programs, REITs and Private Placement Suitability Checklist".

Certain offering may have specific suitability standards such as the customer's income and/or net worth requirements. When determining the suitability of a particular REIT, registered representatives must also consider the illiquidity of most REITS and must fully describe such fact to clients.

Accordingly, our registered representatives are discouraged from recommending and should avoid any single REIT product of more than 10% of the customer's liquid net worth. (Liquid net worth is net worth minus assets that **cannot be converted quickly** and easily into cash, such as real estate, business equity, personal property and automobiles, expected inheritances, assets earmarked for other purposes, and investments or accounts subject to substantial penalties if they were sold or if assets were withdrawn from them.) A client's total investment in REITs should not exceed 25% of the customer's liquid net worth. Any exception must be made by the Supervisor and documented in writing explaining the circumstances. This guidance may be superseded by stricter state requirements in the customer's home state.

Please note that REITs are not suitable for a customer who expects to invest his or her funds on a short-term basis.

20.2.3 Firm Due Diligence

Refer to "New Product Due Diligence" section of this manual.

20.2.4 Disclosure Requirements --FINRA Rule 2310(b)(3)-(D)

Prior to executing a purchase transaction in a REIT, registered representatives or advisors must disclose the following:

- The illiquid nature of the investment
- Tax consideration of the investment
- Long-term nature of the investment
- No public market for the investment
- Risk of investment, up to and including loss of principal
- Distributions that are from current or accumulated earnings and profits are taxed as ordinary income;
- There is no guarantee that REITs will pay an income;

In addition, prior to participating in a REIT, the Designated Supervisory Principal shall have reasonable ground to believe, based on information made available to him by the sponsor through a prospectus or other materials, that all material facts are adequately and accurately disclosed and provide a basis for evaluating the program. If there is no market to liquidate assets, shareholders may have to hold their investment in the REIT's

- shares indefinite period of time or until all the assets can be liquidated;
- There are risks associated with both the real estate market as a whole and any specific subset of the real estate market on which a particular REIT concentrates.

Please note that registered representatives are prohibited from characterizing the periodic

distributions of REITS as the dividends which are typically derived from earnings

20.2.5 Discretionary Transactions

As the firm's policy, no registered representative shall execute any transaction in REIT in a discretionary account. In other words, registered representatives must obtain prior written approval of the transaction in REITs by the customer.

20.3 Private REITs

At the present time, the firm does not offer any Private REITs. When the firm determines to offer such product, the firm will modify this section accordingly.

20.4 Supervisory Responsibility

The Designated Supervisory Principal is responsible for ensuring the Company's compliance with all laws, rules and regulations applicable to REITs. Responsibilities shall include, but are not limited to:

- Review and approval of all REITs
- Maintenance of due diligence files
- Reporting Requirements (FINRA Rule 5123), if required
- Supervisors are responsible for supervising all REIT transactions.

Supervisors' review of customer's suitability should also include:

- Investment amount in a REIT;
- The customer's total investments in REITs;
- The customer's liquid net worth; and
- The customer's liquidity needs.

21. REGULATION D OFFERINGS (PRIVATE PLACEMENT OFFERINGS)

Trustmont follows the same process for approval of Regulatory D offerings as we do for REITs.

21.1 General Solicitation of 506 Offering (201(a) of JOBS Act)

While section 201(a) of the JOBS Act requires the SEC to eliminate the prohibition against general solicitation and general advertising for offers and sales of securities made pursuant to Rule 506, provided that all purchasers of the securities are accredited investors and the issuer takes reasonable steps to verify their accredited investor status however; this does not apply to all regulatory D offerings.

Accordingly, offers and sales of securities involving the use of general solicitation is permitted under Rule 506, provided that the requirements of new Rule 506(c) are satisfied.

21.2 Private Investment in Public Equity ("PIPE")

A **private investment in public equity ("PIPE") is** the selling of publicly traded common shares or some form of preferred stock or convertible security to private investors. It is an allocation of shares in a public company not through a public offering in a stock exchange. PIPE deals are part of the primary market.

21.3 Accredited Investor

"Accredited Investor" is defined in Rule 501(a). The principal categories of accredited investors are as follows:

- Any bank as defined in section 3(a)(2) of the Act, or any savings and loan association or other institution as defined in section 3(a)(5)(A) of the Act whether acting in its individual or fiduciary capacity; any broker or dealer registered pursuant to section 15 of the Securities Exchange Act of 1934; any insurance company as defined in section 2(13) of the Act; any investment company registered under the Investment Company Act of 1940 or a business development company as defined in section 2(a)(48) of that Act; any Small Business Investment Company licensed by the U.S. Small Business Administration under section 301(c) or (d) of the Small Business Investment Act of 1958; any plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of $5,000,000; any employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974 if the investment decision is made by a plan fiduciary, as defined in section 3(21) of such act, which is either a bank, savings and loan association, insurance company, or registered investment adviser, or if the employee benefit plan has total assets in excess of $5,000,000 or, if a self-directed plan, with investment decisions made solely by persons that are accredited investors;
- Any private business development company as defined in section 202(a)(22) of the Investment Advisers Act of 1940;
- Any organization described in section 501(c)3 of the Internal Revenue Code, corporation, Massachusetts or similar business trust, or partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of $5,000,000;
- Any director, executive officer, or general partner of the issuer of the securities being offered or sold, or any director, executive officer, or general partner of a general partner of that issuer;
- Any natural person whose individual net worth, or joint net worth with that person's spouse, at the time of his purchase exceeds $1,000,000;
- Any natural person who had an individual income in excess of $200,000 in each of the two most recent years or joint income with that person's spouse in excess of $300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year;
- Any trust, with total assets in excess of $5,000,000, not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a sophisticated person as described in Rule 506(b)(2)(ii); and
- Any entity in which all of the equity owners are accredited investors.

Pursuant to Section 413(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the SEC has amended its rule concerning the net worth standard for accredited investors. (SEC Release 33-9287)

- Definition of “accredited investor” to exclude the value of a person’s primary residence[31] for purposes of determining whether the person qualifies as an “accredited investor” on the basis of having a net worth in excess of $1 million. (Previously, the standard required a minimum net worth of more than $1,000,000, but permitted the primary residence to be included in calculating the net worth)

[31]Primary residence has a commonly understood meaning as the home where a person lives most of the time.

- Indebtedness that is secured by the person's primary residence, up to the estimated fair market value of the primary residence at the time of the sale of securities, shall not be included as a liability (except that if the amount of such indebtedness outstanding at the time of the sale of securities exceeds the amount outstanding 60 days before such time, other than as a result of the acquisition of the primary residence, the amount[32] of such excess shall be included as a liability).
- Indebtedness that is secured by the person's primary residence in excess of the estimated fair market value of the primary residence at the time of the sale of securities shall be included as a liability.

21.4 Filing Requirements (5123 Filing)

The firm's PRESIDENT will file, within 15 calendar days of the date of the sale, the required offering documents electronically with FINRA through FINRA Firm Gateway. When/if the firm does not use any offering documents, the PRESIDENT must indicate as such in the 5123 filing.

21.4.1 Sales Practice

Offering of any private placements, which are subject to the 5123 filing requirement, and require the firm's execution of selling group agreement, is prohibited unless the firm has executed the appropriate selling agreement.

The firm is required to file the appropriate 5123 report with FINRA within 15 calendar days of the first sale of such offering.

Any application received or signed or dated prior to the selling agreement date will be rejected and such sale will be voided.

21.5 Private Placements of Securities Issued by Members ("Member Private Offering")

Member Private Offering: A "member private offering" means a private placement of unregistered securities issued by a member or a control entity.

Control Entity: A "control entity" means any entity that controls or is under common control with a member, or that is controlled by a member or its associated persons.

Control: The term "control" means beneficial interest, as defined in Rule 5130(i)(1)iv, of more than 50 percent of the outstanding voting securities of a corporation, or the right to more than 50 percent of the distributable profits or losses of a partnership or other non-corporate legal entity. Control will be determined immediately after the closing of an offering, and in the case of an offering with multiple intended closings, immediately following each closing.

21.5.1 Requirements

Registered representatives associated with TFG may not offer or sell any security in a "Member Private Offering."

[32]Any increase in the amount of debt secured by a primary residence in the 60 days before the time of sale of securities to an individual generally will be included as a liability, even if the estimated value of the primary residence exceeds the aggregate amount of debt secured by such primary residence.

21.5.1.1 *Disclosure Requirements*

Prior to offering or seeing a "Member Private Offering", registered representatives must provide a private placement memorandum, term sheet or an offering document to each prospective investor.

The PRESIDENT is responsible for making certain that such document contains the disclosures addressing: (i) intended use of the offering proceeds: and (ii) offering expenses and the amount of selling compensation that will be paid to TFG and its associated persons.

21.5.1.2 *Filing Requirements*

The PRESIDENT is responsible for the following filings:

- the private placement memorandum, term sheet or other offering document with the Corporate Financing Department at or prior to the first time the document is provided to any prospective investor: and
- any amendment(s) or exhibit(s) to the private placement memorandum, term sheet or other offering document within ten days of being provided to any investor or prospective investor.

21.5.1.3 *Use of Offering Proceeds*

At least 85% of the offering proceeds raised through a Member Private Offering must be used for business purposes, which shall not include offering costs, discounts, commissions or any other cash or non-cash sales incentives.

Furthermore, the use of the offering proceeds also must be consistent with the disclosures contained in the private placement memorandum, term sheet, and/or other offering document.

Accordingly, the PRESIDENT is responsible for the firm's compliance with such requirement(s).

21.5.2 Supervisory Responsibilities

For each "Member Private Offering" that meets one of the aforementioned exemption categories, prior to making it available, the PRESIDENT will issue a "Compliance Memo" with the sales practices policies and procedures of the offering. Supervisors are responsible for making certain that registered representatives under their supervisor are aware of the policies and procedures for each offering.

Supervisors are also responsible for ensuring that: (i) violations or any potential violations have been reported to the firm's Compliance; and (ii) all applications and documents have been reviewed and approved pursuant to the policies and procedures.

21.6 Compliance Consideration under Regulation D

- Regulation D does not exempt offerings from the anti-fraud and civil liability provisions of the various federal securities laws.
- Further, Regulation D in no way relieves issuers of their obligation to furnish to investors whatever material information may be needed to make any required disclosures not misleading.
- Similarly, notwithstanding exemption from registration at the federal level, Regulation D in no way obviates an issuer's obligation to comply with applicable state law.

- Regulation D is interpreted as providing "transactional" exemptions to issuers only. An investor whose purchase was exempt from registration cannot resell his or her interest without establishing an independent basis of exemption.
- The three exemptions are not intended to be mutually exclusive, that a reliance on one exemption is not deemed to be an election to the exclusion of any other applicable exemption.
- Finally, the exemptions of Regulation D may not be claimed with respect to any plan or scheme to evade the registration provisions of the act.

Existing state securities regulations at times impose substantially more onerous limitations on issuers than Regulation D. Issuer's counsel must be consulted regarding the requirements of the securities law of each state in which an offering is going to be sold.

21.7 Form D

Notices, on Form D, are due within fifteen days after the first sale of securities in an offering under Regulation D. It will be prepared by Issuer's counsel. The designated principal shall obtain and review the Form D contemporaneously with the filing requirement and evidence such review in writing. This Form shall be maintained in files relating to the offering.

21.8 Private Placement Offering Memorandum (“PPM”)

The designated principal shall carefully review the PPM to ensure that the disclosures regarding the nature, character and risk factors relating to an offering are adequate. While such review is not required to involve outside counsel, the involvement of outside counsel is recommended when a definitive determination cannot be made that the PPM disclosures and content conform to all applicable legal requirements. This is imperative because, if the PPM turns out to be materially misleading in terms of disclosures which have been made (or which should have been made), TFG and its principals may be deemed to have violated or aided or abetted violations of the anti-fraud provisions of the federal securities laws.

21.9 Supplementary or Corrective Material

During the course of private placement activities on a particular issue, or prior to the closing, it may become necessary to update or correct information supplied in the private placement memorandum as originally prepared. The designated principal shall ensure that the corrected information is brought to the attention of the offerees by means of a cover or transmittal letter which describes the changes or additions. Depending upon the information transmitted, reconfirmation of an investors desire to invest may be required. The files maintained with respect to a particular offering must contain a record of what has been done. Prior to closing an offering, meaning the acceptance of investors in a transaction, the designated principal must verify that all such amendments have been sent to all subscribing offerees and that the files are accurate and complete.

21.10 Offeree Access to Information

In most private placement offering memoranda, it is therein stated that the memorandum has been prepared by counsel to the issuer (i.e., the corporation) from documents which have been provided by representatives of the issuer. Offerees are invited to meet with representatives of the issuer to make an independent investigation and verification of the matters disclosed in the offering memorandum. Trustmont Financial Group’s designated Principal shall obtain a commitment from the Issuer that potential

purchasers and their representatives shall be given access to underlying information about the transaction if they desire to pursue such information. The fact that information is available.

21.11 Private Placement Offering Process

21.11.1 Offering Commencement

The commencement date of private offerings is fixed generally at the date of the availability of the approved offering documents, for distribution to sales personnel. An "all or nothing" offering contains, by its terms, a fixed or defined date for the termination of the offering. A "best efforts" offering may have an indeterminate termination period meaning that the offering continues until the full number of Securities is placed and the subscribers are formally accepted by both the issuer (or a duly authorized representative) and by a Principal of the brokerage firm.

21.11.2 Important Requirements for Contingent Offerings – SEC Rules 15c2-5 and 10b-9

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

The rules applicable to "all or none" or "part or none" offerings relating to the maintenance of an escrow account for a given offering are Rules 10b-9 and 15c2-4 of the Securities Exchange Act of 1934. Rule 10b-9 requires, in general, that in an "all or none" or "part or none" offering (as opposed to a "best efforts" offering) monies paid for the purchase of securities must be returned to the investors if the specified number/dollar amount of securities is not sold within a specified time. In other words, the "all or none" or "part or none" offering requires specification of the number of securities and the time of the selling period. Both terms must be adhered to.

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

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

- When an "all or none" or "part or none" offering is commenced, an escrow agreement shall be created in conformance with SEC and FINRA guidance and requirements. This document shall be executed by the bank and by Trustmont Financial Group if Trustmont Financial Group is serving in the capacity as sole or lead placement agent. If Trustmont Financial Group is acting only a selling group participant, it shall request a copy of the executed escrow agreement to confirm its conformance with SEC and FINRA guidance and requirements relating to such agreement. Trustmont Financial Group will retain a copy of all escrow agreements on file to demonstrate compliance with Rule 15c2-4.
- An escrow account should be opened by the bank. The escrow account is governed by the escrow agreement. The account typically requires signatures of representatives of both the lead/sole placement agent and the Issuer before any checks can be issued from the account.

- Trustmont Financial Group shall ensure that customers' are directed to make their payments payable to the escrow agent/account. Incoming monies should be deposited immediately into the escrow account, along with the purchaser's name, address, social security number and number of shares/units. Trustmont Financial Group shall record all customers' payments received and forwarded to the escrow agent on its Customer Funds Received and Forwarded blotter.
- Upon the completion of the "all or none" or "part or none" terms of the agreement or upon the expiration of the specified time period, the escrow agent verifies that the terms of the escrow agreement have been or have not been met by the designated date and that the funds should be released from escrow. Trustmont Financial Group will also confirm that escrowed funds are released to the issuer only in conformance with the terms of the offering and escrow agreement.
- During the offering process, Trustmont Financial Group, if acting as sole/lead placement agent, will obtain and review monthly escrow account bank statements and reconcile such statements to customers' transactions. Trustmont Financial Group will also review such statements in determining that the minimum offering amount is achieved through bona fide sales prior to the release of funds to the issuer. If TFG is a selling group participant, it shall verify that the lead placement agent is discharging this responsibility.
- The issuer then transmits written confirmation stating that a determination has been made that the conditions of the escrow have or have not been complied with and request a release of the funds. Upon receipt of the written confirmation described above, the funds are transmitted to the proper entity or persons. Trustmont Financial Group will retain such written confirmation if it is acting as lead/sole placement agent.
- All documentation created by these procedures, with evidence of the designated principal's review, shall be retained in a segregated file for audit or regulatory review.

21.11.3 Possible Need for a Purchase Representative

If it is determined that a particular purchaser is not sufficiently sophisticated in business matters to effectively evaluate the investment opportunity, then the designated principal must ensure that such person(s) are assisted by a "purchaser representative," i.e., a person possessing the requisite sophistication (chosen by the purchaser) who is able to and does assist in evaluating the investment opportunity and who is not an affiliate of the issuer, not the brokerage firm. Only customers known to registered representative personally should be sent brokerage firm approved offering materials. If there is doubt about the individual's need for a purchaser representative, the subscriber should be required to obtain one.

21.11.4 No General Solicitation **unless offered under 506(c)**

In order to ensure conformance with the Regulation D requirement which prohibits general solicitation, the firm has adopted the following policies and procedures:

- All solicitations which are not directly targeted only at the firm's pre-existing customers must be generic in nature and may not make reference to any specific investment.
- Trustmont Financial Group, the issuer and its affiliates must implement procedures designed to insure that the person solicited are not offered any securities that were offered or contemplated for offering at the time of the solicitation.

- Offers are not made to persons responding to generic solicitations until after Trustmont Financial Group establishes a substantive relationship with the person. A substantive relationship is established with a person when the issuer or its affiliates, based upon information sufficient to evaluate the prospective offeree's sophistication and financial circumstances, qualifies the person as an offeree.
- Cold Calling is not permitted.
- Advertisements, articles, notices or any other communication cannot be published in any newspaper, magazine, newsletter or similar media or broadcast on TV, radio or cable.
- No seminars or meetings may be held with regard to any current offering unless each invitee is known and qualified in advance.
- No mention of any specific offering or past performance may be made at generic seminars (i.e. seminars to discuss the general concept of such investments).

21.11.5 No Fee Sharing

Fees may not be split with a non-registered person or entity such as lawyers, accountants or investment advisers.

21.11.6 Investment Intent

Purchasers of private placement securities must purchase for investment purposes and not for the purpose of resale. The typical subscription documents used in private placements contains what is called "investment letter language." This representation should be personally verified. Consideration should be given as to whether the investment representation makes sense in view of the surrounding circumstances of the proposed purchaser.

21.11.7 Oral Representations

Offerees, having received private placement offering documents, frequently request oral explanations or supplements to the information presented. Great care should be taken in making oral disclosures regarding a private placement. Deviation from the printed material is prohibited. Written notes of conversations with offerees (and their representatives) should be made, dated and placed in the customer's file.

21.11.8 Acceptance of Offerees as Purchasers

In all private placement offerings, the subscribers must be formally accepted by the issuer. The acceptance of subscribers is based upon a subscriber questionnaire and, possibly, the customer’s account information (a document signed by the customer). The designated principal shall conduct and evidence review of the customer’s subscription agreement in relation to all other suitability-related information obtained from such customer. To the extent that the subscription documentation does not include all of the information required from customers as set forth in the New Account section of this manual, such supplemental information must be obtained. Following the acceptance of the subscribers in an offering by both the issuer and the principal, the offering shall be terminated by notification to all involved sales persons or entities.

21.11.9 Recordkeeping and Merchanics of Offering Process

The designated principal shall ensure:

- The offering documents should be numbered. Unnumbered copies should be marked "For Information Only", "File Copy" and other appropriate notation.
- A distribution control sheet will be created, and monitored. As offering documents are assigned to particular registered representatives, the number of the offering documents, together with the registered representative's name, should be placed on the control sheet.
- A sales control sheet will be maintained reflecting current sales.
- Incoming checks, subscription agreements, and executed suitability documents will be logged on the Customer Funds Received and Forwarded blotter and trade blotter on a daily basis.
- Checks should be reviewed for acceptability by the firm, recorded on the brokerage firm's receipts blotter, and forwarded to the individual bank escrow agent, and where appropriate to the Issuer, together with the purchaser's name, address, social security number, and number of shares/units.
- Incoming subscription agreements should be approved by the firm, recorded on the sales blotter and forwarded to the Issuer for acceptance. A copy must be maintained for the brokerage firm files.
- Form D will be filed, on a timely basis, by counsel to the Issuer, with the SEC and with those states that require it.
- Care should be taken that any other forms necessary to comply with the state Blue Sky authorities will be timely filed. Counsel to the issuer or brokerage firm counsel should generally be consulted as to the required forms in the states where the securities have been sold. Generally, this is accomplished by counsel to the issuer. (Some states require no forms.)

21.12 Sales Practice

Refer to “Approval of New and Modified Products” section of this document.

21.13 Product Due Diligence

Refer to “Approval of New and Modified Products” section of this document.

21.14 Suitability

The registered representative recommending a private placement is responsible for determining that the customer’s investment in the offering is suitable for the customer based on information provide and know about the customer. The registered representative must consider minimum investor requirements and other suitability standards for each private placement offering

Accordingly, in addition to the document(s) required by the product sponsors, registered representatives must also execute a “Direct Participation Programs, REITs and Private Placement Suitability Checklist” form.

Certain offering may have specific suitability standards such as the customer’s income and/or net worth requirements. When determining the suitability of a particular private placement, registered representatives must also consider the illiquidity of most private placements and must fully describe such fact to customers.

Accordingly, our registered representatives are discouraged from recommending and should avoid any single private placement product of more than 10% of the customer's liquid net worth[33]. A customer's total investment in private placements should not exceed 25% of the customer's liquid net worth. Any exception must be made by the Supervisor and documented in writing explaining the circumstances. This guidance may be superseded by stricter state requirements in the customer's home state.

Please note that registered representatives are also responsible for conducting a reasonable basis suitability assessment for each private placement offering prior to recommending it to their customers.

Refer to "Suitability Rule" section of this document.

21.15 Supervisory Responsibilities

Supervisors are responsible for:

- Making certain that the individuals under their supervision are aware of the firm's policies and procedures
- Making certain that the firm's policies and procedures have been followed by the individuals under their supervision; and
- Making certain that violation(s) or potential violation(s) have been reported to the firm's Sales Supervision Department.

- Supervisors are also responsible for reviewing documents related to the sales of private placement upon receipt to ensure that the customer's purchase of the product is appropriate and suitable and does not raise any areas of concern.

Supervisors' review of customer's suitability should also include:

- Investment amount in a private placement;
- The customer's total investments in private placements;
- The customer's liquid net worth; and
- The customer's liquidity needs.

21.16 Crowdfunding – FINRA Rule 4518

Trustmont does not participate in crowdfunding.

[33] Liquid net worth is net worth minus assets that **cannot be converted quickly** and easily into cash, such as real estate, business equity, personal property and automobiles, expected inheritances, assets earmarked for other purposes, and investments or accounts subject to substantial penalties if they were sold or if assets were withdrawn from them.

The JOBS Act, enacted in 2012 with the goal of increasing American job creation and economic growth, contains provisions relating to securities offered or sold through crowdfunding. An intermediary that engages in transactions involving the offer or sale of securities pursuant to the "crowdfunding exemption" must register with the SEC as a funding portal or broker and become a member of a national securities association. As such, the JOBS Act contemplates activity by registered broker-dealers pursuant to Title III of the JOBS Act, subject to specified conditions. In anticipation that registered broker-dealer members of FINRA may intend to act as intermediaries for transactions in connection with the crowdfunding exemption, FINRA has adopted new FINRA Rule 4518. As noted above, the rule applies to registered broker dealer members. The rule provides that a FINRA member shall notify FINRA, in a manner prescribed by FINRA: 0 prior to engaging, for the first time, in a transaction involving the offer or sale of securities in reliance on the crowdfunding exemption; or 0 within 30 days of directly or indirectly controlling, or being controlled by or under common control with, a funding portal as defined pursuant to Rule 300(c)(2) of SEC Regulation Crowdfunding.

22. 1031 TENANTS IN COMMON EXCHANGES

TFG does not currently sale 1031 TICs. However in the event that in the future we do sale them, the following rules will apply.

The following policies and procedures address Section 1031 tax-deferred exchanges of real property for certain tenants-in-common interests in real property offerings which are deemed securities ("TIC interests" or "TICs"). As TIC interests are a non-conventional investments, it is important that Trustmont Financial Group's policies and procedures adequately address the following responsibilities:

- conduct appropriate due diligence;
- perform a reasonable-basis suitability analysis;
- perform customer specific suitability analysis for recommended transactions;
- ensure that promotional materials used by Trustmont Financial Group are fair, accurate, and balanced;
- implement appropriate internal controls; and
- provide appropriate training to registered persons involved in the sale of these products.

22.1 TIC Suitability

RR's are prohibited from offering/selling a TIC unless:

- the TIC has been approved by Trustmont Financial Group;
- the RR has thoroughly reviewed and understands the customer's financial status, tax status, investment objectives, risk tolerance, and liquidity needs;
- the RR has thoroughly reviewed the offering memorandum and all other disclosure documents and understands all material risks and negative features associated with the TIC;
- the TIC is suitable for the customer.

In addition to the foregoing and Trustmont Financial Group's general policies and procedures relating to suitability set forth in this manual, transactions involving TICs are subject to additional requirements. Before recommending a TIC exchange, RR's must have a clear understanding of the investment goals and

current financial status of the investor. This is particularly important because, in many cases, a TIC interest will constitute a significant portion of an investor's total assets. Consequently, RR's must, with respect to each customer for whom they make a recommendation, consider the risks from over-concentration against the benefits of tax deferral and the investment potential of the underlying real estate asset(s). Furthermore, all RR's must consider the illiquid nature of a TIC in determining suitability because TICs may require unanimous consent to sell a TIC interest and any subsequent sale may only be possible at a significant discount to the net asset value of the undivided interest in the real estate.

RR's must also consider whether the fees and expenses outweigh the potential tax benefits to the customer. TICs structured with high up-front fees and expenses raise particular concerns about the ability to make a suitable recommendation. In addition, TIC transactions in many cases may not provide complete tax-free exchanges for investors (e.g., in situations where the investor's debt ratio on the replacement property decreases, the difference may result in a taxable event for the investor). RR's must take all of these factors into consideration when recommending a particular TIC.

22.2 TIC Due Diligence

In addition to Trustmont Financial Group's general policies and procedures relating to due diligence involving offerings of securities, TICs are subject to the following additional requirements.

TFG shall not approve a TIC for offer/sale unless it has thoroughly reviewed all offering-related documents and performed independent investigation or verification when it is not reasonable to simply rely on representations made by the sponsor in an offering document. Such investigation may include background checks of the sponsor's principals, review of the agreements (e.g., property management, purchase and sale, lease and loan agreements) and property inspection. In addition, if the offering document contains projections, TFG should understand the basis for those projections and consider their reasonableness.

TIC sponsors routinely obtain legal opinions regarding whether a particular TICs offering structure will qualify as a like-kind exchange of real property under Section 1031. Given the importance of that tax treatment, the President (or designee) shall endeavor to obtain a "clean" legal opinion that a TIC "should" or "will" qualify for exchange under Section 1031. If a sponsor cannot provide a legal opinion, or can provide only a "more likely than not" opinion, the President, or designee, shall consider this as a material fact in determining whether the TIC should be approved for sale. In such a case, responsible principal must ascertain the specific tax status risks of the TIC and ensure that such risks are disclosed to prospective investors.

Trustmont Financial Group's due diligence review must also consider whether the fees and expenses associated with the program are reasonable. If not, the program may not be approved for sale.

22.3 TIC Payment of Referral Fee

All personnel involved in TIC transactions are responsible for ensuring that TFG does not pay, directly or indirectly, any real estate agent who is not registered with TFG and/or is not registered as a broker-dealer for participating in, or referring, TIC business. All TIC-related payments made by Trustmont Financial Group are required to be brought to the attention of the President if they are being directed to an unregistered person, or otherwise raise questions as to whether transaction-based compensation is directed to unregistered persons/entities.

22.4 TIC Licensing and Regulation

All TICs structured as DPP's can be sold only by persons having passed the Series 7 or 22 (Limited Representative — Direct Participation Program securities) exam.

22.5 TIC Training

All designated supervisors are required to determine whether RRs are sufficiently experienced and trained with respect to TIC transactions permitting such persons to offer and sell TICs. To the extent that additional training is deemed necessary, the designated supervisor shall oversee the implementation of necessary training and shall document all training provided.

22.6 TIC Supervision

All TIC transactions must be reviewed and endorsed by the RR's designated supervisor who shall be qualified as a general securities or DPP principal. No transactions shall be approved unless they comply with the firm's policies and procedures relating to TICs and private placements (if applicable).

22.7 TIC Record Keeping

The President, or designee, shall ensure that the firm's recordkeeping system is adequate to provide reasonable assurance that all records involving TICs are prepared and retained in accordance with FINRA 3110 and SEC Rules 17a-3 and 17a-4.

22.8 TIC Compliance with Registration Exemptions

All of Trustmont Financial Group's personnel involved in TIC transactions are required to know and understand their duties and responsibilities in order to ensure that unregistered TICs are offered and sold in accordance with claimed exemptions from registrations, and in accordance with Trustmont Financial Group's policies and procedures involving private placements.

Trustmont Financial Group prohibits all personnel from engaging in any form of general solicitation of TIC offerings. The following two examples have been provided by FINRA to help clarify impermissible and permissible solicitations:

In the first scenario, a registered representative who also holds a real estate license solicits potential investors by advertising a "real estate" seminar. At the seminar, investors are given a presentation on TIC exchanges and are made aware that the member offers TIC investments to its customers. Since the advertisement for the seminar would be a general solicitation, and since the references to the TIC investments currently being offered by members would be deemed an offer of those securities, the members engaged in such offerings would not be able to rely on the exemption from registration for private placements under Regulation D.

In the second scenario, a member or RR places advertisements in newspapers and magazines that indicate that the member sells TIC interests, but the advertisements do not identify any particular TIC investment for sale by the member. Since the advertisement itself is a general solicitation, the issue for members is whether the advertisement includes an offer of securities. In general, such an advertisement would not be deemed an offer of securities if:

- the advertisement is generic;

- the advertisement is not being made in contemplation of an offering; and
- the member has procedures to ensure that an investor solicited via the advertisement will not be offered TICs that the member is currently offering or contemplating offering at the time of the initial contact.

Trustmont Financial Group prohibits advertisements that do not meet each of the above. Moreover, the other requirements under Regulation D also must be met, including establishing an adequate, substantive and pre-existing relationship with the investor and completing a suitability analysis prior to offering TICs to an investor.

23. OPTIONS

Trustmont Financial Group does not currently offer options trading. When/if we do, the following will be implemented:

Due to the fact that options involve a greater risk than many other securities, registered representatives should exercise due diligence to make certain that customers are aware of all the risks associated with options transactions. Accordingly, this section outlines requirements when offering options to customers.

23.1 Registered Representative's Requirements

Registered representatives must have the necessary licensing to sell options, including:

- Securities registration with FINRA (Series 7)
- Securities registration in the state where the customer resides (Series 63 or 66)

Registered representatives with a Series 6 may not sell or engage in any options related transactions.

23.2 Registered Options Principal

In order to engage in option transactions, the firm is required to have the following registered principals:

- Designated Registered Options and Security Futures Principal (ROSFP)
- Supervisor for each branch location that conducts options activities for public customers (The Supervisor must be qualified as either an Options Principal (S4) or a Limited Principal-General Securities Sales Supervisor (S9 and S10)[34]

The firm's PRESIDENT is responsible for designating the firm's ROSFP as required.

The individual designated as the ROSFP has overall authority and responsibility for supervision of all customer option accounts and related options transactions. The following is a summary of the ROSFP's principal responsibilities:

[34]This requirement does not apply to the Supervisor of a branch location in which there are not more than three (3) registered representatives, provided that the firm is able to demonstrate that someone who is qualified as a ROP adequately supervises all of the branch's options activities. The ROP qualified Supervisor is responsible for the day to day supervision of all customer options activities that take place in the branch, in accordance with the firm's written supervisory procedures governing options.

- Supervise all customer options transactions;
- Administer program for supervisory review of selected options accounts;
- Assist branch office managers in supervising customers' options activities;
- Work jointly with others in preparing retail or institutional communications concerning options;
- Work jointly in developing and administering options training program for registered representatives
- Making certain confirmations are sent to each customer effecting options transactions, and that these contain all required information (i.e., complete description of transactions, identifying "opening" or "closing" transactions);
- Maintaining and reviewing a separate file or ledger for all options-related customer complaints
- The designated ROP will conduct regular and frequent reviews of customer accounts to determine that options transactions (including uncovered short options) effected in the accounts appear suitable in light of all relevant information, and that customers are able to evaluate and bear the risks of the recommended position;
- All order tickets relating to options transactions (including uncovered short options) will be reviewed by the ROSFP. Review will be evidenced by initialing the daily blotter or other memorandum;
- Review of all option related customer complaints. Such review must be evidenced in writing by the ROP;
- The ROSFP will ensure options account agreements are signed within the prescribed time frames and will verify the background and financial information from customers who are natural persons;
- The ROSFP will make sure that minimum background and financial information is sought from each customer who is a natural person before the accounts are approved for option trading;
- The ROSFP will ascertain that records are maintained of inquiries made by the firm to determine that suitability information remains current; and,
- The ROSFP will ensure that a current OCC Disclosure Document is delivered to the customer upon approval of accounts.

In meeting his/her responsibilities, the ROSFP may delegate the duty to review the options activities of branch offices within the firm to employees who are ROSFP qualified and under the ROSFP's direct control. Such delegation does not relieve the ROSFP of his responsibility for overall supervision and control over the firm's options activities.

23.3 Opening and Approving Options Accounts

23.3.1 General Requirements

Securities rules require that each customer be specifically approved for options trading prior to the time that the firm accepts an options order from the customer. Even when an account has been previously approved for other types of securities transaction (e.g., general securities), it must be re-evaluated and specifically approved for options transactions by a qualified ROSFP prior to accepting an options order from the customer.

The level of approval is a second consideration which must be made by the designated ROSFP. Customers may be approved for one or more of the following types of transactions:

- Purchases of puts and calls;
- Covered write transactions;
- Spread and combination transactions; and/or,
- Naked writing.

A written record of the approval of each options customer must be maintained, noting the date the account was approved, and bearing the signature of the designated ROP.

The requirement that all public customers must be specifically approved for options is intended to assure that TFG has exercised due diligence to determine that options transactions are appropriate for the customer in view of the customer's suitability profile and investment objectives. Contemporaneous with new account approval, each customer should be provided with an OCC disclosure document which delineates the risks associated with options trading.

23.3.2 Options Agreement

At or prior to submitting a customer's options application to a Registered Options Principal or a Limited Principal-General Securities Sales Supervisor for approval, registered representatives should receive the customer's written agreement that: (i) the customer is aware of and agrees to be bound by FINRA rules applicable to the trading of option contracts; (ii) the customer has received a copy of the current disclosure document(s); (iii) the customer is aware of and agrees to be bound by the rules of The Options Clearing Corporation; and (iv) the customer is aware of and agrees not to violate the position limits established pursuant to FINRA Rule 2360(b)(3) and the exercise limits established pursuant to FINRA Rule 2360(b)(4).

Accordingly, at or prior to having customer sign an "Options Account Application", registered representatives must also provide a copy of customers options agreement.

23.3.3 Suitability

In general, the suitability rules of the SRO's provide that any time a person at a member firm recommends an option transaction to a customer, he or she must have reasonable grounds for believing that the recommended transaction is suitable for the customer.

Without limiting this general requirement that applies to all recommended options transactions, SRO rules also permit options recommendations to be made only if the person making the recommendation has a reasonable basis for believing that the customer has such knowledge and experience in financial matters, that he/she may reasonably be expected to be capable of evaluating the risks of the recommended transaction, and is financially able to bear the risks of the recommended position.

Determinations of suitability must be based upon information obtained from the customer concerning his/her financial background, investment objectives, and other information bearing on the customer's suitability profile.

All recommendations must fairly present the risks associated with the proposed investment. Since the

risks involved in the purchase of options depend upon such factors as the relationship between the option's exercise price and the market price of the underlying stock, the time period remaining until the option expires, price volatility and other characteristics of the underlying stock, such factors should be considered and brought to the customer's attention.

Accordingly, no option transaction can be placed without first having a reasonable basis for believing that the customer:

- Has knowledge and experience in financial matters sufficient to make him/her reasonably capable of evaluating the risks of the recommended transaction
- Is financially able to bear the risks associated with of the recommended option transaction

Factors which must be considered include, but are not necessarily limited to:

- age
- marital status
- number of dependents
- employment status
- annual income
- total net worth (exclusive of family residence)
- Liquid net worth (cash, securities, other)
- investment experience
- knowledge of particular markets
- investment objectives
- ability to undertake potential financial risks of transactions involved
- other information necessary to make a recommendation

Customers wishing to trade options in their account should have an investment objective consistent with the speculative nature of options. In the event that a customer's financial information, investment objectives, and/or trading strategy changes which may affect the suitability of the option approval levels, the registered representative is required to get an updated option agreement and approval form from the customer reflecting the updated information.

23.3.4 Uncovered Short Options Contracts

At the present time, the firm does not allow any uncovered[35] short options transactions in customer accounts. Supervisors are responsible for making certain that the registered representatives under their supervision are aware of such policy.

[35] Options transactions or options strategies with potentially unlimited loss

23.4 Disclosure

23.4.1 Prospectus and Disclosure Document Delivery

Pursuant to FINRA Rule 2360, registered representatives must comply with the following disclosure requirements.

23.4.2 Characteristics and Risks of Standardized Options (ODD)

At or prior to the time a customer's account being approved for trading options, a current "Characteristics and Risks of Standardized Options (ODD)" should be delivered to the customer. Thereafter, a copy of each amendment to the ODD should be distributed to each customer no later than the time a confirmation of a transaction in the category of options to which the amendment pertains is delivered to such customer.

Accordingly, registered representatives are responsible for making certain that customers have received a copy of the most current ODD at or prior to the time the options agreement and approval form is given to the customer for completion. Registered representatives may obtain a copy of the most current ODD and supplement by contacting the firm's Operations Department.

23.4.3 Special Statement for Uncovered Options Writers ("Special Written Statement")

At the present time, the firm does not approve any customer's account for uncovered options transactions. However, in the case of customers approved for writing uncovered short options transactions, the Special Written Statement must be delivered to customers.

Accordingly, registered representatives are responsible for delivering a copy of the Special Statement and receiving the customer's acknowledgement of receiving the Statement. The customer's acknowledgement must be also submitted with the options application and signed option agreement.

23.5 Communications

Specific standards exist governing all forms of communications to customers related to options. Such communications include advertisements, sales literature, options strategy worksheets, descriptions of options programs, presentations of firm-sponsored options seminars, and all other options-related communications directed to customers or the public. Because of the importance of the matters covered in these rules and interpretations, the SROs have jointly prepared a separate publication called "Guidelines for Options Communications" that presents an in depth discussion of the entire subject. All persons who are responsible for preparing or reviewing options materials that firm makes available to their customers should be thoroughly familiar with this publication and with the relevant SRO rules and interpretations.

All options communications to customers must be accurate, balanced and truthful. Not only must every statement contained in any such communication be accurate, there must also not be any omission of material relevant facts. For example, whenever statements are made concerning the uses or benefits of options, equal emphasis must be given to a discussion of the risks involved. Confusing, ambiguous or "fine-print" hedge clauses and disclaimers should be avoided.

Special care must be taken whenever forecasts or projections are included in sales literature. It is important that any such forecasts or projections be clearly identified as such. All assumptions, risks and costs must be clearly stated. Similarly, where reference is made to past performance or past recommendations, it must be

stated that these are not necessarily indicative of future performance. Statements of past performance must be "balanced" (i.e., they must include all relevant past performances, and not just that which was successful) and they must relate to universes that reasonably support the conclusions intended to be drawn. At a minimum, such statements must cover at least the most recent 12 months. Past performances and recommendations must be that of the firm (e.g., the firm's research department), and not simply of an individual within the firm, in order to constitute an acceptable "universe." Whenever a particular options program is described, there must be a description of its past history, or, if none is available, a statement to the effect that the program is a new and unproven one. In either case, there must be full disclosure of the underlying assumptions of the program.

