L.M. Kohn & Company

Registered Representative Manual

October 13, 2021

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Introduction

The SEC, FINRA and other self-regulatory organizations ('SROs') such as the NYSE, the Municipal Securities Rulemaking Board ('MRSB'), etc. have a statutory mandate to regulate the securities markets, brokerage firms, and the registered personnel of brokerage firms. SROs and the Exchanges have regulatory, inspection and enforcement powers to help monitor and maintain compliance with rules of fair practice for the industry and to promote the highest possible standards of business conduct for the benefit of investors, broker/dealers and issuers of securities. (While the MSRB is an SRO with rulemaking authority concerning municipal securities, it has no inspection or enforcement authority; FINRA is charged with inspection responsibility and enforcement of the MSRB's rules.)

On its web site (www.FINRA.org) FINRA states, *'The foundation of the securities industry is fair dealing with customers. Whether your work is with individuals, institutions, or business entities, a registered representative's obligation to this profession is to serve all customers with honesty and integrity by putting their interests first and foremost.*

'FINRA rules require you to observe high standards of commercial honor and just and equitable principles of trade and also prohibits any manipulative, deceptive or fraudulent actions.'

The requirements throughout this Manual, therefore, are not mandated by L.M. Kohn & Company in an arbitrary manner; they are mandated by SEC, FINRA and other regulatory bodies.

The rules and this firm's internal policies and procedures are in place in order to assist L.M. Kohn & Company in meeting its responsibility to ensure that you are aware of, and in compliance with, the requirements under the regulatory rules and regulations. They are also in place to ensure that your license and livelihood are protected, as not only does the firm risk regulatory sanctions if its registered personnel act in a manner prohibited by the rules, your securities license and personal career could also be jeopardized by not understanding the rules by which you are governed.

No one document can address each and every possible scenario or situation which you may face on a day-to-day basis. It is important that you work closely with the Supervising Principal to whom you have been assigned, and with Compliance, especially when you are not 100% certain of your responsibilities or the requirements involved in a certain situation.

Furthermore, in addition to the material contained in this Manual, L.M. Kohn & Company has additional policies and procedures, operational matters and other issues

with which it requires you to comply, which will assist in guiding you through the various regulatory requirements.

If you have questions concerning any of the instructions or requirements given throughout this Manual, please immediately bring them to the attention of your immediate Supervising Principal. If you are uncertain as to who your immediate supervisor is, please contact the Compliance Department immediately.

HOME OFFICE - BRANCH 001

Telephone Number (513) 792-0301

Toll Free Number (800) 478-0788

Fax Number (513) 792-0300

E-Mail Address compliance@lmkohn.com

Web-Site Address www.lmkohn.com

OSJ OFFICES

Branch 005 Telephone Number (513) 860-9100

Branch 009 Telephone Number (513) 489-7526

Branch 015 Telephone Number (617) 510-0511

Branch 016 Telephone Number (513) 792-5425

Branch 019 Telephone Number (513) 281-3366

Branch 023 Telephone Number (540) 437-1730

Branch 024 Telephone Number (513) 563-3469

Branch 025 Telephone Number (502) 814-4412

Branch 028 Telephone Number (248) 952-5858

Branch 029 Telephone Number (708) 645-1850

Branch 031 Telephone Number (440) 652-6370

Branch MO032 Telephone Number (314) 835-0895

Branch IA033 Telephone Number (319) 352-2357

Branch 034 Telephone Number (937) 557-3200

HOME OFFICE STAFF: NAME, EXT., E-MAIL, RESPONSIBILITIES

Larry Kohn, Ext. 204, LarryK@LMKohn.com, New Business Development, 401k plans and platforms, Recruiting.

Carl Hollister, Ext. 105, CarlH@LMKohn.com, LMK Compliance, LMK Operations, Fixed Income Trading, Options, 529 Plans, New Business Development, Recruiting, Television & Radio Advertising Requests.

Angela Boehm, Ext. 103, AngelaB@LMKohn.com, Firm Comptroller & Accounting, Regulatory CE.

Mollie Shiplett, Ext. 128, MollieS@LMKohn.com, Receptionist.

Cara Kimmerly, Ext. 111, CaraK@LMKohn.com, Human Resources/Office Manager.

Diane Eastman, Ext. 123, DianeEastman@LMKohn.com, Assistant to Compliance & Commissions, Questions regarding advertising and social media.

Kristin Hobbs, Ext. 112, KristinH@LMKohn.com, TD Ameritrade account processing & service work, ALL Advisory Agreement paperwork, Management fee processing.

Drew Kohn, Ext. 120, DrewK@LMKohn.com, LMK Compliance, Advertising, Operations

Tina Schwegmann, Ext. 129, TinaS@LMKohn.com, Executive Assistant to Larry Kohn.

Tim Schwiebert, Ext. 106, TimS@LMKohn.com, VP Trading, Options, Information Systems, New Business Development, RBC Billing Statements, IT Compliance.

Trease Thompson, Ext. 126, TreaseT@LMKohn.com, Administrative Assistant, Questions regarding Sales Logs and Incoming Correspondence Logs.

Colleen Radar, Ext. 113, ColleenR@LMKohn.com, Administrative Assistant, Insurance appointments, State Licenses.

Mike Bell, Ext. 116, MikeB@LMKohn.com, Compliance Manager.

Robert Chess, Ext. 119, RobertC@LMKohn.com, VP of Supervision.

Andrea Howlett, Ext. 118, AndreaH@LMKohn.com, RBC Service Department.

Tom Berry, Ext. 125, TomBerry@LMKohn.com, RBC Service Department.

HOME OFFICE: DEPT RESPONSIBILITIES FUNCTION, NAME, SINCE

ABS/MBS/CMO, Carl R. Hollister, 2000

AML Compliance, Carl R. Hollister and Drew Kohn, 2002

Compliance, Carl R. Hollister, 1998, Kristin Hobbs, 2012, Drew Kohn, 2013, Mike Bell 2019, Robert Chess 2021

Corporates & Preferred Issues, Carl R. Hollister, 1998, Mike Bell 2019, Robert Chess 2021

Equity Trading, Timothy J. Schwiebert, 2001

Financials, Larry M. Kohn, 1990

Government Securities, Carl R. Hollister, 1997, Mike Bell 2019 and Robert Chess 2021

Investment Advisors, Kristin Hobbs, 2012

Municipals, Carl R. Hollister, 1998 Mike Bell, 2019, and Robert Chess 2021

Mutual Funds, Drew Kohn, 2013, Mike Bell, 2019, Robert Chess 2021, and Kristin Hobbs, 2012

Options, Carl R. Hollister, 1998, Mike Bell 2019, and Robert Chess 2021

Stocks, Carl R. Hollister, 1998, Drew Kohn, 2013, Mike Bell 2019, and Robert Chess 2021

Unit Investment Trusts, Drew Kohn, 2013, Mike Bell, 2019, Robert Chess 2021, and Carl R. Hollister, 1998

LMK PRINCIPAL, FINRA POS, BRANCH #, MAILING ADDRESS, CITY, STATE, ZIP CODE, PHONE NUMBER

Adkins, Jeffrey, GS, GP, 030, 4350 Brownsboro Rd., Suite 110, Louisville, KY, 40207, 502-893-4584

Bagnulo, Michael, GS, GP, OP, OS, 001,1020 Martins Lake Close, Roswell, GA, 30076, 770-355-0158

Bolander, William, GP, 013, 6200 West 9th St., Unit 2-B, Greeley, CO, 80634, 970-218-2940

Burch, Gregory, IP, 005, 2794 Mack Rd., Fairfield, OH, 45014, 513-860-9100 x28

Burns, Zachary, GP, 019, 2133 Luray Ave., Cincinnati, OH 45206, 513-719-4158

Conway Jr., John, GS, GP, 001, 210 E. Drinker St., Dunmore, PA, 18512, 570-342-6669

DiPietro, Vincent, 001, 10871 Yankee St., Centerville, OH 45458, 937- 885-7999

Donnellan, Michael, GP, GS, OP, OS, 031, 17601 W. 130th St. Suite 1, North Royalton, OH 44133, 440-652-6370

Ferguson, Robert, GP, GS, MO032, 12412 Powerscourt Dr. Suite 150, St. Louis, MO 63131, 314-835-0895

Hannam, Ryan, GP, GS IA033, 323 W. 2nd St., Cedar Falls, IA 50613, 319-352-2357

Hobbs, Kristin, 001, IR, IP, OS, 10151 Carver Road, Suite 100, Cincinnati, OH, 45242, 523-729-0301

Hollister, Carl, GP, GS, MP, MR, OP, PG, SU, 001, 10151 Carver Road, Suite 100, Cincinnati., OH, 45242, 513-792-0301

Kohn, Garry, GP, MP, 024, 9078 Union Centre Boulevard, Suite 350, West Chester, OH 45069, 513-563-3469

Kohn, Larry, FI, GP, PG, 001, 10151 Carver Road, Suite 100, Cincinnati, OH, 45242, 513-792-0301

Loomis III, William, GS, GP, 023, 1954 Evelyn Byrd Ave., Harrison, VA 22801, 540-434-2505

Loomis IV, William, GS, GP, 023, 1954 Evelyn Byrd Ave., Harrison, VA 22801, 540-434-2505

McLaughlin, Ryan, GP, 011, 171 Londonderry Turnpike, Hooksett, NH, 03106, 603-232-9317

Olvera, Tanya, GP, GS, 034, 550 S. Main St., Springboro, OH 45066, 937-557-3248

Petitte, Mark, GP, 001, 4475 Canty Hill Rd., Tully, NY 13159, 315-696-5555

Scheineson, Irwin, GP, 009, 8044 Montgomery Rd, Suite 700, Cincinnati, OH, 45236, 513-489-7526

Schwiebert, Timothy, GP, OP, 001,10151 Carver Rd, Suite 100, Cincinnati, OH, 45242, 513-792-0301

Williams, Benjamin, GP, 025, 521 Barret Ave., Louisville, KY 40204, 502-583-4412

Address Changes

The following steps must be taken for all address change requests:

- Address change requests initiated by LMK, the Registered Rep or Client, must be processed on the 'Address Change Request' form available on the www.lmkohn.com website under FC Access. This form requires the signatures of the client(s), Registered Rep and First Line OSJ. The completed form will be sent to the Home Office for processing.
- Address change requests will be confirmed with the customer by notice from the LMK back office. We will confirm all address change requests with the customer by sending a notice both to the old, and new, addresses. You should take steps to ensure that you are aware of all your specific responsibilities regarding address changes.
- Address change requests must be approved by an appropriate supervising principal (OSJ) prior to the change being processed
- Requests to change an address to a post office box are acceptable only if the customer's permanent street address is maintained in the client files, both at the home office and branch (if the latter is applicable).

Failure to comply with these exact policies may result in disciplinary action.

Returned Mail

The returned mail will be emailed to the rep. The rep will have 30 days to provide an Address Update Form signed by the client. If no response, the account(s) will be changed to House at which point the home office will follow "Lost Account" procedures.

Annual Compliance Meeting

L.M. Kohn & Company is required to hold an Annual Compliance Meeting that must be attended by EVERY registered individual.

There are NO EXCEPTIONS - failure to attend will result in disciplinary action.

We will provide sufficient notice to you regarding the specific details of your 'attendance' requirements (i.e. in person, on the phone, online, etc.) If it is not possible for you to comply with the specific requirements in the timeframe required, you must IMMEDIATELY notify your Supervising Principal, Compliance, or other appropriate individual in charge of the Annual Compliance Meeting.

All efforts will be made to accommodate you if there is appropriate cause for your inability to comply in a timely manner. Make-up sessions may be scheduled, individual interviews may be required – we will do our best to work with you to assist you in complying with the mandatory requirement to comply.

If you fail to attend a scheduled make-up session, or do not appear at the appropriate time for a personal interview, you will be required to give a satisfactory explanation for such absence. Continued failure to comply may result in termination.

The Annual Compliance Meeting serves three major functions:

- A thorough review of L.M. Kohn & Company's business, methods of operation and all related compliance issues
- A forum in which participants may raise questions regarding compliance requirements
- An opportunity for a centralized discussion of recent regulatory developments, firm policies and any related information

Arbitration: Forms U4

FINRA Rule 2263, “Arbitration Disclosure to Associated Persons Signing or Acknowledging Form U4,” requires that, when an associated person is asked to sign a new or amended Form U4, we provide certain specified disclosure language explaining that the Form U4 contains a predispute arbitration clause, indicate where on the Form U4 such clause is located, and advise the associated person to read the predispute arbitration clause and ask any relevant questions prior to signing the form.

If you have not been supplied with such disclosure, speak with your Supervising Principal or someone in Compliance.

Books and Records Maintenance

All books and records relating to a broker-dealer's securities business must be maintained for specific lengths of time, ranging from three-to six- years. The majority of these records are the responsibility of the firm. However, registered personnel are also required to maintain certain records in client files, and certain records in compliance files - such as the complaint files for those representatives located at a branch office.

It is imperative that you understand your responsibilities regarding the books and records you are personally required to maintain. If you feel you have not received sufficient training and/or information regarding the books and records for which you are responsible, you must take steps to become adequately informed and not risk inadvertent non-compliance.

The regulators will not accept a lack of understanding as defense for non-compliance. Furthermore, unless you have made it clear to your Supervising Principal that you are not fully aware of your books and records maintenance responsibilities, this firm will not accept non-compliance. It is ultimately your own responsibility to continue to seek information and guidance if you remain uncertain about any area of responsibility.

The home office will maintain all primary files in accordance with FINRA and SEC rules pertaining to books and records. OSJ supervisors and RRs may maintain copies only of such files.

California Consumer Privacy Act

This California Consumer Privacy Act Disclosure ("Disclosure') explains how L.M. Kohn & Company collects, uses, and discloses personal information relating to California residents that is subject to the California Consumer Privacy Act of 2018 ("CCPA"). The law applies to any business that has more than $25 million in revenue, or buys or sells the personal information of 50,000 or more consumers, or derives 50 percent or more of its annual revenue from selling consumers' personal information, and that does any amount of business in the State of California. **L.M. Kohn & Company, at this time, does not meet any of the requirements listed (i.e., more than $25 million in revenues, etc.) for the law to have direct applicability to the firm.**

What is Personal Information?

Under the CCPA, "Personal Information" is information that identifies, relates to, or could reasonably be linked with a particular California resident or household. The CCPA, however, does not apply to certain information, such as information subject to certain federal privacy laws, such as the Gramm-Leach-Bliley Act ("GLBA"); the Fair Credit Reporting Act ("FRCA"); and the Health Insurance Portability and Accountability Act ("HIPAA"). Additionally, personal information does not include publicly available information from government records and de-identified or aggregated consumer information.

Collection, **Use, and Disclosure of Personal Information**

We collect personal information relating to California residents who request or obtain our products or services for themselves ("Consumers'). The specific personal information that we collect, use, and disclose relating to a California resident will depend on our relationship or interaction with that individual.

In the past 12 months, we have collected the following categories of personal information relating to California residents:

- (1) Identifiers, such as name and Social Security number;
- (2) Personal information, as defined in the California safeguards law, such as contact information and financial information;
- (3) Characteristics of protected classifications under California or federal law, such as sex and marital status;
- (4) Commercial information, such as transaction and account information;
- (5) Internet or network activity information, such as browsing history and interactions with our website;
- (6) Geolocation data, such as device location;
- (7) Audio, electronic, visual, thermal, olfactory, and similar information, such as call recordings;
- (8) Professional or employment-related information, such as work history and prior employer;
- (9) Education information, such as school and data of graduation; and
- (10) Inferences drawn from any of the personal information listed above to create a profile/summary about, for example, an individual's preferences and characteristics.

The purposes for which we use the personal information that we collect depends on our relationship or interaction with a specific California resident. We use personal information to operate, manage, and maintain our business, to provide our products and services, and to accomplish our business purposes and objectives. For example, we use personal information to facilitate communications; conduct risk and security control and monitoring; detect and prevent fraud; perform identity verification; perform compliance, audit, and other internal functions, such as internal investigations; comply with legal process, regulatory requests, and internal policies; and for maintenance of records.

In the past 12 months, we have disclosed the following categories of personal information relating to California residents to affiliated and nonaffiliated third parties for our business purposes:

- (1) Identifiers, such as name and Social Security number;
- (2) Personal information, as defined in the California safeguards law, such as contact information and financial information;
- (3) Characteristics of protected classifications under California or federal law, such as sex and marital status;
- (4) Commercial information, such as transaction and account information;
- (5) Internet or network activity information, such as browsing history and interactions with our website;
- (6) Geolocation data, such as device location;
- (7) Audio, electronic, visual, thermal, olfactory, and similar information, such as call recordings;
- (8) Professional or employment-related information;
- (9) Education information, such as school and data of graduation; and
- (10) Inferences drawn from any of the personal information listed above to create a profile/summary about, for example, an individual's preferences and characteristics.

In the past 12 months, however, we have not "sold" personal information relating to California residents within the meaning of the CCPA. For purposes of this Disclosure, "sold" means the disclosure of personal information for monetary or other valuable consideration.

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.

However, non-traditional CD products are being offered to investors that are more complex and carry more risk.

These are generally referred to as 'long-term' CDs. They usually 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 transaction costs not typically associated with a traditional CD.

Equity Linked Certificates of Deposits / Principal Protected Structured Investments

Principal Protected Structured Investments combine the potential of long term growth based on an underlying asset, a basket of assets or even indexes with the safety and security of full principal protection. Instead of paying a fixed rate of interest, a principal protected note provides a return at maturity based on the appreciation of an underlying asset or basket of assets, such as a US or international equity market index, one or more commodities, or virtually any other financial benchmark. While the interest the investor will receive is uncertain, and could be zero, the return of the initial investment amount at maturity is assured, subject to the credit quality of the issuer, regardless of the performance of the underlying assets. In many cases there is an imputed interest rate that the security will accrete at, giving your clients in a taxable account a potential tax liability.

RRs can receive additional training on structured products, including Principal Protected Notes, by signing in on the approved website for firm approved training. Training must be memorialized by a course generated certificate, with this certificate being forwarded to the CCO for review.

Brokered CD: may only be purchased through the LMK fixed income/trading department or on Bond Desk if the registered representative has been approved for Bond Desk function. Access to this function can only be set up through the Home Office.

Depending upon various factors, these non-traditional CD products can, from a legal standpoint, be considered securities. (If you have any questions as to whether or not this or any other product you are discussing with a client is a security, speak to your designated supervisor.)

Regardless of whether a product is a security or not, all registered personnel, must understand the product and be able to 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 can be made to **FINRA Notice to Members 02-28 (www.FINRA.org)** as well as information relating to FINRA Rule 2111 (the new suitability rule) within this Manual.

Change of Ownership

These guidelines are to be in effect when any kind of "transfer of ownership" occurs. This includes, but is not limited to, third party check requests, requests requiring an LOA, and third party wire requests. In addition to the required RBC form or LOA, effective 8/21/2013, for a transaction that involves a "transfer of ownership", LMK requires a Change of Ownership form. In an effort to prevent the processing of fraudulent requests as a result of email or smartphone hacking, this form documents that the representative has verbally spoken with the client and affirmed that the client has personally acknowledged that they are making the request.

- For fund direct paperwork, each request should be accompanied by a copy of the evidence of ownership for the account (i.e. fund company statement or DST Vision print out).

- All signatories must have attained the age of majority and appear to be in control of their affairs.

    - If the person signing is someone other than the registered owner, we must retain a copy of their legal capacity to sign for the registered owner (i.e. Power of Attorney or court appointment of executor

    or administrator). This must be presented with the request.
    - NEVER submit an incomplete form or document for approval. Incomplete requests will be rejected.

Exceptions:

- Transferring assets using the Asset Delivery Request Form from RBC and the recipient is a Charity.
- Transferring assets from one account to another when the Tax ID # is the same (i.e. individual to revocable trust or custodian account to individual when the minor has attained the age of majority).
- Transferring to an estate account as long as all other court documentation has been provided.
- Transferring from an individual to a custodian account if the funds are coming from a parent of the minor, or the custodian of the account of that individual is some other relation to the minor.
- Distributions to the participant in a qualified retirement plan (PSP, 401(k), etc.) when the trustee's instructions are accompanied by a copy of the distribution form signed by the participant.
- Distribution of a trust to the trust beneficiaries and a copy of the trust document has been presented.

Code of Ethics

L.M. Kohn & Company has a simple, basic Code of Ethics, which is disseminated to all affiliated personnel. Activities by anyone, from Senior Management to clerical staff, violating this Code of Ethics will not be tolerated.

Every aspect of our business will be conducted in a fair, lawful and ethical manner. We have implemented appropriate internal controls to ensure that all reasonable efforts are taken to detect, and deter, any activities that do not meet the highest standards of ethical behavior.

Senior Management is committed to working with Compliance and all registered individuals to ensure the existence and awareness of a strong and committed compliance culture. Our leadership will consistently instill ethical behavior throughout the firm and make it known that anyone acting in a manner less than what is expected will be sanctioned or terminated.

Senior Management's leadership style will be to lead by example, creating an environment encouraging honesty and fair play by all employees in the conduct of his or her duties.

Our customers will be offered only those pre-approved products/services that have been determined as appropriate for their specific needs and provide fair value.

It is our obligation to respect, and protect, the right to privacy of all our clients.

Confidential or proprietary information obtained in the course of an individual's association or employment with L.M. Kohn & Company may not be used for personal gain or be shared with others for personal benefit.

All effort MUST made to avoid actual or apparent conflicts of interest. Such a conflict may exist even when no actual wrongdoing occurs; the opportunity to act improperly may be sufficient to give the appearance of a conflict.

Our strict compliance with all laws and regulations governing the securities industry is paramount.

Senior Management will ensure that the procedures in place are appropriate for determining the qualifications, experience and training of individuals prior to assigning them any supervisory responsibilities.

Individual employees who do not adhere to this Code of Ethics and all other policies and directives issued by L.M. Kohn & Company during the course of any activity undertaken on its behalf, will be subject to sanctions including possible termination.

Senior Management, working with Compliance and all supervisory personnel, will see that our Code of Ethics is maintained throughout the company, and that the supervisory policies and procedures contained in this document are undertaken to ensure the following:

- The best interests of our clients are foremost.
- We adhere to all regulatory requirements.

- All of our personnel receive appropriate training to be able to perform at the highest ethical, legal and professional levels.
- We will only assign supervisory or review responsibilities to highly qualified, well-trained personnel.
- Immediate attention will be given to any area where our efforts are found to be deficient in any manner.
- We will, at all times, maintain sufficient personnel to put into place as rapidly as possible any actions deemed necessary at a given time.
- We will ensure that all associated persons are aware of the seriousness with which all compliance efforts should be undertaken.

Cold Calling/Telemarketing

The term telemarketing means consisting of or relating to a plan, program, or campaign involving at least one outbound telephone call. Cold Calling is a form of telemarketing governed by FINRA Rule 3230, which covers the SRO, Federal Trade Commission (FTC) and Federal Communications Commission (FCC) guidelines and restrictions related to telephone solicitations. "Telephone solicitation" is defined as "the initiation of a telephone call or message for the purpose of encouraging the purchase or rental of, or investment in, property, goods or services, which is transmitted to any person."

Preconditions for Conducting Cold Calling

Before any registered representative of LMK may engage in any cold calling activity, the following conditions must be met:

- You must receive written permission from the Chief Compliance Officer or the Compliance Manager, prior to any calls. Submit your request to compliance@lmkohn.com.
- You must receive appropriate training from the Firm regarding the applicable policies, procedures and regulatory requirements regarding cold calling.

Pre-Call Screening:

1. Firm Specific DO-NOT CALL List

· Registered representatives must consult the L.M. Kohn & Company Do Not Call list prior to placing any cold call the same day as the call.

· The L.M. Kohn & Company Do Not Call List has no expiration period. Registered representatives may not call anyone on list.

· If RR is advised by any person that he/she does not want to be called by anyone at LMK in the future, you must immediately notify ***your supervisor*** of such request in writing and provide:

1. Person's name
2. Telephone number *not* to be called
3. Date you spoke with the person

2. National DO-NOT-CALL LIST - We are required to participate in the FTC's National Do-Not-Call Registry. If you have any questions about this Registry, you can go to www.telemarketing.donotcall.gov

and download Q&A for Telemarketers and Sellers about the Do-Not-Call Provisions of the FTC's Telemarketing Sales Rule. FTC fines for not adhering to the rule run as high as $11,000 per incident.

· Registered representatives must consult the Federal Trade Commission's National Do-Not-Call Registry ("National DO NOT CALL LIST") prior to placing any cold call the same day as the call.

· Registered representative may not initiate any outgoing call to an individual whose name appears on the National DO NOT CALL LIST *except*:

If LMK has established a business relationship with the recipient of the call.

If LMK has prior express, written agreement with the individual to be called which has been approved by the Compliance Department and contains the number to be called

If the registered representative has an existing personal relationship with the recipient of the call

Time of Day Restrictions:

It is prohibited to call a residential number before 8 a.m. and after 9 p.m. - - local time of the recipient being called UNLESS - LMK has established business relationships with the person called, or LMK has received prior express consent from the person called or Person called is a broker dealer.

Identification of Caller:

For each cold call placed, you must disclose:

- Your name and your affiliation with LMK
- The fact that the purpose of the call is to solicit the purchase of securities or a related service
- Either your office address or office telephone number

Other Restrictions:

1. No Outsourcing of Calls

2. Prohibition on Receipt or Disclosure of Consumer Account Numbers

3. Prohibition Against Abandon Calls

4. Prohibition Against Pre-recorded Messages

5. No telemarketing transactions permitted / All transactions will be completed in the ordinary course of business subsequent to completion and acceptance of new account paperwork by the home office.

6. Prohibition on blocking the transmission of caller identification information/ Cooperation with caller identification services required.

Exemptions from the National Registry Do-Not-Call Requirements

FINRA has adopted the exemptions included in the rules of the FCC and FTC under which sellers and telemarketers may make telephone solicitations to persons on the National Registry.

1. Established Business Relationship

- Such relationships are excluded from cold-calling prohibitions when such a relationship exists between the firm and a person. That is, if the person has made a financial transaction or has a securities position, a money balance, or account activity with the firm, or at a clearing firm that provides clearing services to the broker-dealer, within the previous 18-months preceding the date of the telemarketing call. The definition of "account activity" is borrowed from FINRA Rule 2231, which is used to determine when a member or its clearing firm must send a customer account statement.

Note: The time-of-day restrictions do NOT apply to this exemption.

- An exemption applies when a firm is a broker-dealer of record for the account of the person within the previous 18-months immediately preceding the date of the telemarketing call. The term "broker-dealer of record" refers to the broker-dealer identified on a customer's account application for accounts held directly at a mutual fund or variable insurance product issuer. The definition of "broker-dealer of record" is NOT contingent on the receipt of compensation.

Note: The time-of-day restrictions DO apply to this exemption.

- An exemption applies when a person has contacted the firm to inquire about a product or service offered by the firm within the three months immediately preceding the date of the telemarketing call.

Note: The time-of-day restrictions DO apply to this exemption.

It is important to note, that, in all instances, a person's request to be placed on a firm-specific do-not-call list TERMINATES the exemption for an established business relationship.

There is nothing in NASD Rule 2212 that prohibits you from contacting a customer SOLELY concerning the administration of his or her account; such calls do not, in and of themselves, constitute telephone solicitation or telemarketing.

2. Prior Written Consent

Calls may be made to persons from whom you have obtained a prior express invitation or permission. FCC and FTC requirements specify that the permission must be evidenced between either our broker-dealer or you - and the individual - specifically stating that the person agrees to be contacted by us. The agreement must also include the telephone number to which such calls may be placed.

3. Personal Relationship

Calls may be made to an individual with whom you have a personal relationship. Personal relationship is defined as any family member, friend or acquaintance of the telemarketer making the call. In determining whether a telemarketer falls into this category, the FCC will look at, among other things, whether a reasonable consumer would expect a call from such a person because they have a close, or at least a firsthand, relationship.

This exemption applies SOLELY to the National Do-Not-Call Registry. If an individual with whom an associated person has a personal relationship has requested to be placed on the firm's specific do-not-call list, the associated person may NOT make a telephone solicitation to such person.

4. Affiliated Entities

An individual's request to be placed on our firm specific do-not-call list applies only to us and not to any affiliated entity UNLESS the person would reasonably expect the affiliated entity to be included, given the identification of the caller and the product that is advertised.

Telemarketing Activities by Unregistered Persons

Unregistered persons may only contact prospective customers for the following:

- Extend invitations to firm-sponsored events
- Inquire whether the customer would like to discuss investments with a registered person
- Inquire whether the customer would like to receive investment literature

Communications with the Public: FINRA Rule 2210 and 2212-2216

Background

FINRA Rule 2210 consolidates Communications with the Public into three categories:

- **Institutional communication**
  includes written (including electronic) communications that are distributed or made available only to institutional investors, but does not include a firm's internal communications
- **Retail communication**
  includes 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' includes any person other than an institutional investor, regardless of whether the person has an account with the firm
- **Correspondence**
  includes any written (including electronic) communication that is distributed or made available to 25 or fewer retail investors within any 30 calendar-day period

FINRA Regulatory Notices 12-29 and 13-03 should be reviewed for details and clarification.

Policy

Retail Communications

As required under FINRA Rule 2210(b)(1)(A) you are required to obtain principal approval of each retail communication before use. The principal will determine whether the material needs to be filed with FINRA prior to use. It is your responsibility to know when a final approval is given to a retail communication and to not use the material until you are certain that such final approval is in effect.

Exempted from pre-approval are

i. any retail communication that is excepted from the definition of 'research report' pursuant to NASD Rule 2711(a)(9)(A),unless the communication makes any financial or investment recommendation;
ii. any retail communication that is posted on an online interactive electronic forum; and
iii. any retail communication that does not make any financial or investment recommendation or otherwise promote a product or service of the firm.

While the above do not require pre-approval, you should always verify that material is exempt prior to use.

All communications with the public, regardless of whether or not they need pre-approval, are required to be reviewed and supervised.

Correspondence and Institutional Communications

These two categories of communications with the public do not require pre-approval, but do require review and supervisory oversight. Therefore, if you are not clear as to whether a document falls into one of these two categories, you should check with a principal or Compliance before utilizing the material.

IMPORTANT NOTE REGARDING THE FOLLOWING FINRA RULES 2212 – 2216: The following information given in this Manual for each Rule is in no way representative of the entire rule. For complete understanding, the Rules should be referenced when necessary.

FINRA Rule 2212. Use of Investment Companies Rankings in Retail Communications

(a) Definition of 'Ranking Entity:' For purposes of this Rule, the term 'Ranking Entity' refers to any entity that provides general information about investment companies to the public, that is independent of the investment company and its affiliates, and whose services are not procured by the investment company or any of its affiliates to assign the investment company a ranking.

(b) General Prohibition: Members may not use investment company rankings in any retail communication other than (1) rankings created and published by Ranking Entities or (2) rankings created by an investment company or an investment company affiliate but based on the performance measurements of a Ranking Entity. Rankings in retail communications also must conform to specific Rule 2212 requirements.

FINRA Rule 2213. Requirements for the Use of Bond Mutual Fund Volatility Ratings

(a) Definition of Bond Mutual Fund Volatility Ratings
For purposes of this Rule and any interpretation thereof, the term 'bond mutual fund volatility rating' is a description issued by an independent third party relating to the sensitivity of the net asset value of a portfolio of an open-end management investment company that invests in debt securities to changes in market conditions and the general economy, and is based on an evaluation of objective factors, including the credit quality of the fund's individual portfolio holdings, the market price volatility of the portfolio, the fund's performance, and specific risks, such as interest rate risk, prepayment risk, and currency risk.

(b) Prohibitions on Use
Members and persons associated with a member may use a bond mutual fund volatility rating only in a communication that is accompanied or preceded by a prospectus for the bond mutual fund ('supplemental sales literature') and only when specific requirements under Rule 2213 have been satisfied.

FINRA Rule 2214. Requirements for the Use of Investment Analysis Tools

(a) General Considerations

This Rule provides a limited exception to Rule 2210(d)(1)(F). No member may imply that FINRA endorses or approves the use of any investment analysis tool or any recommendation based on such a tool. A member that offers or intends to offer an investment analysis tool under this Rule (whether customers

use the member's tool independently or with assistance from the member) must, within 10 business days of first use,

(1) provide FINRA's Advertising Regulation Department ('Department') access to the investment analysis tool and,

(2) pursuant to Rule 2210(c)(3)(D), file with the Department any template for written reports produced by, or retail communications concerning, the tool.

(b) Definition

For purposes of this Rule and any interpretation thereof, 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.

You may utilize investment analysis tools, written reports generated by such tools and sales material concerning such tools ONLY if you also:

- Describe the criteria and methodology used, including the investment analysis tool’s limitations and key assumptions
- Explain that results may vary with each use and over time
- Describe, when applicable, the universe of investments considered in the analysis; explain how the tool determines which securities to select; disclose if the tool favors certain securities and, if so, explain the reason for the selectivity; and state that other investments not considered may have characteristics similar or superior to those being analyzed
- Display the following additional disclosure: 'IMPORTANT: The projections or other information generated by [name of investment analysis tool] regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results and are not guarantees of future results.'

Each of the above disclosures must be clear and prominent and in written - either electronic or hardcopy - narrative form.

The clarity and prominence of the disclosures should take into account the content, context and presentation of the tool and/or written report. It is not acceptable to make the disclosures on only the tool and not the report, or vice versa, nor can either simply refer to the disclosures made on the other. Disclosures must be made on each.

FINRA Rule 2215. Communications with the Public Regarding Security Futures

(a) FINRA Filing Requirements

(1) As set forth in paragraph (c)(2) of Rule 2210, a member must submit all retail communications concerning security futures to FINRA's Advertising Regulation Department at least 10 business days prior to first use.

(2) The requirements of this paragraph (a) shall not be applicable to:

(A) retail communications concerning security futures that are submitted to another self-regulatory organization having comparable standards pertaining to such retail communications, and

(B) retail communications in which the only reference to security futures is contained in a listing of the services of a member.

FINRA Rule 2216. Communications with the Public About Collateralized Mortgage Obligations (CMOs)

(a) Definition

For purposes of this Rule, the term 'collateralized mortgage obligation' (CMO) refers to a multi-class debt instrument backed by a pool of mortgage pass-through securities or mortgage loans, including real estate mortgage investment conduits (REMICs) as defined in the Tax Reform Act of 1986.

(b) Disclosure Standards and Required Educational Material

(1) Disclosure Standards

All retail communications and correspondence concerning CMOs:

(A) must include within the name of the product the term 'Collateralized Mortgage Obligation';

(B) may not compare CMOs to any other investment vehicle, including a bank certificate of deposit;

(C) must disclose, as applicable, that a government agency backing applies only to the face value of the CMO and not to any premium paid; and

(D) must disclose that a CMO's yield and average life will fluctuate depending on the actual rate at which mortgage holders prepay the mortgages underlying the CMO and changes in current interest rates.

(2) Required Educational Material

Before the sale of a CMO to any person other than an institutional investor, as defined in Rule 2210(a)(4), a member must offer to the person educational material that includes the following:

(A) a discussion of:

(i) characteristics and risks of CMOs including credit quality, prepayment rates and average lives, interest rates (including their effect on value and prepayment rates), tax considerations, minimum investments, transaction costs and liquidity;

(ii) the structure of a CMO, including the various types of tranches that may be issued and the rights and risks pertaining to each (including the fact that two CMOs with the same underlying collateral may be prepaid at different rates and may have different price volatility); and

(iii) the relationship between mortgage loans and mortgage securities;

(B) questions an investor should ask before investing; and

(C) a glossary of terms.

Job Titles - Regulation Best Interest

As part of Regulation Best Interest, it is important to avoid using certain job titles if you are not a Registered Investment Advisor. Titles that must be avoided (as they may be misleading to customers) are Financial Advisor, Investment Advisor, or basically any title ending with the word "Advisor". Instead, use titles such as Financial Professional, Financial Consultant, Investment Broker, Securities Broker, Account Executive, or Registered Representative. If you have any questions related to the permissibility of a certain job title, please contact the Compliance Department.

Communications with the Public: Recommendations (Rules 2111 and 2210)

L. M. Kohn & Company

Technology Policy Notice

The use of social media presents risks and carries with it certain responsibilities. We have established these guidelines to assist you in making responsible decisions about your use of social media.

For purposes of this policy, social media includes all means of communicating or posting information on the Internet which include but are not limited to: video or wiki postings, sites such as LinkedIn, Facebook and Twitter, chat rooms, pod casts, virtual worlds, personal blogs, microblogs or other similar forms of online journals, diaries or personal newsletters including any web blog, journal, bulletin board, personal web site, or social networking or affinity web site, whether or not associated with the Company, as well as any other form of electronic communication.

If permission to use a social media site is granted, L.M. Kohn & Company will retain records of any communications through the site. All associated individuals should be aware of the fact that in instances where an associated person recommends a security through a social media site, suitability requirements must be adhered to. With respect to communications posted by associated persons of L.M. Kohn & Company on electronic bulletin boards and/or message boards, such materials are considered advertisements because they can be viewed by anyone with access to these services. Accordingly, you are **PROHIBITED** from posting information to any bulletin or message boards without receiving prior approval from your Supervising Principal or Compliance. Texting and Instant Messaging are **PROHIBITED.**

Chat room discussions are considered public forums, and it is therefore important to be aware that chat rooms are not appropriate places for you to discuss the purchase or sale of securities or any business related to L.M. Kohn & Company. Therefore, participating in chat rooms is **PROHIBITED.** You may not publicly discuss clients, investment strategies or recommendations, investment performance, other products or services offered by our Firm. You cannot post on personal blogs or other sites the name, trademark or logo of L.M. Kohn & Company or any business with a connection to L.M. Kohn & Company. You cannot post company-privileged information, including copyrighted or trademarked information or company-issued documents. You cannot post on personal blogs or social networking sites photographs of other employees, clients, vendors or suppliers, nor can you post photographs of persons engaged in company business or at company events. You cannot post on personal blogs and social media sites any advertisements or photographs of company products, nor sell company products and services. Employees cannot link from a personal blog or social networking site to L.M. Kohn & Company's website.

GUIDELINES

Be honest and accurate, and if you make a mistake, correct it quickly.

Avoid posts that reasonably could be viewed as malicious, obscene, threatening or intimidating, that disparage customers, coworkers or suppliers, or that might constitute harassment, discrimination or bullying. Examples might include offensive posts meant to intentionally harm someone's reputation or posts that could contribute to a hostile work environment on the basis of race, sex, disability, religion or any other status protected by law or Firm policy.

Do not post internal reports, policies, procedures or other internal confidential communications that discuss customers, proprietary information or information about vendors, business associates, or customers.

Comply with copyright and other intellectual property laws.

FINRA Rules 2111 (Suitability) and 2210 (Communications with the Public) both deal with issues surrounding recommendations made by a registered representative.

See the section entitled 'Communications with the Public FINRA Rule 2210 and 2212-2216' for Rule 2210 compliance requirements. This section relates solely to the Suitability rule (2111) and how your role under that Rule is impacted when recommendations are being made to customers.

From FINRA Regulatory Notice 11-02: *The determination of the existence of a recommendation has always been based on the facts and circumstances of the particular case. That remains true under new Rule 2111.*

FINRA reiterates, however, that several guiding principles are relevant to determining whether a particular communication could be viewed as a recommendation for purposes of the suitability rule.

For instance, a communication's content, context and presentation are important aspects of the inquiry. The determination of whether a 'recommendation' has been made, moreover, is an objective rather than subjective inquiry.

An important factor in this regard is whether -- given its content, context and manner of presentation -- a particular communication from a firm or associated person to a customer reasonably would be viewed as a suggestion that the customer take action or refrain from taking action regarding a security or investment strategy. In addition, the more individually tailored the communication is to a particular customer or customers about a specific security or investment strategy, the more likely the communication will be viewed as a recommendation.

Furthermore, a series of actions that may not constitute recommendations when viewed individually may amount to a recommendation when considered in the aggregate. It also makes no difference whether the communication was initiated by a person or a computer software program.

These guiding principles, together with numerous litigated decisions and the facts and circumstances of any particular case, inform the determination of whether the communication is a recommendation for purposes of FINRA's suitability rule.

As a registered representative, it is important that any time you are creating, reviewing, approving and/or disseminating correspondence you fully understand all the potential Rule 2111 suitability implications.

FINRA Rule 2111 requires, in part, that a broker-dealer or associated person "have a reasonable basis to believe that a recommended transaction or investment strategy involving a security or securities is suitable for the customer, based on the information obtained through the reasonable diligence of the firm or associated person to ascertain the customer's investment profile." The rule identifies the three main suitability obligations: reasonable-basis, customer-specific and quantitative suitability. Regulation Best Interest's Care Obligation addresses the same conduct with respect to retail customers that is addressed by Rule 2111, but employs a best interest, rather than a suitability, standard. To provide clarity on which standard applies and to avoid unnecessary duplication, Rule 2111 states that it does not apply to recommendations subject to Regulation Best Interest.

If you have not been given copies of FINRA Regulatory Notices 11-02, 11-25, and 20-18, you should ask your supervising principal or CCO for copies. The latter has valuable FAQs which will help your understanding of the requirements and restrictions.