SRO rules require that retail and institutional communications must be approved in advance by the firm's Registered Options Principal or his or her designee. In addition, such communications must be also submitted to FINRA for advance approval or review at least ten days prior to its first use.

No written material concerning options may be given to any person unless the person has previously or is contemporaneously furnished with a copy of the OCC disclosure document. The only exception to this requirement is for limited "tombstone" advertisements permitted by SEC Rule 134.

To assist in understanding the different requirements that apply to different types of communications, the following outline of these requirements has been prepared (for complete information, reference should be made to the SRO rules themselves and to the "Guidelines for Options Communications"):

All Communications (Oral and Written) Concerning Options:

- Must not contain any false statements or omit any material facts;
- Must not contain promises of specific results or exaggerated, unwarranted or unreasonable claims, opinions or forecasts;
- Must not contain illegible, confusing or ambiguous hedge clauses or disclaimers;
- Must meet general standards of fair practice; and
- Must comply with the prospectus delivery requirements of the Securities Act of 1933.

Written Communications Concerning Options:

- Must balance statements that describe potential opportunities and advantages with appropriate references to the corresponding risks; and
- Should not suggest that options are suitable for all investors or that a secondary market for options will always be available.

Retail and Institutional Communication:

- Must be approved in advance by the firm's Options Principal and all retail communications and educational material must be submitted to FINRA Advertising at least 10 days prior to use;
- Copies must be retained for three years by the firm using such material;
- Must reflect the special risks and complexities of options transactions; and
- Must include a warning to the effect that options are not for everyone.

Recommendations or Past or Projected Performance Figures:

- Not permitted in any advertisement;
- Permitted in sales literature other than advertisements, provided that such literature meets specific requirements that includes the following:
  - ✓ The sales literature must state that supporting documentation for any claims, comparisons, recommendations or other data will be supplied upon request;
  - ✓ Projections must disclose all relevant costs as well as all material assumptions made;
  - ✓ Where annualized rates of return are used, they must not be based upon less than a 60-day experience, and it must be stated that such rates might be obtained only if the parameters described can be duplicated, of which there can be no certainty;
  - ✓ Any references to the performance of past recommendations or of actual transactions must be based upon firm-wide experience;
  - ✓ Must be balanced and confined to an identifiable "universe" that conveys at least the most recent 12-month period; and,
  - ✓ Must include all back-up data, unless reference is to summarized or averaged records only, in which case there must be a statement that the complete record will be provided upon request.

Options Worksheets:

- Come within the definition of "sales literature" and must comply with all of the requirements applicable to sales literature;
- Standard options worksheets may be adopted only on a firm-wide basis; and
- Where standard options worksheets have been adopted, individual registered representatives may not use non-standard worksheets.

FINRA requires broker-dealers to file options related retail communications to FINRA Advertising Regulation Department. Accordingly, no options retailed retail communications are permitted to be utilized until a response from FINRA is received.

Also refer to the Communications with the Public section of this manual for more detailed information.

23.6 Statements of Accounts

Broker-dealers are required to send to its options customers statements of account at least quarterly if the account has a money or securities position, and at least monthly if there has been an entry in the account during the preceding month. Accordingly, the clearing firm(s) will send statements of account as required.

In addition to the foregoing, in order to assist the firm in maintaining current background and financial information concerning all options customers, account statements must bear a legend requesting customers to promptly advise the firm of any material change in the customer's investment objectives or financial situation.

Required statements shall be sent by TFG’s clearing firm.

23.7 Exercise of Options

These rules are intended to assure that the methods used by firms to allocate exercise notices to short

options positions in individual customer accounts are fair and nondiscriminatory. The rules require that allocation be made either by an approved method of random selection or by utilizing a "first in, first out" method. The firm's ROSFP is responsible for reviewing the firm's method of allocation used to be certain that it conforms to the requirements of these rules. The ROSFP is also responsible for ensuring that TFG, or its clearing firm, informs all of its options customers, in writing, of the allocation method and what, if any, are the consequences to customers of the method selected. For new options customers, this information should be sent together with the OCC disclosure document at the time the account is first approved for options.

Firms are required to retain for at least three years sufficient records and work papers to document precisely how exercise notice allocation is handled. This will enable the allocation procedures of firms to be audited as a part of routine SRO examinations.

Registered representatives must also provide to the firm's Trading Department a copy of memorandums of exercise instructions received from customers showing the time and the instruction was received. Prior to submitting the memorandum, it should be reviewed and approved by the Supervisor or the firm's designated ROSFP to make certain that the exercise of options does not exceed limitations specified in options rules.

The following also applies to the exercise of options:

- Standardized option contacts may be exercised at any time from trade date until expiration (this does not apply to European option contracts)
- Exercise notices must be sent by 4:00 P.M. Eastern Time on normal trading days and by 5:00 P.M. Eastern Time on expiration Friday

Please note that the tender of exercise notices is irrevocable.

23.7.1 Position and Exercise Limits and Reporting Obligations

To the extent that TFG, and not its clearing firm, has obligations to monitor position and exercise limits, and/or to report any options positions to regulatory agencies, it will adopt and implement procedures relating to the supervision of such at the required time.

The firm's designated ROSFP is responsible for complying with the reporting obligations.

23.8 Commissions

As the firm's policy, for options transactions of less than $1,000 in the principal amount (quantity times price), the firm's allowable maximum commission is $50 including other fees (such as handling fee) plus $1.10 per contract.

For options transactions of equal to or greater than $1,000 in the principal amount (quantity times price), the firm's allowable maximum commission is 5% including other fees (such as handling fee) plus $1.10 per contract.

By reviewing each transaction via daily trade blotter, Supervisors are responsible for making certain that commissions and other charges related to options transactions are reasonable and appropriate.

23.9 Account Review and Supervision

Options accounts will be reviewed by the Supervisor at the branch office servicing the account, and selected options accounts will be reviewed on a regular periodic basis by the firm's designated ROSFP.

Supervisors and the firm's designated ROSFP will review the accounts and transactions for:

- Appropriate approval status of accounts;
- Review of options transactions to determine:
  - ✓ the investment objective and with the account status for options approval and approved options transaction type
  - ✓ the size and frequency of options transactions;
  - ✓ commission activity in the account;
  - ✓ profit or loss in the account;
  - ✓ undue concentration in any options class or classes; and
  - ✓ compliance with provisions of Regulation T.

Supervisors and the firm's designated ROSFP are provided (electronically or in hard copy) records enabling review of options accounts and transactions as required.

Supervisors must also review each transaction, via daily trade blotter, to make certain that commissions and other charges related to options transactions are reasonable and appropriate.

23.10 Training

Every firm is required to ensure that those of its employees (ROSFPs and registered representatives) that are involved in the handling of customers' options transactions are properly trained. Accordingly, the firm will have such training available to all persons within the firm that are responsible for options matters. Because training is so closely related to a firm's overall program for the supervision of its options activities, such training may be provided during the firm's annual compliance meeting, branch inspection, or as the firm's annual CE program.

23.11 Handling of Options Complaints

The designated options principal must ensure to maintain and keep current a separate central log, index or other file for all options-related complaints, through which the complaints can easily be identified and retrieved at TFG's principal place of business or other principal office (if designated by TFG). At a minimum, the central file shall include:

- identification of complainant;
- date complaint was received;
- identification of registered representative servicing the account;
- a general description of the matter complained of; and
- a record of what action, if any, has been taken by the member with respect to the complaint.

Each options-related complaint received by a branch office of a member shall be forwarded to the office in which the separate, central file is located not later than 30 days after receipt by the branch office that is the subject of the complaint. A copy of every options-related complaint shall also be maintained at the branch

office that is the subject of the complaint.

For purposes of this section, the term "options-related complaint" shall mean any written statement by a customer or person acting on behalf of a customer alleging a grievance arising out of or in connection with options.

24. CERTIFICATES OF DEPOSIT

At the present time neither the firm nor its associated persons offer “Certificates of Deposit” When/if either the firm or its associated persons do engage in offering such products, the following policies and procedures will be implemented.

Broker-dealers have certain obligations under FINRA's Conduct Rules to disclose to customers the varying risks of investing the proceeds of deposits, such as maturing Certificates of Deposit, in a security (such as a mutual fund, CMO or variable insurance product).

All registered representatives, when dealing with a customer wishing to seek a non-depository alternative to their maturing CD, must emphasize that the securities product alternatives have certain risks associated, are not FDIC insured and, while potentially providing more attractive investment returns, are not the same as CDs.

Additionally, further disclosures must be made, as applicable.

- There is no guarantee of a stable net-asset value (money market funds)
- A rise in interest rates could result in a decline in the value of the customer's investment (fixed income or bond funds)
- Higher degree of risk to capital (equity funds)

These disclosures should be made, in writing, with the customer requested to acknowledge such disclosures in writing, indicating that he/she fully understands all the possible ramifications of changing his or her investment from a FDIC-insured product to a non-insured, investment product. Such written disclosure acknowledgement is to be maintained in the customer files.

Failure of any employee to offer adequate disclosure to our customers will result in disciplinary action, which in certain instances may include immediate termination.

FINRA Notices to Members 91-74 and 93-87 should be obtained and reviewed if there is need for further clarification as to what is required with such transactions. Additionally, if there are any questions, the appropriate principal should be contacted.

24.1 Non-Traditional Certificates of Deposit

Certificates of Deposits (“CDs”) are typically issued by a bank, directly to a customer, carrying a fixed interest rate of a fixed duration of time, insured by the FDIC against depository institutional insolvency, and as such are generally considered to be a simple and conservative product, carrying few risks.

More and more, however, non-traditional CD products are being offered to investors, products which are more complex and which carry more risk. These are generally referred to as “long-term” CDs. They generally have a maturity of several years, in some instances, as long as twenty years, and sometimes carry a higher yield than an FDIC-insured CD. They may also, however, have any number of additional features affecting the rate of return and degree of risk such as variable interest rates, callability by the issuing bank,

available for trade in a secondary market and subject to transactions costs not typically associated with a traditional CD.

Depending upon various factors, these non-traditional CD products can, from a legal standpoint, be considered securities. However, regardless of whether the product is a security or not, TFG takes seriously its responsibility to ensure that our registered personnel understand the products and can adequately and clearly disclose to customers all product characteristics and risk factors (i.e. possible loss of principal, call features, insurance issues, etc.)

For further regulatory concerns and FINRA recommendations concerning customer investments in non-traditional CD products, reference should be made to FINRA Notice to Members #02-28.

24.2 Risk Factors

TFG will disclose to prospective purchasers all material risks associated with long-term CD products and should distinguish those risks from those that apply to traditional CDs.

Loss of Principal

Traditional CDs that are purchased directly from a bank come in fixed denominations for a fixed duration will pay a set interest rate at regular intervals. If a Traditional CDs is redeemed prior to maturity the issuing bank will generally impose a penalty, typically a loss of interest earned and/or a modest loss of principal.

By comparison, a long-term CD purchased from a brokerage firm could risk a greater loss of principal if the CD is sold before maturity. Since the deposit broker must sell the CD in a secondary market two primary market factors may cause significant loss of principal. First, fluctuations in interest rates may affect the value of the CD. Secondly, there may be limited liquidity for these products due to the small size of the secondary market. Additionally, there is no guarantee of the continued existence of a secondary market for these products. When transactions do occur in the secondary market, sellers generally will incur a transaction cost, such as a commission to the broker/dealer.

Customers should also be informed whether the CDs are registered with the Depository Trust Corporation (DTC). CDs that are not registered with DTC have additional risks since customers must depend upon the CD brokers to maintain accurate documentation of transactions, record ownership of the CDs in their books, make interest payments and collect their principal when the CDs reach maturity. If a CD broker becomes insolvent or cannot make good on its obligations for other reasons, customers may not be able to collect interest or principal payments and the CDs may be subjected to claims from the broker's creditors. These risks should be disclosed to customers.

It is essential that customers be informed of the face maturity date of any CD, even where, as discussed below, the CD has call features that may effectively shorten that maturity period. All of these material risk factors, when present, must be disclosed to a prospective purchaser.

Call Features

The Firm and our registered representatives must explain in detail any call features of the CD product, particularly where, as is often the case with long-term CDs, the call option is solely at the discretion of the issuer and the customer does not receive a corresponding option to "put" the CD back to the issuer at a set price. Purchasers should be told that under certain market conditions- i.e., when falling interest rates would

cause the CD to trade at a premium in the secondary market- the issuer will likely exercise its call option, as it can obtain deposits at lower interest rates.

Insurance

Federal deposit insurance generally covers deposits of up to $250,000[36] in the aggregate for each depositor in each bank, thrift, or credit union. In certain circumstances brokers may be considered the depositor for federal insurance purposes. Therefore, if we act as deposit brokers we will keep adequate books and records to establish the chain of ownership of any brokered CD products. Failure to maintain such books and records may be a violation of SEC and FINRA rules and regulations and can jeopardize the ability of a customer to establish entitlement to federal deposit insurance in the event of a depository institution's insolvency.

24.3 Brokered CD and Disclosure Document

In order to provide customers with meaningful notice of the terms, conditions, and risks associated with Brokered CDs, customers must be provided with a copy of the firm's "Characteristics and Risks of Purchasing Brokered Certificates of Deposits" in advance of the transaction date. A copy of properly signed document must be also attached with the transaction ticket.

24.4 Training

The Chief Compliance Officer is responsible for ensuring that non-traditional CD products are adequately covered in TFG's training materials, registered rep manuals, operational manuals, annual compliance meeting materials and/or in our continuing education materials.

24.5 Account Statements

TFG is required (refer again to FINRA Notice to Members #02-28) to price CDs at fair market value on customer account statements. (Carrying CDs at par could be materially misleading if values have significantly eroded). If a clear explanation of both values is provided to the customer, we may include both par value and market value on the statements. FINRA also recommends a customer disclosure indicating that the values of CDs given on account statements are estimated and that the actual value may differ if the customer were to elect to sell the CD in the secondary market.

While it is sometimes difficult to obtain pricing data on these instruments, the CCO should be able to document that a diligent endeavor was made to accurately price the CDs on customer account statements.

In the event that we are unable to attach a reasonable market valuation for CDs in a customer's account, we are to segregate the CDs on the account statement and include a disclosure on the statement which covers each of the following four points:

- The secondary market for CDs is generally illiquid
- An accurate market value could not be determined by TFG
- The actual value of the CDs may be different from their purchase price

[36] Confirm FDIC limits with issuing bank before making a purchase recommendation of any CD.

- A significant loss of principal could result if CDs are sold prior to maturity

The CCO is responsible for, on a quarterly basis (minimum), obtaining the names of customers who have purchased CDs from TFG in the past quarter and undertaking "sampling" review of customer account statements, looking for appropriate disclosure. If it is determined that neither the fair market value nor the four disclosures are given, stricter policies and procedures will immediately be implemented and disciplinary actions may be taken.

24.6 Supervisory Responsibilities

Supervisors are responsible for making certain that recommendations of Brokered CDs, with or without transactions, are suitable for the customer by reviewing each transaction or a "Recommendation Ticket without Securities Transactions" form.

In addition, Supervisors are responsible for reviewing the reasonableness of commissions, mark-ups and mark-downs on customer trades. In determining fair and equitable mark-ups or mark-downs, relevant factors may include:

- Total dollar amount of the transaction
- Availability of the CD
- The price or yield of the CD
- The maturity of the CD
- Resulting yield to the customer, as compared to the yield on other CDs of comparable quality, maturity, coupon rate, and block size then available in the market
- The nature of the firm's business
- Any other relevant facts at time of execution

As the Firm's policy, under no circumstances will any markup, markdown or commission shall exceed .50% including other charges.

25. GOVERNMENT SECURITIES

At the present time neither the firm nor its associated persons offer "Government Securities." When/if either the firm or its associated persons do engage in offering such products, the following policies and procedures will be implemented.

The Government Securities Act Amendments of 1993 eliminated the statutory limitations on FINRA to apply sales-practice rules to transactions in exempted securities, including government securities, other than municipals. In 1996, the SEC approved amendments implementing the expanded sales-practice authority granted to FINRA pursuant to the GSAA.

TFG is committed to adhering to all FINRA sales practice requirements and Conduct Rules as they apply to all securities transactions undertaken by us, including Government Securities.

Furthermore, in accordance with FINRA Board of Governors' interpretation regarding Suitability Obligations to Institutional Customers (which is covered in an appropriate section in these Written Supervisory Policies &

Procedures), we are aware of, and in compliance with, that portion of the Interpretation which indicates that suitability requirements are in place for all debt and equity securities, except municipals.

TFG through its registration department is also aware of the amendments to Rule 1060 which eliminated the registration exemption for persons associated with this firm whose functions are related solely and exclusively to transactions in exempted securities. All individuals associated with this firm, engaged in the purchase and sale of securities on behalf of our customers, must be appropriately licensed prior to undertaking any such activities.

On an annual basis, a review will be undertaken to determine the appropriate registration and licensing status of registered representatives by the firm's Registrations Department. Such review and the findings of each review will be maintained in the firm's Registrations, along with any remedial actions taken, if necessary.

25.1 Pricing and Commission Practice

Supervisors are responsible for ensuring that a reasonable effort was made to obtain a price for the customer that is fair and reasonable in relation to prevailing market conditions.

In addition, Supervisors are responsible for reviewing the reasonableness of mark-ups and mark-downs on customer trades. In determining fair and equitable mark-ups or mark-downs, relevant factors may include:

- The best judgment of the firm as to the fair market value of the securities at the time of the transaction and of any securities exchanged or traded in connection with the transaction
- The expense involved in effecting the transaction
- Total dollar amount of the transaction
- Availability of the security
- The price or yield of the security
- The maturity of the security
- Resulting yield to the customer, as compared to the yield on other securities of comparable quality, maturity, coupon rate, and block size then available in the market
- The nature of the firm's business
- Any other relevant facts at time of execution

As the Firm's policy, under no circumstances will any markup, markdown or commission shall exceed 1% excluding other charges.

25.2 Participation and Reporting TRACE-Eligible Securities Transactions

All broker dealers who are FINRA member firms have an obligation (under relevant SEC rules) to report transactions in TRACE-eligible securities to TRACE. TRACE-eligible Securities, under FINRA Rule 6710 shall mean a debt security that is United States (U.S.) dollar-denominated and is:

Issued by a U.S. or foreign private issuer, and, if a "restricted security" as defined in Securities Act Rule 144(a)(3), sold pursuant to Securities Act Rule 144A;

Issued or guaranteed by an Agency as defined in paragraph (k) or a Government-sponsored Enterprise as defined in paragraph (n); or

A U.S. Treasury Security as defined in paragraph (p).

TRACE-eligible Security does not include a debt security that is issued by a foreign sovereign or a Money Market Instrument as defined in paragraph (o).

Trustmont Financial Group has established an agreement with our clearing firm to undertake TRACE reporting on our behalf to the TRACE system developed by FINRA. Our designated principal will ensure that such arrangement is clearly indicated in the clearing agreement. The clearing agreement must indicate which party is responsible for which required actions under FINRA Rule 6730. While the clearing firm may appropriately undertake such reporting responsibilities on our behalf, it remains our responsibility in such instances to ensure that such reporting is correctly undertaken and that all reports are submitted in a timely manner. Trustmont Financial Group retains the ultimate responsibility for all reporting requirements.

The principal overseeing trading in TRACE-eligible securities is responsible for ensuring that we are in full compliance with all rules relating to TRACE reporting requirements. He/she is responsible for obtaining sufficient information and documentation from our clearing firm to ensure:

a. appropriate reports are filed on our behalf

b. the reported information is complete and accurate

c. the reports are submitted in a timely manner

d. any discrepancies are noted and dealt with in a timely and appropriate manner

The designated principal will conduct periodic reviews of TRACE reporting activities to verify compliance with the rule. We will maintain documentation of all such reviews, including the dates, the names of individuals conducting the review, scope of the review, findings and corrective measures taken due to deficiency findings. The designated principal will obtain the “TRACE Quality of Markets Report Card” which will provide us with information relating to certain potential exceptions identified in our transaction report to TRACE.

This report will be used to monitor and review certain aspects of our TRACE reporting in relation to industry and peer group statistics. In addition, a separate available file, providing detail of each trade report identified as a potential exception, will be reviewed. We will document evidence of such reviews.

In addition, we will review the TRACE Operations Report made available to participants by FINRA, which provides us with a breakdown of TRACE submissions within current and future reporting requirements, as well as by trade type and submission method. We will review this report to help identify any operational issues with our TRACE reporting processes.

Trustmont Financial Group must inform FINRA of non-compliance with, or changes to, any of the participation requirements set forth above.

25.3 Supervisory Responsibilities

Supervisors are responsible for ongoing monitoring of all securities-related activities including government securities, engaged in by individuals under their direct supervision to ensure that all such activities are conducted in a compliant manner and in the best interests of our customers.

Furthermore, Supervisors are responsible for daily review of transactions executed in government securities trading area(s) to make certain that they are suitable for the customer pursuant to FINRA Rule 2111.

26. MUNICIPAL SECURITIES

26.1 MSRB Assessments and Fees – MSRB Rules A-13/A-14

The financial and operational principal or designee will determine the amount of each required assessment or fee, including underwriting assessments, annual fees, etc., and mail the assessment to the MSRB within the time frames specified by MSRB.

26.2 Municipal Principal Responsibilities

The Municipal Securities Principal shall be responsible for monitoring all municipal securities activities for compliance with applicable MSRB Rules and Trustmont Financial Groups policies and procedures. Such responsibilities shall include, but are not limited to, the following:

Verifying the proper opening of each municipal securities account, reviewing transaction in such and correspondence pertaining to the solicitation or execution of same, and promptly endorsing the above documents in writing;

- Checking customer account regularly and frequently to detect irregularities and abuses and indorsing such reviews in writing;
- Whenever a customer is known to be employed by another broker-dealer or municipal securities dealer, communicating this fact to the person responsible for mailing the required notification letter;
- Reviewing and approving, in writing, all municipal securities advertisements and retaining the documentation in Trustmont Financial Group's central advertising file;
- Maintaining a copy of the MSRB Manual in the main office and any branch office where municipal securities dealer activities are conducted;
- Comply with all other regulatory requirements, policies and procedures, as applicable.

26.3 Classification and Registration – MSRB Rule G-2/G-3

The designated municipal principal is responsible for ensuring that Trustmont Financial Group and its associated persons do not induce or attempt to induce the purchase or sale of, any municipal security unless Trustmont Financial Group and every applicable associated person is qualified in accordance with the rules of the Board. Any person who first becomes associated with a municipal securities broker in a Representative capacity without having previously qualified as a Municipal Securities Representative ("MSR") or a General Securities Representative may not: (a) transact municipal securities business with any member of the public, including institutional customers, for at least 90 days from the first day of training; or (b) be compensated for transactions in municipal securities during such 90-day periods. These restrictions apply regardless of whether that person has passed one of these exams. Such an individual can, however, engage in other types of municipal securities activities (for example, municipal securities research for up to 180 days without having satisfied the examination requirements.

Registered representatives must have the necessary licensing to sell municipal securities, including:

- ✓ Securities registration with FINRA (Series 7)
- ✓ Securities registration in the state where the customer resides (Series 63 or 66)

26.4 Disqualification – MSRB Rule G-4

Officers or employees who are associated with Trustmont Financial Group's securities business and related activities shall be disqualified immediately from such association when expulsion or suspension from membership or participation in a national securities exchange or registered securities association occurs (i) for violation of any rules of such exchange or association which prohibit, require, or omit any act or transaction constituting conduct inconsistent with just equitable principles of trade, (ii) by reason of any statutory disqualification of character, or (iii) when other disciplinary action taken would affect the associated person's involvement in securities business and related activities.

26.5 Acts of Contravention – MSRB Rule G-5

In the conduct and effectuate of its securities business and securities activities, Trustmont Financial Group and its associated persons shall not:

- Effect any transaction in, or induce or attempt to induce the purchase or sale of, any security in contravention of any effective restrictions imposed upon by the Securities Exchange Commission, by an appropriate regulatory agency, by a registered securities association, or state and local laws; and
- Effect any transaction in, or induce or attempt to induce the purchase or sale of, any security, or otherwise act in contravention of or fail to act in accordance with rules adopted by registered securities associations as of April 3, 1984, pertaining to remedial activities of those members experiencing financial or operational difficulties, if such remedial activities were applicable to Trustmont Financial Group.

26.6 Information Concerning Associated Persons – MSRB Rule G-7

The information required by this rule relates to the history of employment and professional background including any disciplinary sanctions of the prospective municipal securities employee. The U-4 Form is the source document which all associated persons must complete in order to fulfill the information requirements of MSRB Rule G-7.

Municipal securities personnel include any of the following:

- municipal securities principal;
- municipal securities sales principal;
- financial and operations principal; and
- municipal securities representative.

A Form U-4 shall be completed by all applicants who have been classified as associated persons engaged in municipal activities requiring registration. The designated principal shall ensure that all associated persons complete a U-4 application. The designated principal shall review all Form U-4 applications for completeness and accuracy.

The designated principal shall conduct a background check of the associated person's employers for the preceding 3 year period. The intent of such background check is to verify the accuracy of certain information provided and inquire as to the associated person's record and reputation as related to the person's ability to perform his/her duties.

26.7 Books and Records – MSRB Rule G-8/G-9

Trustmont Financial Group is deemed to be in compliance with the books and records requirements of

MSRB Rules by making and maintaining its records in accordance with SEC Rules 17a-3 and 17a-4 with the exception of MSRB Rules G-8(a)(iv)(D), (a)(viii), and (a)(xi) through (xxii). The designated municipal books and records principal shall be responsible for ensuring all required records are created and retained as required by these Rules.

26.8 MSRB Rule G-8(ii) – Customer Account Information

The designated principal shall ensure that the firm's Customer Account Information includes a record for each customer, other than an institutional account, setting forth the following information to the extent applicable to such customer:

A. customer's name and residence or principal business address;
B. whether customer is of legal age;
C. tax identification or social security number;
D. occupation;
E. name and address of employer;
F. information about the customer used pursuant to rule G-19(c)(ii) in making recommendations to the customer. For non-institutional accounts, all data obtained pursuant to rule G-19(b) shall be recorded.
G. name and address of beneficial owner or owners of such account if other than the customer and transactions are to be confirmed to such owner or owners;
H. signature of municipal securities representative, general securities representative or limited representative – investment company and variable contracts products introducing the account and signature of a municipal securities principal, municipal securities sales principal or general securities principal indicating acceptance of the account;
I. with respect to discretionary accounts, customer's written authorization to exercise discretionary power or authority with respect to the account, written approval of municipal securities principal or municipal securities sales principal who supervises the account, and written approval of municipal securities principal or municipal securities sales principal with respect to each transaction in the account, indicating the time and date of approval;
J. whether customer is employed by another broker, dealer or municipal securities dealer; and
K. in connection with the hypothecation of the customer's securities, the written authorization of, or the notice provided to, the customer in accordance with Commission rules 8c-1 and 15c2-1.
L. with respect to official communications, customer's written authorization, if any, that the customer does not object to the disclosure of its name, security position(s) and contact information to a party identified in G-15(g)(iii)(A)(1) for purposes of transmitting official communications under G-15(g).
M. Pre-dispute Arbitration Agreements with Customers.
    1. Any pre-dispute arbitration clause shall be highlighted and shall be immediately preceded by the following language in outline form:

    This agreement contains a pre-dispute arbitration clause. By signing an arbitration agreement the parties agree as follows:

        a. All parties to this agreement are giving up the right to sue each other in court, including the right to a trial by jury, except as provided by the rules of the arbitration forum in which a claim is filed.

b. Arbitration awards are generally final and binding; a party's ability to have a court reverse or modify an arbitration award is very limited.
c. The ability of the parties to obtain documents, witness statements and other discovery is generally more limited in arbitration than in court proceedings.
d. The arbitrators do not have to explain the reason(s) for their award.
e. The panel of arbitrators will typically include a minority of arbitrators who were or are affiliated with the securities industry.
f. The rules of some arbitration forums may impose time limits for bringing a claim in arbitration. In some cases, a claim that is ineligible for arbitration may be brought in court.
g. The rules of the arbitration forum in which the claim is filed, and any amendments thereto, shall be incorporated into this agreement.

2.
a. In any agreement containing a pre-dispute arbitration agreement, there shall be a highlighted statement immediately preceding any signature line or other place for indicating agreement that states that the agreement contains a pre-dispute arbitration clause. The statement shall also indicate at what page and paragraph the arbitration clause is located.
b. With thirty days of signing, a copy of the agreement containing any such clause shall be given to the customer who shall acknowledge receipt thereof on the agreement or on a separate document.

3.
a. A broker, dealer or municipal securities dealer shall provide a customer with a copy of any pre-dispute arbitration clause or customer agreement executed between the customer and the broker, dealer or municipal securities dealer, or inform the customer that the broker, dealer or municipal securities dealer does not have a copy thereof, within ten business days of receipt of the customer's request. If a customer requests such a copy before the broker, dealer or municipal securities dealer has provided the customer with a copy pursuant to subparagraph (2)(b) above, the broker, dealer or municipal securities dealer must provide a copy to the customer by the earlier date required by this subparagraph (3)(a) or by subparagraph (2)(b) above.
b. Upon request by a customer, a broker, dealer or municipal securities dealer shall provide the customer with the names of, and information on how to contact or obtain the rules of, all arbitration forums in which a claim may be filed under the agreement.

4. No pre-dispute arbitration agreement shall include any condition that: (i) limits or contradicts the rules of any self-regulatory organization; (ii) limits the ability of a party to file any claim in arbitration; (iii) limits the ability of a party to file any claim in court permitted to be filed in court under the rules of the forums in which a claim may be filed under the agreement; (iv) limits the ability of arbitrators to make any award.
5. If a customer files a complaint in court against a broker, dealer or municipal securities dealer that contains claims that are subject to arbitration pursuant to a pre-dispute arbitration agreement between the broker, dealer or municipal securities dealer and the customer, the broker, dealer or municipal securities dealer may seek to compel arbitration

of the claims that are subject to arbitration. If the broker, dealer or municipal securities dealer seeks to compel arbitration of such claims, the broker, dealer or municipal securities dealer must agree to arbitrate all of the claims contained in the complaint if the customer so requests.

6. All agreements shall include a statement that "No person shall bring a putative or certified class action to arbitration, nor seek to enforce any pre-dispute arbitration agreement against any person who has initiated in court a putative class action; who is a member of a putative class who has not opted out of the class with respect to any claims encompassed by the putative class action until: (i) the class certification is denied; or (ii) the class is decertified; or (iii) the customer is excluded from the class by the court. Such forbearance to enforce an agreement to arbitrate shall not constitute a waiver of any rights under this agreement except to the extent stated herein."
7. These provisions of Rule G-8(a)(xi)(M) are effective as of May 1, 2005.

For purposes of this subparagraph, the terms "general securities representative," "general securities principal" and "limited representative – investment company and variable contracts products" shall mean such persons as so defined by the rules of a national securities exchange or registered securities association. For purposes of this subparagraph, the term "institutional account" shall mean the account of (i) a bank, savings and loan association, insurance company, or registered investment company; (ii) an investment adviser registered either with the Commission under Section 203 of the Investment Advisers Act of 1940 or with a state securities commission (or any agency or office performing like functions); or (iii) any other entity (whether a natural person, corporation, partnership, trust, or otherwise) with total assets of at least $50 million. Anything in this subparagraph to the contrary notwithstanding, every broker, dealer and municipal securities dealer shall maintain a record of the information required by items (A), (C), (F), (H), (I) and (K) of this subparagraph with respect to each customer which is an institutional account.

26.9 Delivery of Investor Brochure – MSRB Rule G-10

Upon the receipt of any complaint, as defined by MSRB Rule G-8(a)(xii), all representatives must forward the complaint to the designated supervisory principal, who shall forward it to the designated municipal principal. The designated municipal principal shall ensure that the complaining customer is provided with the MSRB's investor brochure promptly, and is responsible for documenting the brochure delivery.

Trustmont, through our clearing firm and/or 529 sponsors, will provide the following information annually to each customer in writing (which may be electronic):

- ✓ a statement of registration with the SEC and the MSRB;
- ✓ the website address for the MSRB; and
- ✓ a statement regarding the availability of an investor brochure that is posted on the MSRB website describing the protections that may be provided by the MSRB rules and how to file a complaint with an appropriate regulatory authority.

The above information will also be made available on our website as follows:

MSRB Rule G-10 Disclosure

In accordance with the Municipal Securities Rulemaking Board (MSRB) Rule G-10, Trustmont Financial Group, Inc. is providing this disclosure electronically for its clients who effected or hold a municipal securities position.

Trustmont Financial Group, Inc. is registered with the U.S. Securities and Exchange Commission and the MSRB.

The MSRB website is http://www.msrb.org/. The website provides a link to an investor brochure that describes the MSRB rule's protections and how to file a complaint with an appropriate regulatory authority.

If you have questions, please contact your Trustmont Financial Group representative.

For broker-dealer customers the information will be provided once every calendar year. For municipal advisor customers the information will be provided promptly after the establishment of a municipal advisory relationship or promptly after entering into an agreement to undertake a solicitation of a municipal entity or obligated person and not less than once each calendar year thereafter for the duration of the relationship or agreement.

26.10 Municipal Securities Recommendations in the Secondary Market – MSRB Rule G-19

26.10.1 Suitability of Municipal Securities Recommendations

Trustmont Financial Group and its associated persons shall obtain, at or before the completion of a transaction with or for the account of a customer, a record of required information:

- Prior to recommending purchase, sell or exchange of a security, adequate knowledge of the customer's financial background, tax status, investment objectives and other relevant information shall be acquired and documented;
- No recommendation to purchase, sell or exchange a security shall be made to a customer, unless moderate inquiry provides (i) reasonable grounds, based upon information available from the issuer of the security or otherwise, for recommending a purchase, sale or other transaction in the security, and (ii) reasonable grounds to believe that the recommendation is suitable for such customer; (or) (iii) no reasonable ground to believe that recommendation is unsuitable for such customer if all such information is not furnished or known;
- Neither Trustmont Financial Group nor its associated persons shall effect securities transaction with or for a discretionary account; and
- Neither Trustmont Financial Group nor its associated persons shall recommend transactions in securities to a customer, or effect such transactions or cause such transactions to be effected, that are excessive in size or frequency (i.e., "churning") in view of known information concerning the customer's financial background, tax status, and investment objectives.
- MSRB Notice 2020-13: Recommendations to retail customers who are natural persons are subject to Regulation Best Interest (BI) which is broader than the suitability requirement. Reg BI includes recommendations for orders; types of accounts; and investment strategies, including recommendations to prospects. It is important to be familiar with those requirements which are included in the Section 44: *REGULATION BEST INTEREST (BI)*.

26.10.2 Disclosure Requirements

When recommending municipal securities and/or participating in municipal securities transactions, registered representatives must fully understand the securities to meet the disclosure obligations pursuant to the rules of the MSRB. The MSRB requires, in connection with sales of municipal securities, to disclose to customers, at or prior to the sale, all material facts about the transaction known by the broker-dealer, as well as material facts about the security that are reasonably accessible to the market through established industry sources[37].

Accordingly, registered representatives must disclose the following at or prior to the sale:

- A complete description of the security
- A description of the features that likely would be considered significant by a reasonable investor
- Facts that are material to assessing the potential risks of the investment
- Information available and obtained from established industry sources

Also refer to the firm's "Municipal Bond Sales in the Secondary Market Checklist for Customer Disclosure" form for the items that need to be discussed and disclosed to customers. Registered representatives are required to submit this document to the Municipal Securities Sales Supervisor for his or her review and approval for each sales transaction. This requirement applies to all sales of municipal securities, whether or not a transaction was recommended. In other words, it applies for both solicited and unsolicited transactions.

Please note that the fact that material information is publicly available through EMMA does not relieve registered representatives of their duty to specifically disclose it to the customer at the time of trade, or to consider it in determining the suitability of a security for a specific customer. Furthermore, registered representatives may not simply direct the customer to EMMA to fulfill its time-of-trade disclosure obligations.

It is also the registered representative's responsibility immediately to communicate any material event to the customer. The Representative should include a notation in his or her records (the order record, a Daytimer, CRM or Outlook etc.) that the material event information was provided to the customer.

26.11 Gifts and Gratuities – MSRB Rule G-20 / FINRA Rule 3230

Trustmont Financial Group shall not, directly or indirectly, give or permit to be given anything or service of value, including gratuities, in excess of $100 per year to a person other than an employee or partner of such broker, dealer or municipal securities dealer, if such payments or services are in relation to the municipal securities activities of the employer of the recipient of the payment or service. For purposes of this rule the term "employer" shall include a principal for whom the recipient of a payment or service is acting as agent or representative. All associated persons involved in making

[37] Those sources include, among other things, official statements, continuing disclosures, trade data and other information made available through the MSRB's Electronic Municipal Market Access system (EMMA). Established industry sources can also include material event notices and other data filed with former nationally recognized municipal securities information repositories (NRMSIRs) before July 1, 2009. Resources outside of EMMA may include press release, research reports and other data provided by independent sources.

such payments must advise the firm's Municipal Securities Principal in advance and the firm's Municipal Securities Principal shall ensure that the payments are logged to the firm's Gift and Gratuity Log and do not exceed the proscribed amount. The log shall include:

- identities of persons giving and receiving the payment;
- amount of payment;
- date of payment; and,
- reason/purpose.

26.12 Advertising – MSRB Rule G-21

The term "advertisement" means any material (other than listings of offerings) published or designed for use in the public, including electronic, media, or any promotional literature designed for dissemination to the public, including any notice, circular, report, market letter, form letter, telemarketing script or reprint or excerpt of the foregoing. The term does not apply to preliminary official statements or official statements, but does apply to abstracts or summaries of official statements, offering circulars and other such similar documents prepared by brokers, dealers or municipal securities dealers.

A securities professional is prohibited from making material misrepresentations or misleading omissions concerning the facilities, services or skills of a municipal securities dealer. A municipal securities professional is also prohibited from publishing an advertisement or causing an advertisement to be published concerning municipal securities that he knows or has reason to know is materially false or misleading. All municipal securities advertisements must be approved by a principal in writing.

All advertisements for new issue municipal securities shall be subject to the following requirements:

- A syndicate or member thereof may publish the initial re-offering terms even if the re-offering terms have changed provided that the sale date is indicated in the advertisement. (The date of sale for a competitive sale is defined as the date on which bids are required to be submitted to an issuer and for negotiated sales, the date on which a contract to purchase securities from an issuer is executed.)
- If the yield or price of any securities shown in an advertisement differs from the initial re-offering terms for the securities, the advertisement must reflect the actual prices or yields at the time the advertisement is submitted for publication.
- In both situations, a statement that the securities may no longer be available from the syndicate at the time of publication or may be available at a different price or yield must also be included.
- Each advertisement subject to the requirements of this rule must be approved in writing by the designated municipal securities principal before it is first used and requires the principal or dealer to keep in a separate file records of all such advertisements. The designated principal shall approve or disapprove each item in writing and maintain the material in a separate home office file and retain all advertising in accordance with MSRB Rule G-9 and/or SEC Rule 17a-4.

Municipal Fund Security Advertisements:

529 plan securities are subject to additional advertising and disclosure requirements pursuant to MSRB Rule G-21. The designated municipal principal shall not approve any 529 advertising without first consulting MSRB Rule G-21 and determining that all additional requirements have been satisfied.

26.13 Improper Use of Assets – MSRB Rule G-25

Trustmont Financial Group and its associated persons shall not:

- Share, directly or indirectly, in the profits or losses of (i) an account of a customer carried or introduced by Trustmont Financial Group when securities are held or are purchased or sold or (ii) a transaction in securities with or for a customer;
- Guarantee, or offer to guarantee, a customer against loss in (i) an account carried or introduced by Trustmont Financial Group when securities are held or purchased, sold or exchanged or (ii) transaction in securities with or for a customer.
- Put options and repurchase agreements shall not be guaranties against loss if their terms are provided in writing to the customer with or on confirmation of the transaction and recorded in accordance with MSRB Rule G-8.

Periodically, and no less than annually, the firm's Municipal Securities Principal shall perform testing to ensure compliance with applicable laws, regulations, rules, and with adopted policies and procedures in order to detect abuses, if any, of the improper use of securities or funds received by Trustmont Financial Group on behalf of another person.

26.14 New Accounts

All sales representatives are required by sound business practices, and by law, to know their customers. A new account must be opened by the salesperson in conformance with the procedures and information requirements stipulated in the "Opening New Accounts" chapter of this manual.

26.15 Supervision – MSRB Rule G-27

Trustmont Financial Group has designated municipal securities principals to supervise its municipal activities and has established written supervisory procedures to ensure compliance with applicable MSRB rules and regulations. The written procedures shall provide for:

- The designation of at least one principal to supervise the activities of the business unit and each branch office.
- Prompt review and written approval by the designated principals of each new customer account opened, each transaction, all written customer complaints and all correspondence related to solicitation or execution of municipal securities transactions, and any other matter required by the Board to be reviewed or approved by a principal.
- Regular and frequent examination by the designated principals of customer accounts to detect and prevent irregularities and abuses.
- The designation of one principal to supervise the maintenance and preservation of the books and records as specified by MSRB Rules G-8 and G-9.
- The on-going development and implementation of a compliance program.
- All designated principals shall maintain written procedures, supervisory and otherwise, which are reasonably designed to ensure the conduct of its municipal securities business are in compliance with relevant rules, policies and guidelines.

- The firm's Municipal Securities Principal shall oversee the updating of existing policies and procedures and the development of new policies and procedures as necessary and prompted by independent compliance reviews and analysis of new regulations and legislation. Recommendations for changes and additions to policy and procedures shall be communicated to the President.
- All principals and their related responsibilities shall be so designated on a written record and maintained in compliance with MSRB Rule G-9.
- The Compliance Officer shall review, at least annually, Trustmont Financial Group's supervisory system, its compliance with all relevant rules, policies and guidelines, and its written policies and procedures to ensure they are adequate and up-to-date.

26.16 Political Contributions – MSRB Rules G-37/G-38

This rule was adapted in order to reduce conflicts of interest, in the awarding of municipal securities business to dealers. Effective in 1994, the rule states that if a broker/dealer or a municipal finance professional (MFP) associated with the dealer makes a political contribution to an official of an issuer of municipal securities, the broker/dealer will be prohibited from conducting any negotiated municipal securities business with that issuer for a period of two years. This would also apply to any contributions made by a political action committee that was controlled by a dealer or a municipal finance professional.

TFG has currently filed for exemption to filings due to the fact that we limit our activity in municipals to 529 plans. If we start to sell other municipal securities the following will apply.

Every Municipal Finance Professional shall be obligated to have done the following:

• Reviewed the Firm's Policies and Procedures relative to political contributions;

• Certified compliance therewith on a quarterly basis; and

• Complied with record keeping and disclosure requirements set forth in these procedures.

The Firm and all of its MFP's are hereby prohibited from:

• Soliciting any person or Firm controlled political action committee (PAC) to make any political contribution;

• Coordinating any contributions to Officials of an Issuer with which the Firm conducts business;

• Engaging in or seeking to engage in Municipal Securities Business without pre-clearance; and

• Making a contribution unless the MFP has gone through the pre-clearance process. Accordingly, all political contributions by MFP's of the Firm are subject to a pre-clearance process.

• In order to better understand MSRB Rule G-37, some of the terminology used by the MSRB should be clarified.

26.16.1 Municipal Finance Professional

The following individuals are deemed to be Municipal Finance Professional (MFP):

- All members of the Municipal Bond and Municipal/Public Finance Department including, without limitation, analysts (other than clerical and secretarial staff), underwriters, originators, investment bankers (regardless of seniority or office held) and municipal research professional;

- All professional employees of the municipal bond Department performing sales and trading activities;
- The Firm's executive or management committee, and all similarly situated officials of the dealer (or any corporate parent or affiliate) involved with Municipal Securities Business or transactions (such individuals may also be referred to as "Restricted Persons"; and
- Any associated persons of the dealer with an economic interest in the award of Municipal Securities business and who may be in a position to make political contributions for the purpose of influencing the awarding of such business by Officials of an Issuer. Note: retail sales persons that are not in the Municipal bond Department are no necessarily included within the definition of the term "Municipal Finance Professional".

26.16.2 Solicitation Restriction

The Firm and all MFP's are also prohibited, directly or indirectly, through or by any other person or means, from doing any act, which would result in violation of sections (b) through (e) of Rule G-37. Parties subject to rule G-37 may not use other persons or entities as "conducts" to circumvent the Rule. The Firm may be prohibited from engaging in Municipal Securities Business with an Issuer if it or any MFP "solicits" the making of political contributions to Officials of such Issuers or "coordinates" such contributions.

26.16.3 Disclosure Reports

The Firm is also required under Rule G-8 (a) (xvi) to make reports on contributions and to maintain required books and records relating thereto.

The Firm is required to maintain records of corporate, individual and PAC contributions, as well as to maintain records regarding compensation or other arrangements with all parties hired into the Municipal Securities Business.

26.16.4 Prohibition on Political Contributions

Municipal Finance Professionals (MFP) have a $250.00 contribution per election de minimus exemption from G-37 prohibition provided that the contribution is made only to a candidate or elected official who is eligible to vote.

Rule G-37 does not prohibit or regulate personal volunteer work by an MFP so long as the MFP neither utilizes the Firm's resources, incurs expenses paid by the Firm, nor participates in any fund raising activities. However the Firm requires MFP's to "pre-clear" such activities in advance in order to assure compliance with the Rule and prevent conflicts of interest.

All political contributions of greater than $250 in the contribution amount must be approved and reported to the Firm's Municipal Securities Principal. The Firm is required to maintain such reports and report such contributions.

In addition, no MFP shall be involved, in any way in soliciting or "bundling" political contributions in any amount from other employees outside vendors, consultants or experts, regardless of electoral jurisdiction.

The prohibition on "indirect" contributions to certain Officials of an Issuer in order to influence the

awarding of Municipal Securities Business would cover and prohibit payments made at the direction of a MFP by (a) any spouse or family member of the Municipal Finance Professional or (b) any consultant, attorney, vendor or outside expert retained on behalf of the "Firm. Municipal Finance Professionals must also recognize that other types of payments to issuers are subject to Rule G-20, Gifts and Gratuities.

26.16.5 Overview of Supervisory Procedures

Prevention of MSRB Rule G-37 violations shall be the responsibility of the Firm's Municipal Securities Principal and can be assured by the following procedures:

- Promptly reviewing and either approving or rejecting verbal or written requests for pre-clearance for political contributions by Municipal Finance Professionals or Executive Officers;
- Pre-clearance shall include the review of forms, reports and other necessary documents or appropriate information by representatives of the firm;
- Preparing necessary reports to Firm management that comply with the Firm's policies and procedures;
- Submitting Quarterly Reports to the MSRB on Form G-37, in accordance with the Rule's filing procedures and in the prescribed format. The Quarterly Report shall include (I) a list of Issuers with which the Firm has engaged in Municipal Securities Business during the reporting period (ii) type of business and (iii) name, company, role and compensation arrangement of any person employed by the Firm to obtain/retain Municipal Securities Business with such Issuers;
- Maintaining and preserving records concerning political contributions made by the Firm and any firm-controlled PAC to officials of Issuers and political parties;
- Restricting access to Firm records of Municipal Finance Professionals, and any restricted persons, and departmental data bases and files relating to requests for pre-clearance of political contributions to those having a legitimate "need to know," and ensuring that legitimate rights to privacy and confidentiality are protected in a manner consistent with the Firm's obligations under any applicable laws, rules and regulation; and;
- Acknowledging that the Firm's Municipal Finance Professional and other covered employees are following the firm's policy and procedures.

26.16.6 Disclosure Requirement and Pre-Clearance of Contributions

All Municipal Finance Professionals (MFP) and executive Officers who wish to make or have been solicited to make a Political Contribution (other charitable contributions) shall complete a "Political Contribution Request Form" and forward it to the firm's Municipal Securities Principal for "pre-clearance." No contributions may be made prior to the completion of the Form and receipt of an approval of the request form from the firm's Compliance Department.

All requests for pre-clearance of contributions shall provide the following required information:

- Name, title, address of contribution recipient;
- Amount of potential contribution in dollars, or description of services to be performed/requested;
- Itemization of all other contributions requested and approved, including amounts and dates of

payments, and identity recipient(s).

Municipal Finance Professionals using the Request Form shall use the mail or internal delivery system addressed to the Head of the Municipal finance Department and are directed to mark the envelope: "Confidential." Each contribution request must be based on a separate Request Form and no "blanket or omnibus request for multiple contributions will be accepted.

26.16.7 Review of Request

The Firm's Municipal Securities Principal shall review and evaluate each Request Form to determine whether the contribution is permissible based upon disclosures made and after consideration of the Firm's municipal finance business relationships and transactions in progress or contemplated.

In all cases, the decision of the Firm's Municipal Securities Principal to "pre-clear" the contribution, or deny it, shall be made within five (5) business days of receipt and shall be final and non-appealable by the Municipal Finance Professional/employee, In every case, pre-clearance or denial will be noted on the Request Form initialed by the Head of the Municipal Finance Department and a copy thereof shall be returned to the requester.

Requesters are required to immediately notify the Firm's Municipal Securities Principal whenever there is a change of circumstances or relevant facts after receipt of pre-clearance and prior to the actual making of the contribution.

26.16.8 Employee Acknowledgment Form

Every Municipal Finance Professional shall provide, on a quarterly basis, a signed "Acknowledgment Form" certifying as to whether the MFP has been involved in any political contribution activities. All executed Acknowledgment Forms shall be retained by the Municipal Finance Department for a period of six (6) years, and a copy of the same shall be provided to all Municipal Finance Professionals and Restricted Persons.

26.16.9 New Hires

The Firm's Municipal Securities Principal shall request disclosure of political contributions made by a new applicant for registration or employment prior to making an offer of employment.

26.16.10 Retention of Consultants

All consultants requested to assist the Firm in obtaining or retaining Municipal Securities Business shall be through the use of a written "retainer or engagement agreement." Engagement of consultants shall be subject to the approval of the Firm's Municipal Securities Principal. The written "retainer or engagement agreement" shall include, at a minimum the following terms/provision:

- Prohibit the individual or consulting firm (including its officers, directors, partners, and other non-clerical employees from making any contributions or other payments, directly or indirectly, for the purposes of obtaining or retaining the Municipal Securities Business on behalf of the Firm.
- Require consultant's compliance with all applicable laws, rules, and regulations, including without limitation ethics and disclosure rules governing conflicts of interest, including all disclosure necessary to the syndicate; and

- Continuing representation and covenants to certify annually that the consultant has not made directly or solicited others to make directly, any contributions on behalf of the Firm.

26.16.11 Form G-37

The Firm's Municipal Securities Principal, on behalf of the Firm shall be responsible for the submission on or before the quarterly due date (as specified by the MSRB) of a completed Form G-37. Prior to the submission the MSP shall review the information for accuracy and completeness. All information submitted shall be retained by the MSP in the books and records of the Firm.

26.16.12 Rule G-8 Reports

The Firm's Municipal Securities Principal, on behalf of the Firm, shall be responsible for maintaining required records and preparing reports pursuant to MSRB Rule G-8 and these Procedures.

26.17 SEC Municipal Disclosure Rule –SEC Rule 15c2-12

- Trustmont Financial Group shall not purchase or sell municipal securities in connection with an Offering unless it reasonably determined that an issuer of municipal securities, or an obligated person for whom financial or operating data is presented in the final official statement has undertaken, either individually or in combination with other issuers of such municipal securities or obligated persons, in a written agreement or contract for the benefit of holders of such securities, to provide, either directly or indirectly through an indenture trustee or a designated agent:
  - ✓ To each nationally recognized municipal securities information repository and to the appropriate state information depository, if any, annual financial information for each obligated person for whom financial information or operating data is presented in the final official statement, or, for each obligated person meeting the objective criteria specified in the undertaking and used to select the obligated persons for whom financial information or operating data is presented in the final official statement, except that, in the case of pooled obligations, the undertaking shall specify such objective criteria;
  - ✓ If not submitted as part of the annual financial information, then when and if available, to each nationally recognized municipal securities information repository and to the appropriate state information depository, audited financial statements for each obligated person covered by Rule 15c2-12;
  - ✓ In a timely manner, to each nationally recognized municipal securities information repository or to the Municipal Securities Rulemaking Board, and to the appropriate state information depository, if any, notice of any of the following events with respect to the securities being offered in the Offering, if material:
    - Principal and interest payment delinquencies;
    - Non-payment related defaults;
    - Unscheduled draws on debt service reserves reflecting financial difficulties;
    - Unscheduled draws on credit enhancements reflecting financial difficulties;
    - Substitution of credit or liquidity providers, or their failure to perform;

- Adverse tax opinions or events affecting the tax-exempt status of the security;
- Modifications to rights of security holders;
- Bond calls;
- Defeasances;
- Release, substitution, or sale of property securing repayment of the securities;
- Rating changes; and,

✓ In a timely manner, to each nationally recognized municipal securities information repository or to the Municipal Securities Rulemaking Board, and to the appropriate state information depository, if any, notice of a failure of any person specified in Rule 15c2-12 to provide required annual financial information, on or before the date specified in the written agreement or contract.

- The written agreement or contract for the benefit of holders of such securities also shall identify each person for whom annual financial information and notices of material events will be provided, either by name or by the objective criteria used to select such persons, and, for each such person shall:
  - ✓ Specify, in reasonable detail, the type of financial information and operating data to be provided as part of annual financial information;
  - ✓ Specify, in reasonable detail, the accounting principles pursuant to which financial statements will be prepared, and whether the financial statements will be audited; and
  - ✓ Specify the date on which the annual financial information for the preceding fiscal year will be provided, and to whom it will be provided.

26.17.1 SEC Rule 15c2-12 Supervision

The municipal underwriting principal is responsible for reviewing all underwriting participations for conformance with the aforementioned standards. The designated municipal principal responsible for supervising each representative who recommends municipal securities in the secondary market shall be responsible for ensuring that representatives are complying with the above standards relating to secondary market recommendations.

26.18 Section 529 Qualified Tuition Plans

529 Qualified Tuition Plans are higher education savings plans named for Section 529(b) of the IRS Code. Customer may, through a 529 Plan, contribute cash to be invested for the purpose of collecting savings for education costs of beneficiaries. 529 account investments include pooled investment funds and have characteristics similar to mutual funds or variable annuities.

529 plans created by states or local governmental entities are considered municipal fund securities subject to MSRB rules. This section addresses requirements for 529 plans that are considered municipal securities.

26.18.1 Registration Requirements

The following examinations are required to sell municipal fund securities:

Series 6 or Series 7 examination. (Series 6 qualification is limited to municipal fund securities only and this qualification does not permit persons to sell individual municipal bonds).

Supervisors of municipal fund securities supervisors must have:

- Series 53;
- Series 24;
- Series 51;
- Series 26 and Series 51.

26.18.2 Characteristics of 529 Plans

General characteristics include the following:

- Plan programs promoted by states or other governmental entities that either oversee plan investments themselves or, more often, hire an outside body such as a mutual fund company to handle underlying investments.
- The person who establishes a plan for a beneficiary retains control, a form of revocable gift. Plans may also allow a change of beneficiary.
- While plans have cumulative maximum contributions, the limits are usually very high.
- There are no federal taxes on earnings if used for qualifying education expenses.
- Withdrawals that are not used for qualifying educational expenses are subject to Federal taxes as well as a 10% penalty. There may also be state tax implications.
- There is no time limit in many states on when the 529 money must be used.
- Other features vary depending on the state's plan and may include limitations on investment options and ability to change investments and limits on aggregate contributions for all beneficiaries.
- For most state plans, the customer does not have to reside in the state to establish a plan.

26.18.3 Delivery of Disclosure Document to Customers

There are two primary forms of written disclosure that must be provided to customers when marketing 529 Qualified Tuition plans.

Official Statement / Program Disclosure Document

Issuers of 529 plans provide a document to be used in connection with sales of municipal fund securities. This may be an official statement, program disclosure document, information statement, prospectus, or other document provided by the issuer.

Out-of-State Disclosure Obligation

Many states offer favorable state tax treatment or other valuable benefits to their residents in connection with investments in their own 529 plan. In the case of sales of out-of-state 529 Qualified Tuition plan to a customer, registered representatives must disclose at or prior to the sale to the customer the following:

- Depending on the laws of the home state of the customer or designated beneficiary, favorable state

tax treatment or other benefits offered by such home state may be available only if the customer invests in the home state's 529 Qualified Tuition plan.

- State-based benefits should be one of many appropriately weighted factors to be considered in making an investment decision.

- The customer should consult with his or her financial tax or other adviser about how such state-based benefits would apply to the customer's specific circumstances and may wish to contact his or her home state or any other 529 Qualified Tuition plan to learn more about their features.

This disclosure obligation may be met if the disclosure appears in the program disclosure document, so long as 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 that is reasonably likely to be noted by an investor.

Please note that providing disclosures does not relieve the obligation to make suitable recommendations to the customer.

26.18.4 Required Documents

When submitting a 529 plan, the following documents must be completed and furnished to the Supervisor for his or her review and approval

- Trustmont Financial Client Profile Form
- Program provider and/or mutual fund company’s required documents, such as account application
- 529 Plan Disclosure
- Prospectus Receipt and Share Class Purchase Form
- Universal Switch form (if applicable)

In addition, at or prior to the sale of 529 plan, registered representatives must provide the program disclosure document.

26.18.5 Sales Practice Considerations, Policies and Procedures

The designated principal of TRUSTMONT FINANCIAL GROUP will review all 529 transactions and activities to provide reasonable assurance that the transaction conforms to applicable regulations and Trustmont Financial Group’s policies. Given the characteristics shared between 529 plans and mutual funds, all of Trustmont Financial Group’s policies and procedures relating to sales practices involving mutual funds also apply to 529 plan activities including the following areas:

26.18.6 Selling Considerations and Suitability

When recommending 529 plans, the RR has the obligation to determine the suitability of the recommendation, with particular consideration of the plan's underlying investments. RRs must consider the following when discussing 529 plans with prospective purchasers:

- The customer's investment objectives and the types of underlying investments available.

- Tax implications including federal and state tax benefits as well as penalties on withdrawals not used for qualifying higher education costs.

- Possible state tax implications for customers intending to withdraw funds for K-12 expenses.
- Limitations in the plan being considered including changing investments, changing beneficiaries, limits on aggregate contributions, time limits for, using plan money, or other limitations.
- Associated costs including expenses, enrollment fees, mutual fund load expenses, and maintenance fees of the plan and its underlying investments.
- Whether out-of-state customers qualify for a particular plan.
- The various share classes available and select the class most appropriate for the investor. To assist in this process, FINRA has made available on its website a 529 Expense Analyzer to help investors compare fees and expenses (https://tools.finra.org/529_calculator/).
- In recommending a particular share class, registered representatives must refer to "Share Class Selection" in "Mutual Funds" Section 27.15 of these WSPs.
- Penalties on withdrawals not used for qualifying higher education costs.

26.18.7 Unauthorized Trading

Unless a customer has provided each RR with discretionary authority in writing and such discretionary authority is obtained in accordance with Trustmont Financial Group's policies, all transaction in 529 plans must be authorized and approved by the customer prior to effecting the transaction.

26.18.8 Misrepresentations and Omissions

All RR's are required to make fair and balanced presentations of 529 plan characteristics. Such presentations must strictly conform to the content included in the 529 plan disclosure document and, under no circumstances, may representatives intentionally misrepresent or omit plan features.

26.18.9 Excessive Trading

The characteristics of 529 plans generally make them unsuitable as trading vehicles. Consequently, RR's are required to consider the long-term nature of 529 plan securities in their recommendations, and may not recommend frequent transactions in 529 plans (e.g., 529 switches) where such recommendations are inconsistent with the customer's investment objectives, risk tolerance, and financial considerations.

26.18.10 Sales Material and Correspondence of 529 Plans

Special requirements apply to sales material for 529 Plans. In addition to MSRB rule requirements, any municipal fund securities sales material that includes the following information about underlying investment company investments must comply with SEC advertising rules and FINRA Rule 2210:

- Performance
- investment objectives or investment strategies
- experience or capabilities of the investment adviser or portfolio manager
- potential benefits or risks
- fees and expenses

All correspondence relating to 529 plans is required to be submitted by RR's to the designated municipal principal for approval prior to use.

26.18.11 Prohibited Sales Practices

Registered representatives are prohibited from:

- Recommending transactions to a customer that are excessive in size or frequency, in view of information known to the registered representative concerning the customer's financial background, tax status and investment objectives;
- Recommending roll-overs from one 529 plan to another with such frequency as to lose the federal or any tax benefit (even where the frequency does not imperil the tax benefit, roll-overs recommended year after year by a registered representative could be viewed as churning);
- Depending upon the facts and circumstances, recommending investment in one or more plans for a single beneficiary in amounts that exceed the amount that could reasonably be used by such beneficiary to pay for qualified higher education expenses;
- Recommending that customer invest in the 529 plan that pays the highest compensation if such recommendation does not reflect a legitimate investment-based purpose: and
- Recommending transactions to customers in amounts designed to avoid commission discounts.

26.18.12 Customer Complaints

The firm's policies and procedures regarding the handling of customer complaints is described in Customer Complaints section of this manual. In addition to what is described in the section, upon receipt of a complaint involving a municipal security, the firm's Municipal Securities Principal or his or her designee will send to the customer a copy of the investor brochure designated by the MSRB, and will record the date when the investor brochure was provided.

26.18.13 Supervision of 529 Plan Sales Activities

Supervisors who oversee municipal securities transactions and customer account must have the necessary licensing to supervise 529 plan and its related activities, including:

- Municipal Securities Principal (Series 53):
- General Securities Sales Supervisor (Series 9); or
- Municipal Fund Securities Principal (Series 51).

Supervisors are responsible for:

- Reviewing and approving applications including TFG new account related documents to determine whether the customer is reasonable candidate for the purchase of a 529 plan, based on the information provided by the customer, including information about the designated beneficiary of the plan;
- Making certain that recommendation of 529 plan and underlying securities recommendations are suitable for the customer;
- Reviewing and approving applications of out-of-state plan and replacement of an existing plan for its appropriateness; and
- Making certain that registered representatives disclose all relevant information to customers recommending out-of-state 529 plans.

Please note that if a Supervisor is not qualified, transactions of 529 plans and documents related to 529 plans should be submitted for final approval to the firm's Home Office Designated Municipal Principal.

The firm's designated municipal principal shall review all 529 transactions and correspondence for conformance with the above policies. The designate principal shall evidence such reviews in writing by initialing the application and correspondence. All correspondence shall be retained in accordance with Trustmont Financial Group's books and records policies and procedures.

26.18.14 "Application Way" Transactions

Sales representatives may be permitted to effect 529 Qualified Tuition Plan transactions directly with the product sponsor ("Application Way" transactions). The following procedures must be followed in order to be in compliance with FINRA suitability and record keeping rules:

• Trustmont Financial Group must have a signed dealer agreement on file with the fund executed by the President or designee;

• A completed client profile form must be on file for the customer, signed by the customer, registered representative and designated principal;

• An order ticket/ 529 Qualified Tuition Plan application shall be completed in entirety;

• All customers checks are to be made payable only to the product sponsor. All such checks shall be photocopied, logged to the Customers' Funds Received and Forwarded blotter, and promptly forwarded to the product sponsor along with the application; and

• a copy of the application shall be retained.

Supervision of "Application Way" Transactions

The designated principal(s) shall review all such transactions, including all documentation prepared in connection with them. Approval of the transactions shall be evidenced by initialing the order ticket/application.

26.19 MSRB G14 Transaction Reporting Requirements

Trustmont Financial Group (TFG) relies on RBC for municipal reporting requirements pursuant to MSRB G-14, the municipal securities principal overseeing trading in MSRB securities is responsible for ensuring that TFG files all required agreements, forms, and other documentation necessary to participate in RTRS prior to effecting any transactions subject to reporting. In this regard, the execution of, and continuing compliance with, RTRS and all applicable rules and operating procedures of FINRA, SEC and MSRB.

TFG must inform FINRA of non-compliance with, or changes to, any of the participation requirements set forth above. The designated principal overseeing trading in MSRB securities shall ensure that the reporting is conducted in accordance with MSRB Rule G-14:

- Periodically sampling the firm's municipal bond trades in order to determine whether all transactions had been reported;
- Verifying that all transaction reports were complete and accurate;

- Verifying that all transaction reports were made within the required interval (currently within 15 minutes of execution);
- Documenting such reviews, including the rationale for the sampling methodology utilized; and
- Alerting the Chief Compliance Officer (CCO) as to any significant identified exceptions.

27. MUTUAL FUNDS

27.1 General Policies

The following are the policies of Trustmont Financial Group in regard to the sale of mutual fund (registered investment company) shares by registered representatives. Registered representatives must:

• Use only literature prepared by the sponsor or underwriter which has the approval of FINRA;

• Never represent that a return of principal (capital gains distributions) is income;

• Never represent nor imply that the investor will receive a stable, continuous, dependable or liberal income, or any specified rate of return;

• Never represent nor imply that the growth of asset value or rate of dividend return experience in the past can be expected in the future;

• Never make extravagant claims regarding management's ability or investment performance; and,

• Never exchange shares of one investment company for another without the specific approval of the principal except in funds of the same management when an exchange can be made for a nominal charge.

• Never effect any transaction in, or induce the purchase or sale of, any security (including mutual funds) by means of any manipulative, deceptive or other fraudulent device or contrivance.

27.2 Sales Charges

Trustmont Financial Group prohibits the offer and sale of any open-end investment company, any closed-end investment company that makes periodic repurchase offers pursuant to Rule 23c-3(b) under the 1940 Act and offers its shares on a continuous basis pursuant to Rule 415(a)(1)(xi) under the Securities Act of 1933, or any "single payment" investment plan issued by a unit investment trust (collectively "investment companies") registered under the 1940 Act if the sales charges described in the prospectus are excessive as proscribed by FINRA Rule 2830.

27.3 Switching

It is prohibited to advise customers to engage in mutual fund transactions on a short-term basis. This prohibition applies in the situations where the customer has been charged, or will be charged (in the case of back-end loaded funds), significant sales loads. It does not apply to transfers among sister funds or fund groups where little or no commission costs will be incurred, nor does it apply to transfers in and out of money market funds. In cases where the customer's objectives may have changed, representatives may recommend the sale of a mutual fund after a short-term holding period only if:

• appropriate written documentation is prepared reflecting the reasons for the transaction;

• a designated principal approves the transaction in writing prior to execution; and

• a switching letter (Letter of Authorization) is obtained from the customer (if applicable).

The switching of mutual fund shares is defined as the sale of shares of one investment management company and the subsequent purchase (either immediately or shortly thereafter) of shares in another investment management company.

It is Trustmont Financial Group's policy never to permit the switching of funds by a customer unless such transaction(s) is/are consistent with the customer's stated investment objectives and unless he/she is fully aware of the following important factors:

• Switching from one fund to another or more funds may constitute a taxable transaction with resulting shrinkage to principal; and,

• Switching may further diminish investors' capital through the imposition of an additional sales charge.

Prior to the entry of orders in a switching transaction, a Letter of Authorization (or switch form) must be presented to, and executed by the customer. The letter must also be reviewed by the designated principal.

27.3.1 Switching Supervision

The designated principals will monitor for switching by conducting a routine review of the trading activity in all customer accounts. Such review will be documented by initialing the trade blotter or other record.

A designated principal(s) will also conduct regular and frequent reviews of account activity in selected customer accounts for the purpose of detecting switching problems. A representative sample of all active, full service customer accounts will be selected for review. In addition, the designated principal(s) will review the mutual fund purchase authorization form for indications of switching.

If the authorization form indicates that the source of funds was from the liquidation of another mutual fund, further inquiry is required to be made and documented.

The CCO shall conduct periodic, independent reviews of mutual fund transactions for the purpose of detecting potential switching problems. Any issues identified shall be forwarded to the Supervisor.

27.4 Breakpoints

Registered representatives must explain to their customers the benefits of available quantity discounts (i.e., breakpoints). The sales charges for most mutual funds are reduced at specified dollar levels for single large purchases, purchases within a 13-month period pursuant to a Letter of Intent, or on a Rights of Accumulation basis which considers current holdings in determining the charge for new purchases. In many cases, some or all of these features will be available to purchasers of a single fund or group of funds under the same management.

The sale of mutual fund shares in dollar amounts below breakpoints for the purpose of maximizing sales charges is against Trustmont Financial Group policy. Trustmont Financial Group representatives are also restricted from "splitting" a customer's order between two or more funds if, as a result of the split, a breakpoint is missed.

On any sale of mutual fund shares near a breakpoint, a Letter of Acknowledgement (Appendix) must be signed by the customer. A transaction is considered near a breakpoint if the amount invested is 90 percent or more of the breakpoint requirement. The same letter is also required to be obtained for splitting transactions.

27.4.1 Breakpoint Supervision

The designated principals shall review for breakpoints simultaneously with a switching review. Such review will be conducted both daily and in conjunction with the periodic review of customer account activity. Breakpoints will be checked by comparing the dollar amount of a customer's investment into a mutual fund with the breakpoints of the fund. The purpose of this review will also be to detect the splitting of a customer's order into different funds with similar investment objectives. Principals should refer to the prospectus in order to conduct their review.

The CCO shall conduct periodic, independent reviews of mutual fund transactions for the purpose of detecting potential breakpoint problems. Any issues identified shall be forwarded to the Supervisor.

27.5 Selling Dividends

At no time should it be represented to a customer that advantages would be gained by reason of a purchase of mutual fund shares in anticipation of a distribution soon to be paid. The amount of such distribution is included in the price the investor pays for the shares.

27.6 Letters of Intent

A letter of intent is an expression of a purchaser's intention to buy a certain dollar amount of investment company shares over a period of thirteen (13) months, in order to take advantage of the lowest sales charge on the aggregate dollar amount of shares purchased over that 13 month period. While a letter of intent authorizes lower sales charges, it does not bind the customer to invest additional funds.

Under a letter of intent a purchaser agrees to an arrangement which specifies that whenever the total amount needed to qualify for a lower sales charge is not reached in the initial purchase, money will be available to pay the higher sales charges. This may be done by escrowing either cash or shares until the program is completed. The difference in the sales charge is to be used to buy the additional shares.

No registered representative should try to generate more commission dollars by deliberately not informing customers of the availability of a "letter of intent" and by splitting a large order among several funds having the same investment objective.

27.7 Rights of Accumulation

Rights of Accumulation or cumulative quantity discounts may be made available to any person. These are a scale of reducing sales charges in which the sales charge applicable to the securities being purchased is

based upon the aggregate quantity of securities previously purchased or acquired and then owned plus the securities being purchased.

At no time will a Registered Representative of Trustmont Financial Group initiate any actions to circumvent Rights of Accumulation.

27.8 Reinstatement Privileges

Some funds offer shareholders a "reinstatement privilege" allowing the shareholder to reinvest some or all of the proceeds from a prior liquidation of the fund within a specified period of time (for example, 180 days) at a reduced sales load or no sales load. The RR should determine whether the customer qualifies for a reinvestment privilege and, if he or she qualifies, note this on the order at time of entry.

27.9 Anti-Reciprocal Standards

FINRA Rules prohibit from favoring or disfavoring the distribution of shares of any particular investment company or group of investment companies on the basis of brokerage commissions received or expected by such firm from any source.

The rules specifically prohibit the following activities:

• demands or solicitation of promises of brokerage commissions by dealers as a condition to the sale of fund shares,

• offers or promises of brokerage commissions by principal underwriters as a condition to the sale of fund shares or the requesting or arranging for the direction of a specified amount or percentage of brokerage commissions conditioned upon sales or promises of sales of fund shares,

• the suggesting, encouraging or sponsoring of any dealer's incentive or sales contest by a principal underwriter, which incentive is known to be based upon, or financed by, portfolio brokerage commissions,

• the providing of any kind of special compensation or incentives to sales personnel for the sale of shares of specific investment companies based upon portfolio brokerage commissions received or expected. This prohibition includes contests, bonuses, preferred lists, or commission credits,

• allowing registered representatives, branch managers, or other sales personnel to share in portfolio brokerage commissions received by Trustmont Financial Group from an investment company whose shares are sold by the member, if such commissions are directed by or identified with, the investment company. This includes directly assigning the individual to handle the accounts or the transaction, as well as indirect methods of accomplishing such participation.

27.10 Late Trading

No person associated with Trustmont Financial Group is permitted to engage in any activity which results in mutual fund orders submitted after 4:00 E.T. being executed at the same day’s closing NAV. Any exceptions to this prohibition must be approved in writing by the designated principal overseeing mutual fund trading activities. The designated principal will conduct a periodic review of mutual fund orders to verify compliance with this requirement.

27.11 Market Timing

No person associated with Trustmont Financial Group is permitted to effect any market-timing transactions which violate or circumvent mutual fund policies set forth in the prospectus. Each representative's designated supervisory principal is required to review transactions for indications of volatile market timing, and to document any instances of such.

27.12 Dealer Concessions

FINRA Rule 2830 addresses requirements with respect to the payment of dealer concessions and other compensation (including distribution fees paid pursuant to SEC Rule 12b-1 under the Investment Company Act of 1940. This rule allows among other things, non-uniform dealer concessions which are specifically disclosed in a fund's prospectus, and non-cash concessions or compensation if the dealer is given an option to receive the cash equivalent value of a non-cash concession. The rule does not allow dealer concessions to be paid to individual registered representative of another FINRA firm. Secondly, those items specified in the rule as not constituting items of material value are presumed to be unconditional and not tied to any past or future sales quotas. Problems which may arise that would be a violation of this rule if it is conditioned on sales of shares of an investment company, or otherwise does not meet the exemptive provisions of Rule 2830 include:

• payment by a principal underwriter to a dealer to offset expenses incurred in "due diligence" or in training registered representative,

• a "business meeting" held by a mutual fund principal underwriter, at a resort hotel, for dealer representatives meeting specified sales quotas,

• the financing or expense reimbursement by a principal underwriter of a dealer's sales contest expense without specific prospectus disclosure.

27.13 Selling Agreements

In order to receive (or pay) concessions relating to mutual fund sales, a selling agreement must be executed by the broker/dealer and the investment company and maintained in Trustmont Financial Group's files.

27.14 Prompt Payment

FINRA Rules require that firms who engage in direct retail transactions for investment company shares shall transmit payments received from customers for such shares, which such members have sold to customers, to underwriters, investment companies or their designated agent by 1) the end of the third business day following receipt of a customer's order to purchase such shares, or by 2) the end of one business day following receipt of a customer's payment for such shares, whichever is the later date.

27.15 Important Disclosure Requirements

Prospectus Delivery

A critical compliance requirement which must always be adhered to is insuring that the customer receives a prospectus with each mutual fund purchase. Failure to provide this is a violation of the Securities Act of 1933 which carries serious consequences. Registered representatives must always make sure they have an adequate supply of disclosure documents. Registered representatives may not place a mutual fund order unless they have insured that their customer has received a prospectus or will receive a prospectus prior to

the completion of the transaction. Before executing any trade in a mutual fund, registered representatives must advise their customer to read the prospectus before investing or sending money.

Sales Charge

Although all sales charge information is discussed in the prospectus, it is required that registered representatives disclose all relevant sales charge information verbally to customers. Mutual funds with contingent deferred sales charges (back-end loads) may not be referred to as no-load funds or no-initial load without a complete explanation of the nature of the sales charge.

Share Class Selection

Before recommending a share class, Representatives must consider the customer's anticipated holding period and all costs associated with each share class including front-end sales charges, annual expenses and contingent deferred sales charges (CDSC). The Representative must be sure that customers making large purchases fully understand breakpoints and the implications of buying "B" or "C" shares rather than "A" shares. Class A shares typically charge a front-end sales charge and also may be subject to an asset based sales charge, but it generally is lower than the asset-based sales charge imposed by Class B or Class C shares. Class B and C shares typically do not charge a front-end sales charge, but their asset-based sales charges are typically higher and they normally impose a CDSC, paid by the investor when he/she sells the shares. Therefore, even though investors do not pay a front-end sales charge for Class B or Class C shares, the potential CDSC's and the higher ongoing fees significantly affect the return on mutual fund investments, particularly at higher dollar levels.

The RR, when in doubt about a customer's suitability to purchase "B" or "C" shares or the customer's foregoing breakpoint advantages, should consult his/her designated Principal for review and approval of transactions with the customer. In addition, FINRA offers an online resource for comparing the expenses of exchange-listed mutual funds, called "FINRA Mutual Fund Expense Analyzer" (https://tools.finra.org/fund_analyzer/). Representatives are encouraged to make use of this tool and may be required to include a customer signed copy of the report with the application.

RRs should document all discussions with the customer about share classes and discounts, etc., especially if the customer elects to purchase Class B or C shares instead of A shares.

Long-Term Nature of Mutual Funds

Mutual funds are to be sold as long-term investments with a minimum holding period of three to four years. Registered representatives' sales presentations must disclose this to all customers. If a customer can not commit funds for the minimum period of time, a mutual fund is probably an unsuitable investment.

27.16 Other Mutual Fund Selling Practices

Trustmont Financial Group will take the following additional steps to make sure all aspects of a mutual fund are fully explained:

• Sales charges - make sure the investor understands the sales charges. The three primary types of sales charges are front-end sales charge deducted from the offering price of the shares, asset-based (SEC Rule

12b-1) charges and contingent deferred sales charge (which are now required to be disclosed on all confirmations).

• Net asset value - make sure customers are being advised that the NAV may fluctuate with market conditions and they are not stable as with certificate of deposits or savings accounts.

• Liquidity - make sure all customers are aware their investment may not be as liquid as the CD or savings account they rolled out of to invest in the fund.

• Customer Funds - all customers' funds must be promptly transmitted to the product sponsor or clearing firm in accordance with the firm's other procedural requirements.

• Prospectus - a current prospectus will be delivered at the time of the sale or shortly thereafter. Trustmont Financial Group will take steps to make sure they maintain current prospectus in their files or have a means to readily obtain them upon request.

• Redemptions - Trustmont Financial Group when requested by the customer to redeem mutual fund interests, will advise the customer to write a letter to the fund requesting the redemption of their securities, have their signature guaranteed by the appropriate authority. These documents will be forwarded by the customer directly to the mutual fund.

• Change of Address Signature Verification – Firm will verify the signature on address change requests prior to making the requested change and retain documentation

• Change of Address Confirmation - Trustmont Financial Group will confirm in writing any requests to change a customer's address.

• Signature Guarantees - If Trustmont Financial Group can guarantee signatures, it will at all times obtain appropriate identification from the person who is signing the document. Copies of the ID documents will be made and maintained in the customer file. In addition, the instruments which are used to guarantee the signature, will be secured at all times and kept on the premises of Trustmont Financial Group.

• Suitability - Trustmont Financial Group and its representatives will take steps to ensure all recommendations are suitable for the customer. This includes obtaining all required information on the customer to complete in full the Client Profile Form and reviewing investment objectives with the customer.

27.17 Sales Contest Standards

Sales contests involving investment company shares are permitted but must conform to FINRA's Rules. It is against such rules to provide sales personnel with additional or incentive compensation for selling specific mutual funds when the contest or sales effort is based on or linked to the brokerage commissions directed to the member firm by the mutual fund or its underwriter. Therefore, it is the policy of the firm not to participate in sales contests unless the firm has concluded that the fund is suitable for the firm's customers after reviewing all material aspects of the investment company including its performance record, mix of funds available within the family, and service benefits (e.g., dividend reinvestment).

The firm is prohibited from recommending specific investment companies to sales personnel, or establishing "recommended," "selected," or "preferred" lists of investment companies on the basis of brokerage commissions received or expected from any source.

The firm and its associated persons may not accept anything of material value, material value defined as gifts or payments in excess of $100 per person per year, in addition to the concessions disclosed in the prospectus.