Compliance

Our Compliance Department oversees all activities undertaken by registered, and non-registered, personnel on behalf of our clients. Compliance also ensures that all activities are conducted in an ethical and fair manner, in the best interest of our customers and in compliance with all regulatory rules and requirements.

It is the responsibility of Compliance to issue internal policies, procedures and directives to ensure compliance with all applicable regulatory and legal requirements and to maintain the highest possible ethical business standards. You are responsible for adhering to all such issuances.

Compliance is available to answer any questions you may have, or to address any areas of specific concern, especially at times when your Supervising Principal is not available to offer guidance, or when any guidance that was given may still seem unclear.

It benefits you to have a good relationship with members of the Compliance Department. Their major concern is to help grow the business in tandem with a company-wide environment that believes in, and acts in accordance with, the strictest possible adherence to the regulatory requirements.

Consolidated Statements

Consolidated Statements Prepared by Registered Representatives

As a registered representative of LMK you may be, on a case by case basis, authorized to prepare consolidated statements for clients. The practice of providing customers with consolidated financial account reporting has become increasingly common in the financial services industry. 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. Representatives are reminded that these reports represent communications with the public by the firm; the dissemination of these reports must comply with all applicable FINRA rules as well as federal securities laws. Representatives will be eligible to prepare and disseminate consolidated reports based on the following criteria;

1. You have completed the required firm element training on consolidated statements.

2. You have been approved by the LMK compliance department to prepare consolidated statements.

3. You submit a copy of each consolidated statement to your OSJ for review and approval prior to disseminating or showing the report to any person or entity in the public.

4. The consolidated reports must contain all required disclosures including acknowledging that the information contained in the report has not been verified and that the consolidated report does not serve as a substitute for account statement issued by the clients clearing firm, brokerage firm or investment company.

5. Clients must attest in writing that they have been provided with appropriate disclosures and understand the nature and limitations of the consolidated reporting process and that the consolidated reports are not a substitute for the statement the clients received from the custodian or clearing firm where the assets are held.

Continuing Education Program

Each registered representative must fulfill two (2) separate Continuing Education requirements – (a) the Regulatory Element and (b) the Firm Element.

Regulatory Element

With the SEC's September 27, 2004 approval of amendments to Rule 1120, FINRA Notice To Members 04-78 announced the elimination of all currently effective exemptions ('grandfathering') from the requirement that registered persons complete the Regulatory Element of the CE Program. If you were at some time "grandfathered" and therefore exempt from complying with the Regulatory Element, that is no longer the case. Speak with your supervising principal or the appropriate compliance individual if you are unclear as to what effect the FINRA's cancellation of "grandfathered" individuals has on you.

All individuals registered with FINRA are required to complete computer-based training programs given by the FINRA. The required dates are within 120 days of certain 'anniversary' dates and within 120 days of every three-year anniversary date thereafter.

Failure to complete this training within the required time frames will result in your becoming 'inactive,' a status prohibiting you from engaging in any activities requiring registration and prohibiting you from receiving any compensation for such activities. Any compensation withheld during an "inactive" period may not be held and paid after an individual completes the required CE. Continued failure to complete the Regulatory Element may result in your termination.

You will be advised by your Supervising Principal or Compliance at the beginning of each of your 120-day 'windows,' with repeated reminders given (possibly at 90 days, 60 days and 30 days, depending upon internal procedures). It is up to you to schedule yourself for the training session and to successfully complete it. If you are not certain how to go about scheduling your sessions, contact your Supervising Principal.

You are not individually scored on the Regulatory Element and you cannot fail the session. L.M. Kohn & Company receives an 'aggregate' score of all its registered personnel, indicating how they scored, as a group, against industry standards. This information is utilized by us to determine changes or additions to our Firm Element Training Plan.

Firm Element

All registered personnel of L.M. Kohn & Company who have direct contact with customers are required to participate in an internally established Firm Element Training Program. Such training is given throughout the year and you will be advised by your Supervising Principal or by Compliance as to what the Training Program entails, what your specific requirements are under the Program and when such training is offered.

We will be as flexible as possible in order to permit you to complete the Firm Element and where sufficient cause exists, Compliance will make every effort to reschedule training. As with the Regulatory Element, you must notify your Supervising Principal or Compliance if you are unable to participate in any

scheduled training session in order to make alternative arrangements to remain current with your Firm Element Continuing Education requirements.

Should it become apparent to management, however, that you are merely attempting to avoid undertaking such training, you may be suspended from all securities activities pending such training completion, and may face termination.

Additionally, the online AML module is required annually by each RR.

Customer Accounts

Suitability/Customer ID Verification

It is your responsibility, **when recommending** to a customer the purchase, sale or exchange of any security, to have reasonable grounds for believing that the recommendation is suitable for the customer. To make such a suitability determination, you are required to 'Know Your Customer' through the gathering of as much information as possible and the completion of all applicable new account forms/applications. **(There are stringent enhanced 'know your customer' requirements, which go beyond what is listed herein, under the 'Money Laundering' chapter of this Manual.)**

As required by SEC Rule 17a-3, for accounts with "natural persons" where a suitability obligation exists, you must obtain, minimally, the following information about your customer:

- Customer's full name and residential address
- Date of Birth (customer must be of legal age)
- Phone Number
- Tax ID Number
- Name of Employer
- Is employer a registered broker/dealer?
- Is customer affiliated with FINRA or the American Stock Exchange?
- Annual income
- Net Worth (excluding value of primary residence)
- Investment Objectives
- Signature of registered representative introducing account
- Signature of principal accepting the account

If your customer is a corporation, partnership, or other legal entity, under FINRA Rule 3110(c)(1) you must obtain:

- Name and address of the account
- Name/s of any person/s authorized to transact business on behalf of the entity
- Signature of the registered representative introducing account
- Signature of the principal accepting the account

FINRA Rule 3110 ("Books & Records) further requires that **every reasonable effort be made to obtain** the following, prior to settlement of the initial transaction in the account:

- Tax ID Number or Social Security Number (if a customer refuses to provide tax identification, IRS rules require a fund to withhold thirty-one percent - 31% - of all redemptions or distributions)
- Occupation
- Name and address of employer
- A determination as to whether customer is an associated person of another FINRA member firm

Should any client be reluctant or unwilling to provide any of the required information, you should notify your supervising principal PRIOR to undertaking any activity in the account.

Procedures for Opening a New Account (Non-Discretionary)

- RR must complete proper mutual fund company, insurance company, or brokerage account forms and forward either the originals or electronic PDF's to L.M. Kohn & Company along with the Customer Acknowledgment Form for review/submission.
- A principal must review and approve any application prior to submission to the mutual fund, insurance or brokerage company.
- Information must be obtained and maintained with the new account forms concerning any special circumstances appropriate to any unusual transactions.
- All new accounts must be signed by the customer, the registered representative and a principal of the firm.

Because all 529 plans, municipal bond funds, and UIT's must be reviewed by an MSRB prior to being opened due to regulatory issues, all 529 plans must be accompanied by a new Customer Acknowledgment Form in order to be processed, even if the client is an existing client with a recent form on file (within 3 years). Should one of these applications be received without the Customer Acknowledgment Form or an incomplete one, the application will be held until L.M. Kohn & Company receives the correct form.

Should you have any questions regarding this policy, please contact either Carl Hollister, Mike Bell, or Robert Chess at compliance@lmkohn.com.

ALL Information on the L.M. Kohn Customer Acknowledgment Form or the RBC Capital Markets Corporation New Account Form MUST BE COMPLETED or the new account will not be opened.

Changes to Accounts

- Changes, additions or deletions to new account documentation or information must be received in writing, and signed by all parties to the account. In addition, in the event of an update to a customer's account information, we are required, within 30 days, to ensure that the customer receives the updated new account information. Check with your supervising principal to learn, what, if any, responsibilities you have in meeting this requirement.
- You have a duty to provide an updated version of Form CRS any time when: 1) retail clients open a new account different from their existing accounts; 2) at the client's request (within 30 days).

Death of a Customer

- Upon receiving notification of the death of a customer, transactions in the account must immediately cease.
- The title of the account is to immediately be changed from the name of the deceased to the estate of the deceased.
- All discretionary trading authorizations or power of attorney given by the customer terminates immediately upon the death of that customer.
- All open orders are to immediately be canceled, and no transactions may occur in the account until all necessary legal documents have been received and approved by Compliance and/or your Supervising Principal.

Unacceptable Accounts

- Minors acting in their own capacity
- Persons under any mental or legal incapacity
- Accounts for employees of other broker/dealers can be opened, but trading must be restricted until approval is obtained from the employing firm
- Accounts for employees of banks, trust companies, insurance companies and other financial institutions engaged in the purchase and sale of securities can be opened, but trading must be restricted until approval is obtained from the employing firm
- Margin accounts for fiduciaries such as executors or guardians acting as such and investment clubs
- Discretionary accounts are not permitted to be maintained by a broker/dealer which is not also registered as an investment adviser and the individual with discretion registered as an investment adviser agent
- Certain international accounts (check with your Supervising Principal or Compliance to make a determination as to which international accounts are currently prohibited)
- Accounts for foreign banks/institutions/non-U.S. citizens living abroad.

Customer Verification of New Account Information

We are required to ensure that each customer has received, within 30 days of opening the account, a copy of the new account information on file for that customer. Also, no less than every 36 months, we are required to send customers a copy of their new account information. Check with your supervising principal to learn, what, if any, responsibilities you have in meeting any of the above requirements. (By way of information, certain exemptions to this rule may apply – generally, these requirements only apply to those customers to whom you have a suitability obligation.)

Customer Compliant Notification

We are also required to supply/send to each customer information indicating where and to whom they may send a complaint. Check with your supervising principal to learn, what, if any, responsibilities you have in providing such notification to your customer.

Customer Accounts: Consolidated Financial Account Reports

If you are approved to prepare consolidated financial account reports (i.e. a single document combining information regarding most or all of a customer's financial holdings, regardless of where those assets are held) you must be familiar with and in agreement to abide by the requirements attendant with such reports. (FINRA Regulatory Notice 10-19 should be accessed for review.)

Consolidated reports may not be represented as a substitute for account statements required by SEC and FINRA rules.

You may not utilize consolidated reports without prior approval by your supervising principal or another member of senior management.

Consolidated reports (deemed to be communications with the public) may not in any way be false or misleading. The reports must clearly delineate between information about assets held by this broker-dealer on behalf of the customer (those included on our books and records) and other external accounts or assets. In addition, all appropriate disclosures must be made.

Our CCO, working with senior management, will determine, based on the complexity of consolidated financial reports issued by us and taking into account all risk factors, which of the following best practices should be put into effect, and to what extent:

> Clients must be made aware that they should maintain (and review) the original source documents that are integrated into the consolidated report rather than relying solely on the consolidated reports.
>
> Attestations must be received from customers acknowledging they have been provided with appropriate disclosures and understand the nature and limitations of the consolidated reporting process.
>
> You must ensure that all consolidated reports are mailed, centrally, utilizing the customer's account of record, with a process in place to verify the address is the one used to deliver account statements. When, for some pre-approved, documented, reason, a different address is used, there must be documentation verifying the client was provided notice of, or acknowledged, the different address.
>
> When applicable, the following disclosures will be included in the design of the Consolidated Report:
>
> - the Consolidated Report is provided for informational purposes as a courtesy and may include assets that we do not hold on the customer's behalf and which are not included in our books and records;
> - the names of the entities which provided the source date or which holds the assets, their relationship with one another (i.e. parent, subsidiary, affiliate) and their respective functions;

- a statement clearly distinguishing between assets held or categories of assets held by each entity;
- the customer's account number and contact information for customer service at each entity included in the Report;
- Identification of assets held away that may not be covered by SIPC; and
- an explanation of how the aggregated values of the different types of assets were arithmetically derived from separate asset totals, if the Report provides such aggregate values.

Failure to follow the policies and procedures concerning Consolidated Financial Account Reports will result in disciplinary actions, including the possibility of termination.

Customer Age

A customer's age MUST be indicated on all accounts except institutional accounts. An account is NOT permitted for anyone under the age of majority UNLESS the account is carried as a custodian account. For life insurance sales, the age of majority is 15 years and six months.

An individual or joint account CANNOT be opened in the name of any person under the age of majority in his/her state of residence. To ascertain the age of majority in a prospective client's state of residence, contact Compliance or ask your Supervising Principal to obtain the information for you.

UGMA/UTMA

An account for the benefit of a minor may be opened by an adult custodian.

There are two types of custodial accounts for minors - those under the Uniform Gifts to Minors Act (UGMA), and those under the Uniform Transfers to Minors Act (UTMA). All of the states and U.S. territories have adopted either one, or both, of these Acts.

New account documentation must be completed to open an UGMA or UTMA account, and must include the following information:

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

In states with laws modeled on UGMA, the account title must show as follows:

(Custodian's name) as custodian for (Minor's name) under the (State) UGMA

In states with laws modeled on UTMA, the account title must show as follows:

(Custodian's name) as custodian for (Minor's name) under the (State) UTMA

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

UGMA /UTMA Custodial Account Transactions

- Only one custodian and one minor can be listed on an UGMA or UTMA account
- Joint custodians and/or joint minors are NOT permitted
- Powers of attorney giving discretionary authority over an 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 trading
- UGMA or UTMA accounts are NOT eligible for futures trading
- Option trading activity is limited in UGMA or UTMA accounts to purchasing puts against long stock positions and selling covered calls

Customer Agreement Arbitration Clause

Any customer agreements utilized which contain pre-dispute arbitration clauses must have such clauses highlighted and must include language (as required under a May 1, 2005 FINRA Rule 3110(f) amendment) disclosing the nature of arbitration. The waiver of the customer's right to litigate disputes arising under the agreement must be plainly disclosed. Language contained in the agreement may not in any manner limit or contradict any self-regulatory organization's rules.

FINRA Rule 3110(f)(2)(B) requires that delivery and customer acknowledgement of the agreement must occur at the time of signing.

In addition to the delivery requirements at the time of signing, Rule 3110(F)(3) requires that within ten days of receipt of a customer request, we must provide the customer with a copy of any predispute arbitration agreement clause or agreement that the customer has signed, regardless of whether or not we have a signed acknowledgement of receipt from the customer in the file (obtained in signing).

Customer Complaints

- All complaints (verbal or written, including via e-mail or fax) must be brought to the immediate attention of your Supervising Principal or Compliance

- You are never to negotiate a complaint on your own. This is for your protection, as well as the firm's. You will be given every opportunity to be involved in the complaint investigation, but the firm will not be able to protect you if you have entered into conversations concerning allegations without appropriate guidance and assistance.
- During the investigation of any complaint, Compliance will want to discuss the matter with you and will want to see any relevant documentation. It is extremely important to always keep good notes and records so that in such an instance you will be able to back up your actions and enable Compliance, Legal and senior management to present your case accurately to the complainant.
- Failure to immediately pass a complaint on to the appropriate party will create the very likely possibility of increased regulatory risk to you and may incur internal sanctions, including the possibility of termination.
- If there is any question as to whether or not a specific verbal or written statement constitutes an actual complaint, you should immediately bring the matter to the attention of your Supervising Principal or to Compliance.

Municipal Securities Complaints

- Upon receipt of any complaint involving a Municipal Securities transaction, compliance with MSRB Rule G-10 must be ensured. G-10, requires that upon receipt of a customer complaint concerning municipal securities, an 'investor brochure' be promptly sent to the customer.
- Proof of sending the client the 'investor brochure' must be attached to the complaint and maintained as a permanent record of said complaint.
- The MSRB 'investor brochures' can be obtained by utilizing the MSRB Publications Order Form [available in the MSRB Manual, in MSRB Reports, by phone, or downloaded off the Internet (www.msrb.org)].

It is your responsibility to know who is responsible for supplying a customer with the "investor brochure." It may be your responsibility or it may fall to another individual or department within the firm (operations, compliance, etc.).

Customer Funds/Securities

It is not appropriate for any registered personnel to take personal control of any customer funds/checks and/or securities. Failure to adhere to the requirements concerning appropriate handling of customer funds/checks/securities may result in criminal charges as well as regulatory fines and sanctions.

Should any such items come into your possession, you must immediately and appropriately transfer these items (i.e. to your supervising principal, 'home' office, cashier, etc.).

You are also required to enter receipt and disbursement information onto all appropriate logs.

Checks must be made payable to investment companies or RBC Capital Markets Corporation. Customer checks should never be made payable to LMK or to the RR for securities transactions. If, at any time, you accept a customer check made payable to you, it may be considered grounds for immediate dismissal.

Customer Mail Retention

Time Limits for Holding Customer Mail
As per FINRA Notice to Members 04-71, FINRA IM-3110(i) permits us, it is permissable, upon receipt of a customer's written instructions, to hold mail for that customer for a period of

- not longer than two months if the individual is vacationing or traveling within the US, or
- for a period of not longer than three months if the customer is going abroad.

You should immediate notify your supervising principal upon receiving any such request from a client because no customer mail is to be held without the principal being made aware that the customer has so requested, in writing, and has been advised by return mail as to the time limitations of our ability to comply with the request.

Lists of all customers for whom you are at any time holding mail must be maintained, indicating the beginning date and the date by which your being able to hold their mail is no longer possible.

Cybersecurity

L.M. Kohn & Co. has adopted various procedures to implement the firm's policy and conducts reviews to monitor and ensure the firm's policy is observed, implemented properly and amended or updated, as appropriate, which include the following:

- L.M. Kohn & Company has designated Timothy Schwiebert as the firm's Chief Information Security Officer (CISO) with responsibility for overseeing our firm's cybersecurity practices;
- L.M. Kohn & Company.'s cybersecurity policies and procedures have been communicated to all employees of the firm;
- L.M. Kohn & Company restricts employees' access to those networks resources necessary for their business functions;
- Timothy Schwiebert conducts annual risk assessments to identify cybersecurity threats, vulnerabilities, and potential business consequences;
- L.M. Kohn & Company provides training to employees regarding information security risks and responsibilities; such training is provided to all new employees as part of their onboarding process and is provided to all employees no less than annually; additional training and/or written guidance also may be provided to employees in response to relevant cyber-attacks;
- L.M. Kohn & Company has adopted procedures to promptly eliminate access to all firm networks, devices and resources as part of its HR procedures in the event an employee resigns or is terminated, such employee is required to immediately return all firm-related equipment and information to Carl R. Hollister;
- L.M. Kohn & Company has adopted procedures governing the use of mobile devices for firm business purposes;
- L.M. Kohn & Company prohibits employees from installing software on company owned equipment without first obtaining written approval from Timothy Schwiebert or other designated person(s);
- Timothy Schwiebert conducts periodic monitoring of the firm's networks to detect potential cybersecurity events;
- L.M. Kohn & Company oversees the selection and retention of third-party service providers, taking reasonable steps to select those capable of maintaining appropriate safeguards for the data at issue and require service providers by contract to implement and maintain appropriate safeguards;
- Timothy Schwiebert or other designated person(s) requires third-party service providers having access to the firm's networks to periodically provide logs of such activities;
- security procedures to protect nonpublic personal information that is electronically stored or transmitted include authentication protocols; secure access control measures, and encryption of all transmitted files;
- to best protect our clients and the firm, all suspicious activity recognized or uncovered by personnel should be promptly reported to Timothy Schwiebert and/or the compliance department;
- an employee must immediately notify his or her supervisor and/or Timothy Schwiebert to report a lost or stolen laptop, mobile device and/or flash drive; and
- L.M. Kohn & Company maintains a written cybersecurity incident response policy.

Cybersecurity: Managing Threats Against Our IT Systems

We have developed a cybersecurity governance framework that supports informed decision making and escalation within the organization to identify and manage cybersecurity risks. It is your responsibility to fully understand the role you play in that framework.

Given your specific responsibilities (speak to your supervising principal if you are not certain of what they may be), you must ensure that everything possible is being done to protect our clients and our firm from the serious harm which would result from a successful cyber attack. Identifying threats when they occur or appear to have occurred is paramount.

Debt Securities

You are required to be familiar with all material aspects of any security you recommend to your clients. In FINRA Notice to Members 04-30 (available at www.FINRA.org), the FINRA makes clear its concerns that while the number of investors purchasing bonds or bond funds dramatically increases during certain market conditions, a 2003 study undertaken by the regulatory body indicates that 60 percent of investors do not understand that, as interest rates rise, existing bond prices fall, and that long-terms bonds are more exposed to interest rate risk than short-term bonds.

In view of the above, you must take all appropriate steps to ensure that your clients understand the risks as well as the rewards of the debt securities being recommended or offered, and you have met the disclosure requirements of Regulation Best Interest.

FINRA also addresses in Notice to Members 04-30 the obligations you have in connection with bonds and bond funds:

- Understanding the terms, conditions, risks and rewards of bonds and bond funds we sell (performing a reasonable-basis suitability analysis)
- Making certain that a particular bond or bond fund is appropriate for a particular customer before recommending it to that customer (performing a customer-specific suitability analysis);
- Providing a balanced disclosure of the risks, costs and rewards associated with a particular bond or bond fund, especially when selling to retain investors;

If you believe that you need any additional training on any of the above issues, please bring the matter to the attention of your supervisor.