All compensation, whether in cash or other form, must be paid directly to the member unless written permission is provided to the underwriter or sponsor of the contest which authorizes such entity to pay the compensation directly to the firm's registered representatives. A copy of the written authorization must be kept in the firm's "Sales Contest File." In addition to providing its written authorization, the firm shall require a detailed statement from the underwriter listing amount of compensation paid to each individual registered representative.

All sales contests, promotions and incentive campaigns, which involve payment of additional or incentive compensation paid to the firm's registered representatives which is based partially or entirely on the registered representative's sales of investment company shares, will be considered contests sponsored by the broker/dealer and must be in compliance with all FINRA rules and internal policies.

Sales Contest Supervision

All sales contests, promotions and incentive campaigns must be coordinated with and approved (in writing) by the designated principal who will be responsible for compliance with all rules and restrictions governing the sales contest, promotion or campaign; and shall maintain all documentation and correspondence pertaining to the terms and conditions of the contest(s) in a separate "Sales Contests File."

27.18 Due Diligence Standards

Trustmont Financial Group requires that reasonable inquiry be conducted, prior to recommending mutual fund shares, to verify that the funds are appropriately suited for prospective investors. A designated principal(s) will conduct due diligence on all new mutual fund products being recommended by sales representatives. The following standards shall be adhered to:

Investment Performance

Trustmont Financial Group may only recommend those mutual funds which have a demonstrated and acceptable performance history. Historical performance shall be measured against competitive products in determining whether performance is acceptable.

Knowledge of Fund Family and Fund Advisor

Trustmont Financial Group's experience and knowledge of the fund family and management shall be considered prior to permitting recommendations to be made in new mutual funds. Prior to adding new fund families, designated principals shall review the families' level of sales support, customer 800 lines, service quality and other benefits, as well as disadvantages, associated with fund families.

Mix of Funds Available

Consideration shall be given to the mix of funds available within each prospective family prior to offering new mutual funds. New funds offered should be associated with fund families which offer exchange privileges into an array of mutual funds with a well-balanced variety of investment objectives.

Compensation Considerations

Mutual funds and mutual fund families shall not be selected on a basis which compromises fund performance, or the obligation that Trustmont Financial Group has to its customers. Therefore, mutual funds may not be selected on the basis of compensation offered by the fund to broker/dealers.

Ongoing Commitment to Products

Trustmont Financial Group shall judge whether the mutual fund has the capacity and willingness to maintain its commitment to the business and to the products offered.

Due Diligence Procedures

Mutual fund recommendations must be supported by Trustmont Financial Group's research and due diligence efforts. It is Trustmont Financial Group policy to prohibit sales personnel from offering recommendations in mutual fund shares until the firm has satisfied its due diligence obligation. Trustmont Financial Group's due diligence activities shall include the following:

• Review of product guides, prospectuses, sales literature and other materials relating to prospective funds and comparison with competitive products;

• Review Morningstar reports on funds, specifically considering the rating, beta, management continuity, portfolio composition, expenses (including sales charges), and performance history. As a general rule, funds which are rated by Morningstar should be rated with at least three stars (out of five). An exception to this rule is permitted when a low rated fund is included within a fund family which Trustmont Financial Group maintains a large commitment to;

• Prepare due diligence files including Morningstar reports, prospectuses, sales literature and other materials used to research the funds;

• The designated principals shall document review and approval of each new fund and such written authorization shall be maintained in the due diligence file. Upon approval, appropriate product and compliance training shall be provided to sales representatives; and,

• At least annually, the designated principals shall review Morningstar reports on all funds offered and carefully consider any deterioration in rating and investment performance and any other material information which supports a decision to continue or discontinue investment recommendations in the funds. Such review shall be evidenced in writing and maintained in the due diligence files.

27.19 “Application Way” Transactions

Sales representatives may be permitted to effect mutual fund transactions directly with the mutual fund ("Application Way" transactions). The following procedures must be followed in order to be in compliance with FINRA suitability and record keeping rules:

• Trustmont Financial Group must have a signed dealer agreement on file with the fund executed by the President or designee;

• A completed Client Profile Form must be on file for the customer, signed by the customer, registered representative and designated principal;

• An order ticket/ mutual fund application shall be completed in entirety;

• All customers checks are to be made payable only to the product sponsor. All such checks shall be photocopied, logged to the Customers' Funds Received and Forwarded blotter, and promptly forwarded to the product sponsor along with the mutual fund application; and

• Prospectus Receipt and Share Class Purchase Form must be submitted with all applications

Supervision of "Application Way" Transactions

The designated principal(s) shall review all such transactions, including all documentation prepared in connection with them. Approval of the transactions shall be evidenced by initialing the order ticket/application.

27.20 Supervisory Responsibilities

Supervisors are responsible for:

• Reviewing mutual fund transactions to make certain that the transaction has received proper discount available for the mutual fund;

• Reviewing and approving mutual fund transactions related documents as required

• Maintaining documents to evidence of their review of mutual fund transactions; and

• Providing or having provided a necessary training on mutual fund sales to their registered representatives

28. VARIABLE CONTRACTS

FINRA Rule 2320 applies to members' responsibilities in connection with variable contracts, to the extent such activities are subject to regulation under the federal securities laws.

28.1 Definitions

"Variable contracts" are contracts that provide benefits or values which may vary according to the investment performance of any separate or segregated account or accounts maintained by an insurance company.

"Purchase payment" is the consideration paid at the time of each purchase or installment for or under the variable contract.

28.2 Sales Charges

Trustmont shall not participate in the offering or in the sale of variable annuity contracts if the purchase payment includes a sales charge which is excessive. Such determination will be made at the time of the firm's entering into a selling agreement with the provider. In general, the sales charge over 8.5 percent shall be deemed excessive.

28.3 Receipt of Payment

Trustmont will not participate in the offering or in the sale of a variable contract on any basis other than at a value to be determined following receipt of a payment therefore in accordance with the provisions of the contract and, if applicable, the prospectus, the Investment Company Act of 1940, and all applicable rules there under.

Payments need not be considered as received until the contract application has been accepted by the insurance company, except that by mutual agreement it may be considered to have been received for the risk of the purchaser when actually received.

28.4 Transmittal

Trustmont shall transmit promptly to the issuer all applications and/or purchase payments.

28.5 Redemption

Trustmont shall not participate in an offering or in the sale of a variable contract unless the insurance company, upon receipt of a request for partial or total redemption (in accordance with the provisions of the contract), undertakes to make prompt payment of the amounts requested.

28.6 Due Diligence Standards

Variable contracts shall be reviewed by the designated principals using the same standards and procedures used for conducting due diligence on mutual funds as set forth in the preceding chapter, as applicable.

28.7 Suitability

Recommendations associated with variable contracts are subject to the same standards and supervisory procedures set forth in this manual relating to suitability and the requirements of FINRA Rule 2111. All representatives recommending variable contracts shall receive training designed to ensure that customers, and particularly seniors, are offered suitable investments only after the following information is gathered and analyzed: financial status, tax status, investment objectives, risk tolerance, and any other reasonable information necessary to the suitability decision.

28.8 Communications with the Public

FINRA Rules specify requirements regarding retail communications and other communications with the public.

Refer to, including the following: (Further definition can be obtained in NTM 99-35):

- The product must be identified as either a variable universal life policy (VUL) or variable annuity (VA).
- There may be no indication or implication that the product or its underlying account is a mutual fund.
- There may be no implication that VUL's or VA's are short-term, liquid investments.
- Presentations must be balanced by discussions of the negative impact of early redemption, loans or withdrawals.
- There may be no exaggeration of the safety of the guarantee since the guarantee depends on the issuing company.

- There may be no implied guarantee about investment return or principal value.
- Comparisons and hypotheticals must comply with all FINRA specific guidelines and require the review and approval of the designated principal and they may not be used to predict future results or to create a false sense of principal security.
- Communications with the public may not predict or project performance, imply that past performance will recur or make any exaggerated or unwarranted claim, opinion or forecast. A hypothetical illustration of mathematical principles is permitted, provided that it does not predict or project the performance of an investment or investment strategy.

28.9 Replacements, 1035 Exchanges and Twisting

The practice of recommending liquidations or surrenders of mutual funds and insurance products (including variable contracts) in order to reinvest the proceeds into other insurance-related products for the primary purpose of generating commissions is known as “twisting”. Often these transactions are effected in reliance on IRS Code 1035 which allows owners of insurance policies to continue deferring capital gains when switching from one insurance policy to another.

Associated persons of Trustmont are prohibited from effecting proceeds transactions involving mutual funds and insurance products when such switches produce no demonstrable net benefit to the customer. With respect to all replacements and 1035 exchanges of insurance products, representatives are required to complete a variable contract replacement form and submit the form for approval of by their designated principal prior to effecting such transactions.

28.10 Contract Delivery

Contracts shall be promptly delivered to the owner.

28.11 Application Way Transactions

Applications for variable contracts must be sent to and approved by the designated principal prior to being submitted to the product sponsor.

28.12 Deferred Variable Annuities

A. FINRA Rule 2330 applies to the Responsibilities Regarding Deferred Variable Annuities, to the extent such activities are subject to regulation under the federal securities laws.

1. General Considerations

a. Application

- This Rule applies to recommended purchases and exchanges of deferred variable annuities and recommended initial subaccount allocations. This Rule does not apply to reallocations among subaccounts made or to funds paid after the initial purchase or exchange of a deferred variable annuity. This Rule also does not apply to deferred variable annuity transactions made in connection with any tax-qualified, employer-sponsored retirement or benefit plan that either is defined as a "qualified plan" under Section 3(a)(12)(C) of the Exchange Act or meets the requirements of Internal Revenue Code Sections 403(b), 457(b), or 457(f), unless, in the case of any such

plan, the registered rep makes recommendations to an individual plan participant regarding a deferred variable annuity, in which case the Rule would apply as to the individual plan participant to whom the registered rep makes such recommendations.

b. Creation, Storage, and Transmission of Documents

- For purposes of this Rule, documents may be created, stored, and transmitted in electronic or paper form, and signatures may be evidenced in electronic or other written form.

c. Definitions

- For purposes of this Rule, the term "registered principal" shall mean a person registered as a General Securities Sales Supervisor (Series 9/10), a General Securities Principal (Series 24) or an Investment Company Products/Variable Contracts Principal (Series 26), as applicable.

2. Recommendation Requirements for Variable Annuities

a. No registered representative or associated person shall recommend to any customer the purchase or exchange of a deferred variable annuity unless such registered rep has a reasonable basis to believe:

i. that the transaction is suitable in accordance with Rule 2111 and, in particular, that there is a reasonable basis to believe that:

✓ the customer has been informed, in general terms, of various features of deferred variable annuities, such as the potential surrender period and surrender charge; potential tax penalty if customers sell or redeem deferred variable annuities before reaching the age of 59½; mortality and expense fees; investment advisory fees; potential charges for and features of riders; the insurance and investment components of deferred variable annuities; and market risk;

✓ the customer would benefit from certain features of deferred variable annuities, such as tax-deferred growth, annuitization, or a death or living benefit; and

✓ the particular deferred variable annuity as a whole, the underlying subaccounts to which funds are allocated at the time of the purchase or exchange of the deferred variable annuity, and riders or similar product enhancements, if any, are suitable (and, in the case of an exchange, the transaction as a whole also is suitable) for the particular customer based on the information required by paragraph (2)(b) of this section; and

ii. in the case of an exchange of a deferred variable annuity, the exchange also is consistent with the suitability determination required by paragraph (2)(a)(i) of this section, taking into consideration whether

✓ the customer would incur a surrender charge, be subject to the commencement of a new surrender period, lose existing benefits (such as death, living, or other contractual benefits), or be subject to increased fees or charges (such as

mortality and expense fees, investment advisory fees, or charges for riders and similar product enhancements);

- ✓ the customer would benefit from product enhancements and improvements; and
- ✓ the customer has had another deferred variable annuity exchange within the preceding 36 months. The determinations required by this paragraph shall be documented and signed by the associated person recommending the transaction.

b. Prior to recommending the purchase or exchange of a deferred variable annuity, the registered representative shall obtain, at a minimum, information concerning the customer's age, annual income, financial situation and needs, investment experience, investment objectives, intended use of the deferred variable annuity, investment time horizon, existing assets (including investment and life insurance holdings), liquidity needs, liquid net worth, risk tolerance, tax status, and such other information used or considered to be reasonable by the registered representative in making recommendations to customers.

c. Promptly after receiving information necessary to prepare a complete and correct application package for a deferred variable annuity, the registered representative who recommends the deferred variable annuity shall transmit the complete and correct application package to Trustmont home office.

3. Principal Review and Approval of Variable Annuities

Prior to transmitting a customer's application for a deferred variable annuity to the issuing insurance company for processing, but no later than seven business days after Trustmont home office receives a complete and correct application package, a registered principal shall review and determine whether he or she approves of the recommended purchase or exchange of the deferred variable annuity.

A registered principal shall approve the recommended transaction only if he or she has determined that there is a reasonable basis to believe that the transaction would be suitable based on the factors delineated in paragraph (2)(b) of this Rule.

The determinations required by this paragraph shall be documented and signed by the registered principal who reviewed and then approved or rejected the transaction.

4. Supervisory Procedures of Variable Annuities

In addition to the general supervisory and recordkeeping requirements of Rules 3110, 3120, 3130, 3150 and 4510 Series, Trustmont must establish and maintain specific written supervisory procedures reasonably designed to achieve compliance with the standards set forth in this Rule. Trustmont also must:

a. implement surveillance procedures to determine if any of the Firm's associated persons have rates of effecting deferred variable annuity exchanges that raise for review whether such rates of exchanges evidence conduct inconsistent with the applicable provisions of this Rule,

other applicable FINRA rules, or the federal securities laws ("inappropriate exchanges") and

b. have policies and procedures reasonably designed to implement corrective measures to address inappropriate exchanges and the conduct of associated persons who engage in inappropriate exchanges.

5. Variable Annuity Training

Trustmont shall develop and document specific training policies or programs reasonably designed to ensure that associated persons who effect and registered principals who review transactions in deferred variable annuities comply with the requirements of this Rule and that they understand the material features of deferred variable annuities, including those described in paragraph (2)(a)(i) of this Rule.

B. Division of Responsibilities

This outline highlights the general division of responsibility among registered representatives, registered principals and firms under the rule. Please be aware that, in the case of any misunderstanding, the rule language prevails. In addition, please note that the firm may have additional policies and procedures that registered representatives and principals must follow.

1. Registered Representatives (RRs):

When recommending either a purchase or an exchange of a deferred variable annuity, must:

a. reasonably try to obtain and consider information about the customer, including

- age
- annual income
- financial situation and needs
- investment experience
- investment objectives
- intended use of the deferred variable annuity
- investment time horizon
- existing assets (e.g., investment and life insurance holdings)
- liquidity needs
- liquid net worth
- risk tolerance
- tax status

b. reasonably believe that the purchase or exchange is suitable, based on a variety of factors, including:

i. the customer has been informed, in general terms, of the material features of deferred variable annuities, such as

- potential surrender period and
- potential tax penalty components

- mortality and expense fees
- charges for and features of surrender charge enhanced riders, if any
- insurance and investment
- market risk

ii. the customer would benefit from one or more features of deferred variable annuities, such as

- tax-deferred growth
- annuitization
- a death or living benefit

iii. the particular deferred variable annuity as a whole, underlying subaccounts, and riders and similar product enhancements, if any, are suitable.

c. document and sign his or her determinations, providing the principal assigned to review the transaction with enough information to assess compliance with the rule.

When determining suitability for a recommended exchange of a deferred variable annuity, RRs also must consider whether the customer

- would incur a surrender charge, be subject to a new surrender period, lose existing benefits or be subject to increased fees or charges
- would benefit from product enhancements and improvements
- has exchanged a deferred variable annuity within the last 36 months

2. Registered Principals:

- must review each purchase and exchange and determine whether to approve the transaction before sending the customer's application to the insurer for processing, but no later than seven business days after the home office receives a complete and correct application package
- must treat all transactions as if they have been recommended for purposes of review
- can approve the transaction only if he or she reasonably believes that it is suitable based on the factors that RRs must consider for recommended transactions
- will individually evaluate each share class and rider recommendation in light of the client's investment objectives to ensure that the recommendation is suitable.
- may authorize the processing of an unsuitable transaction if the principal determines both that
  - ✓ the transaction was not recommended and
  - ✓ the customer, after being told why the principal found it to be unsuitable, has stated that he or she wants to proceed with the purchase or exchange
- must document and sign all determinations
- A log will be maintained of all variable annuity contracts submitted for approval.

Information will be entered into the log as to date received, name of registered representative, first and last name of customer, to whom check was made payable and amount (if applicable),date application was mailed and delivery method. A notation will be made of all sales designated as exchanges/replacements and all contracts not approved.

3. Broker-Dealer Firms:

- with respect to supervisory procedures, must
- have written supervisory procedures reasonably designed to achieve compliance with the rule
- have surveillance procedures to identify which, if any, of their RRs have a rate of effecting exchanges that raises a question as to whether those exchanges comply with this or other rules
- have procedures to address and correct exchanges that do not comply with this or other rules
- with respect to training, must create training programs on deferred variable annuities for RRs who sell, and for principals who review transactions in, these products.

C. Exception Reports

1. Variable Annuity Replacement Report

- A quarterly report is generated which identifies any variable annuity replacements.
- A review is performed by the CCO or his/her designee on RRs that have an appearance of a trend in replacements.
- Any RR found to have high replacement activity representing over 50% of the RRs total business in the review period may be required to complete additional training. Documentation of all such training will be retained by the CCO.

2. Trade Blotter

- Variable Annuity trades are monitored on the trade blotter.
- Trade alerts are set to help identify new contracts and additional funds being added to existing contracts. When such transactions are identified, the reviewer will verify through the variable annuity check register that approval was given for the transaction.
- Failure by a registered representative to appropriately obtain approval for variable annuity transactions may result in internal disciplinary action.

28.13 Variable Annuity Share Class Considerations

In addition to the riders and other features of a variable annuity, each of which must be separately considered for suitability purposes, the RR must discuss share class options with the client. Variable annuities are typically available in at least two share classes which have different fee and surrender periods and different expenses. As noted in the table below, “B Share” annuities are generally lower-cost alternatives with the longest surrender periods, while “L Share” annuities are a higher-cost alternative with

the shortest surrender period. Since the share class selected will determine the fees and surrender charges associated with a selected variable annuity, RRs must carefully read and compare the description of costs, including the applicable surrender schedule and share class options available, as described in the variable annuity prospectus, before making a recommendation. The RR will provide information to the client stating the cost of each rider, especially in cases of shorter term contracts.

During the review process, the registered principal will individually evaluate each share class and rider recommendation in light of the client's investment objectives to ensure that the recommendation is suitable. If advisable, a supervising principal will contact the client to determine their understanding of the costs and benefits of the product prior to approving the transaction.

Share Class	Surrender Period	Surrender Charges	Annual Expenses	Typically Suitable for Investors
B Shares	5-8 years on each contribution	Start at approximately 7%-8.5% and decline each year to zero	Approximately 0.45% LOWER than for the L Share	• who have a long-term time horizon (e.g., 10 years) and intend to use unique long-term benefits. • who selected an added feature that would only become valid post the surrender period (e.g. long-term care rider). • who want the lower cost annuity available.
L Shares	3-4 years on each contribution	Start at approximately 7-8% and decline each year to zero	Approximately 0.45% HIGHER than for the B Share	• who have long term time horizons but value easier access to their money within a four-to-seven year time frame. • who anticipate a strong go-forward capital market return, which could provide the opportunity to lock in a higher death benefit by moving to another contract. • who are willing to pay higher fees in exchange for the flexibility to reposition investments if needs, goals or markets are expected to change.

28.14 Additional Deposits

If client assets to be added to a variable annuity exceed 25% of the account value or $50,000 (whichever is less), the additional deposit will be treated like a new application and must be submitted to Trustmont home office for pre-approval. They may not be forwarded directly to the insurance company.

29. VARIABLE LIFE INSURANCE

29.1 Description of Variable Life Insurance

Variable life insurance is an insurance policy that is subject to regulation under state insurance and federal securities laws. Similarly to traditional life insurance, variable life insurance offers a death benefit. Additionally, variable life insurance offers an investment element generally known as the “cash value” through segregated or separate accounts.

29.2 Customer Information for Variable Life Insurance

Complying with FINRA Rule 2111 (formerly NASD Rule 2310) our firm and our representatives must make reasonable efforts to obtain information concerning a customer’s financial and tax status, investment objectives, and other such information, prior to the execution of a recommended transaction. Our firm and registered representatives should make reasonable efforts to obtain comprehensive customer information, such as the customer’s age, annual income, net worth, liquid net worth, number of dependents, investment objective, source of funds for investment, investment experience, existing investments and life insurance, time horizon, and risk tolerance. Our registered representatives should document this type of information in a customer account information form and should submit it with every variable life insurance application for review by a registered principal.

29.3 Review of Customer Information for Variable Life Insurance

Our firm should consider whether the customer desires and needs life insurance and whether the customer can afford the premiums likely needed to keep the policy in force.

29.4 Product Information for Variable Life Insurance

Our representatives should be thoroughly familiar with the features and costs associated with each recommended variable life insurance policy, including surrender charges, premium and cash value charges, separate account charges, underlying fund fees, subaccount investment options, loan provisions, free-look periods, and policy premium lapse periods. Our registered representatives should be able to convey such information to the customer so that the customer can make an informed decision regarding the recommendation. Also our registered representatives should provide customers with a current prospectus when recommending a variable life insurance policy.

29.5 Variable Life Insurance Replacement

Our firm should consider whether or not a replacement policy is in the customer’s best interest by carefully examining the new fees incurred, extended surrender charge periods, possibility of higher insurance risk rating due to health, new suicide and incontestability periods, and tax consequences. Our firm should also use a replacement disclosure form for each variable life insurance replacement transaction.

29.6 Communications for Variable Life Insurance

Under FINRA Rule 2210, our firm must file variable life insurance retail communications within 10 days of first use or publication. We are also required to file the format for hypothetical illustrations used in the promotion of variable life insurance policies. All retail and institutional communications must be approved in writing by a registered principal, prior to use with the public.

29.7 Supervisory Systems and Procedures for Variable Life Insurance

Our firm has systems in place that provide an easy and expeditious way for customers to communicate complaints, and ensure that complaints are acted upon, analyzed, and researched.

30. TRADITIONAL AND NON-TRADITIONAL ETFS AND ETNS

30.1 Background of ETFs

ETFs are typically registered unit investment trusts or open-end investment companies whose shares represent an interest in a portfolio of securities that track an underlying benchmark or index. Unlike traditional UITs or mutual funds, shares of ETFs typically trade throughout the day on an exchange at prices established by the market. Leveraged ETFs seek to deliver multiples of the performance of the index or benchmark they track. Some leveraged ETFs are “inverse” or “short” funds, meaning that they seek to deliver the opposite or multiples of the opposite of the performance of the index or benchmark they track. Most leveraged, inverse, or leveraged-inverse ETFs (responsive ETFs) “reset” daily, meaning that they are designed to achieve their stated objectives on a daily basis. Due to the effect of compounding, the performance of responsive ETFs over longer periods of time can differ significantly from the performance (or inverse of the performance) of their underlying index or benchmark during the same period of time.

30.2 Suitability of ETFs

Registered representatives must understand both traditional and non-traditional ETFs. With leveraged and inverse ETFs registered representatives must understand the terms and features of the funds, including how they are designed to perform, how they achieve that objective, and the impact that market volatility, the ETFs use of leverage, the customers intended holding period will have on their performance. Each ETF product must be determined as suitable for the specific customer to whom it is recommended.

Accordingly, when recommending ETFs, registered representatives must consider the following:

- What the ETF tracks to determine suitability for the customer;
- ETFs are not suitable for a customer who wants to make regular periodic investments since each transaction will generate a commission cost;
- ETFs may be subject to temporary price disparities during times of highly volatile markets when ETF shares may trade for significantly less than the value of the underlying assets;
- For most ETFs, holdings are transparent, i.e., an investor will know what is being held by the ETF by the makeup of the tracked index. However, in the case of an actively-managed ETF, knowledge of investments may not be available to investors;
- ETFs may have lower annual expenses than traditional funds; however, investors incur commission costs for each purchase and sale in the market;
- ETFs that track narrow sector or foreign market indexes can be highly concentrated and highly volatile or might fail to track their indexes properly. They also may have higher fees than ETFs based on broader indexes;
- Where a commodity such as oil underlies the fund, it is important that the customer understands how the ETF is impacted by changes in price of the underlying commodity; and
- ETFs may not perform consistent with what they track.

30.3 Non-Traditional ETFs

With non-traditional ETFs has come regulatory concern. FINRA has commented and released a number of restrictions on the use of certain non-traditional ETFs. Therefore, it is imperative that registered representatives understand non-traditional ETFs.

Non-traditional ETFs expanded the concept to allow for the implementation of a wider variety of investment approaches. Non-traditional ETFs commonly use investment strategies like leverage and inversion. They also track a variety of commodities indices or use complex financial derivative strategies. Non-traditional ETFs routinely invest in futures, options on futures, forward contracts and swap agreements to achieve their investment objectives.

Leveraged ETFs: Leveraged ETFs seek to deliver multiples of the performance of the index or benchmark they track. Most leveraged ETFs "reset" daily, meaning that they are designed to achieve their stated objectives on a daily basis.

Inverse ETFs: Inverse ETFs seek to deliver the opposite performance of the index they track. Often called short-funds, they seek the inverse results of board indices or more sector focused indices like commodities, currencies or any other more-narrow benchmark. Inverse ETFs are also used as a way for investors to hedge exposure to or even profit from downward moving markets. Most inverse ETFs "reset" daily, to achieve their stated objectives on a daily basis.

Leveraged Inverse ETFs: These ETFs seek to double the opposite of the return of an index. For example, a leveraged inverse ETF may seek to deliver two times the inverse return of a given index. They also "reset" daily, to achieve their stated objectives on a daily basis.

30.4 Exchange Traded Notes (ETN)

ETNs are not equities or index funds, but they are unsecured debt obligation. ETNs track baskets of fixed income securities or debt that secured by a creditor. They allow investors to buy an obligation that trades on an exchange and can also be sold short like ETFs. However, ETNs are backed by the full faith and credit of the issuer, so if the issuer defaults, the investors become another creditor. Therefore, prior to recommending ETNs to customers, in addition to the general product due diligence and the customer's specific suitability due diligence, the registered representative must conduct due diligence on the credit worthiness of the issuer.

30.5 Due Diligence

FINRA's suitability rule requires that before recommending the purchase, sale or exchange of a security, registered representative must have a reasonable basis for believing that the transaction is suitable for the customer to whom it is being recommended to.

Accordingly, registered representatives must conduct due diligence on the product. The due diligence on ETFs should include, but not limited to:

- What the ETF tracks (index, securities, benchmark, commodities, and etc.)
- How they are designed to perform
- How they achieve their objective
- Impact of the ETFs performance from market volatility

- Use of leverage
- The holding periods suitable for the investor

Once the general product suitability has been determined, registered representative must conduct a customer specific suitability analysis based on the necessary financial information and tax status as well as assessing investment objectives obtained from the customer.

Please note that as mentioned above, non-traditional ETFs 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 time can differ significantly from their stated daily objective. Therefore, non-traditional ETFs, such as inverse and leveraged ETFs are unsuitable for retail investors who plan to hold them for longer than one trading session. (Refer to Regulatory Notice 09-31)

30.6 Communications with the Public Regarding ETFs

All communications materials and presentations both written and verbal, used by the firm regarding traditional, leveraged or inverse ETFs must present a fair and balanced picture of both the risks and benefits of the funds, and may not omit any material fact or qualification that would cause such a communication to be misleading.

Retail and institutional communications regarding ETFs must be submitted to the firm's Advertising Compliance Department prior to its use. The firm's Advertising Compliance Department will submit the materials to FINRA as required.

30.7 Supervision of ETFs

Supervisors will ensure that the appropriate reasonable-basis suitability analysis is completed; all registered representatives perform appropriate customer specific suitability analysis; all promotional materials are accurate and balanced; and all FINRA and SEC rules are followed.

Supervisors are responsible for:

- Enforcing the firm's policies and procedures;
- Reviewing transactions for prohibited ETFs and ETNs transactions
- Monitoring the holding periods of non-traditional ETFs

Inverse and Leveraged ETFs are designed to be used for relatively short-term investing and may not be appropriate for conservative or long-term investors who typically subscribe to "buy and hold" investment strategies. Because leveraged and inverse ETFs reset each day, their performance can quickly diverge from the performance of the underlying index or benchmark making it possible that significant losses could occur even if the long-term performance of the index showed a gain.

The CCO or his/her designee will utilize the JCore system's Trade Surveillance Tool to identify and track transactions of non-traditional ETFs and ETNs. A trade alert will be set to automatically run on a periodic basis to provide the data to identify prohibited ETF and ETN transactions and to monitor the current holding periods of the investments. In instances where the investment is being held past the appropriate time period, the registered representative will be required to provide the rationale for holding the product.

Violations of the firm's policies and procedures may result in disciplinary action, including revocation of any exception previously granted to the registered representative under this policy.

Supervisors are also responsible for providing training to their representatives regarding the terms, features and risks of ETFs. This training should also cover the factors on how products are either suitable or unsuitable for certain investors.

31. Unit Investment Trusts

31.1 Background:

A unit investment trust (UIT) is an investment company that offers a fixed portfolio, generally of stocks and bonds, as redeemable units to investors for a specific period of time. It is designed to provide capital appreciation and/or dividend income. Unit investment trusts, along with mutual funds and closed-end funds, are defined as investment companies.

UITs have a termination date, when the UIT will terminate and dissolve. This date is established when the UIT is created, and may be, to a greater or lesser degree, reflective of the investments held within the trust. For example, a bond UIT may terminate when the last bond matures. At maturity, investors generally have three options:

1. Rollover at a reduced sales charge: investors may roll over, within a certain time frame, into a new series being offered in the primary market.
2. Maturity: the UIT will liquidate remaining holdings, and the investor will receive a cash distribution of the trust's proceeds.
3. In-kind distribution: investors holding 2,500 units may generally request an in-kind distribution of the underlying shares, either at the time of purchase or maturity.

31.2 Supervision and Surveillance of UIT Transactions

The compliance team under the supervision of the CCO will ensure that adequate policies and procedures are in place concerning transactions involving Unit Investment Trusts (UITs) and that appropriate surveillance is undertaken to detect any areas of compliance concern. Given that registered representatives earn most of the fees associated with UITs at or shortly following the initial offering period, there is a risk that they may recommend early rollovers or exchanges to increase their sales credits. Typically, the vast majority of UITs purchased should not be traded or redeemed significantly in advance of maturity without a customer-specific need for liquidation, or specific changes in the economic environment.

Supervisors are responsible for reviewing the trade blotter and trade alerts for unsuitable UIT transactions. Should the review indicate early rollovers or exchanges, a discussion will be held with the registered personnel involved and at that point, determination will be made regarding what action to take (i.e., client contact, additional training, withholding of commissions, etc.), if any. Documentation will be retained indicating such situations.

31.3 Training

The compliance team under the supervision of the CCO must ensure that all registered personnel engaged in UIT transactions receive sufficient training regarding the fact that customers must be informed about existing price breaks, and that the price breaks are made available to customers in connection with UIT purchases. Documentation will be maintained of such training, including dates, training materials utilized and the names of individuals who received the training.

32. LAWSUITS AND REGULATORY INQUIRIES

32.1 Employee Responsibilities

All employees must promptly report to their designated principal any matter involving:

- Inquiries, visits, proceedings, refusals of registration, injunctions, censures, suspensions, expulsions, and other disciplinary or legal actions by any regulatory organization, including stock exchanges, FINRA, and government regulatory bodies;
- Customer grievances, verbal or written;
- Receipt of subpoenas, involvement in litigation or arbitration of any kind, and entry of any judgments;
- Bankruptcy or contempt proceedings;
- Arrests, summons, subpoenas, indictments, and convictions pertaining to criminal offenses; and,
- Allegations of conduct violating just and equitable principles of trade, any securities law, any agreement with an exchange, or any rule of an exchange, FINRA, the SEC, or any other regulatory organization.

32.2 Procedures in Response to Specific Legal and Regulatory Advisories

Requests for information or documents, complaints, and inquiries which are received through the mails from any regulatory organization, whether in the form of general correspondence subpoena or questionnaire, shall be referred immediately to the employee's designated principal. It is important that such matters receive prompt attention.

The registered representative's designated principal will, in most instances, be responsible for responding to the inquiry. Copies of responses will be forwarded to the President and CCO for review/approval prior to submission.

33. BUSINESS CONTINUITY PLANNING (5310 AND 3520)

Trustmont Financial Group has developed a Business Continuity Plan to provide procedures for response and recovery in the event of a significant business disruption. The purpose of the Plan is to identify responsible personnel in the event of a disaster; safeguard employees' lives and firm property; evaluate the situation and initiate appropriate action; recover and resume operations to allow continuation of business; provide customers with access to their funds and securities; and protect books and records. The Plan was developed considering the types of business conducted, systems critical to support business, and geographic dispersion of offices and personnel.

The principal designated for responsibility, who is a member of senior management, shall:

- Review the firm’s BCP plan no less than annually and make any changes necessary;
- Verify, within 17 business days following the end of each calendar quarter, that the firm primary and secondary emergency contact person assignments reported to FINRA are current and accurate;
- Ensure that customers are provided with the BCP disclosure as required by Rule 3510 upon establishment of their account and that is posted on any Trustmont Financial Group website.

33.1 Business Continuity Emergency Contacts

Trustmont Financial Group has listed the President and Chief Compliance Officer as emergency contacts. These names will be updated in the event of a material change and the PRESIDENT will review them within 15 business days of the end of each quarter.

34. COMMUNICATIONS WITH THE PUBLIC—FINRA Rule 2210

34.1 Definitions

Communications consist of correspondence, retail communications and institutional communications.

Correspondence means any written (including electronic) communication that is distributed or made available to 25 or fewer retail investors within any 30 calendar-day period.

Institutional communication means any written (including electronic) communication that is distributed or made available only to institutional investors, but does not include the firm's internal communications.

Institutional investor means any:

- ✓ Person described in Rule 4512(c), regarding of whether the person has an account with the firm;
- ✓ Governmental entity or subdivision thereof;
- ✓ Employee benefit plan, or multiple employee benefit plans offered to employees of the same employer, that meet the requirements of Section 403(b) or Section 457 of the Internal Revenue Code and in the aggregate have at least 100 participants, but does not include any participant of such plans;
- ✓ Qualified plan, as defined in Section 3(a)(12)(c) of the Exchange Act, or multiple qualified plans offered to employees of the same employer, that in the aggregate have at least 100 participants, but does not include any participant of such plans;
- ✓ Member or registered person of such a member; and
- ✓ Person acting solely on behalf of any such institutional investor.

Institutional investors are:

- ✓ A bank, savings and loan association, insurance company or registered investment company;
- ✓ 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
- ✓ Any other person (whether a natural person, corporation, partnership, trust or otherwise) with total assets of at least $50 million.

Retail communication means any written (including electronic) communication that is distributed or made available to more than 25 retail investors within any 30 calendar-day period.

Retail investor means any person other than an institutional investor, regardless of whether the person has an account with the firm.

34.2 Approval, Review and Recordkeeping

34.2.1 Outgoing Correspondence (except outgoing electronic communications)

All outgoing correspondence must be copied and sent to the Compliance Department for review on a monthly basis.

Please note that Supervisors may require pre-approval of outgoing correspondence when/if needed in their discretion.

Registered representatives who did not send any written correspondence in a particular month are still required to notify their Supervisor that they did not send any written correspondence during the given month by submitting a "Correspondence Log" to the firm's Compliance Department.

Outgoing correspondence in response to a customer complaint (verbal and written) must be reviewed and pre-approved by both the Supervisor and the firm's Compliance Department.

34.2.2 Incoming Correspondence (except incoming electronic communications)

Incoming correspondence is any written communications received from a prospect or customer, including e-mail, fax, notes, memos and delivered mail, as it relates to securities, insurance and advisory related business.

No less than monthly, registered representatives must submit copies of all incoming correspondence received from prospects or customers to the Compliance Department for review.

Registered representatives who have not received any written correspondence in a particular month are still required to notify the Compliance Department that they did not receive any written correspondence during the given month by submitting a "Correspondence Log" to the firm's Compliance Department.

Please note that incoming correspondence containing a complaint of any nature is to be immediately given to the Supervisor who will then forward it to the firm's Compliance Department.

34.2.3 Institutional Communications

Registered representative must submit institutional communication materials to their Supervisor who will then forward it to the firm's Advertising Compliance Department. All institutional communications must be approved by firm's Advertising Compliance Department prior to its use. The firm's review and approval will be communicated with and documented in a "Communication Approval Request" form .

Please note that institutional communications must induce the warning "This communication is for Institutional Investor use only".

Supervisors are responsible for making certain that institutional communications are not being improperly used. When/if the Supervisor learns of any forwarding of institutional communications to retail investors, the Supervisor must immediately notify such forwarding to the firm's Compliance Department.

34.2.4 Retail Communications

Registered representative must submit retail communication materials to the firm's Advertising Compliance Department. All retail communications must be approved by firm's Communications Principal prior to its use. The firm's review and approval will be communicated with and documented

in a "Communication Approval Request" form. The requests will be retained on file in the home office.

Retail communications (other than Business Cards, Stationery and Fax Cover Sheet) that do not make any reference to financial, investments, securities, investment strategies, recommendations of investments or investment strategies, or otherwise promote a product or service of the firm, are not subject to the firm's pre-approval requirement. However, they are still subject to post review by the Supervisor.

Please note that registered representatives are prohibited from using business cards, stationery and fax cover unless they are pre-approved, in writing, by the firm's Compliance Department.

34.3 Filing Requirements and Review Procedures

34.3.1 Pre-Use Filing Requirement

The following retail communications must be filed with FINRA Advertising Regulation Department at least 10 business days prior to first use:

- 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:
- Retail communications concerning security futures unless:
- Retail communications concerning security futures that are submitted to another self-regulatory organization having comparable standards pertaining to such retail communications; and
- Retail communication in which the only reference to security futures is contained in a listing of the services of a member.
- Retail communications concerning bond mutual funds that include or incorporate bond mutual fund volatility ratings, as defined in Rule 2213vii.

34.3.2 Concurrent with Use Filing Requirements

The following retail communications must be filed with FINRA Advertising Regulation Department within 10 business days of first use:

- Retail communications concerning registered investment companies (including mutual funds, exchange-traded funds, variable insurance products, closed-end funds, and unit investment trusts) not included in the pre-filing requirement. 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;
- Retail communications concerning public direct participation programs;

- Any template for written reports produced by, or retail communications concerning, an investment analysis tool, as such term is defined in Rule 2214[39];
- Retail communications concerning collateralized mortgage obligations registered under the Securities Act;
- 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, not included in the pre-filing requirements.

34.3.3 Filing of Television or Video Retail Communications

A draft version or story board of a television or video advertisements must be pre-approved by the Advertising Regulations Department prior to producing the final version of such communications. In addition, within 10 days of first use or broadcast, the final version must be filed with the Advertising Regulations Department.

34.3.4 Home Office Responsibilities

Once a communication material is received for review and approval, the firm's Compliance Department will determine its filing requirement status. When/if required the filing, the submitting representative and his or her Supervisor will be immediately notified as such.

34.4 Content Standards

34.4.1 General Standards

Communications:

- ✓ must be based on principles of fair dealing and good faith;
- ✓ must be balanced;
- ✓ must provide a sound basis for evaluating the facts in regard to any particular security or type of security, industry or service;
- ✓ must be clear and not misleading;
- ✓ must be consistent with the risks of fluctuating prices and the uncertainly of dividends, rates of return and yield inherent to investments; and
- ✓ may not predict or project performance, imply that past performance will recur or make any exaggerated or unwarranted claim, opinion or forecast.