Specific fixed income product training is available through the home office/RBC Dain Infoworks/ LaSalle Bond Institute.

Digital Assets

L.M. Kohn & Company, as a matter of policy and practice, does not invest in digital assets on behalf of clients. L.M. Kohn & Company reviews all firm accounts on a periodic basis to ensure that there are no regulatory assets invested in digital assets.

Discretionary Accounts

SEC Rules prohibit broker/dealers from maintaining discretionary accounts. The maintenance of such accounts requires a firm to be registered as an Investment Adviser and the individual with discretion to be registered as an investment adviser agent.

You are expressly PROHIBITED from handling any brokerage account on a discretionary basis. You may, however, have limited discretion on time and price if granted the following:

- Approval by the client; and
- Approval by the Compliance Department.

Discretionary Account Order Tickets

For discretionary accounts, you must mark EACH order ticket appropriately, indicating that you have, or have not, exercised discretion.

Removal of Discretionary Authority from an Account

A client must submit written instructions to have discretion removed from his/her account, stating exactly (i.e., the month/date/year) when your discretionary authority ended.

Electronic Signatures

E-Signature Policy

The adoption of the Uniform Electronic Transactions Act (UETA) from the state level and the passing of Electronic Signatures in Global and National Commerce Act (ESIGN) at the federal level in 2000 solidified the legal landscape for use of electronic records and electronic signatures in commerce.

Thus, any vendor used for e-signatures must comply with the ESIGN Act or they will not be accepted. Another stipulation is that all parties involved in e-signing must agree to use e-signature as a method for completing transactions. It is recommended that Registered Representatives document any verbal agreement to use e-signatures. Some fund direct or insurance companies may not accept e-signatures or may have a different or more limited approved vendor list. L.M. Kohn & Company is not responsible for any delays in paperwork processing as a result of fund direct or insurance companies not accepting e-signatures, and Registered Representatives are encouraged to do this research independently and prior to e-signing documents and submitting them for processing.

L.M. Kohn & Company will accept electronic signatures ONLY from the following approved vendors:

- DocuSign;
- HelloSign;
- RightSignature; and
- Adobe Echo Sign (NOT Fill & Sign).

The following are NOT acceptable as it relates to e-signatures:

- Legal documents submitted such as a Power of Attorney or anything notarized, or signature guaranteed that has an e-signature on it;
- Third party wire or change of ownership forms associated with third party wires will not be acceptable for e-signatures;
- RBC checking account applications;
- Typed or cursive signatures in the signature box that was not used by an approved vendor;
- Documents submitted that were signed electronically, but filled in by hand. If you use e-sign, everything must be completed electronically. In other words, you cannot print out forms that were signed electronically and fill in blanks or checkboxes yourself; and
- Physical checks should not accompany digitally signed applications. However, you may use voided checks to establish ACH and deposit funds via ACH instead of check. It would be preferable to establish as much ACH as possible to avoid handling physical checks.

L.M. Kohn & Company requires its Registered Representatives use electronic signatures for all documents submitted, when that is the format being utilized. L.M. Kohn & Company recommends that a signature verification form be provided to the Compliance Department to help validate the customer's signature for situations where electronic signatures are not able to be used.

L.M. Kohn & Company requires an e-signature attestation form to be completed by its Registered Representatives utilizing the e-signature process, in which they list the e-signature vendor that has been chosen and provide attestation towards understanding and agreeing to follow L.M. Kohn & Company's electronic signature policy.

L.M. Kohn & Company requires each document submitted with e-signature to contain the e-signature vendor’s audit trail of the document showing time stamps, IP addresses, proof of document review, etc.

Employee Accounts

Personal Securities Accounts

Upon being hired by L.M. Kohn & Company, you were required to disclose all securities accounts maintained by you and any family member for whom you have financial responsibility. The only exception is for mutual fund accounts not held at any broker-dealer in a general trading account under your name.

After your initial disclosure of this information, additional accounts are NOT permitted to be opened without PRIOR approval of Compliance.

Upon receiving permission to maintain additional outside securities accounts, you are responsible for abiding by any requests to have duplicate confirms and statements sent to Compliance. You will be subject to a yearly charge of $30.00 for each account.

Research-Related Trading Restrictions

You must consult with your Supervising Principal to determine whether trading restrictions apply to securities that are the subject of a research report issued by L.M. Kohn & Company. Employee and employee-related accounts are often prohibited, for a period of 24- to 48-hours, from effecting securities transactions where the employing broker-dealer has released material research opinions or recommendations.

IPOs

Due to the regulatory prohibitions against registered employees of a broker-dealer participating in 'hot issues' (i.e., any initial public offering that trades at a premium in the immediate after market), all participation in IPOs by affiliated individuals is PROHIBITED by L.M. Kohn & Company.

This prohibition applies to your personal account, accounts of your immediate family to whom you contribute support and any account in which you have a beneficial interest. The term 'immediate family' includes parents, spouse, siblings, children, or any in-laws, as well as any other person you may materially support, either directly or indirectly.

Error Accounts

Associated personnel are prohibited from adding a transaction to our 'error account' to cover up an unethical or illegal action. Any transactions transferred by any means from a customer account to an error account must be documented to show they are bona fide corrections, cancellations or errors. All transactions in the L.M. Kohn error account will be authorized by Drew Kohn/ Mike Bell/ Robert Chess/Carl Hollister/ Timothy Schwiebert/ Kristin Hobbs.

Exchange Traded Funds / Exchange Traded Notes Levervaged / Inverse

Written Supervisory Policies and Procedures
EXCHANGE TRADED FUNDS: Non-Traditional (Leveraged and Inverse)

Effective January 2, 2014 no RR or IAR of L.M. Kohn may execute purchase transactions in leveraged / inverse ETFs for LMK brokerage accounts or LMK RIA accounts. You may not accept an unsolicited order from a client to purchase a leveraged / inverse ETF for any LMK brokerage or LMK RIA account.

If such a transaction does take place in an account, the trade will be busted and the Registered Representative on that account will be charged for the losses that are incurred from these actions.

Fair Prices and Commissions

Under FINRA Rule 2121, regarding 'listed' or 'unlisted' securities, when we buy for our own account from a customer, or sell for our own account to a customer, the buy or sell must be at a price which is fair, taking into consideration all relevant circumstances, including market conditions with respect to such security at the time of the transaction, the expense involved, and the fact that we are entitled to a profit; and if we acts as agent for a customer in any such transaction, it is prohibited to charge the 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 and the value of any service which may have been rendered by reason of experience in and knowledge of such security and the market therefor.

Supplemental Material .01 of Rule 2121 states the following:

.01 Mark-Up Policy

The question of fair mark-ups or spreads is one which has been raised from the earliest days of the National Association of Securities Dealers ('Association'). No definitive answer can be given and no interpretation can be all-inclusive for the obvious reason that what might be considered fair in one transaction could be unfair in another transaction because of different circumstances. In 1943, the Association's Board adopted what has become known as the '5% Policy' to be applied to transactions executed for customers. It was based upon studies demonstrating that the large majority of customer transactions were effected at a mark-up of 5% or less. The Policy has been reviewed by the Board of Governors on numerous occasions and each time the Board has reaffirmed the philosophy expressed in 1943. Pursuant thereto, and in accordance with Article VII, Section 1(a)(ii) of the By-Laws, the Board adopted the following interpretation.

It shall be deemed a violation of 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.

When determining the appropriateness of a mark-up, FINRA Rule 2121 and all supplementary materials should be reviewed. If you have any questions, you should bring them to the attention of your supervising principal or another appropriate principal.

False or Artificial Entries

False or artificial entries on any books, records or accounts, for any reason, are strictly PROHIBITED.

You are PROHIBITED from signing another individual's name, or requesting any other individual to sign another person's name, on any document affecting a client's account or any records of this firm. You may NOT accommodate any client requests to assist them, or their associates, by falsifying signatures on any documents or records. Any deviation from this policy will result in IMMEDIATE TERMINATION.

Financial Institutions Networking

>Networking Arrangements Between Members and Financial Institutions

LMK RR Procedures

Registered Representatives operating under and L.M. Kohn & Company networking arrangement with a financial institution such as a bank, savings bank, or credit union the firm will clearly identify and distinguish its broker-dealer services from the services of the financial institution. The Registered Representative shall insure that its broker-dealer services area is displayed clearly with signage that includes a SIPC sign, the name of the registered representative assigned, as well as any DBA. Additionally the following disclosure must be included on any signage; “Securities offered through L.M. Kohn & Company, member FINRA/SIPC/MSRB 10151 Carver Road, Suite 100, Cincinnati, Ohio 45242, 1-(800)-478-0788.

The location of the securities office will be physically separate from the routine retail deposit-taking activities of the financial institution.

All official books and records for any such financial institution registered branch will be maintained at the home office located at 10151 Carver Road, Suite 100, Cincinnati, Ohio 45242. Copies of books and records are permitted at the financial branch location as long as they are either held electronically with user id and password or in locking filing cabinets if hard copy.

At or prior to the time that a customer account is opened the registered representative will deliver in writing to each customer a disclosure detailing the broker-dealer services being provided by the L.M. Kohn & Company and not by the financial institution, and that the securities products purchased or sold in a transaction are:

(i) not insured by the Federal Deposit Insurance Corporation ('FDIC');

(ii) not deposits or other obligations of the financial institution and are not guaranteed by the financial institution; and

(iii) subject to investment risks, including possible loss of the principal invested.

(B) The disclosures required by paragraph (a)(3)(A) of this Rule also shall be made orally by a member that is a party to a networking arrangement for any customer account opened on the premises of a financial institution.

Communications with the Public

All advertisements and sales literature, including material published, or designed for use, in radio or television broadcasts, Automated Teller Machine ('ATM') screens, billboards, signs, posters and brochures, that announce the location of a financial institution where broker-dealer services are provided by the member or promote the name or services of the financial institution or that are distributed by the member on the premises of a financial institution or at such other location where the financial institution is present or represented must be approved by the assigned OSJ prior to use. Such advertisements may require FINRA review, a submission date to the OSJ of 45 days prior to initial use shall be adhered to.

FINRA Website

L.M. Kohn & Company recommends that you periodically review relevant information on FINRA's web site (www.FINRA.org).

In particular, there is information under the heading of 'Registration, Exams and CE' which will offer insights into the rules and regulations governing your employment as a registered employee of a FINRA broker/dealer. In addition to finding material concerning your responsibilities to L.M. Kohn & Company and its customers, you will learn of this firm's responsibilities to you and what recourses you have if you feel you have been treated unfairly. Any questions arising from a visit to this (or any other regulatory web site) should be addressed to your Supervising Principal or Compliance.

AML Program

You should check FINRA's web site for any clarifications as to what is required under The USA PATRIOT Act and FINRA Rule 3011, concerning deterring and detecting money laundering and terrorist funding activities.

Front Running/Trading Ahead

Registered personnel of a broker/dealer are prohibited from buying, selling or recommending the purchase or sale of any security or a derivative thereof for any account in anticipation of (a) a price change resulting from a contemplated or pending block transaction in the security or a derivative thereof for another account or (b) the issuance of a research report, research rating change, or other similar occurrence, that could materially impact the market for a security.

Registered representatives must wait to purchase securities for their personal benefit when the registered representative recommends the same security to their clients.

General Overview/Securities Transactions

As a registered representative, you must constantly bear in mind that your conduct is governed not just by L.M. Kohn & Company but also by a number of regulatory bodies (SEC, FINRA, NYSE, MSRB, other SROs and applicable state jurisdictions). While certain 'products' (i.e. options, municipals, etc.) have additional, product-specific sales practice requirements, all sales efforts and securities transactions must adhere to the rules, regulations and requirements overseeing sales practices, fiduciary responsibilities, best business practices and fair dealing with the public.

All sales efforts must be viewed with respect to the suitability of the product for the customer, rather than on the premise that the transaction will result in a profit for the customer and a commission for the firm. Further, we must follow all guidelines of Regulation Best Interest when making recommendations to a retail customer and provide them with our additional disclosure document.

You must be familiar with all material product characteristics and applicable industry regulations prior to soliciting or effecting any securities transactions.

All fees and charges must be fair and reasonable.

Products must be approved by L.M. Kohn & Company prior to any transactions being undertaken.

Any product questions or issues surrounding suitability should be brought to the attention of your Supervising Principal prior to executing the transaction.

Client Confidentiality

Confidential or proprietary information, obtained in the course of your employment with L.M. Kohn & Company, may not be used for personal gain or shared with others for your personal benefit, or theirs.

It is your responsibility to respect, and protect, the right to privacy of all our clients.

Gifts and Gratuities

Conflicts of interest continue to be a significant concern for regulators, and the giving or receiving of gifts/gratuities is perceived to be a potential problem.

Employees or members of their immediate family are prohibited from giving or receiving any item of value (i.e., gifts, gratuities, etc.) greater than $100 in value, per calendar year, when the item of value given or received relates to firm business.

FINRA Rule 3220 (formerly NASD Rule 3060(a)) applies only to those payments or gratuities that are business related or relate to the business of the employer of the recipient of the payment. In short, this rule is intended to protect against improprieties that might arise when a broker-dealer, or associated person, gives or receives substantial gifts or monetary payments to/from certain persons without firm review and approval.

FINRA guidance suggests that t*he prohibitions do not apply to personal gifts such as a wedding gift or a congratulatory gift for the birth of a child, provided that these gifts are not in relation to the business of the employer of the recipient. In determining whether a gift is in relation to the business of the employer of the recipient, you should consider a number of factors, including the nature of any pre-existing personal or family relationship between the person giving the gift and the recipient, and whether the registered representative paid for the gift. The analysis of whether a gift is in relation to the business of an employer is required in connection with all gifts;* **firms should not simply treat gifts given during any holiday season or for other life events as personal in nature.**

Further the r*ule 3060 does not apply to gifts of de minimis value (e.g., pens, notepads, or modest desk ornaments) or to promotional items of nominal value that display a firm's logo (e.g. umbrellas, tote bags or shirts). In order for a promotional item to fall within this exclusion, its value must be substantially below the $100 limit.*

Entertainment of or by clients for a reasonable cost is not prohibited. Entertainment costs are considered reasonable if both the host and guest attend the entertainment together (i.e., a football game) and/or the guest's portion of the total cost of the entertainment does not exceed $250 if the entertainment has a for-profit sponsor, or $500 if a non-profit sponsor is involved. Reasonable greens fees or admission to a baseball game are examples of reasonable entertainment.

Rather than make the decision yourself, you are **REQUIRED** to submit **PRIOR** to giving or receiving any gifts/gratuities, your request through the firm's Complysci (Financial Tracking) system. It will be reviewed and either approved or denied by a Registered Principal. Additionally, it will be documented on the firm's Gift and Gratuity Log, which will be retained for a period of six years. If you have any questions about your responsibilities regarding the giving or receiving of gifts/gratuities you should discuss them with Compliance.

Regulatory Reference

FINRA Rule 3220

Government Securities

Any activities involving government securities must adhere to all FINRA sales practice requirements and Conduct Rules as they apply to all other securities transactions undertaken by registered individuals on behalf of this broker/dealer.

All US Government direct obligations, securities issued by U.S. territories, and US agency obligations can only be executed through the LMK fixed income/trading department.

Heightened Supervision

L.M. Kohn & Company must 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 FINRA rules.

"Heightened supervision" means those supervisory procedures designed to “monitor the histories of their associated persons and establish heightened measures to supervise the activities of those associated persons with greater potential of creating customer harm."

If you are deemed to be an associated person who requires heightened supervision and you appeal a Hearing Panel decision to the National Adjudicatory Council (NAC), you must follow the tailored heightened supervision plan designed by L.M. Kohn & Company until FINRA’s final disciplinary decision takes effect.

Heightened supervision includes the following as well as other procedures as appropriate:

- Unannounced supervisory reviews
- Increased number of supervisory reviews
- Broader scope of the activities reviewed
- Approval by one or more principals of the supervisory review
- Required written acknowledgment of the heightened supervisory plan by the associated person subject to the plan and the designated supervisory principal

High Yield Investments

Any recommendation of high-yield bonds (which may have speculative characteristics and carry a risk premium in the form of a higher current yield) requires a heightened suitability (beyond what is required under FINRA Rule 2111) determination (i.e. the client must be aware of the significant risks posed by high yield bonds, in particular, in comparison to an investment grade bond). While investors often find the higher yield attractive, such investments can present significant risks and therefore suitability is a key issue.

Other high-yield investments, such as high-yield bond mutual funds, also pose higher risks and, therefore, are also subject to a heightened suitability determination. All high-yield investments must also meet the obligations of Regulation Best Interest. Any suitability determination issues or questions must be addressed with your designated Supervising Principal PRIOR to the execution of a high-yield bond transaction.

Structured Products are considered high-yield securities. L.M. Kohn & Company does not authorize the recommendation of any non-FDIC insured structured products.

RRs must conduct additional training on structured products, including principal protected and non-principal protected securities. That training is available at www.FTPortfolios.com, where any Registered Representative who wishes to recommend Firm-approved structured products is required to register and successfully complete the training course with a score of 80% or higher. Training must be memorialized by a course-generated certificate, with this certificate being forwarded to the Home Office for review.

Identity Theft Prevention - Safeguarding Customer Information

Regulation S-P, regarding privacy, requires that all financial institutions have policies and procedures in place to address the protection of customer information and records. There are, however, additional issues surrounding possible identity theft that are not covered in Regulation S-P.

As more individuals are telecommunicating, or working while traveling, the possibility of identity theft is increased through lost laptops or access by unauthorized individuals. Wireless connections (Wi-Fi) may be more easily intercepted than hard-wired connections. Remote access to corporate networks through VPNs or other technology, while raising similar concerns, can more easily be addressed through the use of firewalls, routers, filters and other means to guard against intrusion.

As a registered representative of L.M. Kohn & Company, you must be mindful of the importance of safeguarding customer information maintained either on a computer, or in hardcopy documents you have in your office.

In terms of electronic safeguards, you must adhere to the policies and directions you receive from your Supervising Principal and Compliance.

With regard to your office and the paper documents you maintain, they should not be left in the open when you are not at your desk or in the office. If you take documents into a jointly-shared space such as a conference room, do not leave until you are certain that all paperwork containing client information has been securely put away.

The document that is the highest concern for identity theft is the New Account Form, which contains a plethora of nonpublic personal information.

It is your responsibility to treat all personal client information as carefully as you would treat your own. Identity theft is one of the most rapidly growing global crimes, and you must do everything possible to prevent your clients from becoming victims.

Initial Equity Public Offerings: Restrictions on the Purchase and Sale

(a) General Prohibitions

(1) A member or a person associated with a member may not sell, or cause to be sold, a new issue to any account in which a restricted person has a beneficial interest, except as otherwise permitted herein.

(2) A member or a person associated with a member may not purchase a new issue in any account in which such member or person associated with a member has a beneficial interest, except as otherwise permitted herein.

(3) A member may not continue to hold new issues acquired by the member as an underwriter, selling group member or otherwise, except as otherwise permitted herein.

(4) Nothing in this paragraph (a) shall prohibit:

(A) sales or purchases from one member of the selling group to another member of the selling group that are incidental to the distribution of a new issue to a non-restricted person at the public offering price;

(B) sales or purchases by a broker-dealer of a new issue at the public offering price as part of an accommodation to a non-restricted person customer of the broker-dealer; or

(C) purchases by a broker-dealer (or owner of a broker-dealer), organized as an investment partnership, of a new issue at the public offering price, provided such purchases are credited to the capital accounts of its partners in accordance with paragraph (c)(4).

(b) Preconditions for Sale

Before selling a new issue to any account, a member must in good faith have obtained within the twelve months prior to such sale, a representation from:

(1) Beneficial Owners

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; or

(2) Conduits

a bank, foreign bank, broker-dealer, or investment adviser or other conduit that all purchases of new issues are in compliance with this Rule.

A member may not rely upon any representation that it believes, or has reason to believe, is inaccurate. A member shall maintain a copy of all records and information relating to whether an account is eligible to purchase new issues in its files for at least three years following the member's last sale of a new issue to that account.