In addition, registered representatives may not:

- ✓ Omit any material fact or qualification if the omission, in light of the context of the material presented, would cause the communications to be misleading;
- ✓ Make any false, exaggerated, unwarranted, promissory or misleading statement or claim any

[39] FINRA Rule 2214(b): An "investment analysis tool" is an interactive technological tool that produces simulations and statistical analyses that present the likelihood of various investment outcomes if certain investments are made or certain investment strategies or styles are undertaken, thereby serving as an additional resource to investors in the evaluation of the potential risks and returns of investment choices.

communication;

- ✓ Publish, circulate, or distribute any communication that the registered representative knows or has reason to know contains any untrue statement of a material fact or is otherwise false or misleading;
- ✓ Place any information in a legend or footnote unless such placement would not inhibit an investors' understanding of the communication.

Please note that registered representatives must consider the nature of the audience to which the communication will be directed and must provide details and explanation appropriate to the audience.

34.4.2 Comparison

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

34.4.3 Disclosure

All communications including correspondence must:

- ✓ Prominently disclose the name of the firm, Trustmont Financial Group Corporation;
- ✓ Reflect the relationship between the firm, TFG and the DBA name, if DBA name is used;
- ✓ Reflect which products or services are being offered by TFG

Example Using ABC Company as a DBA for brokerage business:

"Securities are offered through Trustmont Financial Group, Inc. ABC Company and Trustmont Financial Group, Inc. are separate entities."

34.4.4 Tax Considerations

- ➢ When references to tax-free or tax exempt income in retail communications and correspondence:
  - ✓ must indicate which income taxes apply, or which do not unless income is free from all applicable taxes; and
  - ✓ if income from an investment company investing in municipal bonds is subject to state or local income taxes, this fact must be stated as such, or the illustration must otherwise make it clear that income is free only from federal income tax.
- ➢ Communications may not characterize income or investment returns as tax-free or exempt from income tax when tax liability is merely postponed or deferred, such as when taxes are payable upon redemption.
- ➢ A comparative illustration of the mathematical principles of tax-deferred versus taxable compounding must meet the following requirements:
  - The illustration must depict both the taxable investment and the tax-deferred investment using identical investment amounts and identical assumed gross investment rates of return, which may not exceed 10 percent per annum;

- The illustration must use and identify actual federal income tax rates;
- The illustration may reflect an actual state income tax rate, provided that the communication prominently discloses that the illustration is applicable only to investors that reside in the identified state;
- Tax rates used in an illustration that is intended for a target audience must reasonably reflect its tax bracket or brackets as well as the tax character of capital gains and ordinary income;
- If the illustration covers the payout period for an investment, the illustration must reflect the impact of taxes during this period
- The illustration may not assume an unreasonable period of tax deferral;
- The illustration must disclose, as applicable:
  - the degree of risk in the investment's assumed rate of return, including a statement that the assumed rate of return is not guaranteed;
  - the possible effects of investment losses on the relative advantage of the taxable versus the tax-deferred investments;
  - the extent to which tax rates on capital gains and dividends would affect the taxable investment's return;
  - the fact that ordinary income tax rates will apply to withdrawals from a tax-deferred investment;
  - its underlying assumptions;
  - the potential impact resulting from federal or state tax penalties (e.g., for early withdrawals or use on non-qualified expenses); and
  - that an investor should consider his or her current and anticipated investment horizon and income tax bracket when making an investment decision, as the illustration may not reflect these factors.

34.4.5 Disclosure of Fees, Expenses and Standardized Performance

Retail communications and correspondence that present non-money market fund open-end management investment company performance data as permitted by Securities Act Rule 482 and Rule 34b-1 under the Investment Company Act must disclose:

- the standardized performance information mandated by Securities Act Rule 482 and Rule 34b-1 under the Investment Company Act; and
- to the extent applicable:

  ✓ the maximum sales charge imposed on purchases or the maximum deferred sales charge, as stated in the investment company's prospectus current as of the date of distribution or submission for publication of a communication; and

  ✓ the total annual fund operating expense ratio, gross of any fee waivers or expense reimbursements, as stated in the fee table of the investment company's prospectus described above

All of the information required in this section "Disclosure of Fees, Expenses and Standardized Performance" must be set forth prominently, and in any print advertisement, in a prominent text box that contains only the required information and, at the member's option, comparative performance and fee data and disclosures required by Securities Act Rule 482 and Rule 34b-1 under the Investment Company Act.

34.4.6 Testimonials

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

Retail communications or correspondence providing any testimonial concerning the investment advice or investment performance of a member or its products must prominently disclose the following:

- The fact that the testimonial may not be representative of the experience of other customers.
- The fact that the testimonial is no guarantee of future performance or success.
- If more than $100 in value is paid for the testimonial, the fact that it is a paid testimonial.

Please note that prior to using, posting and/or distribution any types of testimonial, they must be reviewed and approved by the Supervisor and the home office.

34.4.7 Recommendations

- Retail communications that include a recommendation of securities must have a reasonable basis for the recommendation and must disclose, if applicable, the following:
    - that at the time the communication was published or distributed, the member was making a market in the security being recommended, or in the underlying security if the recommended security is an option or security future, or that the member or associated persons will sell to or buy from customers on a principal basis;
    - that the member or any associated person that is directly and materially involved in the preparation of the content of the communication has a financial interest in any of the securities of the issuer whose securities are recommended, and the nature of the financial interest (including, without limitation, whether it consists of any option, right, warrant, future, long or short position), unless the extent of the financial interest is nominal; and
    - that the member was manager or co-manager of a public offering of any securities of the issuer whose securities are recommended within the past 12 months.
- A member must provide, or offer to furnish upon request, available investment information supporting the recommendation. When a member recommends a corporate equity security, the member must provide the price at the time the recommendation is made.
- A retail communication or correspondence may not refer, directly or indirectly, to past specific recommendations of the member that were or would have been profitable to any person; provided, however, that a retail communication or correspondence may set out or offer to furnish a list of all recommendations as to the same type, kind, grade or classification of securities made by the member within the immediately preceding period of not less than one

year, if the communication or list:

- states the name of each such security recommended, the date and nature of each such recommendation (e.g., whether to buy, sell or hold), the market price at that time, the price at which the recommendation was to be acted upon, and the market price of each such security as of the most recent practicable date; and
- contains the following cautionary legend, which must appear prominently within the communication or list: "it should not be assumed that recommendations made in the future will be profitable or will equal the performance of the securities in this list."

34.5 Limitations on Use of FINRA's Name and Any Other Corporate Name Owned by FINRA

Registered representatives are prohibited from either states or implies that FINRA, or any other corporate name or facility owned by FINRA, or any other regulatory organization indorses, indemnifies, or guarantees the business practices, selling methods, the class or type of securities offered, or any specific security (Any reference to FINRA Advertising Regulation Department's review of communication is limited to either "Revised by FINRA" or "FINRA Reviewed').

In addition, any securities related and/or TFG business related website maintained by registered representatives must also provide the indication of FINRA membership and hyperlink to its website, www.finra.org.

34.6 Public Appearance

When sponsoring or participating in a seminar, forum, radio or television interview, or when otherwise engaged in public appearances or speaking activities that are unscripted, registered representatives must comply with the content standards.

The rule requires that when/if a registered representative recommends a security in a public appearance, the registered representative must have a reasonable basis for the recommendation. The registered representative must also disclose, as applicable:

- That the registered representative has a financial interest in any of the securities of the issuer whose securities are recommended, and the nature of the financial interest (including, without limitation, whether it consists of any option, right, warrant, future, long or short position), unless the extent of the financial interest is nominal; and
- Any other actual, material conflict of interest of the associated person or member of which the associated person knows or has reason to know at the time of the public appearance.

As the firm's policy, registered representatives are prohibited from recommending any specific security or specific investment strategy in a public appearance.

Please note that when/if a registered representative sponsors or conducts more than one seminar by using the same materials, the registered representative must notify, within 10 business days prior to engaging in such activities, his or her Supervisor and the firm's Advertising Compliance Department.

34.6.1 Supervisory Responsibilities

As the firm's policy, the Supervisors should attend the public appearances sponsored or conducted by their representatives under their supervision.

The Supervisor's surveillance should identify:

- ✓ Any content standard violations;
- ✓ Use of any unapproved materials;
- ✓ Use of unscripted materials;
- ✓ Any securities or investment strategies recommendations; and
- ✓ Any deviation from the approved Communication Approval Request form based on the communications' audience, content and use.

34.7 Internal Communications

Internal communications must be fair, balanced, and accurate. In addition, as the firm's policy, internal communications must include a cautionary disclosure, such as "Internal Use Only.

34.8 Education and Training

During the annual compliance meeting or as the firm CE required course, the firm's CCO or his or her designee will provide the education and training of registered persons as to the firm's policies and procedures governing the communications with the public.

The firm's CCO is responsible for maintaining records of such training and education as required.

Training and Education

The CCO shall ensure that all associated persons receive periodic, and no less than annual, training concerning the firm's correspondence and institutional sales literature policies and procedures. Such training will be documented by the CCO. The CCO shall periodically, and at least annually, conduct and document surveillance reviews to ensure that the firm's policies and procedures are being adequately implemented.

35. ELECTRONIC COMMUNICATIONS

This policy governs the use of electronic communications by personnel and RRs of the Firm. This policy also extends to off-hours usage of electronic communications systems. The following summarizes key points of this policy. It is important that the policy be read in its entirety. All personnel and RRs of the Firm are subject to this policy.

1. The Firm's electronic communications systems are to be used for business purposes only;
2. Electronic communications should not be considered private;
3. Electronic communications are subject to monitoring and audit by the Firm;
4. E-mails are subject to federal law restricting the sending of unsolicited electronic mail;
5. Posting information and participating in chat rooms or instant messaging systems for Firm-related communications is generally prohibited;
6. Certain public communications require approval and retention;
7. To avoid downloading a computer virus, do not open attached documents from unknown sources; and

8. Failure to comply with this policy may lead to disciplinary action.

35.1 Definitions of Electronic Communications

Electronic communications include (but are not necessarily limited to) electronic mail (E-mail), third-party E-mail systems, Internet Telephone and texting, online meetings, facsimile transmissions, News Groups, File Transfer Protocol (FTP), World Wide Web browsing (WWW), Intranet, Electronic Bulletin Boards, Internet Relay Chat (IRC) or similar "Chat Rooms", Instant Messaging Systems, Remote Host Access (Telnet or TN3270), and other information transmissions via the Internet.

35.2 Use of Social Media

FINRA rules and written guidance require that **ALL** communications utilizing social media sites, when the content of such communications regards or refers to, involves and/or relates to investments, securities, investment strategies, investment banking, and any other business activities with, about and/or related to TFG ("**business communications**"), be captured and/or recorded and maintained as the firm's books and records.

Accordingly, all TFG associated persons (registered and unregistered) must take all appropriate steps to make sure that all business communications (i) with any customers, prospective customers and/or the public and (ii) made either as the firm's representative and/or on behalf of the firm, are captured/recorded and maintained as the firm's books and records.

35.2.1 Internal Process for Approval of Social Media Use

Prior to using any social media sites for any business communications, TFG associated persons must submit to the firm's Compliance Department an "Intent to Use Social Media Sites". The associated person must also submit the form to the Supervisor concurrently. Any such social media usage requires TFG's review and written approval. Once the firm's Compliance Department receives any such written request, and prior to TFG allowing a registered representative to use social media site(s) for any business communications, the firm's Compliance Department will set-up an appropriate record keeping account for the associated person's social media account(s).

Please note that the firm's record keeping system (currently Erado) may not be able to, technically or otherwise, support particular types of social media sites. Therefore, each associated person planning to use social media sites for any business communications must obtain from the TFG Compliance Department, in advance and early in the planning process, a list of the social media supported by the firm's internal system(s). Please contact the Firm's Compliance Department for the most current list of approved social media sites and any limitations imposed on such *sites.*

35.2.2 Content Restrictions and Requirements

All business communications, and any other communications, made through social media sites are also subject to:

- ✓ The content and other requirements, as applicable, of FINRA Rule 2210 (Communications with the Public), and of all applicable FINRA Regulatory Notices and other FINRA requirements and guidance;
- ✓ Post review by the firm's designated communications and/or other principal(s) when/if a

communication does not make any financial or investment recommendation or otherwise promote a product or service of TFG;

- ✓ Pre-approval by the firm's designated communications principal when/if a communication makes any financial or investment recommendation and/or promotes a securities product or service of TFG (see also, e.g., the retail communications section of these WSPs).
- ✓ However, TFG's policy is that no investment product and/or security(ies) may be recommended by any TFG associated person(s) via any electronic communication means, including but not limited to any social media, text messaging and/or Email; and
- ✓ TFG's monitoring and review, and archiving.

All TFG associated persons are prohibited from using any social media site(s) for the purpose, directly or indirectly, of or for:

- ✓ Substantively communicating directly or individually with any customers, or prospective customers. Instead, associated persons must use, for these purposes, only their TFG approved electronic messaging account;
- ✓ Posting, disclosing, communicating, disseminating, sending, and/or sharing internal TFG documents, data or communications and/or any TFG private, confidential, non-public, proprietary and/or sensitive information or data of any kind;
- ✓ Making any recommendation(s) of investments, securities and/or investment strategies;
- ✓ Posting, disclosing, communicating, disseminating, sending, and/or sharing any customers' or prospective customers' non-public personal information;
- ✓ Posting, disclosing, communicating, disseminating, sending, and/or sharing any non-public information (including but not limited to any nonpublic, material inside information) regarding, about, or related to any securities;
- ✓ Accepting or requesting, or acting upon, any customers' or prospective customers' authorizations or instructions;
- ✓ Posting, disclosing, communicating, disseminating, sending, and/or sharing any past recommendations and/or historical performance and/or comparisons of any recommendations;
- ✓ Making a solicitation to purchase or sell any securities or types of securities;
- ✓ Making an endorsement of any investments or any securities products;
- ✓ Making or posting any statements which are or may appear to be testimonials for or about any investments, securities products or types of products or services;
- ✓ Making or posting testimonials (by customers, prospective customers and/or any other third persons or parties) regarding or about any investments, securities related business, the associated person and/or his or her services without containing required disclosures and receiving prior permission in writing from the firm (IARs are prohibited from posting any types of testimonials); and/or

- ✓ Like, endorse, recommend and/or indicate a favorite (e.g., social plug-ins) for any links, websites, posts, products, persons and/or services in ways that may be construed as an endorsement or testimonial.

Please note that most social media sites allow their users to communicate directly with other users or groups of users. As noted above, using social media sites as an alternative method of sending electronic communications (i.e., via other than what is approved by TFG), **is PROHIBITED**.

35.2.3 Social Media Sites for Non-Business Use

In order for TFG to take reasonable and appropriate steps to ensure that all business communications are stored and retrievable without necessitating the capture also of personal communications made on any social media site, TFG advises and recommends that its associated persons use a separately identifiable social media account for their personal and non-business communications. All TFG associated persons are **PROHIBITED** from using their personal social media accounts for any business communications or other business use related to TFG.

The use or mention of TFG's name and referring to it as a securities firm, when or if posted without any additional, supplementary or subsequent information, is permitted only when:

- ✓ Referring to TFG as an associated person's place of employment, association or work;
- ✓ Contained in an associated person's resume / updates to resume;
- ✓ Contained in an associated person's employment history / updates to employment history; and/or
- ✓ Contained in a non-substantive posting, for example regarding personal events (i.e., "I will be out of touch from July 28 to August 2. I will attend Trustmont's national conference.").

35.2.4 Supervisory Responsibilities

Supervisors, designated TFG supervisors or principals, and/or their assigned designee(s), are responsible for:

- ✓ Reviewing, as appropriate or warranted under the circumstances, business communications made through/via social media sites to monitor that such communications are in compliance with all applicable laws, rules and regulations, as well as the firm's policies and procedures;
- ✓ Reviewing, as appropriate or warranted under the circumstances, business communications made through/via social media sites to monitor that there are no red flags and/or also to identify any issues or potential issues of concern;
- ✓ Taking all reasonable and appropriate steps to make certain that the associated persons under their supervision are aware of FINRA's requirements in these regards and the firm's policies and procedures regarding social media and otherwise related thereto; and
- ✓ Taking reasonable and appropriate steps to provide or cause to be provided appropriate training for the associated persons under their supervision regarding the use of social media for business communications.

Use of social media for and/or as the business communications without first receiving the firm's approval is strictly prohibited. To ensure the representatives' compliance with the firm's policy, the

Supervisor(s) and/or designee(s) should look for unreported use of social media by searching public websites for both registered representatives' name and DBA names. Any violation identified must be reported to the firm's PRESIDENT and/or the Compliance Department.

35.2.5 Home Office Responsibilities

The firm's designated communications or other principal or his or her designee will be responsible for taking appropriate steps designed to ensure that all social media accounts used by the firm's associated persons for a business communications (i.e., as specified in this policy) are properly linked to the firm's books and records system/record keeping account(s), as applicable. Furthermore, and as noted above, to the extent appropriate or warranted under the circumstances, and from time to time, certain communications made available through social media sites may be selected for review by the firm's designated communications or other principal or his or her designee.

Any violations or potential violations of this policy must be promptly reported to the firm's CCO and/or to the firm's senior management. Violations of these policies may result in disciplinary action up to and including termination of registrations and/or association with the firm.

35.3 Instant Messaging

Instant messaging is included in some internet services and provides the ability to conduct instant, online interactive "conversations." Employees/RRs must be aware that because instant messaging provides a method of recording and potentially keeping such conversations, they are treated as written communications subject to review, approval, and recordkeeping requirements. The use of instant messaging subjects those communications to review by the Firm, retention in its records, and potential delivery to regulators, legal authorities, or others in civil litigation or arbitrations. Instant messages are not appropriate for "confidential" communications.

At the present time, the firm's policy is associated persons are prohibited from using instant messaging to communicate with any person relating to the firm's business. Any exception to this policy requires the prior written approval of the CCO and all conditions relating to such approval must be documented. Satisfaction of the conditions must also be fully documented.

35.4 Guidelines for Proper Use

The Firm's electronic communications systems should be used primarily for business purposes. Personal use should be only incidental and occasional. Electronic communications with customers and/or the public are permitted only through company-sponsored or alternative approved facilities.

35.5 Electronic Communications Are Not Private

Associated persons should not confuse phone conversations or face-to-face conversations with communications through electronic means. Newspaper articles, regulatory actions, and legal actions abound with the consequences of associated persons who do not take what they say in electronic communications seriously. The repercussions of casual or poorly worded communications have potential adverse consequences for both the Firm and the associated person. While electronic communications often seem like one-on-one conversations, and many people converse in electronic communications in a casual and non-business manner, it is important to understand that the use of the Firm's electronic communications systems or approved alternative systems are communications that may be seen by others

either through the Firm's review system or outsiders who access this information through official and authorized means or sometimes through unauthorized means.

Electronic communications and residual or temporary files resulting from participation in electronic communications can be widely disseminated. It is possible that such communications be saved to disk, printed, forwarded to another party, subpoenaed in litigation, viewed by system administrators or regulatory agents, and/or intercepted by anyone at a variety of points. Electronic communications are not suitable for communications that must remain confidential or private, unless the associated person has arranged for encryption of confidential messages. There should be no expectations of privacy in electronic communications.

35.6 Use of Electronic Communications and Protection of Customers' Non-Public Information

As the firm's policy, the firm's associated persons are prohibited from sending an individual's name linked with additional personal elements, such as, the individual's social security number, personal identification number (I.e., driver's license number or state identification card number), or account number via electronic methods unless such method is encrypted.

Accordingly, the type of documents that require encryption, but not limited to, the following:

- ✓ Account form with customer's non-public personal information
- ✓ Account statement
- ✓ Transaction confirmation
- ✓ Bank account information or document
- ✓ Subscription agreement
- ✓ Any internal or external document with customers' non-public personal information

In order to send a secure message through email using the firm's email system, type in the word "secure:" on the subject line of the email message.

In addition, as the firm's policy, at the present time, the firm does not accept customer's instructions via electronic communications (body of the email not as attachment) regarding letters of authorization, address changes, wire funds and check requests.

35.7 Communications Must Conform to Appropriate Business Standards and the Law

Users of our electronic communications systems are expected to follow appropriate business communication standards. Sending or receiving communications that are inappropriate, profane, obscene, discriminatory, threatening or otherwise offensive is prohibited. Sending or receiving jokes, puzzles, games, chain messages, pictures, video/sound files and frequent or long personal correspondence are some examples of inappropriate use. Use must comply with applicable local, state, federal and international laws.

35.8 Record Retention Requirements

The Firm is required to retain records of its electronic communications. The Firm retains electronic communications in accordance with these requirements (see Books and Records). The CCO shall periodically, and no less than annually, review the firm's retention systems for the purpose of ensuring that all required electronic communications are retained as required.

35.9 Monitoring, Audit and Control

Electronic communications through the Firm's systems are the property of the Firm. The Firm reserves the right to monitor and audit electronic communications at any time for appropriate business usage, standards and compliance with this policy and applicable procedures.

35.10 Electronic Communications Standard Disclosure Included with Outgoing Electronic Communications

The following disclosure should be added to all E-mail and text "signatures" if the E-mail or text is being sent to an investment customer or prospect:

Securities offered through Trustmont Financial Group. Member FINRA/SIPC. [Include address and phone number of the main office of Trustmont Financial Group.)

35.11 Attachments

In order to avoid downloading a computer virus, do not open attachments unless you are familiar with the source.

35.12 Restrictions on Unsolicited Emails (CAN-SPAM Act of 2003)

Federal law imposes restrictions on commercial e-mail, particularly unsolicited e-mail messages. "Commercial electronic mail" includes any electronic mail message primarily for the purpose of sending a commercial advertisement or promotion of a commercial product or service. It does not include electronic mail relating to transactions or where there is a relationship between the sender and the recipient.

Recipients of commercial e-mail must be provided the opportunity to "opt-out" and not receive future e-mails.

Senders of commercial e-mail may not:

- ✓ Use false or misleading e-mail header information or deceptive subject headings or otherwise deceive the recipient regarding the sender's address.
- ✓ Without prior authorization, use computers owned by others to transmit messages.
- ✓ Register for an e-mail address or domain name using materially false information or falsely represent themselves to be the registrants for Internet protocol addresses.
- ✓ Use automated means to create multiple e-mail addresses from which to send commercial e-mail (e.g., using a computer program to create multiple "Yahoo" accounts).

Each commercial e-mail must include clear and conspicuous identification that the message is an advertisement or solicitation; a valid physical postal address of the sender; and a valid return address or other method for the recipient to "opt-out" from receiving further e-mails.

35.13 Internet

Associated persons may not post any Firm advertising or any business-related information without Compliance authorization.

The Firm maintains a corporate Web site as its official Internet presence. Without prior authorization, personnel may not post information to the Internet containing any of the following: References to or

information about the Firm, Communications involving investment advice, References to investment-related issues, or Links to any of the above.

This includes posting such information to the Internet through such means including, but not limited to, the World Wide Web, Electronic Bulletin Boards, File Transfer Protocol (FTP) sites or any other method to establish their own Internet presence.

35.14 RR Web Sites

Individual representative (or office) web sites need pre-approval in accordance with the Firm's policies and procedures established for written communications. Refer to the "Communications with The Public" chapter for further policies regarding written communications. Websites that are on record are monitored for any updates or changes.

35.14.1 Websites to Include Hyperlink to BrokerCheck

BrokerCheck provides the public with information on the professional background, business practices, and conduct of FINRA member firms and their associated persons, as well as on firms and their associated persons registered with national securities exchanges that use the Central Registration Depository (CRD®). These firms, their associated persons and regulators report information to the CRD system, the securities industry online registration and licensing database, via the uniform registration forms. FINRA releases to the public through BrokerCheck information derived from the CRD system to, among other things, help investors make informed choices about the individuals and firms with which they conduct business.

FINRA believes that greater investor awareness of and access to BrokerCheck continues to be important to protect investors. The rule change will help increase investor awareness and make it easier for investors to find BrokerCheck by requiring references and hyperlinks to BrokerCheck on member firms' websites. The SEC approved amendments to FINRA Rule 2210 to require a readily apparent reference and hyperlink to BrokerCheck on member firms' websites. Specifically, Rule 2210(d)(8)(A) requires each of a member firm's websites to include a readily apparent reference and hyperlink to BrokerCheck on: the initial Web page that the member firm intends to be viewed by retail investors; Any other Web page that includes a professional profile of one or more registered persons who conduct business with retail investors. A hyperlink to the BrokerCheck home page satisfies the rule's linking requirements.

Alternatively, firms may elect to satisfy the requirements of the rule by using a "deep-link" to the firm or associated person's individual BrokerCheck pages. FINRA notes that it is making BrokerCheck-related icons and similar resources available to member firms as one option for complying with the proposed rule. Member firms use of any such icons or similar resources would be subject to terms and conditions established by FINRA Rule 2210(d)(8)(B) excepts from the rule's requirements: a member firm that does not provide products or services to retail investors; and a directory or list of registered persons limited to names and contact information.

At this time, the rule does not require a member firm to include a readily apparent reference and hyperlink to BrokerCheck from communications appearing on a third-party website. Accordingly, the rule does not require a readily apparent reference and hyperlink to BrokerCheck from communications appearing on a social media site (*e.g.*, Twitter or LinkedIn). Moreover, the rule does not require a

readily apparent reference and hyperlink to BrokerCheck on each email or text message sent by a member firm or registered person to a retail investor.

FINRA views websites operated by registered representatives that promote the member's business to be websites of the member firm for purposes of Rule 2210. FINRA, therefore, expects member firms to supervise such websites for compliance with Rule 2210. For example, if a registered representative includes a professional profile on a website that he or she operates and that promotes the member firm's business, FINRA expects that the member firm will monitor any such Web page for compliance with the rule.

35.14.2 Use of FINRA logo

Member firms occasionally request permission to use FINRA logo on their websites, business cards, stationery or other marketing materials. This Notice is a reminder that firms may not use FINRA logo in any manner. A firm may refer to itself as a "FINRA Member Firm" or "Member of FINRA." Pursuant to FINRA Rule 2210(e)(3), a member firm may indicate FINRA membership on its website, provided that the member firm includes a hyperlink to FINRA's website, www.finra.org, in close proximity to its indication of FINRA membership.

35.15 Chat Rooms

As interactive, extemporaneous conversations, chat rooms are considered a public forum. Associated persons are prohibited from participating in any chat room which involves the firm's business unless the standards set forth herein are complied with.

If an associated person wishes to participate in a chat room for business purposes, the associated person must obtain prior written authorization from Compliance. In addition, content guidelines must be acknowledged in writing by RRs and copies of the discussion must be printed by the RR and provided to Compliance for monitoring.

Exceptions: Chat rooms that do not deal with investments or securities.

35.16 Online Meetings and Video Conferencing

Trustmont Financial Group maintains a list of approved Online Meeting Systems that may be utilized by a registered representative. A registered representative is prohibited from using a system that is not on the approved list.

A registered representative is required to notify Trustmont Financial Group prior to utilizing any online meeting system. At that point, the registered representative will be directed to the approved list. If a registered representative desires to use a system that is not on the approved list, he/she may request Compliance to add a certain software provider to the approved list by completing a Request for Approval form located on the Trustmont website. If the product is approved for use, it will be added to the Online Meeting Systems approved list, and the registered representative will be given the approval for use.

A registered representative is required to certify annually what online meeting system, if any, is utilized in his/her office. If it is found that a registered representative is utilizing a system that has not been approved, the registered representative will be required to immediately discontinue its use until it can be determined if the product can be approved for use. During the onboarding process for new representatives, inquiry will

be made at that time to determine if the registered representative utilizes an online meeting system and if so, whether it appears on the approved list. If the online meeting system does not appear on Trustmont's approved list, the registered representative will not be given approval to use the system until it can be determined if the product can be approved for use.

Each online meeting system is reviewed to its respective features, and additional limitations may be placed on an online System if it is determined that the use of a certain feature would violate other policies and procedures. A registered representative who chooses to utilize a CRM System will be explained any restrictions on its use.

Continued education on the use of online meeting systems and the compliance requirements associated with their use will be addressed through Trustmont's mandatory quarterly webinars, calls, newsletters, email reminders, etc.

35.17 Prohibited Electronic Communications

At the present time, the firm's policy prohibits the firm's associated persons from using the following electronic communications for or related to Trustmont Financial business.

- Using an unapproved email address
- Use of instant messaging
- Use of text messaging unless prior approval is given and archiving service is established
- Unsolicited commercial emails
- Use of or participating in chat room sites
- Use of or participating in social network sites

35.18 Failure to Comply

Failure to comply with this policy or any policy in this manual may lead to disciplinary action. Non-compliance may generate one or more of the following:

- Oral and/or written warning or notification of violation communicated to the Firm's personnel involved and their supervisor.
- Suspension of electronic communications privileges permanently or for a set period of time.
- Messages may be blocked or rejected if the message contains inappropriate content.
- Written warning to the employee's/RR's file.
- Suspension from work.
- Education course related to the infraction, and paid for by the employee/RR.
- Monetary sanctions
- Regulatory discipline or censure.
- Possible termination of employment.

35.19 Consent to the Policy

In using the Firm's electronic communications systems, personnel consent to the terms outlined in this policy, including consent for the Firm to monitor and audit content and/or usage.

35.20 Review of Electronic Communications

Sample of electronic communications will be selected for review by the firm's designated principal(s) or designee(s).

Electronic communication reviews should include, but not limited to:

- ✓ Customer complaints are being reported
- ✓ RRs are not attempting to resolve complaints on their own
- ✓ RRs are not soliciting, offering or selling unapproved products
- ✓ Customer funds and securities are being handled in accordance with the firm's policies
- ✓ RRs are not engaging in any unapproved outside business activities
- ✓ RRs are not selling any products or services not approved by the firm
- ✓ RRs are not using any exaggerated, promissory or inflammatory statements
- ✓ Customer documents or emails are encrypted pursuant to the firm's email encryption policy

Any violations or potential violations must be reported to the firm's CCO.

36. STATE SECURITIES (BLUE SKY) LAWS

Most states have enacted laws regulating the sale of securities and the activities of broker/dealers in securities. These laws are commonly known as "Blue Sky Laws," and in most states provide (a) that no securities dealer or securities salesperson may sell securities in the particular state unless the firm and the salesperson are registered under state law, and (b) that no security may be sold in the particular state unless the security is registered or qualified for sale (unless a specific exemption applies).

State Blue Sky Laws define the term "securities" very broadly, as does the Securities Act of 1933. In addition to stocks, bonds, debentures, and other evidence of indebtedness, specifically included as securities are investment contracts (i.e., interest in limited partnerships), certificates of interest, or participation in profit-sharing agreements and other things. Courts construing the term "security," as the term is defined by the statute, have been very expansive in their inclusion within the term of items, which on their face would seem not to fit the definition. All Blue Sky Laws contain general anti-fraud provisions which track the language of SEC Rule 10b-5. The anti-fraud provisions of the Blue Sky Laws apply to securities transactions irrespective of the application of the registration, exemption, or qualification provision.

36.1 Supervision of Blue Sky Compliance

Principals are required to review customer addresses for state registration problems. Each designated principal will regularly review new account applications for this purpose. Any detected problems in this area shall be brought to the attention of the President and PRESIDENT of Trustmont Financial Group and the CCO. Designated principals shall also be responsible for initiating the state registration process for representatives under their supervisory authority and ensuring that the representatives become registered in each state prior to conducting business.

The Financial and Operational Principal, or designee, shall conduct periodic reviews of incoming customer's checks for the purpose of identifying addresses in states where Trustmont Financial Group is not registered.

If the address of the customer is in a state where the firm is not registered, the cashiering principal shall notify the President of Trustmont Financial Group who shall take appropriate action.

37. INVESTMENT BANKING ACTIVITIES

37.1 Definition of Investment Banking Activities

Pursuant to NASD Rule 1032, the following activities are considered investment banking activities.

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

The following activities may also be deemed investment banking activities:

- ✓ Preparing a marketing plan;
- ✓ Advice on or facilitate the marketing of an offering;
- ✓ Advising on a marketing plan prepared by a sales team; and
- ✓ developing and/or contributing information for marketing materials

37.2 Registration Requirements

Prior to engaging in any investment banking activities, associated persons must register as an Investment Banking Representative (IB) by passing the Series 79 exam.

In addition, Supervisors and principals who oversee any type of investment banking activities must meet both the Investment Banking Representative requirements and the General Securities Principal requirements.

37.3 Training Program

The firm's Investment Banking training program is designed to help the trainees who are planning to take the Series 79, Investment Banking Representative Qualification examination, for the purpose of entering into the investment banking activities through the firm.

37.3.1 Scope of the Training Program

- ✓ The firm's training will cover the following topics:
- ✓ General securities industry regulations
- ✓ Insider trading and Securities Fraud Enforcement Act
- ✓ Communications with the Public
- ✓ Ethics and Financial Professional
- ✓ Investment Banking and Case Studies
- ✓ Firm's Investment Banking Policies and Procedures

Case studies must be conducted under the sponsor's supervision. Documentation of cast studies must be provided by the sponsor to the firm's Compliance Department.

37.3.2 Length of the Training Program

Trainees will be allowed to individualize the length of the training program. However, all trainees are required to complete the training program and pass the Series 79 exam no later than 2 years after they submit the training program registration form to the Home Office.

37.3.3 Eligibility Requirements

Trainees first must register to participate in the program by submitting an "Intent to Engage in Investment Banking Activities" form.

Only the individuals who meet the following criteria will be eligible to register for the firm's training program:

- ✓ Not subject to statutory disqualification;
- ✓ No investment banking activities related customer complaints
- ✓ No investment banking activities related disciplinary actions

Trainees must be also sponsored by a TFG Investment Banking Representative and approved by firm's President.

37.3.4 Training Program Administrator

The CCO is responsible for administering and overseeing the training program. The CCO is also responsible for:

- ✓ Preparing the training program material
- ✓ Maintaining documents evidencing the details of the training program
- ✓ Identifying the program participants who engage in activities that otherwise would require registration as an investment banking representative
- ✓ Maintaining documents of the date on which such participants commenced such activities

37.4 Books and Records

The following documents should be maintained in the branch location:

- Engagement agreement
- Record of due diligence and/or investigations performed per engagement

37.5 Prohibited Investment Banking Activities

The firm's Investment Banking Representatives are prohibited from:

- Providing any research report (any written report contain enough information on which to make an investment decision)
- Interacting with any unrelated parties or individuals regarding or about the engagement
- Sharing any non-public information which may be deemed insider information
- Engaging in any marketing activities regarding or about the deal

- Raising capital without appropriate additional required qualification and registration

37.6 Supervisory Responsibilities

Supervisors are responsible for:

- Making certain that appropriate investment banking engagement agreement is in place; and
- Reviewing due diligence and/or investigations report to make certain that there is no red flag and to identify any issues or potential issues; and
- Maintaining the evidence of his or her review.

Supervisors are also responsible for ensuring that the associated persons under their supervision have been adequately trained prior to engaging in any investment banking activities.

38. INSIDER TRADING POLICY AND PROCEDURES

38.1 Legislative Background of Insider Trading

The Securities and Exchange Commission (SEC) and the U.S. Department of Justice have been vigorously pursuing violations of insider trading laws. The focus of previous indictments has been on individuals and broker/dealers who had misused material and nonpublic information (i.e., "inside" information) either by improperly transmitting the information to others or by effecting securities transactions based on inside information. In 1988, Congress expanded the authority of the SEC and U.S. Department of Justice to pursue insider trading violations through enactment of the Insider Trading and Securities Fraud Enforcement Act. The Act, in addition to increasing the penalties for insider trading, also requires broker/dealers to establish, maintain, enforce and update written policies and procedures designed to prevent the misuse of material nonpublic information by its directors, officers and employees.

The Federal Reserve Board has issued a Policy Statement on the Use of Inside Information which advises banks under its regulatory oversight to develop and adopt written policies and procedures suitable to its particular circumstances, to ensure that inside information in its possession is not misused.

In response to the requirements under the Act and the Federal Reserve's Policy Statement, Trustmont Financial Group, LLC has adopted a corporate insider trading policy. Due to its unique needs and regulatory requirements as a registered broker/dealer, Trustmont Financial Group is adopting this policy in order to satisfy its additional obligations while also incorporating the standards of the corporate policy. Trustmont Financial Group is also adopting the following policies and procedures to avoid even the appearance of improper conduct on the part of anyone employed by or associated with Trustmont Financial Group. Not only is it important to protect Trustmont Financial Group against civil and criminal liability under the Act and other relevant laws and regulations, but it is equally important to protect Trustmont Financial Group's reputation for integrity and sound business practices.

38.2 Objectives of Insider Trading Policies and Procedures

The primary purpose of the adopted standards is to communicate Trustmont Financial Group's policies concerning insider trading and the procedural safeguards to prevent the misuse of "inside" information by officers, directors and employees.

It is also the intent to provide guidance for officers, directors and employees of Trustmont Financial Group to comply with existing legal restrictions and to adopt sound business practices. It is not intended that the adoption of this policy and procedures will result in the imposition of liabilities that would not exist in the absence of any policy and procedures.

38.3 Insider Trading Definitions

Material information is any information which a reasonable investor would consider important in a decision to buy, hold or sell the securities of a corporation. Therefore, "material" information may be any information which could reasonably affect, either positively or negatively, the price of a corporation's securities. Examples of material information include:

- Proposals, plans or agreements (even if preliminary in nature) involving mergers or acquisitions;
- Significant changes in management;
- Changes in debt ratings;
- Significant litigation;
- Changes in earnings estimates or actual earnings; and,
- Changes in dividend policies.

Inside information is material, nonpublic information concerning a corporation or its securities.

Associated persons of Trustmont Financial Group include all officers, directors, registered representatives and employees.

38.4 Penalties and Consequences of Insider Trading

The consequences of insider trading violations can be catastrophic to individuals and to their employers. The judgments rendered in recent insider trading cases imply strongly that the convicted individuals will serve some jail time.

Individuals who trade on inside information or tip information to others will likely receive:

- ✓ a civil penalty of up to three times the profit gained or loss avoided;
- ✓ a criminal fine (no matter how small the profit) of up to $1 million; and,
- ✓ a jail term of up to ten years.

Companies (and possibly supervisory personnel) that fail to take appropriate steps to prevent illegal trading or tipping will likely receive:

- ✓ a civil penalty to the greater of $1 million or three times the profit gained or loss avoided as a result of the employee's violation; and,
- ✓ criminal penalty of up to $2.5 million.

In addition to the above legal penalties, violations of the policy and procedures contained herein may likely result in company imposed sanctions against the employee, including termination for cause. Obviously, any of the above consequences, even an SEC investigation that does not result in prosecution, can tarnish an individual's reputation and irreparably damage a career.

38.5 Insider Trading Policy

All associated persons of Trustmont Financial Group are to comply fully with all federal and state regulations governing securities transactions.

If any associated person has knowledge of material nonpublic information relating to any publicly traded company, it is Trustmont Financial Group's policy that neither that person nor any related person may buy or sell securities of the company or engage in any other action to take advantage of, or pass on to others, that information until at least 72 hours after such information has been publicly available through the news media.

It is important to emphasize that insider trading laws and the above policy can be violated in two separate ways, when:

- Associated persons of Trustmont Financial Group trade the securities of an issuer while in possession of material and nonpublic information concerning the issuer; or
- Associated persons of Trustmont Financial Group improperly transmit material and nonpublic information concerning an issuer to another individual, (i.e., "tipping") who effects a securities transaction based upon the information provided.

The penalties described above apply whether or not the "tipper" derives any benefit from the "tippee's" actions. In fact, the SEC has imposed significant fines on tippers even though they did not profit from the tippee's trading.

38.6 Insider Trading Safeguards and Restrictions

Trustmont Financial Group and its personnel may, in the course of conducting a securities business, obtain information concerning customers, vendors or other persons which may be considered "inside" information. Therefore, it is important that Trustmont Financial Group implement preventive procedures and other safeguards designed to provide reasonable assurance that its personnel understand and comply with insider trading regulations and its adopted policies and procedures.

38.6.1 Employee Training on Insider Trading

Trustmont Financial Group will conduct training on insider trading at least annually. Such training may be conducted as part of the firm's annual compliance meeting or firm CE requirements. Registered representatives will annually sign an attestation via annual questionnaires to their understanding of insider trading rules. Employees and registered representatives will be kept up to date on new or revised insider trading regulations.

The firm's CCO will be responsible for:

- ✓ The firm's training program on insider trading; and
- ✓ Making certain to obtain an attestation from each associated person.

The firm's Registrations Department is responsible for collecting each new hire's initial acknowledgement on the firm's Insider Trading policies and procedures.

38.6.2 Information Exchange Barriers and Procedures

By restricting, to as great an extent as possible, the number of individuals having access to "material information," a broker/dealer is building a good defense against possible insider trading violations.

Procedural safeguards which restrict access to inside information are also referred to as "Chinese Walls." In addition to restricting access to inside information, information barriers are adopted to prevent conflict of interest problems, to promote customer protection, and to facilitate the detection of insider trading abuses.

Multi-service broker/dealers (i.e., broker/dealers which offer corporate finance and/or investment banking services in addition to brokerage services) generally will erect procedural and physical barrier between its internal departments in order to restrict inside information to those individuals who have a "need-to-know." In order to provide reasonable assurance that conflicts of interest are minimized and insider trading laws are complied with, the Trustmont Financial Group has adopted the following procedural safeguards.

38.6.3 Separation of Trading Functions from Corporate Finance Functions

The first safeguard is designed to separate employees who perform trading services from corporate finance areas. Corporate finance activities therefore include the following:

- ✓ Providing financial advisory, underwriting, investment banking and private placement services to corporate customers;

Because Trustmont Financial Group conducts trading and investment advisory functions, its associated persons are restricted from gaining access to inside information provided to, and generated by, the corporate finance areas. Reasonable assurance that inside information will not be communicated improperly to Trustmont Financial Group personnel shall be accomplished through mandatory compliance with the following guidelines;

- ✓ Trustmont Financial Group personnel who perform trading or investment advisory functions should not have access to corporate finance files or other files that may contain material and nonpublic information;
- ✓ Trustmont Financial Group personnel who perform trading or investment advisory functions should not attend private meetings between or among personnel engaged in corporate finance activities where material and nonpublic information is discussed;
- ✓ Trustmont Financial Group personnel should not serve simultaneously on any committee having responsibility for making investment decisions or recommendations with respect to specific securities transactions, and any committee having responsibility for corporate finance activities;

38.6.4 Monitoring Employee Trading for Insider Trading and Investigating Suspect Trades

All trading done in accounts of Trustmont Financial Group's associated persons will be regularly monitored by either the designated principal or the Supervisors and periodically examined by the CCO. Among the objectives of this review is to detect purchases and sales of securities just prior to material news announcements influencing the price of the securities and therefore based on material and nonpublic information. A second objective is to detect employee transactions which are of unusually large size and therefore possibly based on material and nonpublic information.

The designated principal will promptly review all associated person's trade confirmations received during the month for all securities accounts (i.e., both outside securities accounts and Trustmont Financial Group accounts carried by clearing firm, with the exception of outside brokerage accounts

owned by Trustmont Financial Group directors). The size of all transactions shall also be reviewed in relation to the individual's historical investment pattern. Transactions, which are identified as unusual in terms of size, should be carefully monitored in relation to news announcements and fluctuations in the price of the security. The designated principal shall advise the CCO of all transactions which are determined questionable or suspicious based on this review. A method of further investigation shall then be established, executed, and documented.

At month end, the designated principal shall review a monthly associated person's trade blotter for indications of insider trading. If this review indicates the possibility of insider trading, the CCO shall be advised and a method of further investigation established. This method may include reviewing a more extended period of the individuals trading, questioning the individual about the trade(s), and attempting to identify the manner in which the individual may have acquired inside information. The method of investigation and its results shall be documented by the CCO. The documentation must include, at a minimum:

- Name of security;
- Date investigation began;
- Identification of the accounts involved; and,
- Summary of the investigation's disposition.

38.6.5 Procedures for Handling Insider Information

Trustmont Financial Group's associated persons are advised to promptly report any information which may possibly be construed as inside information to their designated principal. Upon management's determination that the information is of a material and nonpublic nature, management should promptly:

- ✓ Halt all associated persons' trading and recommendations of the securities;
- ✓ Ascertain the validity and nonpublic nature of the information;
- ✓ In the event the information is not publicly disseminated, notify the Trustmont Financial Group CCO and the Corporation's legal counsel and request advice as to what further steps should be taken, including possible publication of the information, before trading and recommendations in the securities are resumed; and,
- ✓ Prepare documentation which records the event and all response actions taken.

38.6.6 Restricted and Watch Lists

Many broker/dealers and an increasing number of bank holding companies are utilizing Restricted and Watch Lists to facilitate the prevention and detection of abusive insider trading practices. Trustmont Financial Group may employ the use of such devices when considered necessary and in the best interest of Trustmont Financial Group.

A restricted list is used by a company to advice employees of the names of other companies' securities which employees are restricted from trading. A company will generally circulate such a list when there exists a publicly disclosed relationship between the company and other publicly traded entities, and the company wishes to preclude the possibility of perceptions of impropriety which may result

from employee trading in these entities' securities. A restricted list will generally not include the names of companies with whom Trustmont Financial Group is involved in confidential dealings or has been provided with inside information concerning the companies.

A watch list is generally used to alert only selected corporate officers and compliance personnel of the names of companies which Trustmont Financial Group or its affiliates is engaged in sensitive business dealings and where Trustmont Financial Group or the affiliate has obtained inside information concerning the company or another issuer. A watch list may be used in such instances to closely monitor employee transactions for the purpose of detecting trading which may be based on inside information.

38.7 Twenty-Twenty Hindsight

Associated persons of Trustmont Financial Group should bear in mind that their securities transactions will be viewed after-the-fact with the benefit of hindsight. Therefore, before engaging in any securities transaction, Trustmont Financial Group personnel should carefully consider how regulators and others might view the transaction in hindsight.

38.8 Certification and Reporting

Trustmont Financial Group associated persons are required to attest to understanding of and conformance with the Insider Trading and Securities Fraud Enforcement Act of 1988 on an annual basis.

38.9 Employee Assistance

Trustmont Financial Group personnel who have questions about specific transactions or general information found within these standards may obtain additional guidance by contacting Trustmont Financial Group’s Chief Financial Officer or Trustmont Financial Group's CCO. Trustmont Financial Group personnel should be aware, however, that the ultimate responsibility for adhering to the policy and procedures set forth herein, and avoiding improper transactions, rests with the individuals themselves.

39. IDENTITY THEFT PREVENTION PROGRAM (ITPP) UNDER THE FTC FACT ACT RED FLAG RULE

39.1 Firm Policy

Our policy is to protect our customers and their accounts from identity theft and to comply with the FTC’s Red Flags Rule. We will do this by developing and implementing this written ITPP, which is appropriate to our size and complexity, as well as the nature and scope of our activities.

This ITPP address:

- Identifying relevant identity theft Red Flags for our firm;
- Detecting those Red Flags;
- Responding appropriately to any that are detected to prevent and mitigate identity theft; and
- Updating our ITPP periodically to reflect changes in risks.

Our identity theft policies, procedures and internal controls will be reviewed and updated periodically to ensure they account for changes both in regulations and in our business.

39.2 ITPP Approval and Administration

The firm's PRESIDENT approved this ITPP. The firm's President and Chief Operating Officer who is also a member of senior management is the designated identity theft officer and is responsible for the oversight, development, implementation and administration (including staff training and oversight of third party service providers of ITTP services) of this ITPP.

39.3 Relationship to Other Firm Programs

We have reviewed other policies, procedures and plans required by regulations regarding the protection of our customer information, including our policies and procedures under Regulation S-P, our CIP and red flags detection under our AML Compliance Program in the formulation of this ITPP, and modified either them or this ITPP to minimize inconsistencies and duplicative efforts.

39.4 Identifying Relevant Red Flags

To identify relevant identity theft Red Flags, our firm assessed these risk factors:

- The types of covered accounts we offer;
- The methods we provide to open or access these accounts; and
- Previous experience with identity theft.

Our firm also considered the sources of Red Flags, including identity theft incidents our firm has experienced, changing identity theft techniques our firm thinks likely, and applicable supervisory guidance. In addition, we considered the following categories and other examples as they fit our situation:

- Alerts, notifications or warnings form a consumer credit reporting agency
- Suspicious documents
- Suspicious personal identifying information
- Suspicious account activity
- Notice from other sources

We understand that some of these categories and examples may not be relevant to our firm and some may be relevant only when combined or considered with other indicators of identity theft. We also understand that the examples are not exhaustive or a mandatory checklist, but a way to help our firm think through relevant red flags in the context of our business. Based on this review of the risk factors, sources, and FTC examples of red flags, we have identified our firm's Red Flags, which are contained the first column ("Red Flag') of the "Red Flag Identification and Detection Grid" below.

39.5 Detecting Red Flags

We have reviewed our covered accounts, how we open and maintain them, and how to detect Red Flags that may have occurred in them. Our detection of those Red Flags is based on our methods of getting information about applicants and verifying it under our CIP of our AML compliance procedures, authenticating customers who access the accounts, and monitoring transactions and change of address requests. For opening covered accounts, that can include getting identifying information about and verifying the identity of the person opening the account by using the firm's CIP. For existing covered

accounts, it can include authenticating customers, monitoring transactions, and verifying the validity of changes of address. Based on this review, we have included in the second column ("Detecting the Red Flag") of the "Red Flag Identification and Detection Grid" below how we will detect each of our firm's identified Red Flags.

39.6 Preventing and Mitigating Identity Theft

We have reviewed our covered accounts, how we open and allow access to them, and our previous experience with identity theft, as well as new methods of identity theft we have seen or foresee as likely. Based on this and our review of the FTC's identity theft rules and its suggested responses to mitigate identity theft, as well as other sources, we have developed our procedures below to respond to detected identity theft Red Flags.

39.6.1 Procedures to Prevent and Mitigate Identity Theft

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

39.6.1.1 *Applicants*

For Red Flags raised by someone applying for an account:

• Review the application: We will review the applicant's information collected for our CIP under our AML Compliance Program (e.g., name, date of birth, address, and an identification number such as a Social Security Number or Taxpayer Identification Number)

• Get government identification: If the applicant is applying in person, we will also check a current government-issued identification card, such as a driver's license or passport. We will not accept an electronic application via our Website.

• Seek additional verification: If the potential risk of identity theft indicated by the Red Flag is probable or large in impact, we may also verify the person's identify through non-documentary CIP methods, including:

- Contacting the customer;
- Independently verifying the customer's information by comparing it with information from a credit reporting agency, public database or other source such as a data broker or the Social Security Number Death Master File;
- Checking references with affiliated financial institutions; or
- Obtaining a financial statement.

• Deny the application: If we find that the applicant is using an identity other than his or her own, we will deny the account.

• Report: If we find that the applicant is using an identity other than his or her own, we will report it to appropriate local and state law enforcement; where organized or wide spread crime is suspected, the FBI or Secret Service; and if mail is involved, the US Postal Inspector. We may also, as recommended by FINRA's Customer Information Protection web page's "Firm Checklist for Compromised Accounts," report it to our FINRA coordinator; the SEC; State regulatory authorities,

such as the state securities commission; and our clearing firm.

• Notification: If we determine personally identifiable information has been accessed, we will prepare any specific notice to customers o other required notice under state law.

39.6.1.2 *Access Seekers*

For Red Flags raised by someone seeking to access an existing customer's account:

• Watch: We will monitor, limit, or temporarily suspend activity in the account until the situation is resolved.

• Check with the customer: We will contact the customer using our CIP information for them, describe what we have found and verify with them that there has been an attempt at identify theft.

• Heightened risk: We will determine if there is a particular reason that makes it easier for an intruder to seek access, such as a customer's lost wallet, mail theft, a data security incident, or the customer's giving account information to an imposter pretending to represent the firm or to a fraudulent web site.

• Check similar accounts: We will review similar accounts the firm has to see if there have been attempts to access them without authorization.

• Collect incident information: For a serious threat of unauthorized account access we may, as recommended by FINRA's Customer Information Protection web pages' "Firm Checklist for Compromised Accounts," collect if available:

- Firm information (both introducing and clearing firms);
  - ✓ Firm name and CRD number
  - ✓ Firm contact name and telephone number
- Dates and times of activity;
- Securities involved (name and symbol);
- Details of trades or unexecuted orders;
- Details of any wire transfer activity;
- Customer accounts affected by the activity, including name and account number; and
- Whether the customer will be reimbursed and by whom.

• Report: If we find unauthorized account access, we will report it to appropriate local and state law enforcement; where organized or wide spread crime is suspected, the FBI or Secret Service; and if mail is involved, the US Postal Inspector. We may also, as recommended by FINRA's Customer Information Protection web page's "Firm Checklist for Compromised Accounts," report it to our FINRA coordinator; the SEC; State regulatory authorities, such as the state securities commission; and our clearing firm.

• Notification: If we determine personally identifiable information has been accessed that results

in a foreseeable risk for identity theft, we will prepare any specific notice to customers or other required under state law.

• Review our insurance policy: Since insurance policies may require timely notice or prior consent for any settlement, we will review our insurance policy to ensure that our response to a data breach does not limit or eliminate our insurance coverage.

• Assist the customer: We will work with our customers to minimize the impact of identity theft by taking the following actions, as applicable:

- Offering to change the password, security codes or other ways to access the threatened account;
- Offering to close the account;
- Offering to reopen the account with a new account number;
- Not collecting on the account or selling it to a debt collector; and
- Instructing the customer to go to the FTC Identity Theft Web Site to learn what steps to take to recover from identity theft, including filling a complaint using its online complaint form, calling the FTC's Identity Theft Hotline 1-877-ID-THEFT (438-4338), TTY 1-866-653-4261, or writing to Identity Theft Clearinghouse, FTC, 6000 Pennsylvania Avenue, NW, Washington, DC 20580.

39.7 Clearing Firm and Other Service Providers

Our firm uses a clearing firm in connecting with our covered accounts. We have a process to confirm that our clearing firm and any other service provider that performs activities in connection with our covered accounts, especially other service providers that are not otherwise regulated, comply with reasonable policies and procedures designed to detect, prevent and mitigate identity theft by contractually requiring them to have policies and procedures to detect Red Flags contained in our Grid and report detected Red Flags to us.

39.8 Internal Compliance Reporting

Our firm's staff who are responsible for developing, implementing and administering our ITPP will report at last annually to our senior management team on compliance with the FTC's Red Flags Rule. The report will address the effectiveness of our ITPP in addressing the risk of identity theft in connection with covered account openings, existing accounts, service provider arrangements, significant incidents involving identity theft and management's response and recommendations for material changes to our ITPP.

39.9 Update and Annual Review

Our firm will update this plan whenever we have a material change to our operations, structure, business or location or to those of our clearing firm, or when we experience either a material identity theft from a covered accounts, or a series of related material identity thefts from one or more covered accounts. In addition, we periodically (at least annually) reassess whether we are a financial institution or creditor that offers or maintains covered accounts. Our firm will also follow new ways that identities can be compromised and evaluate the risk they pose for our firm.

We will review this ITPP annually to modify it for any changes in our operations, structure, business, or location or substantive changes to our relationship with our clearing firm.

39.10 Training

The firm will provide training under the leadership of the firm's CCO and senior management. The firm's training will occur on at least an annual basis either as a part of the firm element continuing education or as annual compliance interview via either in-person lectures or webinars.

In addition, the firm's CCO will review the firm's operations to see if certain associated persons, such as those in compliance, operations and unregistered admin personnel, also require training.

39.11 Red Flag Identification and Detecting Grid

RED FLAG	DETECTING THE RED FLAG
CATEGORY: Alerts, Notifications or Warnings from a Consumer Credit Reporting Agency	
We neither check a customer's credit report when we open a new account or establish a new broker-customer relationship nor receive a customer's credit report discrepancy notice or red flags from any credit reporting agencies or bureau. However, when we receive any inquiries about any customers either from any credit reporting agencies or our clearing firm or any other service providers, we will investigate and cooperate with them as long as such cooperation is in line with the rules and regulations that we are subject to.	
CATEGORY: Suspicious Documents	
1. Identification presented looks altered or forged.	Registered representatives who deal with customers and their Supervisors will scrutinize identification presented in person to make sure it is not altered or forged. Any violations or potential violations will be reported to and investigated by the firm's AML Compliance Officer.
2. The identification presents does not look like the identification's photograph or physical description.	Registered representatives who deal with customers and their Supervisors will ensure that the photograph and the physical description on the identification match the person presenting it. Any violations or potential violations will be reported to and investigated by the firm's AML Compliance Officer.

3. Information on the identification differs from what the identification presenter is saying.	Registered representatives who deal with customers and their Supervisors will ensure that the identification and the statements of the person presenting it are consistent. Any violations or potential violations will be reported to and investigated by the firm's AML Compliance Officer.
4. Information on the identification does not match other information our firm has on file for the presenter, like the original account application, signature card or a recent check.	Registered representatives who deal with customers and their Supervisors will ensure that the identification presented and other information we have on file from the account, such as date of birth, social security number, mailing address, and etc., are consistent. Any violations or potential violations will be reported to and investigated by the firm's AML Compliance Officer.
5. The application looks like it has been altered, forged or town up and reassembled.	Registered representatives who deal with customers and their Supervisors will scrutinize each application to make sure it is not altered, forged, or torn up and reassembled. Any violations or potential violations will be reported to and investigated by the firm's AML Compliance Officer.
CATEGORY: Suspicious Personal Identifying Information	
6. Inconsistencies exist between the information presented and other things we know about the presenter or can find out by checking readily available external sources, such as an address that does not match a consumer credit report, or the Social Security Number (SSN) has not been issued or is listed on the Social Security Administration's (SSA's) Death Master file.	Registered representatives will check personal identifying information presented to us to ensure that the SSN is valid. When an account is opened with our clearing firm using the SSN listed on the Social Security Administration's Death Master file, it will take at least three days for the clearing firm to detect such fact. When notified by the clearing firm, we will immediately code the account for NMB and investigate the matter.

	Any violations or potential violations will be reported to and investigated by the firm's AML Compliance Officer.
7. Inconsistencies exist in the information that the customer gives us, such as a date of birth that does not fall within the number range on the SSA's issuance tables.	Registered representatives will check personal identifying information presented to us to make sure that it is internally consistent by comparing the date of birth to see that it falls within the number range of the SSA's issuance table. Any violations or potential violations will be reported to and investigated by the firm's AML Compliance Officer.
8. Personal identifying information presented has been used on an account our firm knows was fraudulent.	Registered representatives will compare the information presented with addresses and phone numbers on accounts or applications we found or were reported were fraudulent, Any violations or potential violations will be reported to and investigated by the firm's AML Compliance Officer
9. Personal identifying information presented suggests fraud, such as an address that is fictitious, a mail drop, or a prison; or a phone number is invalid, or is for a pager or answering service.	Registered representatives will validate the information presented when opening an account by looking up addresses on the internet to ensure they are real and not for a mail drop or a prison, and will call the phone numbers given to ensure they are valid and not for pagers or answering services. Any violations or potential violations will be reported to and investigated by the firm's AML Compliance Officer.
10. The SSN presented was used by someone else opening an account or other customers.	Registered representatives will compare the SSNs presented to see if they were given by others opening accounts or other customers. Any violations or potential violations will be reported to and investigated by the firm's AML Compliance Officer.

11. The address or telephone number presented has been used by many other people opening accounts or other customers.	Registered representatives will compare address and telephone number information to see if they were used by other applicants and customers. Any violations or potential violations will be reported to and investigated by the firm's AML Compliance Officer.
12. A person who omits required information on an application or other form does not provide it when told it is incomplete.	Registered representatives will track when applicants or customers have not responded to requests for required information and will follow up with the applicants or customers to determine why they have not responded. Any violations or potential violations will be reported to and investigated by the firm's AML Compliance Officer.
13. Inconsistencies exist between what is presented and what our firm has on file.	Registered representatives will verify key items from the data presented with information we have on file. Any violations or potential violations will be reported to and investigated by the firm's AML Compliance Officer
14. A person making an account application or seeking access cannot provide authenticating information beyond what would be found in a wallet or consumer credit report, or cannot answer a challenge question.	Registered representatives will authenticate identities for existing customers by asking challenge questions that have been prearranged with the customer and for applicants or customers by asking questions that require information beyond what is readily available from a wallet or a consumer credit report. Any violations or potential violations will be reported to and investigated by the firm's AML Compliance Officer.

CATEGORY: Suspicious Account Activity

15. Soon after our firm gets a change of address request for an account, we are asked to add additional access means (such as debit cards or checks) or authorized users for the account.	Our AML Compliance Officer or his or her designee will verify change of address requests by sending a notice of the change to both the new and old addresses so the customer will learn of any unauthorized changes and can notify us.
16. A new account exhibits fraud patterns, such as where a first payment is not made or only the first payment is made, or the use of credit for cash advances and securities easily converted into cash.	Registered representatives will review new account activity to ensure that first and subsequent payments are made, and that credit is primarily used for other than cash advances and securities easily converted into cash. Any violations or potential violations will be reported to and investigated by the firm's AML Compliance Officer.
17. An account develops new patterns of activity, such as nonpayment inconsistent with prior history, a material increase in credit use, or a material change in spending or electronic fund transfers.	Registered representatives will review our accounts on at least a monthly basis and check for suspicious new patterns of activity such as nonpayment, a large increase in credit use, or a big change in spending or electronic fund transfers. Any violations or potential violations will be reported to and investigated by the firm's AML Compliance Officer.
18. An account that is inactive for a long time is suddenly used again.	Registered representatives will review our accounts on at least a monthly basis to see if long inactive accounts become very active. Any violations or potential violations will be reported to and investigated by the firm's AML Compliance Officer.
19. Mail our firm sends to a customer is returned repeatedly as undeliverable even though the account remains active.	Our AML Compliance Officer or his or her designee will note any returned mail for an account and immediately check the account's activity.
20. We learn that a customer is not getting his or her paper account statements.	Our AML Compliance Officer or his or her designee will record on the account any report that the customer is not receiving paper statements and immediately investigate them.
21. We are notified that there are unauthorized charges or transactions to the account.	Our AML Compliance Officer or his or her designee will verify if the notification is legitimate and involves a firm account, and then investigate the report.

CATEGORY: Notice Form Other Sources

22. We are told that an account has been opened or used fraudulently by a customer, an identity theft victim, or law enforcement.	Our AML Compliance Officer or his or her designee will verify that the notification is legitimate and involved a firm account, and then investigate the report.
23. We learn that unauthorized access to the customer's personal information took place or became likely due to data loss (e.g., loss of wallet, birth certificate, or laptop, leakage, or breach).	Our AML Compliance Officer or his or her designee will contact the customer to learn the details of the unauthorized access to determine if other steps are warranted.

40. Cyber Security: PROTECTION OF DIGITAL CUSTOMER INFORMATION

Protection of our customer information is our priority, and our obligation to protect our customer accounts and information has never been more important than it is today. Accordingly, to ensure that our customer's non-public information is protected from any potential cyber-crimes, the firm implemented the following policies and procedures addressing the protection of Digital Customer Information.

In the normal course of business, we will share customer nonpublic information with service providers such as clearing firms or service bureaus. The firm does not share customer nonpublic information with non-affiliated companies or non-exempt service providers.

40.1 Definition

Digital Customer Information is defined as:

- Customer's non-public information and/or documents with customer's non-public information disseminated via electronic media, such as emails; and
- Customer's non-public information and/or documents with customers' non-public information maintained at or via electronic storage, such as computer hard drive, server, CD-ROM, DVD, thumb drive, etc.
- Digital customer information is accessed by password protection or other established controls within the Firm's (or clearing firm's) system to ensure only authorized persons gain access. For example, sales personnel may access information regarding accounts assigned to them but not the accounts assigned to others. All agreements with clearing firms and other service providers include the third party's privacy policies.

40.2 Use of Desktop Computer

Desktop computers used for the purpose of downloading or maintaining Digital Customer Information must be protected from unauthorized users by requiring username and password to access the Desktop Computer. Furthermore, the Desktop Computer must be protected from any potential cyber-crimes.

Accordingly, as the firm's policy, registered representatives are prohibited from using a Desktop Computer for the purpose of downloading or maintaining Digital Customer Information unless the Desktop Computer

meets the following minimum security standards:

- ✓ Desktop Computers containing Digital Customer Information should be protected by password
- ✓ Desktop Computers containing Digital Customer Information should require no longer than 10 minutes of idle time
- ✓ Desktop Computers containing Digital Customer Information must maintain the following applications active:
- ✓ Anti-virus software
- ✓ Firewall software
- ✓ Anti-malware software

As the firm's policy, associated persons may not access, download, maintain, or transmit Digital Customer Information to or through a Desktop Computer that does not meet the minimum security standards listed above.

40.3 Use of Portable Electronic Devices

Use of portable electronic devices, such as Laptop, tablets, etc., for the purpose of downloading, storing, or maintaining any customer's non-public information is strictly prohibited unless either the device itself or the Digital Customer Information to be downloaded or maintained is encrypted.

Please note that portable electronic devices must also meet the following minimum security standards:

- ✓ Portable Electronic Devices should be protected by password
- ✓ Portable Electronic Devices should require no longer than 10 minutes of idle time
- ✓ Portable Electronic Devices must maintain the following applications active:
- ✓ Anti-virus software
- ✓ Firewall software
- ✓ Anti-malware software

As the firm's policy, associated persons may not access, download, maintain, or transmit Digital Customer Information to or through a Portable Electronic Device that does not meet the minimum security standards listed above.

40.4 Internet Use

- ✓ Software for browsing the Internet is provided to authorized users for business and research use only.
- ✓ All software used to access the Internet must be part of the TRUSTMONT FINANCIAL GROUP standard software suite or approved by the designated information officer. This software must incorporate all vendor provided security patches.
- ✓ All software used to access the Internet shall be configured to use the firewall.

40.5 Access to Customer Information via Wi-Fi

Because of risk of unauthorized access by outside parties and the difficulty of ensuring the security of wireless connections to the Internet, employees are not permitted to use wireless fidelity (Wi-Fi) to access

customer account information, unless:

- ✓ The employee is working on Firm premises
- ✓ The employee has installed Firm-required firewalls or other protections and has prior approval from the designated information officer to use Wi-Fi for Firm business.

40.6 External or Portable Storage Device

Use of external or portable storage devices, such as external hard-drive, thumb drive, CD-ROM, or DVD, for the purpose of downloading, storing, or maintaining any Digital Customer Information is strictly prohibited unless either the devices or the data and/or documents to be downloaded or maintained are encrypted.

40.7 Use of Electronic Communications

40.7.1 When Disseminating Customer's Non-Public Information via Email or Text Messaging

As the firm's policy, the firm's associated persons are prohibited from sending an individual's name linked with additional personal elements, such as, the individual's social security number, personal identification number (I.e., driver's license number or state identification card number), or account number via electronic media unless such communication or document with such information is encrypted.

Accordingly, the type of documents that require encryption, but not limited to, are the following:

- ✓ Account form with customer's non-public personal information
- ✓ Account statement
- ✓ Transaction confirmation
- ✓ Bank account information or document
- ✓ Subscription agreement
- ✓ Any internal or external document with customers' non-public personal information

In order to send a secure message through email using the firm's email system, type in the word "secure:" on the subject line of the email message.

When/if an email (either encrypted or unencrypted) which is subject to the encryption requirement is erroneously sent to a wrong or unauthorized party (including wrong customer), the email sender must immediately notify the Home Office.

40.7.2 When Receiving Customer's Request via Electronic Communication

As the firm's policy, the firm does not accept customer's instructions such as, address change request, wire request, etc., when requested via electronic communication without the customer signed instruction attached. When such instruction is received by electronic communication, the registered representative must contact the customer via telephone and request the customer signed request.

40.8 Disposal of Electronic Devices

The firm doesn't provide any electronic devices, such as desktop computers and laptops, to our registered representatives other than the firm's Home Office employees. Each registered representative acquires and

possesses such devices as needed. Therefore, registered representatives (who have the ownership of or are authorized to use of the devices) are solely responsible for the permanent erasure of customers' non-public information and data stored, recorded, or contained within or on electronic devices, before they relinquish possession of the device.

Accordingly, internal memory from the hard drive of electronic devices, tapes, CDs and DVDs, or any other devices used to store customers' non-public information must be wiped or destroyed when it is disposed, sold or donated.

40.9 Use of Third Party Electronic Storage System or Service

Trustmont Financial Group may utilize third party electronic storage systems or services. All agreements with service providers will include the third party's privacy policies. The frequency and extent of data backups will be in accordance with the importance of the information and the acceptable risk as determined by the designated information officer. If deemed necessary, there may be multiple backups of critical information utilizing different media and vendors.

The backup and recovery process will be documented and periodically reviewed. Verification of the success of the electronic information backup will be periodically performed. Backups will be tested to ensure that they are recoverable.

40.10 Security Information Event Management (SIEM)

Whenever a security incident, such as a virus, worm, hoax email, discovery of hacking tools, altered data, etc. is suspected or confirmed, the designated information officer must be notified. He/she is responsible for monitoring that any damage from a security incident is repaired or mitigated and that the vulnerability is eliminated or minimized where possible. The designated information officer is responsible for initiating, completing, and documenting the incident investigation. The designated information officer will be responsible to report the incident to the local, state or federal law officials as may be required by applicable statutes and/or regulations.

40.11 Reporting Requirement

As mentioned above, the firm doesn't provide any electronic devices to our registered representatives. Rather, each registered representative acquires and possesses such devices as needed at their location. Therefore, the registered representatives who have the ownership of or are authorized user of the devices are: (i) solely responsible for the testing of the devices for the compliance with the firm's policies and procedures; and (ii) required, at least annually, to attest to their understanding of and/or compliance with such policies and procedures.

Associated persons must immediately notify the firm's Compliance Department when they become aware that:

- ✓ Any customer's non-public information security has been breached, lost, or stolen by an unauthorized party; and/or
- ✓ Any electronic device, such as laptop, CD-ROM, thumb drive, with Computerized Customer Information has been lost or stolen.

In addition, when/if an associated person becomes aware that either their username or password of the

system maintaining customer Information has been exposed to any unrelated and/or unauthorized party, the associated person must immediately notify the home office. If an associated person suspects or becomes aware that customer's non-public information has been breached, lost, or stolen by an unauthorized party, the associated person must immediately notify the firm's Compliance Department.

Failure to comply with this policy may result in disciplinary action up to and including termination.

41.0 Client Relationship Management (CRM) Systems

Trustmont Financial Group maintains a list of approved Client Relationship Management (CRM) Systems that may be utilized by a registered representative. Trustmont Financial Group does not require a registered representative to use such a system, but if a registered representative so chooses, he/she must select from the approved CRM list. A registered representative is prohibited from using a system that is not on the approved list.

A registered representative is required to notify Trustmont Financial Group prior to utilizing any CRM system. At that point, the registered representative will be directed to the approved product list. If a registered representative desires to use a system that is not on the approved list, he/she may request Trustmont to add a certain product to the approved list by completing a Request for Approval form located on the Trustmont website. If the product is approved for use, it will be added to the Client Relationship Management (CRM) Systems approved products list, and the registered representative will be given the approval for use.

A registered representative is required to certify annually what CRM System, if any, is utilized in his/her office. If it is found that a registered representative is utilizing a system that has not been approved, the registered representative will be required to immediately discontinue its use until it can be determined if the product can be approved for use. During the onboarding process for new representatives, inquiry will be made at that time to determine if the registered representative utilizes a CRM system and if so, whether it appears on the approved list. If the CRM system does not appear on Trustmont's approved list, the registered representative will not be given approval to use the system until it can be determined if the product can be approved for use.

Trustmont Financial Group may place limitations on a CRM System. An example of one such limitation is the use of a "Vault". The use of "vaults" could allow data to be shared between the registered representative and the client. We would limit this feature as it would circumvent our archiving and review process of documents. Each CRM System is reviewed to its respective features, and additional limitations may be placed on a CRM System if it is determined that the use of a certain feature would violate other policies and procedures. A registered representative who chooses to utilize a CRM System will be explained any restrictions on its use.

Continued education on the use of CRM Systems and the compliance requirements associated with their use will be addressed through Trustmont's mandatory quarterly webinars, calls, newsletters, email reminders, etc. A registered representative who utilizes a CRM System will be required to demonstrate the use of it during on-site office examinations.

42.0 Consolidated Financial Reports to Customers

Trustmont Financial Group recognizes that the practice of providing customers with consolidated financial

account reports has become increasingly common in the financial services industry. These reports represent communications with the public and the dissemination of these reports must comply with all applicable FINRA rules, federal securities laws and Trustmont policies and procedures.

Trustmont Financial Group understands that investor demand for this service has grown; however, it cautions representatives to read, understand, and abide by the limitations of this policy on the preparation and distribution of such reports.

Trustmont Financial Group addresses compliance in the following categories of customer reports:

Type of Report	Description	Summary of Restrictions and Limitations
Manually Prepared Consolidated Reports	In many cases, these reports offer a single document that combines information regarding most or all of the customer's financial holdings, regardless of where those assets are held.	Written approval of a principal is required prior to use. Ongoing oversight will apply, including providing copies of reports and supporting documentation as required by the approving principal. Consolidated Reports are considered Correspondence and are subject to the firm's supervision and records retention rules.
Portfolio Performance Reports	Summary of a client's portfolio holdings, possibly including historical rates of return, and in many cases including more than one account held among a household. Reports of gross and net returns, absolute performance and performance relative to customized benchmarks for a particular style or styles.	Portfolio Pathway is Trustmont's approved automated system for creating Performance Reports. Portfolio Pathway utilizes direct data feeds from various custodians. It is also possible to enter information that is not from a direct data feed, such as fixed annuities; however, this information cannot be entered directly by the representative. If a representative wishes to include information that is not from a direct data feed, the representative must submit the request, with supporting documentation through Trustmont. Consolidated Reports are supervised according to the methodology used to create the report. (1) If a report is created with direct data feed information only, the report is considered correspondence and is subject to post review by a Principal, (2) If a report is created using information entered manually in the system, the supervision requirements will follow the review and approval procedures of a manually prepared consolidated report. All reports must be submitted as correspondence and are retained according to the books and records requirements and Trustmont policies and procedures.

42.1 Manually Prepared Consolidated Reports

Trustmont Financial Group prohibits the use of letterhead or stationery that presents the misconception that Trustmont Financial Group has produced or verified all of the data, including the valuation of assets held away. Therefore, these reports should be constructed and provided in such a manner that neither customers nor third parties with whom the customer interacts (*e.g.*, banks, mortgage companies, other broker-dealers) are likely to be confused or misled as to the nature of the information presented, or mistake these documents for official account statements regarding the reported assets. The reports must clearly delineate between information regarding assets held on behalf of the customer, which are included on the firm's books and records, and other external accounts or assets.

When Trustmont is unable to test or otherwise validate data for non-held assets, including valuation information, it must clearly and prominently disclose that the information provided for those assets is unverified. In addition, to the extent a consolidated report contains information regarding financial products that are outside a registered representative's area of proficiency, representatives must discuss and present these financial products in a manner that does not mislead customers as to the scope of the representative's knowledge regarding these investments.

42.1.1 Review and Approval

All manually prepared consolidated reports (and those reports created through Portfolio Pathway which contain data not from a direct feed) must be approved by a Trustmont Financial Group Principal prior to being given to a customer. Reports and all supporting documents must be submitted to the Trustmont Compliance Department by secure emailing to reports@trustmontgroup.com.

Once approval is given for the report to be used, a Principal will sign the report and a copy will be returned to the registered representative via secure email, including the supporting documents used to verify the manual entries. A copy of the report, along with the supporting documentation will be retained at Trustmont Financial Group as correspondence. The email used to communicate the approval to the representative will be archived.

42.2 Report Design

The design and formatting of consolidated reports is important for ensuring information is clearly communicated. In addition to the requirements outlined above, Trustmont requires, when applicable, the following disclosures:

- that the consolidated report is provided for informational purposes and as a courtesy to the customer for reference purposes only, and no representation is made as to its accuracy.
- that the information is based on sources believed to be accurate, however, it cannot be guaranteed.
- that the consolidated report may include assets that the firm does not hold on behalf of the customer and which are not included on the firm's books and records.
- that the consolidated report is not a substitute for the official account statements provided by a product sponsor or brokerage firm and should any conflict exist between this report and any statement or confirmation provided by a product sponsor or brokerage firm, information provided

by the product sponsor or brokerage firm shall prevail.

- that past performance may not be indicative of future results; therefore, no client should assume that the future performance of any specific investment or investment strategy will be profitable or equal to past performance levels.
- that Index returns are for illustrative purposes only and do not represent an actual fund performance. Index performance returns do not reflect management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an Index. The comparative indexes are not a reasonable comparison to your overall portfolio as your portfolio may not be attempting to track any specific Index. Past performance does not guarantee future results.
- that cash, money markets and fixed annuities in the portfolio can increase a portfolios return in a falling market and decrease the return in a rising market.
- that performance is net of fees and is calculated using the Time Weighted Return method. Date to date performance is on a cumulative basis.
- that prices, yields, and total returns will fluctuate.
- that, when applicable, the statement may include accrued interest and some securities listed may not be liquid.
- that prices shown may reflect an approximate or estimated value, and not necessarily reflect actual selling or market prices.
- that tax deferred accounts/products (such as variable annuities) have various rules and restrictions that apply regarding accessibility of funds, tax consequences and other factors. Consult your tax advisor.
- the names of the entities providing the source data or holding the assets
- a statement clearly distinguishing between assets held or categories of assets held by each entity included in the consolidated report
- the customer's account number at each entity included in the consolidated report
- identify assets held away and, if applicable, that they may not be covered by SIPC
- if the date of the consolidated report does not correspond with the date on the statement(s) used to verify an account value, an easily discernible notation must be made to the report and the actual date of the account value must be disclosed.

42.3 Assets Held Away

Trustmont requires the representative to present any and all information that will allow a Principal to verify the valuations used in consolidated statements. Trustmont Financial Group reserves the right to eliminate assets in the consolidated report when it cannot verify their existence or cannot validate the valuations.

42.4 Source Documents

In addition to the disclosures provided on consolidated statements, customers must be advised to review and maintain the original source documents that are integrated into the consolidated report, such as the

statements for individual accounts held away from the broker-dealer. Customers may be tempted to disregard these source documents because of the convenience of the consolidated report. However, source documents may contain notices, disclosures and other information important to the customer, and may also serve as a reference should questions arise regarding the accuracy of the information in the consolidated report.

42.5 Customer Addresses

Trustmont Financial Group prohibits the distribution of consolidated statements to any address other than the same address to which qualified custodial statements are sent.

42.6 Ongoing Audits and Reviews

On a case-by-case basis, Trustmont Financial Group will establish audits and reviews of the approved consolidated statements provider. These reviews may include requirements to provide statements.

43.0 SENIOR INVESTORS: Diminished Capacity and Suspected Financial Abuse of Seniors and Specified Adults

Regulators and industry groups have determined that seniors are more likely to be the target of financial exploitation and are more vulnerable to losing money from such practices, especially in the later years of retirement, due to diminished physical and mental capabilities and the pressure for additional money as their savings diminish.

The SEC and self-regulatory organizations have undertaken several initiatives in recent years on the financial exploitation of seniors, including best practices and regulations to deal with the issue. Notable examples include a series of reports jointly issued by the SEC OCIE (Office of Compliance Inspections and Examinations), FINRA and NASAA (North American Securities Administrators Association) detailing steps firms can take to strengthen their policies and procedures to serve investors as they approach or enter retirement. The studies focused on three areas: active investor education and outreach to seniors and those nearing retirement age; targeted examinations to detect abusive sales tactics aimed at seniors; and aggressive enforcement of securities laws in cases of fraud against seniors.

43.1 FINRA Rules on the Financial Exploitation of Senior Investors

On March 30, 2017, FINRA received SEC approval on its new Rule 2165 and amendments to FINRA Rule 4512 which address the financial exploitation of senior investors and other specified adults. Effective February 5, 2018, the rules prescribe two measures to protect investors. First, firms will be required to make a reasonable effort to obtain the name and contact information for a “trusted contact person” for senior customers. Second, firms will be permitted to place a temporary hold on a disbursement of funds or securities when there is reasonable belief of financial exploitation.