(c) General Exemptions

The general prohibitions in paragraph (a) of this Rule shall not apply to sales to and purchases by the following accounts or persons, whether directly or through accounts in which such persons have a beneficial interest:

(1) An investment company registered under the Investment Company Act;

(2) A common trust fund or similar fund as described in Section 3(a)(12)(A)(iii) of the Exchange Act, provided that:

(A) the fund has investments from 1,000 or more accounts; and

(B) the fund does not limit beneficial interests in the fund principally to trust accounts of restricted persons;

(3) An insurance company general, separate or investment account, provided that:

(A) the account is funded by premiums from 1,000 or more policyholders, or, if a general account, the insurance company has 1,000 or more policyholders; and

(B) the insurance company does not limit the policyholders whose premiums are used to fund the account principally to restricted persons, or, if a general account, the insurance company does not limit its policyholders principally to restricted persons;

(4) An account if the beneficial interests of restricted persons do not exceed in the aggregate 10% of such account;

(5) A publicly traded entity (other than a broker-dealer or an affiliate of a broker-dealer where such broker-dealer is authorized to engage in the public offering of new issues either as a selling group member or underwriter) that:

(A) is listed on a national securities exchange; or

(B) is a foreign issuer whose securities meet the quantitative designation criteria for listing on a national securities exchange;

(6) An investment company organized under the laws of a foreign jurisdiction, provided that:

(A) the investment company is listed on a foreign exchange for sale to the public or authorized for sale to the public by a foreign regulatory authority; and

(B) no person owning more than 5% of the shares of the investment company is a restricted person;

(7) An Employee Retirement Income Security Act benefits plan that is qualified under Section 401(a) of the Internal Revenue Code, provided that such plan is not sponsored solely by a broker-dealer;

(8) A state or municipal government benefits plan that is subject to state and/or municipal regulation;

(9) A tax exempt charitable organization under Section 501(c)(3) of the Internal Revenue Code; or

(10) A church plan under Section 414(e) of the Internal Revenue Code

(d) Issuer-Directed Securities

The prohibitions on the purchase and sale of new issues in this Rule shall not apply to securities that:

(1) are specifically directed by the issuer to persons that are restricted under the Rule; provided, however, that securities directed by an issuer may not be sold to or purchased by:

(A) a broker-dealer; or

(B) an account in which any restricted person specified in paragraphs (i)(10)(B) or (i)(10)(C) of this Rule has a beneficial interest, unless such person, or a member of his or her immediate family, is an employee or director of the issuer, the issuer's parent, or a subsidiary of the issuer or the issuer's parent. Also, for purposes of this paragraph (d)

(1) only, a parent/subsidiary relationship is established if the parent has the right to vote 50% or more of a class of voting security of the subsidiary, or has the power to sell or direct 50% or more of a class of voting security of the subsidiary;

(2) are specifically directed by the issuer and are part of an offering in which no broker-dealer:

(A) underwrites any portion of the offering;

(B) solicits or sells any new issue securities in the offering; and

(C) has any involvement or influence, directly or indirectly, in the issuer's allocation decisions with respect to any of the new issue securities in the offering;

(3) are part of a program sponsored by the issuer or an affiliate of the issuer that meets the following criteria:

(A) the opportunity to purchase a new issue under the program is offered to at least 10,000 participants;

(B) every participant is offered an opportunity to purchase an equivalent number of shares, or will receive a specified number of shares under a predetermined formula applied uniformly across all participants;

(C) if not all participants receive shares under the program, the selection of the participants eligible to purchase shares is based upon a random or other non-discretionary allocation method; and

(D) the class of participants does not contain a disproportionate number of restricted persons as compared to the investing public generally; or

(4) are directed to eligible purchasers who are otherwise restricted under the Rule as part of a conversion offering in accordance with the standards of the governmental agency or instrumentality having authority to regulate such conversion offering.

(e) Anti-Dilution Provisions

The prohibitions on the purchase and sale of new issues in this Rule shall not apply to an account in which a restricted person has a beneficial interest that meets the following conditions:

(1) the account has held an equity ownership interest in the issuer, or a company that has been acquired by the issuer in the past year, for a period of one year prior to the effective date of the offering;

(2) the sale of the new issue to the account shall not increase the account's percentage equity ownership in the issuer above the ownership level as of three months prior to the filing of the registration statement in connection with the offering;

(3) the sale of the new issue to the account shall not include any special terms; and

(4) the new issue purchased pursuant to this paragraph (e) shall not be sold, transferred, assigned, pledged or hypothecated for a period of three months following the effective date of the offering.

(f) Stand-by Purchasers

The prohibitions on the purchase and sale of new issues in this Rule shall not apply to the purchase and sale of securities pursuant to a stand-by agreement that meets the following conditions:

(1) the stand-by agreement is disclosed in the prospectus;

(2) the stand-by agreement is the subject of a formal written agreement;

(3) the managing underwriter(s) represents in writing that it was unable to find any other purchasers for the securities; and

(4) the securities sold pursuant to the stand-by agreement shall not be sold, transferred, assigned, pledged or hypothecated for a period of three months following the effective date of the offering.

(g) Under-Subscribed Offerings

Nothing in this Rule shall prohibit an underwriter, pursuant to an underwriting agreement, from placing a portion of a public offering in its investment account when it is unable to sell that portion to the public.

(h) Exemptive Relief

Pursuant to the Rule 9600 Series, the staff, for good cause shown after taking into consideration all relevant factors, may conditionally or unconditionally exempt any person, security or transaction (or any

class or classes of persons, securities or transactions) from this Rule to the extent that such exemption is consistent with the purposes of the Rule, the protection of investors and the public interest.

(i) Definitions

Definitions

(1) 'Beneficial interest' means any economic interest, such as the right to share in gains or losses. The receipt of a management or performance based fee for operating a collective investment account, or other fees for acting in a fiduciary capacity, shall not be considered a beneficial interest in the account.

(2) 'Collective investment account' means any hedge fund, investment partnership, investment corporation or any other collective investment vehicle that is engaged primarily in the purchase and/or sale of securities. A 'collective investment account' does not include a 'family investment vehicle' or an 'investment club.'

(3) 'Conversion offering' means any offering of securities made as part of a plan by which a savings and loan association, insurance company or other organization converts from a mutual to a stock form of ownership.

(4) 'Family investment vehicle' means a legal entity that is beneficially owned solely by immediate family members.

(5) 'Immediate family member' means a person's parents, mother-in-law or father-in-law, spouse, brother or sister, brother-in-law or sister-in-law, son-in-law or daughter-in-law, and children, and any other individual to whom the person provides material support.

(6) 'Investment club' means a group of friends, neighbors, business associates or others that pool their money to invest in stock or other securities and are collectively responsible for making investment decisions.

(7) 'Limited business broker-dealer' means any broker-dealer whose authorization to engage in the securities business is limited solely to the purchase and sale of investment company/variable contracts securities and direct participation program securities.

(8) 'Material support' means directly or indirectly providing more than 25% of a person's income in the prior calendar year. Members of the immediate family living in the same household are deemed to be providing each other with material support.

(9) 'New issue' means any initial public offering of an equity security as defined in Section 3(a)(11) of the Exchange Act, made pursuant to a registration statement or offering circular. New issue shall not include:

> (A) offerings made pursuant to an exemption under Section 4(1), 4(2) or 4(6) of the Securities Act, or Securities Act Rule 504 if the securities are 'restricted securities' under Securities Act Rule 144(a)(3), or Rule 144A or Rule 505 or Rule 506 adopted thereunder;

(B) offerings of exempted securities as defined in Section 3(a)(12) of the Exchange Act, and rules promulgated thereunder;

(C) offerings of securities of a commodity pool operated by a commodity pool operator as defined under Section 1a(5) of the Commodity Exchange Act;

(D) rights offerings, exchange offers, or offerings made pursuant to a merger or acquisition;

(E) offerings of investment grade asset-backed securities;

(F) offerings of convertible securities;

(G) offerings of preferred securities;

(H) offerings of an investment company registered under the Investment Company Act;

(I) offerings of securities (in ordinary share form or ADRs registered on Form F-6) that have a pre-existing market outside of the United States; and

(J) offerings of a business development company as defined in Section 2(a)(48) of the Investment Company Act, a direct participation program as defined in Rule 2310(a) or a real estate investment trust as defined in Section 856 of the Internal Revenue Code.

(10) 'Restricted person' means:

(A) Members or other broker-dealers

(B) Broker-Dealer Personnel

(i) Any officer, director, general partner, associated person or employee of a member or any other broker-dealer (other than a limited business broker-dealer);

(ii) 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

(iii) An immediate family member of a person specified in subparagraph (B)(i) or (ii) if the person specified in subparagraph (B)(i) or (ii):

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.

(C) Finders and Fiduciaries

(i) 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

(ii) An immediate family member of a person specified in subparagraph (C)(i) if the person specified in subparagraph (C)(i) materially supports, or receives material support from, the immediate family member.

(D) Portfolio Managers

(i) Any person 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.

(ii) An immediate family member of a person specified in subparagraph (D)(i) that materially supports, or receives material support from, such person.

(E) Persons Owning a Broker-Dealer

(i) 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%;

(ii) 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%;

(iii) Any person listed, or required to be listed, in Schedule C of a Form BD that meets the criteria of subparagraphs (E)(i) and (E)(ii) above;

(iv) 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 other than with respect to a limited business broker-dealer);

(v) 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 other than with respect to a limited business broker-dealer);

(vi) An immediate family member of a person specified in subparagraphs (E)(i) through (v) unless the person owning the broker-dealer:

a. does not materially support, or receive material support from, the immediate family member;

b. is not an owner of the member, or an affiliate of the member, selling the new issue to the immediate family member; and

c. has no ability to control the allocation of the new issue.

Policy

You may not sell, or cause to be sold, a new issue to any account in which a restricted person has a beneficial interest, except as otherwise permitted in Rule 5130

You may not purchase a new issue in any account in which such member or person associated with a member has a beneficial interest, except as otherwise permitted in Rule 5130

You may not continue to hold new issues acquired by this BD as an underwriter, selling group member or otherwise, except as otherwise permitted in Rule 5130

Permitted are:

(a) sales or purchases from one member of the selling group to another member of the selling group that are incidental to the distribution of a new issue to a non-restricted person at the public offering price;

(b) sales or purchases of a new issue at the public offering price as part of an accommodation to a non-restricted person customer of the broker-dealer; or

(c) purchases by a broker-dealer (or owner of a broker-dealer), organized as an investment partnership, of a new issue at the public offering price, provided such purchases are credited to the capital accounts of its partners in accordance with paragraph (c)(4) of Rule 6130.

Preconditions for sale

Before selling a new issue to any account, you must in good faith have obtained within the twelve months prior to such sale, a representation from:

Beneficial Owners

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; or

Conduits

a bank, foreign bank, broker-dealer, or investment adviser or other conduit that all purchases of new issues are in compliance with this Rule.

You may not rely upon any representation that you believe, or have reason to believe, is inaccurate.

You must maintain a copy of all records and information relating to whether an account is eligible to purchase new issues in the files for at least three years following the last sale of a new issue to that account.

General Exemptions

The general prohibitions in paragraph (a) of this Rule shall not apply to sales to and purchases by the following accounts or persons, whether directly or through accounts in which such persons have a beneficial interest:

(1) An investment company registered under the Investment Company Act;

(2) A common trust fund or similar fund as described in Section 3(a)(12)(A)(iii) of the Exchange Act, provided that:

(A) the fund has investments from 1,000 or more accounts; and

(B) the fund does not limit beneficial interests in the fund principally to trust accounts of restricted persons;

(3) An insurance company general, separate or investment account, provided that:

(A) the account is funded by premiums from 1,000 or more policyholders, or, if a general account, the insurance company has 1,000 or more policyholders; and

(B) the insurance company does not limit the policyholders whose premiums are used to fund the account principally to restricted persons, or, if a general account, the insurance company does not limit its policyholders principally to restricted persons;

(4) An account if the beneficial interests of restricted persons do not exceed in the aggregate 10% of such account;

(5) A publicly traded entity (other than a broker-dealer or an affiliate of a broker-dealer where such broker-dealer is authorized to engage in the public offering of new issues either as a selling group member or underwriter) that:

(A) is listed on a national securities exchange; or

(B) is a foreign issuer whose securities meet the quantitative designation criteria for listing on a national securities exchange;

(6) An investment company organized under the laws of a foreign jurisdiction, provided that:

(A) the investment company is listed on a foreign exchange for sale to the public or authorized for sale to the public by a foreign regulatory authority; and

(B) no person owning more than 5% of the shares of the investment company is a restricted person;

(7) An Employee Retirement Income Security Act benefits plan that is qualified under Section 401(a) of the Internal Revenue Code, provided that such plan is not sponsored solely by a broker-dealer;

(8) A state or municipal government benefits plan that is subject to state and/or municipal regulation;

(9) A tax exempt charitable organization under Section 501(c)(3) of the Internal Revenue Code; or

(10) A church plan under Section 414(e) of the Internal Revenue Code

Issuer-Directed Securities

The prohibitions on the purchase and sale of new issues in this Rule shall not apply to securities that:

(1) are specifically directed by the issuer to persons that are restricted under the Rule; provided, however, that securities directed by an issuer may not be sold to or purchased by:

(A) a broker-dealer; or

(B) an account in which any restricted person specified in paragraphs (i)(10)(B) or (i)(10)(C) of this Rule has a beneficial interest, unless such person, or a member of his or her immediate family, is an employee or director of the issuer, the issuer's parent, or a subsidiary of the issuer or the issuer's parent. Also, for purposes of this paragraph (d)(1) only, a parent/subsidiary relationship is established if the parent has the right to vote 50% or more of a class of voting security of the subsidiary, or has the power to sell or direct 50% or more of a class of voting security of the subsidiary;

(2) are specifically directed by the issuer and are part of an offering in which no broker-dealer:

(A) underwrites any portion of the offering;

(B) solicits or sells any new issue securities in the offering; and

(C) has any involvement or influence, directly or indirectly, in the issuer's allocation decisions with respect to any of the new issue securities in the offering;

(3) are part of a program sponsored by the issuer or an affiliate of the issuer that meets the following criteria:

(A) the opportunity to purchase a new issue under the program is offered to at least 10,000 participants;

(B) every participant is offered an opportunity to purchase an equivalent number of shares, or will receive a specified number of shares under a predetermined formula applied uniformly across all participants;

(C) if not all participants receive shares under the program, the selection of the participants eligible to purchase shares is based upon a random or other non-discretionary allocation method; and

(D) the class of participants does not contain a disproportionate number of restricted persons as compared to the investing public generally; or

(4) are directed to eligible purchasers who are otherwise restricted under the Rule as part of a conversion offering in accordance with the standards of the governmental agency or instrumentality having authority to regulate such conversion offering.

Anti-Dilution Provisions

The prohibitions on the purchase and sale of new issues in this Rule shall not apply to an account in which a restricted person has a beneficial interest that meets the following conditions:

(1) the account has held an equity ownership interest in the issuer, or a company that has been acquired by the issuer in the past year, for a period of one year prior to the effective date of the offering;

(2) the sale of the new issue to the account shall not increase the account's percentage equity ownership in the issuer above the ownership level as of three months prior to the filing of the registration statement in connection with the offering;

(3) the sale of the new issue to the account shall not include any special terms; and

(4) the new issue purchased pursuant to this paragraph (e) shall not be sold, transferred, assigned, pledged or hypothecated for a period of three months following the effective date of the offering.

Stand-by Purchasers

The prohibitions on the purchase and sale of new issues in this Rule shall not apply to the purchase and sale of securities pursuant to a stand-by agreement that meets the following conditions:

(1) the stand-by agreement is disclosed in the prospectus;

(2) the stand-by agreement is the subject of a formal written agreement;

(3) the managing underwriter(s) represents in writing that it was unable to find any other purchasers for the securities; and

(4) the securities sold pursuant to the stand-by agreement shall not be sold, transferred, assigned, pledged or hypothecated for a period of three months following the effective date of the offering.

Under-Subscribed Offerings

Nothing in this Rule shall prohibit an underwriter, pursuant to an underwriting agreement, from placing a portion of a public offering in its investment account when it is unable to sell that portion to the public.

If you have any Rule 5130 questions regarding this firm's participation, or your individual participation, in an IPO offering, you should have them resolved by either your Supervising Principal or Compliance BEFORE soliciting any IPO business.

Insider Trading

Insider Trading Safeguard Statement

Upon being hired, or at some time within the first year of your employment with L.M. Kohn & Company, you are required to sign, and return to Compliance, an Insider Trading Safeguard Statement. You will be requested to sign the statement again annually, reiterating your understanding of our Insider Trading prohibitions and implications.

In addition, you are required to:

- Maintain as confidential, all business-related information in connection with your duties at L.M. Kohn & Company.
- Refrain from disclosing, except on a carefully-determined need-to-know basis, any inside information to any person. If you are unclear what constitutes a need-to-know basis, discuss this matter with your Supervising Principal, or with Compliance.
- Refrain from trading on inside information.

If you have information that an employee is trading on material, non-public information, or who may have provided such information to others who are not authorized to receive such information, you must IMMEDIATELY inform your Supervisor or Compliance.

There may, however, be outside persons authorized to receive such information in connection with one or more particular transactions, such as individuals who are typically authorized to receive such information, including, among others, attorneys, accountants and investment bankers involved in the relevant transaction.

Therefore, any questions regarding whether information may be properly communicated to another person must be brought to the attention of your Supervising Principal or Compliance PRIOR to taking any action.

Investment Advisory Programs

When referring a customer to an outside investment adviser (IA), you must ensure that the IA has been reviewed and approved by L.M. Kohn & Company. You may NOT refer a customer to any IA that has not yet been approved.

You should ask your Supervising Principal for a current list of all approved IA firms, their investment style, their location, minimum account size, etc.

If you wish to utilize an IA that is not on the current list, you should gather as much information about the firm as you can, including total assets under management, the date the firm was established, the number of full-time professional money managers, contact name, copy of their Form ADV, and submit it to your Supervising Principal for possible inclusion on the approved list. However, you may NOT refer any clients to this firm until Compliance has added them to the list of approved IA firms.

Additionally, should you recommend any advisory program offered through L.M. Kohn & Company, you are required to indicate on the advisory agreement if this account is being converted from a commission based account. If the account has been a commission based account for over three months, then we require a separate brokerage to advisory conversion form which outlines the reasoning for the conversion as well as the new customer relationship responsibilities of the adviser. The conversion form also requires a copy of the client's current open holdings, along with the dates they were acquired. This is for the purpose of knowing which ones will need to be excluded from billable assets. Additionally, it states that all commission-based UITs will be excluded from billable assets until maturity.

IRA Rollovers

From Regulatory Notice 13-45: *A plan participant leaving an employer typically has four options (and may engage in a combination of these options): (1) leave the money in his former employer's plan, if permitted; (2) roll over the assets to his new employer's plan, if one is available and rollovers are permitted; (3) roll over to an IRA; or (4) cash out the account value.*

Each choice offers advantages and disadvantages, depending on desired investment options and services, fees and expenses, withdrawal options, required minimum distributions, tax treatment, and the investor's unique financial needs and retirement plans. The complexity of these choices may lead an investor to seek assistance from a financial adviser, including a broker-dealer. Investors also may be solicited by financial services firms, including broker-dealers, regarding IRAs and retirement services.

A broker-dealer's recommendation that an investor roll over retirement plan assets to an IRA typically involves securities recommendations subject to FINRA rules. A firm's marketing of its IRA services also is subject to FINRA rules. Any recommendation to sell, purchase or hold securities must be suitable for the customer and the information that investors receive must be fair, balanced and not misleading. This Notice provides guidance on these activities and is intended to help firms ensure that they have policies and procedures in place that are reasonably designed to achieve compliance with FINRA rules.

As IRA Rollovers are carefully scrutinized by the regulators, you must be certain to have sufficient suitability information and disclosure documentation in the client files.

Know Your Customer: Retail

New Account Information Requirements

FINRA Rule 2090 (Know Your Customer) is required to be complied with for all new accounts, having nothing to do with recommended or non-recommended transactions.

As a registered representative of L.M. Kohn & Company, you are required to know your customer, including details necessary to service the customer's account, to act on any special handling instructions for the account, to understand the authority of each person acting on behalf of the customer and to comply with applicable laws, regulations and rules.

The following checklist represents the essential facts related to the investor profile of the customer and the minimal amount of information that either must appear on a new account form or must be 'obtained' and documented in some manner:

- Customer's full name and residential address
- Date of birth (customer must be of legal age)
- Name of employer - Is the employer a registered broker-dealer?
- Is the customer affiliated with FINRA?
- Other investment holdings
- Financial situation and needs
- Tax status
- Investment objectives
- Investment experience
- Investment time horizon
- Liquidity needs
- Risk tolerance
- Other information which may be relevant to take into account when making an investment recommendation

A new account form containing your signature, the customer's signature and the signature or initials of your supervising principal will evidence the appropriate gathering of all required information.

If at any time a customer wishes to undertake a transaction that you consider to be unsuitable, you MUST discuss the trade with your Supervising Principal PRIOR TO EXECUTING THE TRADE.

To truly 'know your customer' you must endeavor to learn all essential facts relative to every order, every customer and every account you open or service. Suitability determinations are based on information disclosed to you upon opening of the account.