“Specified adults” are defined as persons over 65 as well as persons 18 and older who a member reasonably believes have a mental or physical impairment that renders them unable to protect his or her own interests.

43.2 Trusted Contact Person – Amendments to Rule 4512

The amendments to Rule 4512 require members to make reasonable efforts to obtain the name of and contact information for a trusted person upon the opening of or when updating information on a

non-institutional customer account. The amendments do not, however, prohibit members from opening and maintaining an account if a customer fails to identify a trusted contact person. Furthermore, the customer must be informed in writing that the member or an associated person is authorized to contact the trusted person and disclose information about the customer's account.

The trusted contact person is intended to be a resource for firms in handling customer accounts, protecting assets and responding to possible financial exploitation of vulnerable investors. A trusted person may be contacted in cases where the customer cannot be reached; the customer is suffering from physical limitations or mental diminished capacities; or where possible financial exploitation of a customer may lead to the placement of a temporary hold on disbursement. The trusted contact person must be notified if the member has placed a temporary hold on disbursements from the customer account, unless the member believes the trusted person is involved in the exploitation of the investor.

43.3 Temporary Hold on Disbursement of Funds or Securities

FINRA Rule 2165 "Financial Exploitation of Specified Adults," allows—but does not require a member to place a temporary hold on a disbursement of funds or securities from the account of a vulnerable adult if the member reasonably believes that financial exploitation of the specified adult has occurred, is occurring or will be attempted. In such cases, the member has up to 15 days to initiate an internal review of the facts and circumstances of the possible financial exploitation. If needed, the rule permits members to extend the temporary hold for an additional 10 business days following an initial review. All documentation from the request through the disposition of the hold are to be maintained.

Members that anticipate using a temporary hold are required to establish and maintain written supervisory procedures, designation of persons authorized to invoke Rule 2165, retain records in compliance with the rule, and to institute training policies to implement the Rule.

The new rule provides firms and their associated persons with a safe harbor from FINRA Rules 2010, 2150 and 11870 when members place a temporary hold where there is a reasonable belief of financial exploitation while allowing firms to investigate the matter, and reach out to the customer, the trusted contact and, when appropriate, law enforcement and/or adult protective services.

The CCO shall be required to ensure the firm maintains records related to compliance with this rule in the event a temporary hold is placed on specified adults account to include:

- The request for disbursement in question of financial exploitation
- The finding of a reasonable belief of financial exploitation
- Name and title of person authorizing temporary hold (only Chief Compliance Officer and President)
- Notification to relevant parties
- The internal review of facts and circumstances and results

43.4 Escalating Issues Involving Senior Investors

When dealing with senior investors, there may be changes or events that require escalation of an issue to the RR's designated supervisor and/or Compliance. Following are some issues that may require escalation for handling.

- Suspected elder abuse including financial abuse
- Suspected diminished capacity

Any questions regarding dealing with senior investors should be referred to Compliance.

The CCO will work with senior management and, where appropriate, legal counsel, to determine if the suspected abuse should be reported to authorities. In instances where an investigation is occurring, appropriate steps will be taken which may include restricting or limiting the account, contacting appropriate state agencies, contacting family members, etc.

The CCO must ensure that all registered personnel receive appropriate training on the issue of senior investor financial abuse and the handling of accounts for individuals who appear to have diminished capacity.

43.5 Supervisory Responsibilities

Supervisors are responsible for

- making certain that the individuals under their supervision are aware of the firm's policies and procedures
- making certain that the firm's policies and procedures have been followed by the individuals under their supervision

Supervisors are also responsible for reviewing senior investor activity and especially those accounts where registered representatives serve in a fiduciary capacity, including holding a power of attorney, acting as a trustee or co-trustee, or having some type of beneficiary relationship with a non-familial customer account to discern any red flags or troublesome trends .

44.0 REGULATION BEST INTEREST (BI)

SEC final rule: https://www.sec.gov/rules/final/2019/34-86031.pdf;

SEC small entity compliance guides: https://www.sec.gov/info/smallbus/secg/regulation-best-interest and https://www.sec.gov/info/smallbus/secg/form-crs-relationship-summary;

SEC release announcing adoption of Reg BI with a link to the entire regulation: https://www.sec.gov/news/press-release/201989?mod=article_inline

FINRA Reg BI and Form CRS Checklist: https://www.finra.org/sites/default/files/2019-10/reg-bi-checklist.pdf

FINRA Regulatory Notice 19-26; FINRA website re Reg BI: https://www.finra.org/rules-guidance/key-topics/regulation-best-interest

Regulation BI is an SEC regulation that requires a broker-dealer (BD) and its associated persons (RR) to act in the best interest of the retail customer at the time a recommendation is made, without placing the financial or other interest of the broker-dealer or RR ahead of the interest of the retail customer.

44.1 Summary of Key Requirements

1. Regulation BI applies only to recommendations to natural persons who are retail customers. Reg BI also applies to recommendations to natural persons who are considered "institutional accounts"

under FINRA rules.

2. Recommendations include those for orders; types of accounts (*e.g.*, brokerage vs. advisory, whether or not tied to a securities transaction); and investment strategies. Also included are recommendations to prospects.
3. The "best interest" standard goes beyond suitability requirements for recommendations; it requires acting in the customer's best interest and not the RR's or BD's interest including consideration of available alternatives and cost/risk rewards.
4. Compliance with Reg BI requires meeting four obligations: disclosure, care, conflict of interest, and compliance.
5. If the BD agrees to monitor a customer's account, Reg BI applies to explicit and implicit recommendations to hold. Reg BI does not impose a duty to monitor customer accounts.
6. Form CRS must be provided to customers when an account is opened (including additional accounts for existing customers) and when a recommendation is made (as defined in this section). Form CRS is posted on the Firm's website and updates must be provided to customers within 60 days of material updates.
7. BDs and their professionals are not permitted to use the titles "advisor" or "adviser" unless the RR is employed by a Registered Investment Adviser as an Investment Advisor Representative and authorized by Compliance to use such a title.
8. Incentive programs (sales contests, non-cash compensation, *etc.*) may not be limited to certain securities or types of accounts over a period of time.
9. Communications for educational purposes (listed below) that do not include a recommendation of a particular security or strategy involving securities are not considered recommendations:
    - ✓ General financial and investment information which encompasses basic investment concepts.
    - ✓ Descriptive information about an employer-sponsored retirement or benefit plan.
    - ✓ Certain asset allocation models based on generally accepted investment theory accompanied by necessary disclosures.

44.2 General Obligations

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

44.2.1 Disclosure

The disclosure obligation requires a Broker Dealer or Registered Representative, prior to or at the time of the recommendation, to provide the retail customer, in writing, full and fair disclosure of:

All material facts relating to the scope and terms of the relationship with the retail customer, including:

- ✓ That the BD or associated person is acting as a BD or an associated person with respect to

the recommendation;

- ✓ The material fees and costs that apply to the retail customer's transactions, holdings, and accounts;
- ✓ 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; and
- ✓ Material facts relating to conflicts of interest that are associated with the recommendation. "Material facts" are facts a retail customer would consider important in making an investment decision. For example, material facts relating to conflicts of interest including, but not limited to, how RRs are compensated and the benefits to a BD from recommending a proprietary product.

Other material facts relating to the scope and terms of the relationship with the retail customer which include:

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

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

- ✓ Electronic mailings to those who have consented to receive electronic delivery
- ✓ Form CRS Relationship Summary
- ✓ Confirmations
- ✓ Monthly statements
- ✓ Account opening documents and account agreements
- ✓ Disclosures specific to types of accounts (e.g., margin, option, IRAs, minimum size or investment)
- ✓ Firm's website
- ✓ Hyperlinks
- ✓ Standardized disclosures
- ✓ Disclosures specific to certain securities or products (e.g., risk, conflicts of interest, material limitations)
- ✓ Agreements for services including costs
- ✓ Fee schedules
- ✓ Prospectuses
- ✓ Personalized account portals

While disclosures must be in writing, in certain circumstances, oral disclosures (no later than the time of the transaction) to supplement facts not reasonably known at the time written disclosure is made must be maintained with the order record.

44.2.2 Care

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

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

- ✓ understand the risks, rewards, and costs associated with the recommendation;
- ✓ have a reasonable basis to believe the recommendation is in the customer's best interest; and
- ✓ have a reasonable basis to believe that recommended transactions are in the customer's best interest based on the customer's investment profile and doesn't place the interests of the BD ahead of the customer. This includes avoiding transactions that are excessive.

In particular, the BD and RR must have an understanding of complex products, and recommendations of complex investments should be documented, particularly where a recommendation may seem inconsistent with a retail customer's objectives on its face. The care obligation applies to a series of recommended transactions (quantitative suitability) whether or not the BD exercises actual control over the account.

44.2.2.1 Factors to Consider

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

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

44.2.2.2 Recommending Types of Accounts

RRs must have a reasonable basis for recommending accounts (margin, brokerage or advisory, IRAs, *etc.*). This includes the following considerations:

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

Additional considerations when recommending IRAs (including rollovers or transfers of assets in a workplace retirement plan account to an IRA) include:

- ✓ customer's current financial situation and liquidity needs;
- ✓ fees and expenses;
- ✓ level of services available;
- ✓ ability to take penalty-free withdrawals;
- ✓ application of required minimum distributions;
- ✓ protections from creditors and legal judgments;
- ✓ holdings of employer stock; and
- ✓ any special features of the existing account.

44.2.2.3 Costs

The RR should understand and consider the potential costs associated with the recommendation and have a reasonable basis to believe that the recommendation does not place the financial or other interest of TFG or RR ahead of the interest of the retail customer.

While cost must be considered, it should never be the only consideration. Cost is only one of many important factors to be considered regarding the recommendation and that the standard does not necessarily require the "lowest cost option." RRs need to consider costs in light of other factors and the retail customer's investment profile.

44.2.2.4 Alternatives

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

- ✓ An RR's customer base (including the general investment objectives and needs of the customer base)
- ✓ Investments and services available to the RR to recommend (including limitations due to the RR's licensing)

- ✓ Specific limitations on the available investments and services with respect to certain retail investors (*e.g.,* product or service income thresholds; product geographic limitations; or product limitations based on account type, such as those only eligible for IRA accounts)

44.2.2.5 Quantitative Suitability

RRs may not make recommendations that result in transactions excessive for the customer considering the customer's investment objectives (also known as "churning"). A series of recommended transactions must be in the customer's best interest. The customer may be contacted by TFG to confirm that active trading is appropriate.

44.2.2.6 Material Limitations

If TFG materially limits its product offerings to certain proprietary or other limited menus of products or third-party arrangements, its limited menu does not justify a product recommendation that is not in the customer's best interest.

44.2.3 Conflict Of Interest

A conflict of interest is an interest that might incline a BD or an RR -consciously or unconsciously -to make a recommendation that is not disinterested. Conflicts may exist between the BD and the retail customer; between the RR and the retail customer; and between the BD and the RR. Additional conflicts may exist between customers (*e.g.,* IPO allocations or proprietary research or advice among different types of customers).

TFG has an obligation to avoid or mitigate conflicts of interest where possible and provide disclosure where conflicts may exist.

TFG will identify conflicts and, where appropriate, identify material limitations placed on the investment product or strategy and any conflicts associated with such limitations (*e.g.,* limited product menu, proprietary products only, *etc.*) and make necessary disclosures.

Incentive programs (whether provided by TFG or a third party) such as sales contests, sales quotas, bonuses, non-cash compensation, *etc.,* within a limited period of time are prohibited if they are based on:

- ✓ a specific product; or
- ✓ types of securities.

RRs have an obligation to avoid conflicts of interest when dealing with retail customers; some examples are listed below.

1. Recommending proprietary products because they result in higher compensation without considering the customer's needs and alternative investments.
2. Recommending other products or services based on compensation/incentives from TFG or third parties.

44.2.4 Compliance

TFG conducts ongoing reviews and training to achieve compliance with Regulation BI. It is the responsibility of RRs to be familiar with these requirements and act in the customer's best interest at all times. Questions should be referred to Compliance.

The CCO will confirm policies and procedures comply with Regulation BI; Form CRS is current, accurate and is being provided to customers; and the most current copy is posted on TFG's website.

The designated supervisor or his/her designee shall review all titling to ensure that the term "adviser" or "advisor" is not being used in an inappropriate manner. Where such instances are found, the RR will be required to use an alternate title more closely describing their role and relationship to TFG and retail customers.

44.3 Form CRS

Form CRS is a relationship summary intended to clarify the relationship between the BD and the customer. Firms without retail customers (as defined under Regulation BI) are not required to provide the form to customers or submit it to regulators. The form is required upon the first event that triggers the requirement.

44.3.1 Delivery Requirements

Form CRS must be provided 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 including, for example, when:

- ✓ An order is placed for the retail customer
- ✓ A new account is opened for a new customer
- ✓ A new account is opened for an existing customer
- ✓ A securities transaction or investment strategy is recommended
- ✓ A rollover is recommended from a retirement account into a new or existing account or investment
- ✓ An RR recommends or provides a new advisory service or product that does not necessarily involve opening a new account or would not be held in an existing account, for example, the first-time purchase of a direct-sold mutual fund or insurance product that is a security through a "check and application" process, *i.e.,* not held directly within an account
- ✓ A retail investor requests a copy (provide within 30 days)

Updated summaries will be provided to customers within 60 days after material updates with changes highlighted. Updates may be provided electronically to customers who have consented to electronic delivery. Updates will be made and filed with the CRD within 30 days of material changes.

Dual registrants (BD and IA) are required to deliver a relationship summary to retail investor customers of both the investment advisory and brokerage businesses.

44.3.2 Evidence of Delivery

To evidence delivery of Form CRS, Registered Representatives are required to complete and submit to the home office the "Trustmont Required Disclosures Delivery Confirmation Coversheet" along with any other paperwork that may be associated with the delivery of Form CRS, such as client profile form, account application, rollover analyzer, prospectus receipt, etc. Trustmont will retain the "Confirmation Coversheet" for no less than six years from the date in which the Confirmation was signed by the registered representative.

44.3.3 Delivery Options

1. **Electronic Delivery—**prior to delivering Form CRS by e-mail, authorization must first be obtained evidenced by the customer/prospective customer providing the email address and his/her signature on the "Trustmont Required Disclosures Delivery Confirmation Coversheet". If the relationship summary is delivered electronically, it must be presented prominently as a the first document in a direct link or in the body of an email or message, and must be easily accessible.
2. **Mail—** if the relationship summary is delivered via direct mail in paper format as part of a package of documents, Form CRS must be on top of all other documents that are delivered at that time.
3. **Physically to Customer or Prospect—**Form CRS must be the first document handed to them.

44.3.4 Responsibility

The Chief Compliance Officer in conjunction with the designated Principal has the responsibility for maintaining Trustmont's Form CRS on a current and accurate basis, making appropriate amendments and filings, ensuring initial delivery to new clients, and making updates when material changes occur.

The Chief Compliance Officer in conjunction with the designated Principal is responsible to review Form CRS at least annually for inaccuracies. In addition, when the information in Form CRS becomes materially inaccurate, an updated Form CRS will be filed with the CRD within 30 days. Trustmont will also deliver the updated form to its existing clients within 60 days, highlighting the most recent changes. The Chief Compliance is responsible to ensure all previous versions of Form CRS are kept on file.

44.4 Training

RRs will receive training on "best interest" requirements at annual compliance meeting, mandatory webinars, firm element training, emails, branch examinations, one-on-one conversations, etc.

44.5 Monitoring Accounts

TFG may provide monitoring of retail customer accounts under the following circumstances:

- ✓ Voluntarily and without any agreement with the customer to review the account for purposes of deciding whether to make an investment recommendation.
- ✓ Agreed-upon limited monitoring on a periodic basis for purposes of providing buy, sell, or hold recommendations.

TFG does not charge a separate fee or separate contract for this service or receive any special compensation. Such monitoring is solely incidental to TFG's securities business. Account monitoring is disclosed on Form CRS.

If TFG offers monitoring for compensation or under other circumstances not solely incidental to its

securities business, it will do so as an Investment Adviser and comply with those requirements.

44.6 Dual Registrants

Dual registrants and affiliates are required to provide a Form CRS for both the broker-dealer and advisory relationships; the forms may be combined. Broker-dealers have an obligation to file Form CRS with FINRA's CRD and advisers are required to file with IARD.

If two separate relationship summaries are provided, they will reference and facilitate access to the other with equal prominence and at the same time, without regard to whether the particular retail investor qualifies for those retail services or accounts.

44.7 Recordkeeping

Records of all information collected from and provided to the retail customer are maintained in accordance with recordkeeping rules. Records are not required to evidence best interest determinations on a recommendation-by-recommendation basis. TFG also is not required to provide information regarding the basis for each particular recommendation.

The designated supervisor will be responsible to ensure that records of Form CRS are being retained for six years after the earlier of the date that the account was closed or the date on which the information was collected, provided, replaced or updated. The following records are required to be collected and maintained:

- ✓ Consents for e-delivery of Form CRS
- ✓ Tracking records of delivery
- ✓ Records of Form CRS and updates to the form
- ✓ Record of filing with FINRA CRD

44.8 Definitions

Affiliate: Any persons directly or indirectly controlling or controlled by TFG or under common control with TFG.

Best interest: The term "best interest" is explained through SEC guidance and interpretations and is not expressly defined. Whether a broker-dealer has acted in the retail customer's best interest in compliance with Regulation BI will turn on an objective assessment of the facts and circumstances of how the specific components of Regulation BI -including its Disclosure, Care, Conflict of Interest, and Compliance Obligations are satisfied at the time that the recommendation is made (and not in hindsight).

Conflict of interest: A conflict of interest is an interest that might incline a BD or RR, consciously or unconsciously, to make a recommendation that is not disinterested.

Dually licensed financial professional: A natural person who is both an associated person of a broker-dealer registered under section 15 of the Exchange Act, as defined in section 3(a)(18) of the Exchange Act, and a supervised person of an investment adviser registered under section 203 of the Advisers Act, as defined in section 202(a)(25) of the Advisers Act.

Dual registrant: A firm that is dually registered as a broker-dealer under section 15 of the Exchange Act and an investment adviser under section 203 of the Advisers Act and offers services to retail investors as both a broker-dealer and an investment adviser. There are exceptions; for example, if a BD dually registered offers investment advisory services to retail investors, but offers brokerage services only to institutional investors, the BD is not a dual registrant for purposes of Form CRS.

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

Implicit or explicit recommendations: For accounts where there is agreed-upon account monitoring, if the BD makes no recommendation in a periodic review, it is an implicit "hold" recommendation subject to Regulation BI just as would an explicit "hold" recommendation. Absent an agreement to monitor an account, Regulation BI does not apply to implicit hold recommendations.

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

Material facts (under Regulation BI): Information is material if there is a substantial likelihood that a reasonable shareholder would consider it important.

Monitoring accounts: An agreement between the BD and the customer to provide account monitoring services. Monitoring may be incidental reviews of accounts to make recommendations and does not require IA registration. Through Form CRS firms are required to advise customers if they provide account monitoring services. BDs do not have a duty to provide account monitoring.

Non-cash compensation: Non-cash compensation includes any form of compensation, including but not limited to merchandise, gifts and prizes, travel expenses, meals and lodging.

Personal, family, or household purposes: The phrase "primarily for personal, family or household purposes" covers any recommendation to a natural person for his or her account, other than recommendations to a natural person seeking these services for commercial or business purposes. Regulation BI would not cover, for example, an employee seeking services for an employer or an individual seeking services for a small business or on behalf of another non-natural person entity, such as a charitable trust.

Receives and Uses: The SEC has stated that "use" means when, as a result of the recommendation:
(a) the retail customer opens a brokerage account with the BD regardless of whether the BD receives compensation;
(b) the retail customer has an existing account with the BD and receives a recommendation from the BD,

regardless of whether the BD receives or will receive compensation, directly or indirectly, as a result of the recommendation; or (c) the BD receives or will receive compensation, directly or indirectly, as a result of that recommendation even if that retail customer does not have an account at the firm.

Recommendation: Interpreted in a manner consistent with current BD regulation under federal securities laws and FINRA rules.

Relationship summary: A written disclosure statement (Form CRS) that must be provided to retail investors when a recommendation is made (as defined in Reg BI).

Retail customer: A natural person (regardless of their financial status, including those previously qualifying as "institutional accounts" under FINRA's suitability rule) or the legal representative of such person who: (a) receives a recommendation for any securities transaction or investment strategy from a broker-dealer or associated person (whether or not the recommendation results in a securities transaction); and (b) uses the recommendation primarily for personal, family, or household purposes.

Trustmont Financial Group, Inc.
Anti-Money Laundering (AML) Program:
Compliance and Supervisory Procedures

UPDATED AS OF April 30, 2018

1. Firm Policy

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 by complying with all applicable requirements under the Bank Secrecy Act (BSA) and its implementing regulations.

Money laundering is generally defined as engaging in acts designed to conceal or disguise the true origins of criminally derived proceeds so that the 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.

Although cash is rarely deposited into securities accounts, the securities industry is unique in that it can be used to launder funds obtained elsewhere, and to generate illicit funds within the industry itself through fraudulent activities. Examples of types of fraudulent activities include insider trading, market manipulation, ponzi schemes, cybercrime and other investment-related fraudulent activity.

Terrorist financing may not involve the proceeds of criminal conduct, but rather an attempt to conceal either the origin of the funds or their intended use, which could be for criminal purposes. Legitimate sources of funds are a key difference between terrorist financiers and traditional criminal organizations. In addition to charitable donations, legitimate sources include foreign government sponsors, business ownership and personal employment. Although the motivation differs between traditional money launderers and terrorist financiers, the actual methods used to fund terrorist operations can be the same as or similar to methods used by other criminals to launder funds. Funding for terrorist attacks does not always require large sums of money and the associated transactions may not be complex.

Our AML policies, procedures and internal controls are designed to ensure compliance with all applicable BSA regulations and FINRA rules and will be reviewed and updated on a regular basis to ensure appropriate policies, procedures and internal controls are in place to account for both changes in regulations and changes in our business.

Rules: 31 C.F.R. § 1023.210; FINRA Rule 3310.

2. AML Compliance Person Designation and Duties

The firm has designated Anthony C. Hladek as its Anti-Money Laundering Program Compliance Person (AML Compliance Person), with full responsibility for the firm's AML program. Anthony C. Hladek has a working knowledge of the BSA and its implementing regulations and is qualified by experience, knowledge and training. The duties of the AML Compliance Person will include monitoring the firm's compliance with AML obligations, and overseeing communication and training for employees. The AML Compliance Person will also ensure that the firm keeps and maintains all of the required AML records and will ensure that Suspicious Activity Reports (SAR-SFs) are filed with the Financial Crimes Enforcement Network (FinCEN) when appropriate. The AML Compliance Person is vested with full responsibility and authority to enforce the firm's AML program.

The firm will provide FINRA with contact information for the AML Compliance Person through the FINRA Contact System (FCS), including: (1) name; (2) title; (3) mailing address; (4) email address; (5) telephone number; and (6) facsimile (if any). The firm will promptly notify FINRA of any change in this information through FCS and will review, and if necessary update, this information within 17 business days after the end of each calendar year. The annual review of FCS information will be conducted by Anthony C. Hladek and will be completed with all necessary updates being provided no later than 17 business days following the end of each calendar year. In addition, if there is any change to the information, Anthony C. Hladek or his designee will update the information promptly, but in any event not later than 30 days following the change.

Rules: 31 C.F.R. § 1023.210; FINRA Rule 3310; FINRA Rule 4517.

Resources: Regulatory Notice 07-42; NTM 06-07; NTM 02-78.

3. Giving AML Information to Federal Law Enforcement Agencies and Other Financial Institutions

a. FinCEN Requests Under USA PATRIOT Act Section 314(a)

Pursuant to the BSA and its implementing regulations, financial institutions are required to make certain searches of their records upon receiving an information request from FinCEN. Describe your firm's procedures for FinCEN requests for information on money laundering or terrorist activity.

In order for a firm to obtain information requests from FinCEN, the firm must first designate an AML Contact Person in FCS. You should be aware that if you want to change the person who receives FinCEN requests, you must change the AML contact information in FCS. When you are faced with a change in personnel who will receive this information, you should be aware that FinCEN receives a data feed of this revised information from FCS every other week and that it may take several weeks for a firm's new AML contact person to receive information from FinCEN. Therefore, it is advisable for a firm that is aware that a person who had been receiving FinCEN requests is leaving the firm to change the information on FCS as soon as practical to ensure continuity of receiving FinCEN information.

We will respond to a Financial Crimes Enforcement Network (FinCEN) request concerning accounts and transactions (a 314(a) Request) by immediately searching our records to determine whether we maintain or have maintained any account for, or have 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 website. We understand that we have 14 days (unless otherwise specified by FinCEN) from the transmission date of the request to respond to a 314(a) Request. We 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. (*See also* Section 2 above regarding updating of contact information for the AML Compliance Person.) Unless otherwise stated in the 314(a) Request or specified by FinCEN, we are required to search those documents outlined in FinCEN's FAQ. If we find a match, Anthony C. Hladek or his designee 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), Anthony C. Hladek or his designee will structure our search accordingly.

If Anthony C. Hladek or his designee searches our records and does not find a matching account or transaction, then Anthony C. Hladek will not reply to the 314(a) Request. We will maintain documentation that we have performed the required search by maintaining a log showing the date of the request, the number of accounts searched, the name of the individual conducting the search and a notation of whether or not a match was found.

We will not disclose the fact that FinCEN has requested or obtained information from us, except to the extent necessary to comply with the information request. Anthony C. Hladek will review, maintain and implement procedures to protect the security and confidentiality of requests from FinCEN similar to those procedures established to satisfy the requirements of Section 501 of the Gramm-Leach-Bliley Act with regard to the protection of customers' nonpublic information.

We will direct any questions we have about the 314(a) Request to the requesting federal law enforcement agency as designated in the request.

Unless otherwise stated in the 314(a) Request, we will not be required to treat the information request as continuing in nature, and we will not be required to treat the periodic 314(a) Requests as a government provided list of suspected terrorists for purposes of the customer identification and verification requirements.

Rule: 31 C.F.R. § 1010.520.

Resources: FinCEN's 314(a) web page; NTM 02-80;. FinCEN also provides financial institutions with General Instructions and Frequently Asked Questions relating to 314(a) requests through the 314(a) Secured Information Sharing System or by contacting-FinCEN's Regulatory Helpline at (800) 949-2732 or via email at sys314a@fincen.gov.

b. National Security Letters

National Security Letters (NSLs) are written investigative demands that may be issued by the local Federal Bureau of Investigation (FBI) 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. Firms that receive NSLs must have policies and procedures in place for processing and maintaining the confidentiality of NSLs.*** *If you file a Suspicious Activity Report (SAR-SF) after receiving a NSL, the SAR-SF should not contain any reference to the receipt or existence of the NSL.*

We understand that the receipt of a National Security Letter (NSL) is highly confidential. We understand that none of our officers, employees or agents may directly or indirectly disclose to any person that the FBI or other federal government authority has sought or obtained access to any of our records. To maintain the confidentiality of any NSL we receive, we will process and maintain the NSL by limiting the dissemination of any NSLs received on a strict "need to know" basis in order to limit the possibilities that the confidentiality requirement be jeopardized. Any individuals found to have treated NSLs in a less-than-fully-confidential nature will be terminated and a determination will be made as to whether or not such a breach of policy will require the filing of a SAR-SF. If we file a SAR-SF after receiving an NSL, the SAR-SF will not contain any reference to the receipt or existence of the NSL. The SAR-SF will only contain detailed information about the facts and circumstances of the detected suspicious activity.

Resource: FinCEN SAR Activity Review, Trends, Tips & Issues, Issue 8 (National Security Letters and Suspicious Activity Reporting) (4/2005).

c. Grand Jury Subpoenas

Grand juries may issue subpoenas as part of their investigative proceedings. The receipt of a grand jury subpoena does not in itself require the filing of a Suspicious Activity Report (SAR-SF). However, broker-dealers should conduct a risk assessment of the customer who is the subject of the grand jury subpoena, as well as review the customer's account activity. If suspicious activity is uncovered during this review, broker-dealers should consider elevating the risk profile of the customer and file a SAR-SF in accordance with the SAR-SF filing requirements. Grand jury proceedings are confidential, and a broker-dealer that receives a subpoena is prohibited from directly or indirectly notifying the person who is the subject of the investigation about the existence of the grand jury subpoena, its contents or the information used to reply to it. If you file a SAR-SF after receiving a grand jury subpoena, the SAR-SF should not contain any reference to the receipt or existence of it. The SAR-SF should provide detailed information about the facts and circumstances of the detected suspicious activity.

We understand that the receipt of a grand jury subpoena concerning a customer does not in itself require that we file a Suspicious Activity Report (SAR-SF). When we receive a grand jury subpoena, we will conduct a risk assessment of the customer subject to the subpoena as well as review the customer's account activity. If we uncover suspicious activity during our risk assessment and review, we will elevate that customer's risk

assessment and file a SAR-SF in accordance with the SAR-SF filing requirements. We understand that none of our officers, employees or agents may directly or indirectly disclose to the person who is the subject of the subpoena its existence, its contents or the information we used to respond to it. To maintain the confidentiality of any grand jury subpoena we receive, we will process and maintain the subpoena by limiting the dissemination of any subpoena received on a strict "need to know" basis in order to limit the possibilities that the confidentiality requirement be jeopardized. Any individuals found to have treated subpoenas in a less-than-fully-confidential nature will be terminated and a determination will be made as to whether or not such a breach of policy will require the filing of a SAR-SF. If we file a SAR-SF after receiving a grand jury subpoena, the SAR-SF will not contain any reference to the receipt or existence of the subpoena. The SAR-SF will only contain detailed information about the facts and circumstances of the detected suspicious activity.

Resources: FinCEN SAR Activity Review, Trends, Tips & Issues, Issue 10 (Grand Jury Subpoenas and Suspicious Activity Reporting) (5/2006).

d. Voluntary Information Sharing With Other Financial Institutions Under USA PATRIOT Act Section 314(b)

BSA regulations permit financial institutions to share information with other financial institutions under the protection of a safe harbor if certain procedures are followed. If your firm shares or plans to share information with other financial institutions, describe your firm's procedures for such sharing.

We will share information with other financial institutions regarding individuals, entities, organizations and countries for purposes of identifying and, where appropriate, reporting activities that we suspect may involve possible terrorist activity or money laundering. Anthony C. Hladek will ensure that the firm files with FinCEN an initial notice before any sharing occurs and annual notices thereafter. We will use the notice form found at FinCEN's website. 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. We understand that this requirement applies even to financial institutions *with which we are affiliated*, and that we will obtain the requisite notices from affiliates and follow all required procedures.

We will employ strict procedures both to ensure that only relevant information is shared and to protect the security and confidentiality of this information, for example, by segregating it from the firm's other books and records.

We also will employ procedures to ensure that any information received from another financial institution shall not be used for any purpose other than:

- identifying and, where appropriate, reporting on money laundering or terrorist activities;
- determining whether to establish or maintain an account, or to engage in a transaction; or
- assisting the financial institution in complying with performing such activities.

Rules: 31 C.F.R. § 1010.540.

Resources: FinCEN Financial Institution Notification Form; FIN-2009-G002: Guidance on the Scope of Permissible Information Sharing Covered by Section 314(b) Safe Harbor of the USA PATRIOT Act (6/16/2009).

e. Joint Filing of SARs by Broker-Dealers and Other Financial Institutions

The obligation to identify and properly report a suspicious transaction and to timely file a SAR-SF rests separately with each broker-dealer. However, one SAR-SF may be filed for a suspicious activity by all broker-dealers involved in a transaction (so long as the report filed contains all relevant and required information) if the SAR-SF is jointly filed. In addition, if a broker-dealer and another financial institution that is subject to the SAR regulations are involved in the same suspicious transaction, the financial institution may also file a SAR jointly (so long as the report filed contains all relevant and required information). For example, a broker-dealer and an insurance company may file one SAR with respect to suspicious activity involving the sale of variable insurance products. Disclosures that are made for the purposes of jointly filing a SAR are protected by the safe harbor contained in the SAR regulations. The financial institutions that jointly file a SAR shall each be separately responsible for maintaining a copy of the SAR and should maintain their own SAR supporting documentation in accordance with BSA recordkeeping requirements. See generally Section 12 (Suspicious Transaction and BSA Reporting) for information on a broker-dealer's obligation to file a SAR to report suspicious transactions.

We will file joint SARs in the following circumstances. We will also share information about a particular suspicious transaction with any broker-dealer, as appropriate, involved in that particular transaction for purposes of determining whether we will file jointly a SAR-SF.

We will share information about particular suspicious transactions with our clearing broker for purposes of determining whether we and our clearing broker will file jointly a SAR-SF. In cases in which we file a joint SAR-SF for a transaction that has been handled both by us and by the clearing broker, we may share with the clearing broker a copy of the filed SAR-SF.

If we determine it is appropriate to jointly file a SAR-SF, we understand that we cannot disclose that we have filed a SAR-SF to any financial institution except the financial institution that is filing jointly. If we determine it is not appropriate to file jointly (*e.g.*, because the SAR-SF concerns the other broker-dealer or one of its employees), we understand that we cannot disclose that we have filed a SAR-SF to any other financial institution or insurance company.

Rules: 31 C.F.R. § 1023.320; 31 C.F.R. § 1010.430; 31 C.F.R. § 1010.540.

4. Checking the Office of Foreign Assets Control Listings

Before opening an account, the registered representative opening the account will check to ensure that a customer does not appear on the SDN list or is not engaging in transactions that are prohibited by the economic sanctions and embargoes administered and enforced by OFAC. (*See* the OFAC website for the SDN list and listings of current sanctions and embargoes). Because the SDN list and listings of economic sanctions and embargoes are updated frequently, we will consult them on a regular basis and subscribe to receive any available updates when they occur. With respect to the SDN list, we may also access that list through various

software programs to ensure speed and accuracy. *See also* FINRA's OFAC Search Tool that screens names against the SDN list. Anthony C. Hladek or his designee will also review existing accounts against the SDN list and listings of current sanctions and embargoes when they are updated and will document the review.

If we determine that a customer is on the SDN list or is engaging in transactions that are prohibited by the economic sanctions and embargoes administered and enforced by OFAC, we will reject the transaction and/or block the customer's assets and file a blocked assets and/or rejected transaction form with OFAC within 10 days. We will also call the OFAC Hotline at (800) 540-6322 immediately.

Our 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).

Rules: 31 C.F.R. § 501.603; 31 C.F.R. § 501.604.
Resources: SEC AML Source Tool for Broker-Dealers, Item 12; OFAC Lists web page (including links to the SDN List and lists of sanctioned countries); FINRA's OFAC Search Tool. You can also subscribe to receive updates on the OFAC Subscription web page. See also the following OFAC forms: Report of Blocked Transactions Form; Report of Rejected Transactions Form; Annual Report of Blocked Property Form; and OFAC Guidance Regarding Foreign Assets Control Regulations for the Securities Industry.

5. Customer Identification Program

In addition to the information we must collect under FINRA Rules 2090 (Know Your Customer) and 2111 (Suitability) and the 4510 Series (Books and Records Requirements), and Securities Exchange Act of 1934 (Exchange Act) Rules 17a-3(a)(9) (Beneficial Ownership regarding Cash and Margin Accounts) and 17a-3(a)(17) (Customer Accounts), we have established, documented and maintained a written Customer Identification Program (CIP). We 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; provide the required adequate CIP notice to customers that we will seek identification information to verify their identities; and compare customer identification information with government-provided lists of suspected terrorists, once such lists have been issued by the government. *See* Section 5.g. (Notice to Customers) for additional information.

Rule: 31 C.F.R. § 1023.220.

Resources: SEC Staff Q&A Regarding the Broker-Dealer Customer Identification Program Rule (10/1/2003); NTM 03-34.

a. Required Customer Information

Prior to opening an account, Anthony C. Hladek or his designee will collect the following information for all accounts, if applicable, for any person, entity or organization that is opening a new account and whose name is on the account:

(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), 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), or a principal place of business, local office, or other physical location (for a person other than an individual); and

(4) an identification number, which will be a taxpayer identification number (for U.S. persons), or one or more of the following: a taxpayer identification number, passport number and country of issuance, 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).

In the event that a customer has applied for, but has not received, a taxpayer identification number, we will require proof to confirm that the application was filed before the customer opens the account and to obtain the taxpayer identification number within a reasonable period of time after the account is opened.

When opening an account for a foreign business or enterprise that does not have an identification number, we will request alternative government-issued documentation certifying the existence of the business or enterprise.

Rule: 31 C.F.R. § 1023.220(a)(2)(i).

b. Customers Who Refuse to Provide Information

If a potential or existing customer either refuses to provide the information described above when requested, or appears to have intentionally provided misleading information, our firm will not open a new account and, after considering the risks involved, consider closing any existing account. In either case, our AML Compliance Person will be notified so that we can determine whether we should report the situation to FinCEN on a SAR-SF.

c. Verifying Information

Based on the risk, and to the extent reasonable and practicable, we will ensure that we have a reasonable belief that we know the true identity of our customers by using risk-based procedures to verify and document the accuracy of the information we get about our customers. Anthony C. Hladek or his designee will analyze the information we obtain to determine whether the information is sufficient to form a reasonable belief that we know the true identity of the customer (*e.g.*, whether the information is logical or contains inconsistencies).

We will verify customer identity through documentary means, non-documentary means or both. We will use documents to verify customer identity when appropriate documents are available. In light of the increased instances of identity fraud, we will supplement the use of documentary evidence by using the non-documentary means described below whenever necessary. We may also use non-documentary means, if we are still uncertain about whether we know the true identity of the customer. In verifying the information, we will consider whether the identifying information that we receive, such as the customer's name, street address, zip code, telephone number (if provided), date of birth and Social Security number, allow us to determine that we have a reasonable belief that we know the true identity of the customer (*e.g.*, whether the information is logical or contains inconsistencies).

Appropriate documents for verifying the identity of customers include the following:

- For an individual, an unexpired government-issued identification evidencing nationality or 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.

We understand that we are not required to take steps to determine whether the document that the customer has provided to us for identity verification has been validly issued and that we may rely on a government-issued identification as verification of a customer's identity. If, however, we note that the document shows some obvious form of fraud, we must consider that factor in determining whether we can form a reasonable belief that we know the customer's true identity.

We will use the following non-documentary methods of verifying identity:

- 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.

We will use non-documentary methods of verification when:

(1) the customer is unable to present an unexpired government-issued identification document with a photograph or other similar safeguard;

(2) the firm is unfamiliar with the documents the customer presents for identification verification;

(3) the customer and firm do not have face-to-face contact; and

(4) 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.

We 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, we may refuse to complete a transaction before we have verified the information, or in some instances when we need more time, we may, pending verification, restrict the types of transactions or dollar amount of transactions. If we find suspicious information that indicates possible money laundering, terrorist financing activity, or other suspicious activity, we will, after internal consultation with the firm's AML Compliance Person, file a SAR-SF in accordance with applicable laws and regulations.

We recognize that the risk that we 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 jurisdiction, a terrorist concern, or has been designated as a non-cooperative country or territory. We will identify customers that pose a heightened risk of not being properly identified. We will also take the following additional measures that may be used to obtain information about the identity of the individuals associated with the customer when standard documentary methods prove to be insufficient: For those customers identified as having heightened risk, we require that the identification go beyond the customer. Beneficial owners, control individuals, individuals given trading authority, etc., may require identification in certain instances.

Types of accounts that fall under a more involved verification process include, but are not necessarily limited to:

- Corporations, trust, partnerships created in a jurisdiction that have been designated by the U.S. as a primary money laundering haven, or that have been designated as non-cooperated by an international body
- Corporations, trusts, and partnerships conducting substantial business in a jurisdiction that has been designated by the U.S. as a primary money laundering haven or has been designated as non-cooperative by an international body.

For the above, we require that information be obtained about the individuals with authority or control over such accounts.

Rule: 31 C.F.R. § 1023.220(a)(2)(ii).

d. Lack of Verification

When we cannot form a reasonable belief that we know the true identity of a customer, we will do the following: (1) not open an account; (2) impose terms under which a customer may conduct transactions while we attempt to verify the customer's identity; (3) close an account after attempts to verify a customer's identity fail; and (4) determine whether it is necessary to file a SAR-SF in accordance with applicable laws and regulations.

Rule: 31 C.F.R. § 1023.220(a)(2)(iii).

e. Recordkeeping

We will document our verification, including all identifying information provided by a customer, the methods used and results of verification, and the resolution of any discrepancies identified in the verification process. We will keep records containing a description of any document that we 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, we will retain documents that describe the methods and the results of any measures we took to verify the identity of a customer. We will also keep records containing a description of the resolution of each substantive discrepancy discovered when verifying the identifying information obtained. We will retain records of all identification information for five years after the account has been closed; we will retain records made about verification of the customer's identity for five years after the record is made.

Rule: 31 C.F.R. § 1023.220(a)(3).

f. Comparison with Government-Provided Lists of Terrorists

At such time as we receive notice that a federal government agency has issued a list of known or suspected terrorists and identified the list as a list for CIP purposes, we will, within a reasonable period of time after an account is opened (or earlier, if required by another federal law or regulation or federal directive issued in connection with an applicable list), determine whether a customer appears on any such list of known or suspected terrorists or terrorist organizations issued by any federal government agency and designated as such by Treasury in consultation with the federal functional regulators. We will follow all federal directives issued in connection with such lists.

We will continue to comply separately with OFAC rules prohibiting transactions with certain foreign countries or their nationals.

Rule: 31 C.F.R. § 1023.220(a)(4).

Resource: NTM 02-21, page 6, n.24.

g. Notice to Customers

We will provide notice to customers that the firm is requesting information from them to verify their identities, as required by federal law. We will use the following method to provide notice to customers:-(1) On our website; (2) With account applications

Sample customer language follows:

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.

Rule: 31 C.F.R. § 1023.220(a)(5).

h. Reliance on Another Financial Institution for Identity Verification

We 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.

Rule: 31 C.F.R. § 1023.220(a)(6).

Resources: No-Action Letters to the Securities Industry and Financial Markets Association (SIFMA) (February 12, 2004; February 10, 2005; July 11, 2006; January 10, 2008; January 11, 2010; January 11, 2011; January 9, 2015; and December 12, 2016)).

6. Customer Due Diligence Rule

In addition to the information collected under the written Customer Identification Program, FINRA Rules 2090 (Know Your Customer) and 2111 (Suitability) and the 4510 Series (Books and Records Requirements), and Securities Exchange Act of 1934 (Exchange Act) Rules 17a-3(a)(9) (Beneficial Ownership regarding Cash and Margin Accounts) and 17a-3(a)(17) (Customer Accounts), we have 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.[1] We will understand the nature and purpose of customer relationships for the purpose of developing a customer risk profile. We will conduct

[1] Beneficial owners and legal entity customers as defined by the CDD Rule.

ongoing monitoring to identify and report suspicious transactions, and, on a risk basis, maintain and update customer information.

a. Identification and Verification of Beneficial Owners

At the time of opening an account for a legal entity customer, we 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.

In the event that a beneficial owner of a legal entity customer has applied for, but has not received, a Social Security number (for U.S. persons) or a passport number or other similar identification number (for non-U.S. persons), we will require proof to confirm that the application was filed before the customer opens the account and to obtain the applicable identification number within a reasonable period of time after the account is opened.

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.

b. Understanding the Nature and Purpose of Customer Relationships

We will understand the nature and purpose of customer relationships for the purpose of developing a customer risk profile through gathering and reviewing suitability and risk tolerance information on the Client Profile Form.

Depending on the facts and circumstances, a customer risk profile may include such information as:

- *The type of customer;*
- *The account or service being offered;*
- *The customer's income;*
- *The customer's net worth;*
- *The customer's domicile;*
- *The customer's principal occupation or business; and*
- *In the case of existing customers, the customer's history of activity.*

Rules: 31 C.F.R. § 1010.230; 31 C.F.R. § 1023.210(b)(5)(i).
Resources: FIN-2016-G003: Frequently Asked Questions Regarding Customer Due Diligence Requirements for Financial Institutions (7/19/2016); Regulatory Notice 17-40.

c. Conducting Ongoing Monitoring to Identify and Report Suspicious Transactions

We will conduct ongoing monitoring to identify and report suspicious transactions and, on a risk basis, maintain and update customer information, including information regarding the beneficial ownership of legal entity customers, using the customer risk profile as a baseline against which customer activity is assessed for suspicious transaction reporting. Our suspicious activity monitoring procedures are detailed within Section 11 (Monitoring Accounts for Suspicious Activity).

Rules: 31 C.F.R. § 1010.230; 31 C.F.R. § 1023.210(b)(5)(ii).
Resources: FIN-2016-G003: Frequently Asked Questions Regarding Customer Due Diligence Requirements for Financial Institutions (7/19/2016); Regulatory Notice 17-40.

7. Correspondent Accounts for Foreign Shell Banks

a. Detecting and Closing Correspondent Accounts of Foreign Shell Banks

We will identify foreign bank accounts and any such account that is a correspondent account (any account that is established for a foreign bank to receive deposits from, or to make payments or other disbursements on behalf of, the foreign bank, or to handle other financial transactions related to such foreign bank) for foreign shell banks through communication with our clearing firm as well as running gathered information against the OFAC/SDN lists.

Upon finding or suspecting such accounts, firm employees will notify the AML Compliance Person, who will terminate any verified correspondent account in the United States for a foreign shell bank. We will also terminate any correspondent account that we have determined is not maintained by a foreign shell bank but is being used to provide services to such a shell bank. We will exercise caution regarding liquidating positions in such accounts and take reasonable steps to ensure that no new positions are established in these accounts during the termination period. We will terminate any correspondent account for which we have not obtained the information described in Appendix A of the regulations regarding shell banks within the time periods specified in those regulations.

Rule: 31 C.F.R. § 1010.630; 31 C.F.R. § 1010.605.

b. Certifications

We will require our foreign bank account holders to identify the owners of the foreign bank if it is not publicly traded, the name and street address of a person who resides in the United States and is authorized and has agreed to act as agent for acceptance of legal process, and an assurance that the foreign bank is not a shell bank nor is it facilitating activity of a shell bank. In lieu of this information the foreign bank may submit the Certification Regarding Correspondent Accounts For Foreign Banks provided in the BSA regulations. We will re-certify when we believe that the information is no longer accurate or at least once every three years.

Rule: 31 C.F.R. § 1010.630(b).
Resources: FinCEN's Chapter X web page; Certification Regarding Correspondent Accounts for Foreign Banks; Recertification Regarding Correspondent Accounts for Foreign Banks; FIN-2006-G003: Frequently Asked Questions: Foreign Bank Recertifications under 31 C.F.R. § 103.77 (2/3/2006).

c. Recordkeeping for Correspondent Accounts for Foreign Banks

We will keep records identifying the owners of foreign banks with U.S. correspondent accounts and the name and address of the U.S. agent for service of legal process for those banks.

Rule: 31 C.F.R. § 1010.630(e).

d. Summons or Subpoena of Foreign Bank Records; Termination of Correspondent Relationships with Foreign Bank

When we receive a written request from a federal law enforcement officer for information identifying the non-publicly traded owners of any foreign bank for which we maintain a correspondent account in the United States and/or the name and address of a person residing in the United States who is an agent to accept service of legal process for a foreign bank's correspondent account, we will provide that information to the requesting officer not later than seven days after receipt of the request. We will close, within 10 days, any correspondent account for a foreign bank that we learn from FinCEN or the Department of Justice has failed to comply with a summons or subpoena issued by the Secretary of the Treasury or the Attorney General of the United States or has failed to contest such a summons or subpoena. We will scrutinize any correspondent account activity during that 10-day period to ensure that any suspicious activity is appropriately reported and to ensure that no new positions are established in these correspondent accounts.

Rule: *31 C.F.R. § 1010.670.*

8. Due Diligence and Enhanced Due Diligence Requirements for Correspondent Accounts of Foreign Financial Institutions

a. Due Diligence for Correspondent Accounts of Foreign Financial Institutions

We have reviewed our accounts and we do not have, nor do we intend to open or maintain, correspondent accounts for foreign financial institutions.

We will detect correspondent accounts (any account that permits the foreign financial institution to engage in securities or futures transactions, funds transfers or other types of financial transactions) for unregulated foreign shell banks by reviewing all account titles not less than quarterly, looking for key words such as bank, financial or other typical words utilized by a banking institution.

Upon finding, or suspecting such accounts to be foreign banking institutions, we will investigate to determine whether such account should be closed or whether we have appropriate documentation to indicate that the account is not a foreign shell bank. We will maintain documentation regarding all such investigations, evidencing documents reviewed by initials and dates, along with the results and follow-up actions taken, where necessary.

Any accounts for which we do not have appropriate documentation to prove they are not shell banks will be frozen until such time as we have received back from the client the approved certification form and the name and address of a U.S. resident to receive all Service of Process filings. We will maintain documentation of all such frozen accounts, including the date of the freezing and indications of when the certification form was sent and all required information requested, in our files.

Accounts for which we do not receive an acceptable certification form and U.S. resident's name will be terminated within 30 days of the request for information, as will any correspondent account that we determine is not maintained by an unregulated foreign shell bank but is being sued to provide services to such a shell bank. We will exercise caution regarding liquidating positions in such accounts and take reasonable steps to ensure that no new positions are established in these accounts during the termination period. We will maintain documentation about all such actions, evidencing all review activities by initials and dates, including all follow-up steps taken with dates and appropriate correspondence, as part of our AML books and records.

The 30-day timeframe for terminating any accounts for which we have not obtained the information required for bank customers may be extended solely by the signed and dated approval of our AML Principal in instances where it is shown that we are in touch with the customer and have been assured that the information is being gathered for us.

Our AML Principal must ensure that we monitor and adhere to all requirements covering bank and correspondent account and that all supervising principals and registered employees are aware of the requirements (i.e. through training, annual compliance meets, etc.). We will maintain documentation regarding all such training, indicating dates, attendees, agendas, handout materials, etc., in our AML files. We will also maintain evidence of our monitoring.

Rule: 31 C.F.R. § 1010.610(a).

Resource: FIN-2006-G009: Application of the Regulations Requiring Special Due Diligence Programs for Certain Foreign Accounts to the Securities and Futures Industries (5/10/2006).

b. Enhanced Due Diligence

We will assess any correspondent accounts for foreign financial institutions to determine whether they are correspondent accounts that have been established, maintained, administered or managed for any foreign bank that operates under:

(1) an offshore banking license;

(2) a banking license issued by a foreign country that has been designated as non-cooperative with international anti-money laundering principles or procedures by an intergovernmental group or organization of which the United States is a member and with which designation the U.S. representative to the group or organization concurs; or

(3) a banking license issued by a foreign country that has been designated by the Secretary of the Treasury as warranting special measures due to money laundering concerns.

If we determine that we have any correspondent accounts for these specified foreign banks, we will perform enhanced due diligence on these correspondent accounts. The enhanced due diligence that we will perform for each correspondent account will include, at a minimum, procedures to take reasonable steps to:

(1) conduct enhanced scrutiny of the correspondent account to guard against money laundering and to identify and report any suspicious transactions. Such scrutiny will not only reflect the risk assessment that is described in Section 8.a. above, but will also include procedures to, as appropriate:

(i) obtain (*e.g.,* using a questionnaire) and consider information related to the foreign bank's AML program to assess the extent to which the foreign bank's correspondent account may expose us to any risk of money laundering;

(ii) monitor transactions to, from or through the correspondent account in a manner reasonably designed to detect money laundering and suspicious activity (this monitoring may be conducted manually or electronically and may be done on an individual account basis or by product activity); and

(iii) obtain information from the foreign bank about the identity of any person with authority to direct transactions through any correspondent account that is a payable-through account (a correspondent account maintained for a foreign bank through which the foreign bank permits its customer to engage, either directly or through a subaccount, in banking activities) and the sources and beneficial owners of funds or other assets in the payable-through account.

(2) determine whether the foreign bank maintains correspondent accounts for other foreign banks that enable those other foreign banks to gain access to the correspondent account under review and, if so, to take reasonable steps to obtain information to assess and mitigate the money laundering risks associated with such accounts, including, as appropriate, the identity of those other foreign banks; and

(3) if the foreign bank's shares are not publicly traded, determine the identity of each owner and the nature and extent of each owner's ownership interest. We understand that for purposes of determining a private foreign bank's ownership, an "owner" is any person who directly or indirectly owns, controls or has the power to vote 10 percent or more of any class of securities of a foreign bank. We also understand that members of the same family shall be considered to be one person.

Rule: 31 C.F.R. § 1010.610(b); 31 C.F.R. § 1010.610(c).

c. Special Procedures When Due Diligence or Enhanced Due Diligence Cannot Be Performed

In the event there are circumstances in which we cannot perform appropriate due diligence with respect to a correspondent account, we will determine, at a minimum, whether to refuse to open the account, suspend transaction activity, file a SAR-SF, close the correspondent account and/or take other appropriate action.

Rule: 31 C.F.R. § 1010.610(d).

9. Due Diligence and Enhanced Due Diligence Requirements for Private Banking Accounts/Senior Foreign Political Figures

We do not open or maintain private banking accounts.

Rule: 31 C.F.R. § 1010.620.

Resources: Guidance on Enhanced Scrutiny for Transactions that May Involve the Proceeds of Foreign Official Corruption (1/1/2001); FIN-2008-G005: Guidance to Financial Institutions on Filing Suspicious Activity Reports regarding the Proceeds of Political Corruption (4/17/2008).

10. Compliance with FinCEN's Issuance of Special Measures Against Foreign Jurisdictions, Financial Institutions or International Transactions of Primary Money Laundering Concern

We do not maintain any accounts (including correspondent accounts) with any foreign jurisdiction or financial institution. However, if FinCEN issues a final rule imposing a special measure against one or more foreign jurisdictions or financial institutions, classes of international transactions or types of accounts deeming them to

be of primary money laundering concern, we understand that we must read FinCEN's final rule and follow any prescriptions or prohibitions contained in that rule.

11. Monitoring Accounts for Suspicious Activity

We will monitor account activity for unusual size, volume, pattern or type of transactions, taking into account risk factors and red flags that are appropriate to our business. (Red flags are identified in Section 11.b. below.) Monitoring will be conducted through the following methods:

When securities are undertaken through partnership with a clearing firm, we will conduct our monitoring through the automated means of exception reports for unusual size, volume, pattern or type of transactions. Our AML Principal works with our clearing firm to ensure that all appropriate exception reports are made available to us and to request the design of additional reports if we are unable to adequately monitor without further information. We maintain documentation concerning the exception reports we utilize, dates of such utilization, initials of the individual undertaking the exception report review, and any finding and follow-up actions, as part of our AML books and records.

For securities transaction not sent through a clearing firm, we will manually monitor a sufficient amount of account activity to permit identification of patterns of unusual size, volume, pattern or type of transactions, geographic factors such as whether jurisdictions designated as non-cooperative are involved, or any identified red flags.

Our AML Principal will create the monitoring parameters, minimally including trading and wire transfers, in the context of other account activity to determine whether a transaction lacks financial sense or is suspicious because it is an unusual strategy for that customer.

Our AML Principal will ensure that all supervising principals receive sufficient training regarding our internal monitoring tools. The AML Principal will undertake a quarterly review to assure that such tools are appropriately utilized and are sufficient for our specific monitoring needs. The AML Principal will also maintain records indicating review findings and that appropriate corrective measures are taken where required.

Our AML Principal will retain documentation of when and how our monitoring efforts are carried out, and will report suspicious activities to the appropriate authorities.

Information used to determine whether to file a SAR-SF will come from exception reports and includes, but is not necessarily limited to, transaction size, location, type, number and nature of the activity.

Our AML Principal will create employee guidelines that include examples of suspicious money laundering activity and lists of high-risk clients whose accounts may warrant further scrutiny. We will maintain copies of such guidelines in the files, indicating names of the individuals to whom the material was disseminated and dates of dissemination.

Our AML Principal will conduct appropriate investigations, in concert with all involved individuals and, if necessary with other members of Senior Management, before a SAR-SF is filed, and document all matters surrounding such investigation.

The customer risk profile will serve as a baseline for assessing potentially suspicious activity. The AML Compliance Person or his or her designee will be responsible for this monitoring, will review any activity that our monitoring system detects, will determine whether any additional steps are required, will document when and how this monitoring is carried out, and will report suspicious activities to the appropriate authorities.

The AML Compliance Person or his or her designee will conduct an appropriate investigation and review relevant information from internal or third-party sources before a SAR-SF is filed. Relevant information can include, but not be limited to, the following: [*describe*].

Rules: 31 C.F.R. § 1023.320; FINRA Rule 3310.

Resource: 67 Fed. Reg. 44048 (July 1, 2002) (Final Rule: Financial Crimes Enforcement Network; Amendment to the Bank Secrecy Act Regulations – Requirement that Brokers or Dealers in Securities Report Suspicious Transactions) it is intended that broker-dealers, and indeed every type of financial institution to which the suspicious transaction reporting rules of 31 CFR part 103 apply, will evaluate customer activity and relationships for money laundering risks, and design a suspicious transaction monitoring program that is appropriate for the particular broker-dealer in light of such risks").

a. Emergency Notification to Law Enforcement by Telephone

In situations involving violations that require immediate attention, such as terrorist financing or ongoing money laundering schemes, we will immediately call an appropriate law enforcement authority. If a customer or company appears on OFAC's SDN list, we will call the OFAC Hotline at (800) 540-6322. Other contact numbers we will use are: FinCEN's Financial Institutions Hotline ((866) 556-3974) (especially to report transactions relating to terrorist activity), local U.S. Attorney's office (*412-644-3500)*, local FBI office (412-432-4000*)* and local SEC office (*215-597-3100)* (to voluntarily report such violations to the SEC in addition to contacting the appropriate law enforcement authority). If we notify the appropriate law enforcement authority of any such activity, we must still file a timely SAR-SF.

Although we are not required to, in cases where we have filed a SAR-SF that may require immediate attention by the SEC, we may contact the SEC via the SEC SAR Alert Message Line at (202) 551-SARS (7277) to alert the SEC about the filing. We understand that calling the SEC SAR Alert Message Line does not alleviate our obligations to file a SAR-SF or notify an appropriate law enforcement authority.

Rule: 31 C.F.R. § 1023.320.

Resources: *FinCEN's website*; *OFAC web page*; *NTM 02-21; NTM 02-47.*

b. Red Flags

Red flags that signal possible money laundering or terrorist financing include, but are not limited to:

Customers – Insufficient or Suspicious Information

- Provides unusual or suspicious identification documents that cannot be readily verified.
- Reluctant to provide complete information about nature and purpose of business, prior banking relationships, anticipated account activity, officers and directors or business location.
- Refuses to identify a legitimate source for funds or information is false, misleading or substantially incorrect.
- Background is questionable or differs from expectations based on business activities.
- Customer with no discernable reason for using the firm's service.

Efforts to Avoid Reporting and Recordkeeping

- Reluctant to provide information needed to file reports or fails to proceed with transaction.
- Tries to persuade an employee not to file required reports or not to maintain required records.
- "Structures" deposits, withdrawals or purchase of monetary instruments below a certain amount to avoid reporting or recordkeeping requirements.
- Unusual concern with the firm's compliance with government reporting requirements and firm's AML policies.

Certain Funds Transfer Activities

- Wire transfers to/from financial secrecy havens or high-risk geographic location without an apparent business reason.
- Many small, incoming wire transfers or deposits made using checks and money orders. Almost immediately withdrawn or wired out in manner inconsistent with customer's business or history. May indicate a Ponzi scheme.
- Wire activity that is unexplained, repetitive, unusually large or shows unusual patterns or with no apparent business purpose.

Certain Deposits or Dispositions of Physical Certificates

- Physical certificate is titled differently than the account.
- Physical certificate does not bear a restrictive legend, but based on history of the stock and/or volume of shares trading, it should have such a legend.

- Customer's explanation of how he or she acquired the certificate does not make sense or changes.
- Customer deposits the certificate with a request to journal the shares to multiple accounts, or to sell or otherwise transfer ownership of the shares.

Certain Securities Transactions

- Customer engages in prearranged or other non-competitive trading, including wash or cross trades of illiquid securities.
- Two or more accounts trade an illiquid stock suddenly and simultaneously.
- Customer journals securities between unrelated accounts for no apparent business reason.
- Customer has opened multiple accounts with the same beneficial owners or controlling parties for no apparent business reason.
- . Customer transactions include a pattern of receiving stock in physical form or the incoming transfer of shares, selling the position and wiring out proceeds.
- Customer's trading patterns suggest that he or she may have inside information.

Transactions Involving Penny Stock Companies

- Company has no business, no revenues and no product.
- Company has experienced frequent or continuous changes in its business structure.
- Officers or insiders of the issuer are associated with multiple penny stock issuers.
- Company undergoes frequent material changes in business strategy or its line of business.
- Officers or insiders of the issuer have a history of securities violations.
- Company has not made disclosures in SEC or other regulatory filings.
- Company has been the subject of a prior trading suspension.

Transactions Involving Insurance Products

- Cancels an insurance contract and directs funds to a third party.
- Structures withdrawals of funds following deposits of insurance annuity checks signaling an effort to avoid BSA reporting requirements.
- Rapidly withdraws funds shortly after a deposit of a large insurance check when the purpose of the fund withdrawal cannot be determined.

- Cancels annuity products within the free look period which, although could be legitimate, may signal a method of laundering funds if accompanied with other suspicious indicia.
- Opens and closes accounts with one insurance company then reopens a new account shortly thereafter with the same insurance company, each time with new ownership information.
- Purchases an insurance product with no concern for investment objective or performance.
- Purchases an insurance product with unknown or unverifiable sources of funds, such as cash, official checks or sequentially numbered money orders.

Activity Inconsistent With Business

- Transactions patterns show a sudden change inconsistent with normal activities.
- Unusual transfers of funds or journal entries among accounts without any apparent business purpose.
- Maintains multiple accounts, or maintains accounts in the names of family members or corporate entities with no apparent business or other purpose.
- Appears to be acting as an agent for an undisclosed principal, but is reluctant to provide information.

Other Suspicious Customer Activity

- Unexplained high level of account activity with very low levels of securities transactions.
- Funds deposits for purchase of a long-term investment followed shortly by a request to liquidate the position and transfer the proceeds out of the account.
- Law enforcement subpoenas.
- Large numbers of securities transactions across a number of jurisdictions.
- Buying and selling securities with no purpose or in unusual circumstances (*e.g.*, churning at customer's request).
- Payment by third-party check or money transfer without an apparent connection to the customer.
- Payments to third-party without apparent connection to customer.
- No concern regarding the cost of transactions or fees (*i.e.*, surrender fees, higher than necessary commissions, etc.).

c. Responding to Red Flags and Suspicious Activity

When an employee of the firm detects any red flag, or other activity that may be suspicious, he or she will notify [*include procedures for escalation of suspicious activity*]. Under the direction of the AML Compliance Person, the firm will determine whether or not and how to further investigate the matter. This may include gathering

additional information internally or from third-party sources, contacting the government, freezing the account and/or filing a SAR-SF.

12. Suspicious Transactions and BSA Reporting

Firms are exempt from reporting on a SAR-SF the following violations: (1) a robbery or burglary that is committed or attempted and already reported to appropriate law enforcement authorities; (2) lost, missing, counterfeit or stolen securities that the firm has reported pursuant to Exchange Act Rule 17f-1; and (3) violations of the Federal securities laws or self-regulatory organization (SRO) rules by the firm, its officers, directors, employees or registered representatives, that are reported appropriately to the SEC or SRO, except for a violation of Exchange Act Rule 17a-8, which must be reported on a SAR-SF. However, if a firm relies on one of these exemptions, it may be required to demonstrate that it relied on one of these exemptions and must maintain records, for at least five years, of its determination not to file a SAR-SF based on the exemption.

Rule: 31 C.F.R. § 1023.320.

a. Filing a SAR-SF

We will file SAR-SFs with FinCEN for any transactions (including deposits and transfers) conducted or attempted by, at or through our firm involving $5,000 or more of funds or assets (either individually or in the aggregate) where we know, suspect or have reason to suspect:

(1) the transaction involves funds derived from illegal activity or is intended or conducted in order to hide or disguise funds or assets derived from illegal activity as part of a plan to violate or evade federal law or regulation or to avoid any transaction reporting requirement under federal law or regulation;

(2) the transaction is designed, whether through structuring or otherwise, to evade any requirements of the BSA regulations;

(3) the transaction has no business or apparent lawful purpose or is not the sort in which the customer would normally be expected to engage, and after examining the background, possible purpose of the transaction and other facts, we know of no reasonable explanation for the transaction; or

(4) the transaction involves the use of the firm to facilitate criminal activity.

We will also file a SAR-SF and notify the appropriate law enforcement authority in situations involving violations that require immediate attention, such as terrorist financing or ongoing money laundering schemes. In addition, although we are not required to, we may contact that SEC in cases where a SAR-SF we have filed may require immediate attention by the SEC. *See* Section 11 for contact numbers. We also understand that, even if we notify a regulator of a violation, unless it is specifically covered by one of the exceptions in the SAR rule, we must file a SAR-SF reporting the violation.

We may file a voluntary SAR-SF for any suspicious transaction that we believe is relevant to the possible violation of any law or regulation but that is not required to be reported by us under the SAR rule. It is our policy that all SAR-SFs will be reported regularly to the Board of Directors and appropriate senior management, with a clear reminder of the need to maintain the confidentiality of the SAR-SF.

We will report suspicious transactions by completing a SAR-SF, and we will collect and maintain supporting documentation as required by the BSA regulations. We will file a SAR-SF no later than 30 calendar days after the date of the initial detection of the facts that constitute a basis for filing a SAR-SF. If no suspect is identified on the date of initial detection, we may delay filing the SAR-SF for an additional 30 calendar days pending identification of a suspect, but in no case will the reporting be delayed more than 60 calendar days after the date of initial detection. The phrase "initial detection" does not mean the moment a transaction is highlighted for review. The 30-day (or 60-day) period begins when an appropriate review is conducted and a determination is made that the transaction under review is "suspicious" within the meaning of the SAR requirements. A review must be initiated promptly upon identification of unusual activity that warrants investigation.

We will retain copies of any SAR-SF filed and the original or business record equivalent of any supporting documentation for five years from the date of filing the SAR-SF. We will identify and maintain supporting documentation and make such information available to FinCEN, any other appropriate law enforcement agencies, federal or state securities regulators or SROs upon request.

We will not notify any person involved in the transaction that the transaction has been reported, except as permitted by the BSA regulations. We understand that anyone who is subpoenaed or required to disclose a SAR-SF or the information contained in the SAR-SF will, except where disclosure is requested by FinCEN, the SEC, or another appropriate law enforcement or regulatory agency, or an SRO registered with the SEC, decline to produce the SAR-SF or to provide any information that would disclose that a SAR-SF was prepared or filed. We will notify FinCEN of any such request and our response.

Rules: 31 C.F.R. § 1023.320; FINRA Rule 3310.

Resources: FinCEN's website contains additional information, including information on the BSA E-Filing System, the FinCEN Suspicious Activity Report: Introduction and Filing Instructions, and the biannual SAR Activity Review – Trends, Tips & Issues, which discusses trends in suspicious reporting and gives helpful tips; The SAR Activity Review, Issue 10 (May 5/2006) (documentation of decision not to file a SAR; grand jury subpoenas and suspicious activity reporting, and commencement of 30-day time period to file a SAR); FinCEN SAR Narrative Guidance Package (11/2003), FinCEN Suggestions for Addressing Common Errors Noted in Suspicious Activity Reporting (10/10/2007); NTM 02-21; NTM 02-47.

b. Currency Transaction Reports

Our firm prohibits transactions involving currency and has the following procedures to prevent such transactions: [*Describe*]. If we discover such transactions have occurred, we will file with FinCEN CTRs for currency transactions that exceed $10,000. Also, we will treat multiple transactions involving currency as a single transaction for purposes of determining whether to file a CTR if they total more than $10,000 and are

made by or on behalf of the same person during any one business day. We will use the *BSA E-Filing System* to file the supported CTR Form.

Rules: 31 C.F.R. §§ 1010.311, 1010.306, 1010.312.

Resource: BSA E-Filing System; BSA E-Filing System Filing Instructions (including instructions for FinCEN CTR Form 112).

c. Currency and Monetary Instrument Transportation Reports

Our firm prohibits both the receipt of currency or other monetary instruments that have been transported, mailed or shipped to us from outside of the United States, and the physical transportation, mailing or shipment of currency or other monetary instruments by any means other than through the postal service or by common carrier. We will file a CMIR with the Commissioner of Customs if we discover that we have received or caused or attempted to receive from outside of the U.S. currency or other monetary instruments in an aggregate amount exceeding $10,000 at one time (on one calendar day or, if for the purposes of evading reporting requirements, on one or more days). We will also file a CMIR if we discover that we have physically transported, mailed or shipped or caused or attempted to physically transport, mail or ship by any means other than through the postal service or by common carrier currency or other monetary instruments of more than $10,000 at one time (on one calendar day or, if for the purpose of evading the reporting requirements, on one or more days). We will use the CMIR Form provided on FinCEN's website.

Rules: 31 C.F.R. §§ 1010.340, 1010.306.

Resource: BSA E-Filing System.

d. Foreign Bank and Financial Accounts Reports

We will file a Foreign Bank and Financial Accounts Report (FBAR) for any financial accounts of more than $10,000 that we hold, or for which we have signature or other authority over, in a foreign country. We will use the BSA E-Filing System provided on FinCEN's website.

Rules: 31 C.F.R. §§ 1010.306, 1010.350, 1010.420.

Resource: BSA E-Filing System.

e. Monetary Instrument Purchases

We do not issue bank checks or drafts, cashier's checks, money orders or traveler's checks in the amount of $3,000 or more.

Rule: 31 C.F.R. § 1010.415.

Resource: 59 Fed. Reg. 52250 (October 17, 1994) (Final Rule; Amendments to BSA Regulations Relating to Identification Required to Purchase Bank Checks and Drafts, Cashier's Checks, Money Orders, and Traveler's Checks).

f.Funds Transmittals of $3,000 or More Under the Travel Rule

When we are the transmittor's financial institution in funds of $3,000 or more, we will retain either the original or a copy (*e.g.*, microfilm, electronic record) of the transmittal order. We will also record on the transmittal order the following information: (1) the name and address of the transmittor; (2) if the payment is ordered from an account, the account number; (3) the amount of the transmittal order; (4) the execution date of the transmittal order; and (5) the identity of the recipient's financial institution. In addition, we will include on the transmittal order as many of the following items of information as are received with the transmittal order: (1) the name and address of the recipient; (2) the account number of the recipient; (3) any other specific identifier of the recipient; and (4) any form relating to the transmittal of funds that is completed or signed by the person placing the transmittal order.

We will also verify the identity of the person placing the transmittal order (if we are the transmitting firm), provided the transmittal order is placed in person and the transmittor is not an established customer of the firm (*i.e.*, a customer of the firm who has not previously maintained an account with us or for whom we have not obtained and maintained a file with the customer's name, address, taxpayer identification number, or, if none, alien identification number or passport number and country of issuance). If a transmittor or recipient is conducting business in person, we will obtain: (1) the person's name and address; (2) the type of identification reviewed and the number of the identification document (*e.g.,* driver's license); and (3) the person's taxpayer identification number (*e.g.,* Social Security or employer identification number) or, if none, alien identification number or passport number and country of issuance, or a notation in the record the lack thereof. If a transmittor or recipient is not conducting business in person, we shall obtain the person's name, address, and a copy or record of the method of payment (*e.g.,* check or credit card transaction). In the case of transmittors only, we shall also obtain the transmittor's taxpayer identification number (*e.g.,* Social Security or employer identification number) or, if none, alien identification number or passport number and country of issuance, or a notation in the record of the lack thereof. In the case of recipients only, we shall obtain the name and address of the person to which the transmittal was sent.

Rules: 31 C.F.R. § 1010.410(e) and (f); Exchange Act Rule 17a-8 (requiring registered broker-dealers subject to the Currency and Foreign Transactions Reporting Act of 1970 to comply with the BSA regulations regarding reporting, recordkeeping and record retention requirements); FINRA Rule 3310.

13. AML Recordkeeping

a. Responsibility for Required AML Records and SAR-SF Filing

Our AML Compliance Person and his or her 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 our AML program, our firm will create and maintain SAR-SFs, CTRs, CMIRs, FBARs, and relevant documentation on customer identity and verification *(See* Section 5 above) 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)).

Rules: 31 C.F.R. § 1010.430; Exchange Act Rule 17a-8 (requiring registered broker-dealers subject to the Currency and Foreign Transactions Reporting Act of 1970 to comply with the BSA regulations regarding reporting, recordkeeping and record retention requirements); FINRA Rule 3310.

b. SAR-SF Maintenance and Confidentiality

We will hold SAR-SFs and any supporting documentation confidential. We 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. We 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 we receive. *See* Section 11 for contact numbers. We will segregate SAR-SF filings and copies of supporting documentation from other firm books and records to avoid disclosing SAR-SF filings. Our AML Compliance Person will handle all subpoenas or other requests for SAR-SFs. [*Describe any other retention or confidentiality procedures of your firm for SAR-SFs.*] We may share information with another financial institution about suspicious transactions in order to determine whether we will jointly file a SAR according to the provisions of Section 3.d. 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.

Rule: 31 C.F.R. § 1023.320(e).

Resources: 67 Fed. Reg. 44048 (July 1, 2002) (Final Rule; Financial Crimes Enforcement Network; Amendment to the Bank Secrecy Act Regulations – Requirement that Brokers or Dealers in Securities Report Suspicious Transactions); NTM 02-47.

c. Additional Records

We shall retain either the original or a microfilm or other copy or reproduction of each of the following:

- A record of each extension of credit in an amount in excess of $10,000, except an extension of credit secured by an interest in real property. The record shall contain the name and address of the person to whom the extension of credit is made, the amount thereof, the nature or purpose thereof and the date thereof;

- A record of each advice, request or instruction received or given regarding any transaction resulting (or intended to result and later canceled if such a record is normally made) in the transfer of currency or other monetary instruments, funds, checks, investment securities or credit, of more than $10,000 to or from any person, account or place outside the U.S.;

- A record of each advice, request or instruction given to another financial institution (which includes broker-dealers) or other person located within or without the U.S., regarding a transaction intended to result in the transfer of funds, or of currency, other monetary instruments, checks, investment securities or credit, of more than $10,000 to a person, account or place outside the U.S.;

- Each document granting signature or trading authority over each customer's account;

- Each record described in Exchange Act Rule 17a-3(a): (1) (blotters), (2) (ledgers for assets and liabilities, income, and expense and capital accounts), (3) (ledgers for cash and margin accounts), (4) (securities log), (5) (ledgers for securities in transfer, dividends and interest received, and securities borrowed and loaned), (6) (order tickets), (7) (purchase and sale tickets), (8) (confirms), and (9) (identity of owners of cash and margin accounts);

- A record of each remittance or transfer of funds, or of currency, checks, other monetary instruments, investment securities or credit, of more than $10,000 to a person, account or place, outside the U.S.; and

- A record of each receipt of currency, other monetary instruments, checks or investment securities and of each transfer of funds or credit, of more than $10,000 received on any one occasion directly and not through a domestic financial institution, from any person, account or place outside the U.S.

Rules: 31 C.F.R. § 1010.410; 31 C.F.R. 1023.410; Exchange Act Rule 17a-8 (requiring registered broker-dealers subject to the Currency and Foreign Transactions Reporting Act of 1970 to comply with the BSA regulations regarding reporting, recordkeeping and record retention requirements); FINRA Rule 3310.

14. Clearing/Introducing Firm Relationships

We will work closely with our clearing firm to detect money laundering. We will exchange information, records, data and exception reports as necessary to comply [with our contractual obligations and] with AML laws. Both our firm and our clearing firm have filed (and kept updated) the necessary annual certifications for such information sharing, which can be found on FinCEN's website. As a general matter, we will obtain and use the following exception reports offered by our clearing firm in order to monitor customer activity and we will provide our clearing firm with proper customer identification and due diligence information as required to successfully monitor customer transactions. We have discussed how each firm will apportion customer and transaction functions and how we will share information and set forth our understanding in a written document.

We understand that the apportionment of functions will not relieve either of us from our independent obligation to comply with AML laws, except as specifically allowed under the BSA and its implementing regulations.

Rules: 31 CFR § 1010.540; FINRA Rule 3310; FINRA Rule 4311.

Resource: NTM 02-21.

15. Training Programs

We will develop ongoing employee training under the leadership of the AML Compliance Person and senior management. Our training will occur on at least an annual basis. It will be based on our firm's size, its customer base, and its resources and be updated as necessary to reflect any new developments in the law.

Our training will include, at a minimum: (1) how to identify red flags and signs of money laundering that arise during the course of the employees' duties; (2) what to do once the risk is identified (including how, when and to whom to escalate unusual customer activity or other red flags for analysis and, where appropriate, the filing of SAR-SFs); (3) what employees' roles are in the firm's compliance efforts and how to perform them; (4) the firm's record retention policy; and (5) the disciplinary consequences (including civil and criminal penalties) for non-compliance with the BSA.

We will develop training in our firm, or contract for it. Delivery of the training may include educational pamphlets, videos, intranet systems, in-person lectures and explanatory memos. Currently our training program is: [*insert specifics, such as "all registered representatives must view the video entitled "Spotting Money Laundering" by X date or within two weeks of being hired, etc.*] We will maintain records to show the persons trained, the dates of training and the subject matter of their training.

We will review our operations to see if certain employees, such as those in compliance, margin and corporate security, require specialized additional training. Our written procedures will be updated to reflect any such changes.

Rules: 31 CFR § 1023.210(b)(4); FINRA Rule 3310.

Resources: See NTM 02-21, FinCEN SAR Narrative Guidance Package (11/01/2003); FinCEN Suggestions for Addressing Common Errors Noted in Suspicious Activity Reporting (10/10/2007).

16. Program to Independently Test AML Program

The testing of our AML program will be performed at least annually (on a calendar year basis) by an independent third party. We will evaluate the qualifications of the independent third party to ensure they have a working

knowledge of applicable requirements under the BSA and its implementing regulations. Independent testing will be performed more frequently if circumstances warrant.

Rules: 31 C.F.R. § 1023.210(b)(2); FINRA Rule 3310.

Resource: NTM 06-07.

b. Evaluation and Reporting

After we have completed the independent testing, staff will report its findings to senior management. We will promptly address each of the resulting recommendations and keep a record of how each noted deficiency was resolved.

Rules: 31 C.F.R. § 1023.210(b)(2); FINRA Rule 3310.

17. Monitoring Employee Conduct and Accounts

We will subject employee accounts to the same AML procedures as customer accounts, under the supervision of the AML Compliance Person. We will also review the AML performance of supervisors, as part of their annual performance review. The AML Compliance Person's accounts will be reviewed by ~~[~~*~~Name – another member of senior management~~*.~~]~~

Rules: 31 C.F.R. § 1023.320; 31 C.F.R § 1023.210; FINRA Rule 3310.

18. Confidential Reporting of AML Non-Compliance

Employees will promptly report any potential violations of the firm's AML compliance program to the AML Compliance Person, unless the violations implicate the AML Compliance Person, in which case the employee shall report to the Chief Compliance Officer. Such reports will be confidential, and the employee will suffer no retaliation for making them.

Rules: 31 C.F.R. § 1023.210; FINRA Rule 3310.

19. Additional Risk Areas

The firm has reviewed all areas of its business to identify potential money laundering risks that may not be covered in the procedures described above.

20. Senior Manager Approval

Senior management has approved this AML compliance program in writing as reasonably designed to achieve and monitor our firm's ongoing compliance with the requirements of the BSA and the implementing regulations under it. This approval is indicated by signatures below.

Rules: *31 C.F.R. § 1023.210; FINRA Rule 3310.*

Signed:

Title:

Date:

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