- When making investment recommendations, suitability is your most important consideration. (The regulatory requirements for suitability are generally applicable only for solicited, or recommended, transactions. However, it is important to be as aware as possible of your client's situation and requirements

even when they are engaging in unsolicited transactions for which you will be compensated.)

- You must understand your client's investment objectives, risk tolerance, financial resources and level of sophistication and knowledge about financial matters and securities markets.
- Income, age, employment status, occupation and dependents should all be considered and discussed with the client when you determine the client's investment objectives.
- If at any time a customer wishes to undertake a transaction you consider unsuitable, you should discuss the trade with your Supervising Principal PRIOR TO EXECUTING THE TRADE.

Refer to the section in this Manual on 'Customer Accounts' for the information you are required to obtain and for the information you must make reasonable efforts to obtain. Obviously, the more client information you have, the better the position you are in to make a sound and reasonable suitability determination.

Solicitation

When soliciting clients, you are prohibited from making exaggerated claims, unwarranted superlatives or performance guarantees.

FINRA Conduct Rule 2330 prohibits you from guaranteeing a customer against loss in any securities account of such customer carried by this firm or in any securities transaction effected by this firm for such customer.

Generally, a customer transaction is deemed to be 'solicited' when it is based on your advice or a report issued by your firm's research department. When soliciting business, you can recommend any research security rated as a 'buy' or 'hold.' 'Sell' rating and securities not rated by research are not permitted without prior permission from Compliance.

As always, you must have a reasonable basis for making all customer recommendations - such recommendations must be based on a thorough understanding of the client's disclosed investment objectives, financial resources, risk tolerance, and investment experience.

Product Suitability

In order to make a valid suitability determination it is not only necessary to 'know the customer.' Equally important is a complete understanding of the product. (This is especially true of variable products and mutual funds.)

If you have any questions concerning any of the products in which you are engaged in offering to your customers, you should immediately bring them up with your Supervising Principal.

You may also want to make a note to Compliance that you would like to have more emphasis on a certain product or investment strategy in your Continuing Education training or at your Annual Compliance meeting.

Updating Client Information

It is not sufficient to 'initially' know your customer and not follow through on changes which may occur which directly alter suitability determinations.

You should make every effort to know your customer in reality, not just on paper. The initial new account form may indicate a particular salary level, certain dependents and other information which can change based on events such as career changes, changes in marital status, etc.

SEC rules require that a client receive a copy of the new account information within 30 days of the account being opened and then again 36 months after account opening so that the information can be reviewed and corrected where applicable.

Your Supervising Principal can advise you as to L.M. Kohn & Company's requirements for updating customer account information according to the rules and requirements, but it is a good idea when you are recommending a transaction for a client account which has not been active for a period of time to quickly go over the information you have on hand, and to make notes concerning any material changes.

Posting Book

Although firms maintain books and records covering all transactions and all client information, each registered representative who handles customer accounts, in order to effectively and appropriately service any particular client, must also maintain individual complete, accurate and up to date records (i. e. 'posting book,' 'logs,' etc.) of client information.

Reps not maintaining such records will not be able to effectively adhere to the 'know your customer' requirement.

Such logs should minimally contain the following information:

- Name of client
- Current address
- All requisite suitability information (to be maintained on a current basis, minimally annually)
- All purchases and sales - including trade date, security name, quantity, and price
- Security holdings
- 'Type' of account (i.e. cash, margin, discretionary)

Liquefied Home Equity

In FINRA Notice to Members 04-89, the FINRA makes clear its concerns about recommendations made to a potential investor that they liquefy their home equity to purchase securities.

In addition, the regulator has stressed that all communications with the public addressing a strategy of liquefying home equity must be fair and balanced, accurately depicting the risks of investing with liquefied home equity.

No recommendations may be made to an existing or potential customer to liquefy their home equity in order to purchase securities without the transaction being approved by an appropriate supervising principal PRIOR to the transaction. Immediately, upon the transaction being approved, information is to be given to Compliance for further suitability review. Upon a determination that both the liquidation of equity and the initial transaction are appropriate, no further transactions may be undertaken in the account without the prior written (i.e. initials and date) approval of an appropriate supervising principal.

"Fair Dealing With Customers" (FINRA IM-2310-2) states that it is a violation of our responsibility of fair dealing to "recommend the purchase of securities or the continuing purchase of securities in amounts which are inconsistent with the reasonable expectation that the customer has the financial ability to meet such a commitment."

The files must contain documented evidence indicating that the following were considered:

- How much equity does the investor have in the home?
- What is the level of equity being liquefied by investments?
- How will the investor meet any increased mortgage obligations?
- Is the mortgage or home equity loan at a fixed or variable rate?
- What is the investor's risk tolerance with respect to the funds being invested?
- What is the investor's overall debt burden?
- What is the sustainability of the value of the investor's home?

There must also be documented evidence in the files that the customer has been provided with adequate risk disclosure information, including:

- The potential loss of their home
- The fact that unlike other potential lenders, we have an interest in having the proceeds of the loan used for investments which may generate commissions, mark-ups or fees for this firm;
- If applicable, the fact that this broker/dealer, or an affiliated entity, may earn fees in connection with originating the loan;
- The impact of liquefied home equity on the home owner's ability to refinance a home mortgage; and,
- Depending upon the amount of home equity liquefied and any change in the value of the home, the homeowner may have negative equity is the home

Institutional Account Suitability Requirements

For purposes of clarifying the suitability obligations that our firm has to institutional investors (applying to all securities, except municipals, the purchase or sale of which is recommended by a broker/dealer), the FINRA has adopted an 'Interpretation on Suitability Obligations to Institutional Customers.' In part the Interpretation (FINRA Conduct Rule 2310) states:

> *'...that the term 'institutional customer' should not be arbitrarily defined by referencing a threshold institutional asset size or portfolio size or various statutory designations.' Rather, the FINRA states that for purposes of the Interpretation, '...an institutional customer shall be any entity other than a natural person.' The FINRA further states that it believes the Interpretation is more appropriately applicable to an entity having 'at*

least ten million dollars invested in securities in the aggregate in its portfolio or under management.'

To fulfill our suitability requirements to institutional customers, under the Interpretation, your responsibilities include:

1. having a reasonable basis for recommending a particular security or strategy, as well as reasonable grounds for believing that the recommendation is suitable for the customer to whom it is made.

   The Suitability Interpretation states that the two most important considerations in determining the scope of broker/dealer suitability obligations in making recommendations to an institutional customer are:

   a. the customer's capability of evaluating investment risk independently; and
   b. the extent to which the customer is exercising independent judgment in evaluating a broker/dealer's recommendation.

   Therefore, you must determine, based on information available, the customer's capability of evaluating investment risk. If our customer is either not capable of evaluating investment risks or lacks sufficient capability to evaluate a particular product and its risks, our obligation under the suitability rule IS NOT diminished by the fact that we are dealing with an institutional customer.

2. making a determination as to whether the customer is exercising independent judgment in its investment decision.

   a. the customer's investment decision is based on their own independent assessment of the opportunities and risks presented by a potential investment, market factors and other investment considerations.

When you have reasonable grounds for concluding that an institutional customer is making independent investment decisions and is capable of independently evaluating investment risks and our determination that the recommendation is appropriate for the particular client, then our obligation in determining suitability of a recommendation has been fulfilled.

Determining a Customer's Ability to Evaluate Risk Independently

Such a determination depends on your examination of the customer, including resources available to them to make informed decisions. Several factors relevant to making such a determination include (1) the use (by the customer) of one or more consultants, investment advisers or bank trust departments; (2) the general level of experience of the customer in financial markets and specific experience with the type of instruments under consideration; (3) the customer's ability to understand the economic features and risks of the security involved; (4) the customer's ability to independently evaluate how market developments might affect the security; and (5) the complexity or the security of securities involved.

Determining a Customer's Ability to Make Independent Investment Decisions

Several considerations would be called for, including but not necessarily limited to (1) any written or oral understanding that exists between the broker/dealer and the customer regarding the nature of their relationship and the services to be rendered by the broker/dealer; (2) a pattern of accepting or rejecting recommendations of the broker/dealer; (3) the customer's use of ideas, suggestions, market views and information obtained from other broker/dealers and/or market professionals, specifically those relating to the same type of securities; and (4) the extent to which the broker/dealer has received from the customer current comprehensive portfolio information in connection with the discussion of recommended transactions.

Legal Proceedings and Investigations

You are required to notify your Supervising Principal or Compliance if you are EVER involved in any of the following:

- The subject of any investigation or inquiry by any federal or state authority or self-regulatory organization (SRO)
- Requested to testify before or provide documents to any federal or state authority or SRO
- A defendant or a respondent in any civil, administrative or arbitration matter
- The subject of any censure, injunction, suspension, fine, cease and desist order or any other sanction imposed by any federal or state authority or SRO
- The subject of any bankruptcy proceeding
- The subject of any oral or written complaint by a client or any claim for damages by a client
- The subject of any arrest, summons, arraignment, indictment, conviction or guilty plea to any criminal offense - either misdemeanor or felony - other than a minor traffic violation

If any event occurs about which you are unclear regarding your disclosure requirements, you must discuss the matter with your Supervising Principal or Compliance.

Failure to fully comply with the above disclosure requirements may not only place your employment with this firm in jeopardy, but may also result in the finding of wrongdoing by a regulatory body.

Letterhead and Business Cards

A letterhead or business cards may NOT be used UNLESS they are approved by Compliance. If you need any changes made to your letterhead or business cards, please make such requirements known to your Supervising Principal or to Compliance. You may NOT create new copies of either letterhead or business cards.

Prior approval is not necessary for additional copies of previously approved letterhead or business cards. This is only permitted, however, if no changes are being made to the initially approved documents. Any, even minor, change must receive PRIOR approval.

BUSINESS CARDS, LETTERHEAD & BRANCH OFFICE IDENTIFICATION

Every registered person must have 'Securities (and advisory services [if applicable]) offered through L.M. Kohn & Company, Cincinnati, OH AND Member FINRA/SIPC/MSRB' clearly identified on their business card. This card should be used in all business contacts where securities business may reasonably be contemplated.

All securities correspondence, including client letters, prospecting letters, transmittals of securities-related documents, and securities administrative letters must be on stationery that clearly identifies that securities are offered through LMK.

Indications of business conducted (securities, real estate, tax planning, etc.) may be included. When LMK and another company are names on the card or letterhead, the indications of business conducted must be located so as to be clearly associated with the appropriate company (see exhibit A for sample cards and letterhead).

Every registered branch office location must be clearly identified as a branch of LMK.

If the branch office is in an office building, LMK's name should appear on the lobby and floor directories and on the door of the branch office. If the branch is in a home, then LMK's name should appear in the office or on the office door. If the branch office is in a commercial building with its own outside entrance, then LMK's name should appear on the door or on an outside sign.

If another business is conducted out of the office, it is not necessary that LMK sign be the same size as the DBA or other business name. Except, if the DBA is a 'securities DBA' which implies a securities business, then on the sign, door, or other directory the DBA name must be immediately followed, in letters of equal size, by the words 'L.M. KOHN & COMPANY'.

Every branch office must designate a telephone number to be the number for that branch. This number must be listed in the white pages of the telephone book under 'L.M. KOHN & COMPANY' and must appear on the company business cards and letterhead used by all registered persons assigned to the branch.

Yellow page listing is at your discretion, but if you choose to list in the Yellow Pages, the following rules apply:

A) The name of LMK, the registered branch address and designated telephone number may be listed under one of the following headings:

1. Investment Securities
2. Mutual Funds

B) LMK should not be listed with any address other than a registered branch address. You may list a DBA under 'Financial Planners' or 'Financial Consultants', if the listing indicates only name, address, and CFP designation where applicable.

To advertise a business other than securities, you may list your name or DBA under any appropriate heading other than the ones listed in the preceding paragraph. However, you should not list under 'Investment Advisory Services' unless you are a registered investment adviser.

If you wish to place an advertisement in the yellow pages which includes anything more than name, address, and telephone number, you must submit the proposed ad to LMK's main office for review prior to placement.

RRs who are not working out of their registered branch on a day-to-day basis must still indicate their branch address and telephone number on their company card and letterhead, and correspondence to and from clients must go through their branch office. To help solve the dual location problem, RRs may:

A) Make sure that their branch is properly alerted to forward their calls and letters.

B) Use a two-company card

We have no objection to you also using other business cards, letterhead, or envelopes for business purposes other than securities sales. However, if your other business card, letterhead, or envelope is in the name of a DBA -- such as Doe Financial Services -- which implies that the company may be in the broker-dealer business, then the following must appear directly underneath or next to the DBA name: 'Securities offered through L.M. Kohn & Company'. Even if your DBA is clearly a 'non-securities' DBA, if your other business card, letterhead or envelope indicates that the DBA offers investments, financial planning or the like, there must be a LMK disclosure as above. Also, if your other business card, letterhead or envelope is a personal one and you include the designation CFP or 'financial planner' after your name, then you must disclose your registered status with LMK.

Limited Partnerships

L.M. Kohn & Company only does publicly traded master limited partnerships (MLPs). The firm does not do any of the following: non-traded limited partnerships (LPs); non-traded business development companies (BDCs); and non-traded real estate investment trusts (REITs).

Liquefied Home Equity Recommendations

No affiliated personnel may make recommendations to an existing or potential customer to liquefy their home equity in order to purchase securities without having the transaction approved by an appropriate supervising principal PRIOR to the transaction.

Immediately upon approval of the transaction, the information will be given to Compliance for further suitability review. If a determination is made that both the liquidation of equity and the initial transaction were NOT appropriate, no further transactions may be undertaken in the account without the prior written approval (i.e., initials and date) of an appropriate supervising principal and the CCO.

In addition to other suitability requirements, our CCO will require review of all transactions involving funds obtained by liquefying home equity as soon as possible after the initial transaction has occurred, to confirm that the files contain documented evidence that the following have been considered.

- How much equity does the investor have in the home?
- What is the level of equity being liquefied by investments?
- How will the investor meet any increased mortgage obligations?
- Is the mortgage or home equity loan at a fixed or variable rate?
- What is the investor's risk tolerance with respect to the funds being invested?
- What is the investor's overall debt burden?
- What is the sustainability of the value of the investor's home?

The files must also contain documented evidence that the customer has been provided with adequate risk disclosure information, including:

- The potential loss of their home;
- The fact that, unlike other potential lenders, we have an interest in having the proceeds of the loan used for investments which may generate commissions, mark-ups or fees for this firm
- If applicable, the fact that this broker-dealer, or an affiliated entity, may earn fees in connection with originating the loan
- The impact of liquefied home equity on the home owner's ability to refinance a home mortgage, and
- Depending upon the amount of home equity liquefied and any change in the value of the home, the homeowner may have negative equity is the home

Annually, our CCO will ensure that we conduct a review of all customer accounts that involve funds obtained by liquefying home equity to ensure that we adhere to our strict policies and procedures. If the review finds that individual registered personnel have a higher than average instance of opening accounts with funds obtained through home equity liquidation, heightened scrutiny will be given to such accounts. We may also contact the customer to ensure that full disclosure of all related risk factors was clearly made. We will maintain documentation of the findings of these reviews and any follow-up contact with customers in the files.

Loans Between Registered Persons and Customers

FINRA Rule 3240 PROHIBITS you from borrowing money from, or lending money to, a customer.

There are certain limited instances where such borrowing or lending can occur, and we have put into place policies and procedures that will permit us to consider requests for such activities. It is your responsibility to be fully aware of all such policies and procedures as they relate to any prohibitions or acceptable scenarios.

Your Supervising Principal and/or Compliance is responsible for ensuring that, upon hiring, and throughout your association with this broker-dealer, you receive training regarding the prohibitions as well as the possible acceptable scenarios.

Compliance will, on a case-by-case basis, consider approval of any such lending and/or borrowing requests ONLY if one of the following five conditions exists:

- The customer is a member of your immediate family (i.e., parent, grandparent, in-law, husband or wife, brother or sister, child, grandchild, cousin, aunt or uncle, niece or nephew or any other person whom the registered person supports, directly or indirectly, to a material extent.)
- The customer is in the business of lending money
- The customer and the registered individual are both registered individuals of the same firm
- The lending arrangement is based on a personal relationship outside of the broker-customer relationship
- The lending arrangement is based on a business relationship outside of the broker-customer relationship

If Compliance determines that the lending or borrowing situation falls under one of the above conditions, a determination will be made whether to approve your request. The approval or denial will be made in writing, and ONLY upon such written approval may you engage in the lending or borrowing arrangement.

Your failure to adhere to the requirements under Rule 3240, or with this firm's specific internal policies regarding loans between registered persons and customers, may result in sanctions.

Lost Stockholders

It is important for you to know what, if any responsibilities you have in fulfilling the requirements under SEC's Exchange Act Rule 17Ad-17 regarding the necessity of searching for holders of securities with whom we have lost contact and providing notifications to persons who have not negotiated checks that have been sent to them. If you are unclear as to whether or not you have any responsibilities in this area, you should speak to your Supervising Principal or to Compliance.

The mandatory attempt to obtain correct addresses for lost stockholders must utilize information database services that contain addresses from the entire U.S geographic area, the names of at least 50% of the U.S. adult population, is indexed by taxpayer identification number or name and is updated at least four times a year.

The searches must be conducted by taxpayer identification number, or if a search based on taxpayer identification number is not likely to locate the security holder, by name. The security holder may not be charged for these mandated searches.

The timeframe for undertaking the first database search is between three and twelve months from the later of

> (i) the date upon which a correspondence is returned as undeliverable or
>
> (ii) if a returned correspondence is re-sent within one month from the date it was returned and is again returned as undeliverable, the date on which the re-sent item is returned as undeliverable.

The second required database search must be performed between six and twelve months after the first search.

The obligation to search does not apply when:

- the broker-dealer has received documentation that the security holder is deceased,
- the total value of assets in the security holder's account is less than $25, or
- the security holder is not a natural person.

Margin Accounts

If an account is subject to a margin call, you will be so notified by operations, the margin department, or other area (depending on procedures utilized by your broker/dealer). Upon receipt of such notification, you should consult with your supervising principal or other appropriate individual prior to proceeding with any further activity in the account.

The Federal Reserve Board's Regulation T regulates the extension of credit by broker-dealers to customers. The initial margin requirement is currently set at 50% of the purchase price of the securities being purchased in the margin account.

In addition to following all other new account procedures, upon opening a margin account you must also do the following:

- Obtain a signed margin agreement [stating all the rules with which the client must abide and giving L.M. Kohn & Company the right to hypothecate (loan) the customer's securities to secure the credit extension].
- Provide a margin disclosure statement to all non-institutional clients. Copies of the disclosure document can be obtained from your Supervising Principal or Compliance.
- Maintain evidence of providing the disclosure statement in the client file.

If an account is subject to a margin call, you will be notified by Operations, the Margin Department, or other area depending on procedures utilized by your broker-dealer. Upon receipt of such notification, you should consult with your Supervising Principal or other appropriate individual PRIOR to proceeding with any further activity in the account.

All margin accounts must be approved by Drew Kohn/ Mike Bell/Robert Chess/Carl Hollister.

Market Manipulation

It is PROHIBITED for any individual involved in the securities business to participate in any type of activity which might be construed as a manipulation of financial markets.

It is further PROHIBITED to circulate any rumors of a sensational or important enough nature to effect market conditions.

Activities that affect the underlying price of a security for reasons other than supply and demand, or other factors generally affecting the markets, can be construed as 'market manipulation.'

As a registered representative, it is obligatory that you remain watchful for potential, or actual, manipulation of markets.

Mergers and Acquisitions

Without a formal written contract or engagement letter, registered personnel are PROHIBITED from performing any Mergers and Acquisition (M&A) related services.

The primary concern with M&A clients is customer confidentiality. Therefore, upon any discussion taking place with a prospective M&A client, you must IMMEDIATELY contact your Supervising Principal or Compliance to determine the steps you should take to ensure that you adhere to our policies regarding confidentiality.

Without confidentiality requirements in place, the process of determining whether we will become involved with a particular deal CANNOT begin.

In cases where publicly traded companies are involved, remain vigilant of your responsibility to NOT engage in any activities that may violate our Insider Trading policies and procedures.

If your M&A activities involve any of the following, you must successfully complete the Series #79 exam prior to engaging in such activities:

(1) advising on or facilitating debt or equity securities offerings through a private placement or a public offering, including but not limited to origination, underwriting, marketing, structuring, syndication, and pricing of such securities and managing the allocation and stabilization activities of such offerings, or

(2) advising on or facilitating mergers and acquisitions, tender offers, financial restructurings, asset sales, divestitures or other corporate reorganizations or business combination transactions, including but not limited to rendering a fairness, solvency or similar opinion.

Money Laundering Detection and Deterrence

Required Registered Representative Training

FINRA Rule 3310 requires that all registered personnel receive Anti-Money Laundering (AML) Training.

Senior Management and Compliance are responsible for jointly overseeing L.M. Kohn & Company's overall Anti-Money Laundering Program. In your training you will be notified who the firm's AML Compliance Officer is. In addition, you can obtain that information from your immediate Supervising Principal.

If anything in the AML training program is unclear, or if you have questions after you have completed the required training, you should contact your immediate Supervising Principal or the Compliance Department.

L.M. Kohn & Company's COMMITMENT TO ANTI-MONEY LAUNDERING EFFORTS

We are committed to maintaining a strong internal program to detect, and deter, any instances of money laundering as well as any activities that facilitate money laundering or the funding of terrorist or criminal activities.

As a registered representative of L.M. Kohn & Company, you are an integral part of these efforts, in fact, up are in the front-line of defense. Senior Management looks to you to assist in their efforts to comply with all laws and regulations designed to combat money laundering, including the reporting of currency transactions, utilization of certain monetary instruments, and suspicious activities.

If the acceptance of currency and/or monetary instruments is prohibited by L.M. Kohn & Company, then those reporting requirements are not applicable to us. If, however, cash and/or monetary instruments are acceptable, it is important you understand the reporting requirements involved.

If you have not yet completed your Anti-Money Laundering Training, or if you are not aware of the requirements under our AML Program, you must take immediate steps to become completely familiar with both.

As your activities are a direct part of the firm's overall AML program, it is imperative that you understand all of your responsibilities under the program. You must make every effort to become fully aware of your individual responsibilities as well as the overall requirements under the USA PATRIOT Act and FINRA Rule 3310.

Acceptance of Currency

If the acceptance of currency is prohibited by L.M. Kohn & Company, currency reporting requirements would not be applicable. If the currency prohibition is in place, it is important that you understand that failure to comply could result in your termination. There could also be criminal ramifications.

Currency Transaction Reports (CTRs)

CTRs are filed only for certain transactions involving "currency," defined as *"coin and paper money of the U.S. or of any other country"* that is *"customarily used and accepted as a medium of exchange in the country of issuance."* Currency includes U.S. silver certificates, U.S. notes, Federal Reserve notes and official foreign bank notes that are customarily used and accepted as a medium of exchange in a foreign country.

Prohibited or permitted, if currency has been received, L.M. Kohn & Company has an obligation to file a CTR with FinCEN for ANY transaction involving currency that exceeds $10,000, with multiple transactions being treated as a single transaction if they total more than $10,000 during any business day. CTRs are filed through FinCEN's BSA E-filing system. You need to notify your Supervisor to electronically file this form.

Monetary instruments include the following: currency – as defined above, traveler's checks in any form, all negotiable instruments including personal and business checks, official bank checks, cashier's checks, third-party checks, promissory notes and money orders, that are either in bearer form, endorsed without restriction, made out to a fictitious payee, or otherwise in such form that title passes upon delivery, incomplete negotiable instruments that are signed with the payee's name omitted and securities or stock in bearer form or otherwise in such form that title passes upon delivery.

Currency and Monetary Instrument Transportation Reports (CMIRs)

CMIRs must be filed (with the Commissioner of Customs) by L.M. Kohn & Company for any instance where we transport, mail, ship or receive, or cause or attempt to transport, mail, ship or receive, monetary instruments of more than $10,000 at one time-on one calendar day or, if for the purposes of evading the reporting requirements, on more than one day - in or out of the US, EXCEPT for such shipments or receipts of monetary instruments shipped or mailed through the postal service or by common carrier. CMIRs are required for such shipments and deliveries even when such shipment or transport is made by L.M. Kohn & Company to an office of ours located outside the U.S. when made by means other than the postal service or common carrier.

Client Identification Program (CIP)

As client identity verification is a critical first step in preventing money laundering, you must be totally familiar with our client identity verification procedures, with special emphasis on any risk-based procedures in place. Remember, you are the front-line of defense against money laundering!

CIP Definitions of a Customer

The first step is to determine which your customers fall under the CIP regulations. Essentially, CIP regulations define a customer as an account holder. Excluded from the CIP definition of customer are the following:

- Financial institutions regulated by a federal regulator, as defined by the Bank Secrecy Act (e.g., broker-dealers, banks, branches of foreign banks, trust companies, commodities futures merchants, mutual funds etc.)

- Banks, thrifts, credit unions, and trust companies regulated by a state regulator
- Government agencies and instrumentalities (i.e. states, cities, towns etc.)
- Companies that are publicly traded in the U.S., but only to the extent of their domestic operations. Therefore, CIP regulations would apply to any foreign offices, affiliates, or subsidiaries of such entities that open new accounts
- Persons that have an existing account with this firm, provided you have a reasonable belief that you know the true identity of the customer

Speak to Compliance or your Supervising Principal if you have any questions regarding the definition of customer.

CIP Definitions of an Account

An account means a formal relationship with L.M. Kohn & Company established to effect securities transactions. Excluded from this definition are the following:

- Any accounts acquired by L.M. Kohn & Company through any merger, acquisition, purchase of asset or liabilities
- An account opened for the purpose of establishing an employee benefit plan under ERISA

Speak to Compliance or to your Supervising Principal if you have any questions regarding the definition of an account.

Minimal Account Opening CIP Information

PRIOR to opening a new account, L.M. Kohn & Company minimally requires the following CIP customer information in addition to any other documents we currently require, such as letters of authorization, corporate resolutions, partnership agreements, etc.:

- Name
- Date of birth (for individuals)
- Address
  o For an individual, a residential or business street address
  o For an individual who does not have a residential or business address an Army Post Office or Fleet Post Office box number, or the residential or business street address of next of kin or of another contact individual
  o For a person other than an individual, a principal place of business, local office or other physical location
- Identification number
  o For a US person, a taxpayer ID number; or
  o For a non-US person, one or more of the following types of information that allows L.M. Kohn & Company to establish a reasonable belief that we know the identity:
    - Taxpayer ID number
    - Passport number and country of issuance
    - Alien ID card number, or
    - Number and country of issuance of other government issued ID card showing evidence of nationality or residence and bearing a photograph

Consult with your Supervising Principal or Compliance to determine if L.M. Kohn & Company allows any exceptions for customers who have applied for, but have not yet received, a taxpayer identification number.

Verification of Identity - Documentary vs. Non-Documentary

It is critically important that you are familiar with L.M. Kohn & Company's AML policies and procedures to determine which documentary and/or non-documentary methods will be used to verify your client's identity. Consult with your Supervising Principal, Compliance, or your firm's AML procedures to determine if documentary methods must used for verifying customer identification and, if so, which of the following documents are permitted, or required:

- For persons - an unexpired driver's license, passport, or other government issued identification bearing a photograph and evidencing residence
- For entities - documents showing the existence of the entity, such as certified articles of incorporation, partnership agreements, government issued business license, trust agreement or other similar documents

If customers are unable to meet the above documentary requirements, PRIOR to opening the account, you must consult with your Supervising Principal or Compliance to determine the appropriate action to take. These actions may include, but are not limited to, refusal to open the account, account restrictions, or establishing parameters that would later result in the closing of an account.

If you are to use non-documentary methods to verify customer identity, check with your Supervising Principal or Compliance to determine which methods are used, as one or more of the following may be required:

- Customer contact
- Comparison of customer data with information provided by a vendor
- Checking a public database to verify customer information
- Checking bank or other references
- Obtaining financial statements
- Customer Notice

L.M. Kohn & Company's CIP includes a requirement to provide adequate notice to customers that certain information is being requested for the purposes of verifying their identity. Consult with your Supervising Principal to determine what responsibility you may have in complying with this CIP provision.

Comparison with Government Lists

L.M. Kohn & Company's CIP requires us to check all new accounts for OFAC List matches at the time of account opening, or within a reasonable period of time afterwards. L.M. Kohn & Company conducts an OFAC check in coordination with the opening of every newly established account. Consult with your Supervising Principal to determine what responsibility you may have in complying with this CIP provision.

Recordkeeping

CIP information must be recorded on appropriate New Account Forms or other similar forms. On such, you must describe any customer document you relied upon in obtaining CIP information, and record certain information including identification numbers, the place of issuance, the date of issuance and expiration.

You must also describe any other measures you have taken to verify a customer's identity such as a reference check or customer contact. If any substantive discrepancies occur during the CIP information-gathering process, you MUST inform your Supervising Principal or Compliance, noting the discrepancy and providing a description of the resolution in the customer's file.

AML Red Flags

Red flags that signal possible money laundering or terrorist financing include, but are not necessarily limited to:

- Frequent large purchases, with payment coming from bank accounts of foreign bank accounts or third parties, followed by redemptions and the wiring of funds to a foreign bank account or an unrelated third-party. These transactions will often be out of character for that particular product (i.e., high turnover in a mutual fund account)
- Multiple receipt and disbursements of funds, typically wires, with little correlation to security transactions in the account; in particular, when these wires are to or from a known bank secrecy, tax haven, or money laundering center (e.g., Jersey Channel, Cayman Islands, etc.)
- Transactions that are structured to avoid the Cash Transaction Reporting (CTR) requirements(e.g., purchases paid for with multiple near-cash instruments, such as money orders or traveler checks, totaling just under the $10,000 reporting trigger
- Transactions that are inconsistent with the customer's financial status as captured in new account documents (e.g., a purchase that exceeds a customer's stated net worth or income)
- Reluctance to provide new account data
- Unreasonable delays in providing new account data
- Lack of concern on the part of the investor with the investment risks and commissions
- Regulatory inquiries relating to account
- Questions about concealing transactions from government

If you become aware of any of the above red flags, you must IMMEDIATELY alert your Supervising Principal or Compliance. It is important that you understand the FINAL determination of whether the action is reportable, or suspicious upon further investigation, is NOT yours to make.

Suspicious Activity Reporting (SAR) Requirements

Under the USA PATRIOT Act and FIRNA Rule 3310, we are required to file SARs. If you are not certain of our policies regarding SARs and your role in such filings, it is your responsibility to find out and ensure that you fully understand all the issues surrounding SARs and how they are treated.

It is imperative that you understand that all SARs are strictly CONFIDENTIAL and MAY NOT BE DISCLOSED to any person involved in the transaction.

If you encounter any suspicious activity, either within an already-established account, or during the process of opening a new account, you must IMMEDIATELY make your suspicions known to the AML Principal, Compliance or your Supervising Principal.

All outgoing wire transfer requests and third party check requests will be reviewed by either Carl Hollister/Drew Kohn/Mike Bell/Robert Chess/Kristin Hobbs.

Reporting Violations of L.M. Kohn & Company's AML Compliance Program

Senior Management encourages, and expects, you to report any suspected violations of our AML Compliance Program. Such reporting is STRICTLY CONFIDENTIAL, and we have a stringent company-wide policy in place expressly prohibiting any retaliation for reporting possible AML Program violations.

Municipal Securities (including 529 College Savings Plans)

You must be comfortable with describing to customers the general characteristics of all municipal securities we offer, and you must be thoroughly knowledgeable of, and in a position to adequately disclose, all important features that may impact an individual's decision to purchase or sell a particular product. These include, but are not necessarily limited to tax consequences, pricing, credit agency ratings, yield related information, call features (if applicable), and maturity.

If you are uncertain of any of these matters, you should discuss your questions with your Supervising Principal.

The following are key points you should be aware of when conducting any municipal securities business.

- As with any security recommendation, a suitability determination must be made PRIOR to recommending a municipal security transaction (in accordance with FINRA Rule 2111). You must record evidence of the suitability determination, and any other information used - or considered to be reasonable, and necessary for making recommendations to customers - on the client's new account documentation forms.
- In addition, the core obligations required under Regulation Best Interest (Reg BI) must be met, including:
    - Providing certain prescribed disclosures before or at the time of a recommendation regarding the investment and the relationship between the retail customer and the broker-dealer.
    - Exercising reasonable diligence, care, and skill in making the recommendation. This mirrors FINRA's Suitability Rule, with the caveat that under Reg BI, in addition to suitability, the obligation also considers whether the broker-dealer's standards avoid placing the financial interests of the broker-dealer ahead of the customer.
- For any new municipal security offerings, you are responsible for complying with all internal procedures to provide purchasers with the issuer's final official statement by settlement date.
- In the event that a final official statement is not prepared, you must comply with procedures that require a purchaser to receive a preliminary official statement accompanied by a notice that no final official statement is being prepared. The requirements of MSRB Rule G-32 apply to all municipal dealers that sell any new issue municipal security, including those dealers that are not managing or sole underwriters.
- If you are involved in municipal securities transactions, you must comply with MSRB Rule G-37 regarding 'pay-to-play restrictions', by promptly reporting, in writing, all political contributions to Compliance. MSRB Rule G-37 places certain restrictions/requirements upon L.M. Kohn & Company, including limitations on business activities triggered by political contributions.
- Markups on municipal transactions may not exceed 4%.
- All municipal transactions must be executed through an LMK MSRB principal.

As of 12/1/2010, Registered Reps must disclose to the client, the following information for all municipal bond transactions in the Secondary Market:

Issuer name, CUSIP #, type of bond (GO, TAN/RAN, COP, REV, or Essential Services), any credit enhancements, interest rates & yield (coupon rate, YTC, YTS, YTM), interest payment frequency, price,

ratings, underlying ratings, whether the bond is subject to Alternative Minimum Tax, whether the bond is or is not exempt from Federal and/or State tax, whether it is a 'Build America Bond', whether it is a negative, neutral or positive credit watch, the dates and prices of the call schedules, whether the bond has a Sinking Fund, and the sources from which this information has been obtained. Additionally, the Rep must discuss material events regarding the bond with the client from sources including www.emma.msrb.org and bond desk.

This disclosure will be documented on the LMK Municipal Bond Secondary Market Disclosure form which will be maintained at the home office.

While it is important that you bring any questions regarding municipal securities transactions to the attention of your Supervising Principal or L.M. Kohn & Company's Municipal Securities Principal, you should also access the MSRB website, where you can review the rules (www.msrb.org).

Section 529 College Savings Plans

Section 529 College Savings Plans are higher education savings plan trusts established under Section 529(b) of the Internal Revenue Code as 'qualified tuition programs.' Through these plans, individuals may make investments for the purpose of accumulating savings for qualifying higher education costs of beneficiaries. The plans include interests in pooled investment funds under trusts established by states or local governmental entities, as well as higher education savings plan trusts established by states. The plans have investment features similar to mutual funds or variable annuities.

The SEC's Division of Market Regulation has stated that certain Section 529 College Savings Plans established by states, or local governmental entities, are municipal fund securities. Accordingly, the purchase and sale of state-sponsored Section 529 Plans are governed by the rules of the MSRB.

The 529 plans are sold in two ways. The first is 'direct-sold,' in which an investor buys an interest in the college saving plan directly from the state that sponsors the plan or from the plan's program manager, with no sales person involved. The second is 'adviser-sold,' in which investors buy an interest in a college saving plan through an investment adviser, brokerage firm, or bank, generally paying a sales load or fee.

The regulators focus particularly on issues involving fair and balanced disclosure of the risks as well as the potential rewards of investing in 529 plans, prominent disclosure of sales charges and other fees, and an accurate depiction of the tax consequences of investing in these products.

Broker-dealers selling out-of-state 529 college savings plan interests are required to disclose to the customer, at or prior to the time of trade, 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 college savings 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 college savings plan to learn more about their features (e.g., the "out-of-state disclosure obligation").

The variations in fees the plans charge can be confusing to investors. All 529 plans charge fees and expenses and investors have to look carefully to compare them. These costs not only vary among 529 plans but also can vary within a single 529 plan. Fees may include enrollment charges, annual maintenance fees, sales loads, deferred sales charges paid when investors withdraw their money, administration and management fees and underlying fund expenses.

Another complicating factor can be the plans' share classes. Some broker-sold college savings plans, like some mutual funds, have different share classes. Often referred to as Class A, B, or C shares, each class has different fees and expenses.

Because of the complexities of these instruments, sales practice issues are being looked at carefully by the regulators. During several reviews, FINRA found that more than 90 percent of the sales by some broker-dealers were to out-of-state residents, despite the fact that about half of the states give a state tax deduction to their citizens for contributions to their home state's 529 plan.

However, a sale of an out-of-state plan can be in a customer's best interest. For example, the underlying investment companies offered by the in-state plan could provide inferior portfolio management, or a relatively limited array of investment choices. The fees associated with the in-state plan could be very high. And, of course, in some states the in-state plan may not even provide a state tax deduction or other benefit. You must consider a variety of factors, in addition to the possible availability of in-state benefits, before making the recommendation. You must be fully able to explain to customers the complexities and benefits of these plans and document why the recommendation is in their best interest.

As no two plans are alike, you need to understand and convey to your customers the following four factors:

1. Contribution limits vary by state.
2. State tax advantages vary from state to state and may depend on whether you are a resident of the state sponsoring the plan.
3. Investment options vary greatly - from high-risk stock funds, to funds that contain a mix of stocks and bonds, to conservative investments that contain money market or short-term bond funds. Most plans offer age- or enrollment-based investments that grow more conservatively over time, as the beneficiary gets closer to using the proceeds to pay for college expenses. Many plans also offer static investments where assets are typically invested in a set allocation of one or more mutual funds.
4. Fees and expenses vary greatly, even among plans offered within the same state.

Suitability Issues for Multi-Class 529 Plans

As a registered representative, you have a duty to make suitable 529 plan recommendations which are in the customer's best interest. This entails a full understanding of issues involving multiple share classes. In a multi-class structure, each class of shares invests in the same portfolio of securities, but may be sold through different distribution arrangements and may entail different expense levels. Likewise, different classes of shares may result in different sales compensation being paid to broker-dealers and their registered personnel.

Although the purchase of certain fund classes may allow an investor to avoid paying a front-end sales load, the cost imposed by a class's higher expenses may outweigh this benefit, particularly with respect to large dollar purchases.

The impact on an investor's long-term results that breakpoints, rights of accumulation, and letters of intent may have when they reduce the sales charges paid on purchases of share classes that impose front-end sales charge must be taken into account whenever higher-expense classes of mutual fund shares are being discussed with a client.

Specifically for 529 plans, it is important to discuss with your client the common suitability factors, including time horizon, that determine an appropriate share class recommendation. The client should be disclosed the benefits and limitations of each available share class, so that the client can make an educated decision on the share class that is most appropriate for their specific situation.

Mutual Funds

You must be comfortable describing to customers the general characteristics of ALL mutual funds we offer, and you must be thoroughly knowledgeable of, and in a position to appropriately disclose all fees, possible tax consequences and other important features that may impact an individual's decision to purchase a particular product.

- When recommending mutual fund transactions, you must be aware of the information required to be obtained and considered for suitability purposes (FINRA Rule 2111) as well as obligations under Regulation Best Interest.
- When recommending mutual funds, you must ensure that investors understand the concept of total return.
- When explaining total return, you must explain that total return measures overall performance of a mutual fund, whereas current yield is based only on interest or dividend income received by the fund.
- Where appropriate, it is also important to explain to investors the difference between "return of principal" and "return on principal."
- When presenting information to customers regarding distribution rates, differences between distribution rate and current yield must be fully explained.
- It is your responsibility to ensure that the customer understands what you have disclosed or explained.
- The starting point for any recommendation of a mutual fund to a customer is to clearly define the investor's objectives and financial situation. Attention should be given to funds having multiple fee structures to determine that not only is the type of fund being matched to the investor's objective, but also to ensure that the appropriate fee structure has been recommended.
- Prospectuses and approved materials should be shared with the public and general conversations regarding performance, portfolio structure, etc. should be held.
- Suitability is the only final determination regarding the investment vehicles that are appropriate for a particular client.
- When reviewing mutual fund transactions, your Supervising Principal will be sensitive to any patterns of purchases and solicitations that may be indicative of potential suitability problems.

Prospectus Delivery

Point of Sale - A prospectus must be delivered to each customer buying shares of a mutual fund. The prospectus delivery, which must be accomplished before the transaction settles, is handled either directly by the registered individual dealing with the customer or by our clearing firm.

Under Securities Act Rule 154, prospectus delivery requirements are satisfied - with respect to two or more investors sharing the same address - by sending a single prospectus, subject to certain conditions, including investor consent to the delivery of one prospectus.

While the fund may be sending out the prospectus, prospectus delivery is OUR responsibility, and we must undertake sufficient due diligence to ensure that our responsibility is met, regardless of who is actually undertaking the action.

You must document all mutual fund recommendations and maintain copies of the client prospectus acknowledgement letters.

Breakpoints/Rights of Accumulation/Letters of Intent

Many front-end-load mutual funds offer breakpoints, rights of accumulation and letters of intent as a means of reducing front-end sales fees normally charged to investors. You are required to understand all these discount features and to be able to explain them to customers in full, PRIOR to making any sale.

Selling mutual fund shares in dollar amounts just below a breakpoint is PROHIBITED unless PRIOR approval is received from the appropriate Supervising Principal, and the transaction is initialed evidencing such approval.

You are REQUIRED to alert clients close to a breakpoint that they can receive a reduced sales charge by either purchasing some additional shares or availing themselves of the benefits found under a 'Letter of Intent' or 'Rights of Accumulation.'

If the client insists on making the purchase below a breakpoint level, approval MUST be obtained from your Supervising Principal PRIOR to order entry.

Your failure to appropriately advise clients of discount features and to knowingly recommend an investment amount just under the breakpoint in order to receive a higher commission will subject you to disciplinary action for failing to act in accordance with just and equitable principles of trade.

For clients to take advantage of the commission discounts available under a 'Letter of Intent' or 'Rights of Accumulation,' it is your obligation to systematically link the related accounts. Accounts of an individual are NOT to be AUTOMATICALLY linked to those of their spouse, minor children and/or IRAs UNLESS the specific fund prospectus permits such linking.

Splitting

Recommending the purchase of more than one mutual fund, having the client’s investment split among the funds, may cause the customers to miss mutual fund breakpoints and, therefore, not receive discounts that they would have received if their entire investment were placed in only one mutual fund.

You are advised to be aware of these situations and to inform your clients of the missed breakpoint before proceeding with a split transaction.

Switching

A mutual fund “switch” is the sale, and subsequent purchase, of a mutual fund within a specified time period. Generally speaking, mutual funds are designed as long-term investments. Short-term, in-and-out trading or switching between families of funds (i.e., many funds under a single management company) that results, or could result, in additional commission charges, or which could establish new required holding periods is STRICTLY PROHIBITED by both L.M. Kohn & Company and by regulatory standards.

Under certain circumstances, however, a switch may be reasonable and justifiable. Any determination regarding switching should be discussed with, and approved by, your Supervising Principal PRIOR to executing any transaction involving switching.

It is important to consider the original source of funds used for the purchase of a mutual fund when identifying mutual fund switches.

If a switch is approved, a 'Switch Letter' must be obtained from the customer and kept on file - in the client file and also in a 'switch letter' file.

At the time of the transaction, all mutual fund switches resulting in a charge to the client, or a new required holding period, must be fully disclosed to the client.

Mutual Fund Switch Letters

Use of switch letters is required under all of the following circumstances and conditions:

1. New assets transferred in from outside securities firms, to include change of dealer situations, where mutual funds in any share class are sold and the proceeds are used to purchase mutual funds of any share class or any other packaged product.
2. In any case where a switch is coming out of an “A” or “B” share classes into a “C” shares.
3. In any case where a switch is coming out of “A” or “C” share classes into a “B” shares.
4. In any case where a switch is coming out of “B” or “C” share classes into “A” shares.
5. In any case where a switch incurs a sales charge to the client; front end or back end.

Exceptions:

1. “C” to “C” share class switches where there is not a sales charge incurred by the client.
2. “A” to “A” share class switches done at NAV
3. Same mutual fund family exchanges into same share class.
4. Mutual fund switches done in an advisor platform where there are no front end or back end sales charges incurred or potentially incurred by a client.
5. When assets are transferred in from an outside B/D or Investment Company, and the assets are no load funds, then the sale of those no load assets with their proceeds being used for purchase in another mutual fund family / share class will be exempt from the switch letter rule.

Selling Dividends

FINRA prohibits anyone from recommending a purchase of securities due to an upcoming ex-dividend date otherwise known as 'selling dividends' - that is, the practice whereby representation is made to the client that an advantage would be gained in purchasing a mutual fund in anticipation of a dividend distribution.

Deferred Sales Charges

It is a violation to state, or imply to an investor, that an investment company with a contingent deferred sales charge is a no-load fund. The fact that there are deferred sales charges must be disclosed on the front of a customer's purchase confirmation, sent by the fund.

Investors purchasing a no-load or no-initial-load fund must be made aware of any existing redemption sales charges.

It is an unfair sales practice and an omission of material information to state that there is no-initial-load without completely explaining the nature of any contingent deferred sales load – an annual sales load that is charged on redemption on a declining-percentage basis, usually reduced to zero percent by the sixth or seventh year of share ownership.

It is your responsibility to ensure the client's understanding of all the various charges made by mutual funds to defray sales and sales-promotion expenses, regardless of whether they are deducted from the investor's initial purchase payment, charged upon redemption, or levied against the net assets of the fund.

Key Points Regarding Mutual Funds

You must also ensure the following:

- A complete and balanced disclosure has been made to investors regarding the distinctions among classes of a multi-class fund or feeders of a master-feeder fund
- Where an expense ratio is represented as an advantage of a particular fund, the ratio is explained to the customer in the context of, and compared with, other mutual fund expense ratios
- Where a fund portfolio may include financial derivatives, all potential risks have been fully disclosed and clearly explained
- When performance information is presented, the concepts of total return, yield, and distribution rates are explained to, and understood by, the investor
- Materials designed for internal or dealer-only use are not distributed in any manner to the public, either orally or in writing

Execution of Investment Company Portfolio Transactions

FINRA Rule 2341(k) prohibits any sort of reciprocal arrangements or quid pro quo regarding the sale of mutual funds. Rule 2341(k) specifies the following prohibitions:

- A particular investment company or family of funds may not be favored or disfavored on the basis of brokerage commissions received, or expected to be received, by this firm.
- We may not offer, or promise, to another broker-dealer any brokerage commissions from any source as a condition to the sale, or distribution, of shares of a mutual fund.
- We may not request, or arrange, for the direction to any other broker-dealer of a specific amount or percentage of commissions conditioned upon that broker-dealer’s sales or promise of sales of shares of an investment company.

- We may not, directly or indirectly, demand or require brokerage commissions or solicit a promise of such commissions from any source as a condition to the sale or distribution of shares of an investment company.
- We may not circulate information regarding the amount or level of commissions received by us from any investment company or covered account to other than management personnel.
- Underwriting broker-dealers may not suggest, encourage or sponsor any incentive campaign or special sales effort of another broker-dealer which incentive or sales efforts is, to the underwriter's knowledge, to be based upon, or financed by commissions directed or arranged by the underwriter.
- We may not sell shares of, or act as underwriter for, an investment company, if we know, or have reason to know, that such investment company, or an investment adviser or principal underwriter of the company, has a written or oral agreement or understanding under which the company directs or is expected to direct portfolio securities transactions - or any commission, markup or other remuneration resulting from any such transaction - to a broker or a dealer in consideration for the promotion or sale of shares issued by the company or any other registered investment company.

FINRA Rule 2341(k) should be reviewed to assist in determining whether a certain activity is appropriate.

As long as the provisions in Rule 2341(k) are not violated, there are no prohibitions against:

- The execution of portfolio transactions of any investment company, or covered account, by members who also sell shares of the investment company; or
- Compensating sales staff and managers based on total sales of investment company shares attributable to such individuals, whether by use of overrides, accounting credits or other compensation methods, provided that such compensation is not designed to favor or disfavor sales of shares of particular investment companies on a basis prohibited by Rule 2341(k).

No-Load

It is prohibited to represent, either orally or in writing, an investment company as being no-load or having no sales charges if the investment company has a front-end or deferred sales charge or whose total charges against net assets to provide for sales-related expenses and/or service fees exceed .25 of 1% of average net assets per annum.

NAV Mutual Fund Transactions

All mutual fund transactions offered to clients at NAV must actually be purchased at NAV. If there is ever an instance where a front end load sales charge was paid on a purchase which was to have been done at NAV, the transaction must be canceled and corrected to reflect the proper price.

NAV Transfer Programs

While many mutual funds have discontinued their NAV Transfer privileges, you are responsible for knowing which of the funds offered by this broker-dealer DO permit such privileges.

NAV transfers enable client dollars to be switched from one load-fund group to another at NAV, thereby avoiding an additional round of sales charges.

This matter is only of concern when you have undertaken a transaction in a front-end loaded A share for which the commission has not been waived.

As such a transaction would require a switch letter which is then reviewed, a determination could be made regarding whether the fund into which the money is being invested has an NAV Transfer Program, and if the customer did, in fact, receive NAV purchase price.

For any A share transaction for which a commission was received, you must ensure that if the decision was made to transfer a client's funds via an NAV Transfer Program, the purchase was, in fact, made at NAV.

Mutual Fund Reinstatements

Many mutual funds have a reinstatement policy that allows investors to reinvest proceeds from sales in shares of the fund without paying a front-end sales charge. Generally, the reinstatement must occur within a specified period of time (e.g., 90 days) and must be in the same share class of that fund, or another fund within the same fund family.

You must disclose to mutual fund investors the reinstatement policies of the fund they have purchased.

Also, upon a client sale of any, or all, of a mutual fund holding, you must again notify them of the fund's reinstatement policy.

Asset-Based Sales Charge

No offer or sale of securities of an investment company with an asset-based sales charge may be made UNLESS the prospectus discloses that long-term shareholders may pay more than the economic equivalent of the maximum front-end sales charges permitted. Such disclosure should be adjacent to the fee table in the front section of the prospectus.

Prohibition Against Late Trading and Market Timing

Rules under the Investment Company Act, and specifically Rule 22c-1(a),- generally require that redeemable securities of investment companies (i.e., mutual fund shares) be sold and redeemed at a price based on the net asset value (NAV) of the fund computed after the receipt of orders to purchase.

NASD Notice to Members 03-50 states that it is a violation of FINRA Rule 2010 and may be a violation of the federal securities laws and FINRA Rule 2020 for a registered representative to knowingly or recklessly effect mutual fund transactions that are priced based on NAV that is computed PRIOR to the time the order to purchase or redeem was given by the customer. This practice translates into an after-the-close mutual fund purchase or redemption and is referred to as "late trading".

Furthermore, it may be a violation of FINRA Rule 2010 and the federal securities laws to knowingly or recklessly facilitate certain mutual fund transactions, such as market timing transactions, in conjunction

with, or with the acquiescence of, a mutual fund sponsor, fund administrator, investment adviser, underwriter, or any other affiliated person where those other parties acted contrary to a representation made in the prospectus or statement of additional information pursuant to which the mutual fund shares are offered.

By way of reference, you should know that many late trading and market timing abuses uncovered by the regulators have typically involved the following types of accounts/activity:

- Institutional clients - hedge funds, in particular
- Mutual fund transactions exceeding $10,000
- Spikes in transaction volume caused by in & out trading patterns - investors engaged in mutual fund trading are also likely to be those undertaking other prohibited activities.

If you become aware of any potentially abusive transactions, it is your responsibility to IMMEDIATELY alert your Supervising Principal or Compliance.

Principal-Protected Funds

Prior to offering any such funds, otherwise known as “principal protection,” “capital preservation” or “guaranteed” funds, you must be fully aware how such funds work and the potential costs or risks the investor may face.

Common Characteristics

Guaranteed Principal - Most principal-protected funds guarantee the initial investment minus any front-end sales charge, even if the stock markets fall. In many cases, the guarantee is backed by an insurance policy.

Lock-Up Period - If the investor sells any shares in the fund prior to the end of the “guarantee period” - a period of anywhere from 5 to 10 years - the investor loses the guarantee on those shares and could lose money if the share price has fallen since the initial investment.

A Mixture of Bonds and Stocks - Most principal-protected funds invest a portion of the fund in zero-coupon bonds and other debt securities, and a portion in stocks and other equity investments during the guarantee period. To ensure guarantee of the fund, many may be almost entirely invested in zero-coupon bonds or other debt securities when interest rates are low and equity markets are volatile. As this allocation provides less exposure to the markets, it may eliminate or greatly reduce any potential gains the fund can achieve from subsequent gains in the market, and may also increase the risk to the fund of rising interest rates, which generally cause bond prices to fall.

Higher Fees - Total annual fees deducted from the investor’s holdings (i.e., expense ratio) are typically higher than that of non-protected funds, ranging from 1.5% to as high as 2%, of which .33% to .75% typically pays for the principal guarantee. In addition, many also impose sales charges, plus redemption/penalty fees for early withdrawals, which may be significant.

If you feel that you have not received sufficient training on principal-protected funds or are unsure of this product, make your concerns known to your Supervising Principal and/or Compliance.

Suitability Issues for Multi-Class Mutual Funds

As a registered representative, you have a duty to make suitable mutual fund recommendations, which entails a full understanding of issues involving multi-class funds. In a multi-class structure, each class of shares invests in the same portfolio of securities, but may be sold through different distribution arrangements and may entail different expense levels. Likewise, different classes of shares may result in different sales compensation being paid to broker-dealers and their registered personnel.

Although the purchase of certain fund classes may allow an investor to avoid paying a front-end sales load, the cost imposed by a class's higher expenses may outweigh this benefit, particularly with respect to large dollar purchases.

The impact on an investor's long-term results that breakpoints, rights of accumulation, and letters of intent may have when they reduce the sales charges paid on purchases of share classes that impose front-end sales charges must be taken into account whenever higher-expense classes of mutual fund shares are being discussed with a client.

Class A Shares

Broker-sold mutual funds often offer three classes of shares. One class, generally designated as Class A Shares, may impose a front-end sales load, but may impose either no - or a low - ongoing fee to pay for sales and marketing expenses -referred to as a Rule 12b-1 fee. Often, breakpoints in the sales load structure will cause the front-end load percentage to decrease as the investment amount increases.

In addition, investors may take advantage of other methods to decrease the sales load paid on subsequent purchases, such as through rights of accumulation and letters of intent.

Class B Shares

A second class, often designated as Class B Shares, may not impose a front-end sales charge. This may tend to make Class B Shares more attractive to investors and therefore easier to sell by registered representatives.

However, Class B Shares may impose a Contingent Deferred Sales Charge (CDSC) on share redemptions and a relatively high 12b-1 fee. The amount of the CDSC normally declines the longer the shares are held. In addition, Class B Shares often automatically convert to Class A Shares, and thus pay lower 12b-1 fees, after a period of time, which is usually after the CDSC declines to zero.

Class C Shares

A third class, often designated as Class C shares, may impose neither a front-end nor a back-end sales load, but may impose a relatively high 12b-1 fee.

Some mutual funds offer classes that impose no front-end or back-end sales charges and a relatively low 12b-1 fee, but only offer such classes to retirement plans or institutional investors.

Additional Class Designations

You should be aware that fund sponsors may also choose class designations and expense structures other than those described above. When purchasing mutual funds in advisory accounts, you must ensure that you are using the lowest expense share class of that particular fund. In rare instances, the lowest expense share class of a particular fund will pay a trailing commission, commonly referred to as 12b-1 fee. We have arranged through our clearing firm that all 12b-1 fees are rebated to advisory clients.

Regulatory Concerns

FINRA regulatory guidance reminds members that, in determining whether a fund is suitable for an investor, a member should consider the fund's expense ratio and sales charges as well as its investment objectives.

Additionally, broker-dealers are generally prohibited from selling mutual fund shares in dollar amounts just below the sales charge breakpoint in order to increase a member's compensation. These principles apply equally to recommending a particular fund share class to an investor.

Full Disclosure

We are responsible for ensuring that all potential mutual fund investors are given a complete, comprehensive description of share-class characteristics to allow them to make an educated choice regarding the class that is best suited to their investment needs. As a registered employee of this firm, you represent our front-line of compliance and, therefore, must be completely familiar with any mutual fund class you recommend.

When this disclosure is made in writing, we will maintain proof of the disclosure, with the client's signature, in the client files. When this disclosure is made orally, we must maintain written records of these discussions in the client files.

If you have any questions regarding your responsibilities for obtaining the disclosure documentation noted above, speak with your Supervising Principal or Compliance.

Various Classes and Their Impact on Breakpoints, Rights of Accumulation or Letters of Intent

It is critical that you are aware of the ramifications for recommending Class B or C shares to investors who seek to purchase in large amounts and who would incur significantly lower sales charges for Class A share purchases due to the availability of breakpoints, rights of accumulation, or letters of intent.

Cash and Non-Cash Compensation

FINRA Rule 2341(l) regarding Investment Company Securities, reads, 'In connection with the sale and distribution of investment company securities, except as described below, no associated person shall accept any compensation from anyone other than this firm.'

This rule does not prohibit arrangements where a non-member company pays compensation directly to associated persons of this firm, provided that:

- This firm has agreed to the arrangement
- This firm relies on an appropriate rule, regulation, interpretive release, interpretive letter, or 'no-action' letter issued by the SEC that applies to the specific fact situation of the arrangement
- The receipt by associated persons of such compensation is treated as compensation received by L.M. Kohn & Company for purposes of FINRA Rules
- The recordkeeping requirement under Rule 2341 is satisfied

Any questions you have regarding the appropriateness of any compensation offered to you should be directed to your Supervising Principal or to Compliance, PRIOR to accepting the compensation.

Non-Conventional Investments (NCIs)

Alternative investments to conventional equity and fixed income investments do not fall under a common category. However, investors have shown increased interest in products such as asset-backed securities, distressed debt, index-linked notes, non-traded REITS, equity-linked notes, multi-callable step up notes, redeemable secured notes, auction rate preferred securities, principal protected index-linked CDs, derivatives products and emerging market debt securities. These are collectively referred to as non-conventional investments (NCIs), and have complex terms and features that are not easily understood.

NASD Notice to Members 03-71 states that 'an investment in an NCI does not in any way diminish a broker-dealer's responsibility to ensure that such a product is offered and sold in a manner consistent with the firm's general sales conduct obligations.'

Some NCIs are marketed as offering greater security or a guaranteed return on investments. Other products seek to maximize the potential return on investments. Some have unique features relating to risk and reward that may not be readily understood, by the rep selling them or by the retail investor purchasing them.

Recommending NCIs

If you recommend NCIs, you must understand the features of each product offered - as with all securities - so that you will make an adequate suitability determination before executing a transaction. You must also be certain that the recommendation is appropriate under FINRA Rule 2111 and Regulation Best Interest.

While due diligence efforts may vary from product-to-product, there are common features that you should understand in order to be able to perform an appropriate suitability analysis. These include, but are not necessarily limited to, the following:

- The liquidity of the product
- The secondary market and the prospective transparency of pricing in any secondary market transaction
- The creditworthiness of the issuer
- The creditworthiness and value of any underlying collateral
- The creditworthiness of any counterparties, where applicable
- The principal return and/or interest rate risks, and the factors that determine such risks
- The tax consequences of the product
- The costs and fees associated with purchasing and selling the product

While you can rely on representations made regarding an NCI that are found in a prospectus or disclosure document, reliance on such materials alone may not be adequate for us to satisfy our due diligence requirements.

The content of the prospectus or disclosure document may not contain sufficient information necessary to fully evaluate the risk of the product. In such an instance, you must obtain additional information about the NCI, and if you are unable to do so, you must conclude that the product is NOT appropriate for sale.

Customer-Specific Suitability

You should not rely heavily on a customer's financial status as the basis for recommending NCIs, as net worth alone is not necessarily a clear indicator of whether a certain product is suitable for a particular investor.

Given the unique nature of NCIs, these products may present challenges when it comes to a member's duty to dispense its suitability obligation; however, the difficulty in meeting such challenges cannot be considered as a mitigating factor in determining whether members have met their suitability obligations. NCIs with particular risks may be suitable for recommendation to only a very narrow band of investors capable of evaluating and being financially able to bear those risks.'

To ensure suitability for a specific customer, you are required to be fully compliant with FINRA Rule 2111 and Regulation Best Interest.

You cannot rely too heavily on a customer's financial status as the basis for recommending NCIs, as net worth alone is not necessarily determinative of whether a particular product is suitable for a particular investor. FINRA Notice to Members 03-71 states, *'given the unique nature of NCIs, these products may present challenges when it comes to a member's duty to dispense its suitability obligation; however, the difficulty in meeting such challenges cannot be considered as a mitigating factor in determining whether members have met their suitability obligations. NCIs with particular risks may be suitable for recommendation to only a very narrow band of investors capable of evaluating and being financially able to bear those risks.'*

To ensure suitability for a specific customer, you are required to examine:

- The customer's financial status
- The customer's tax status
- The customer's investment objectives
- Such other information used or considered to be reasonable in making recommendations to the customer [pursuant to FINRA Conduct Rule 2310(b)]

Options

- You are expressly prohibited from opening an option account without receiving prior approval from a registered Options Principal.
- An options agreement must be completed, including a section for customer verification of financial information, pertinent to customer suitability.
- All suitability information must be completed in its entirety prior to sending the options agreement to the appropriate Options Principal for approval.
- All Regulation Best Interest obligations must be met.
- No option or listed index warrant transaction is to be transacted without the registered representative first having a reasonable basis for believing at the time that the client:
    - 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 of the recommended transaction

  Factors which must be weighed include, but are not necessarily limited to:

    - Age
    - Marital status
    - Number of dependents
    - Employment status
    - Income
    - Total net worth
    - Investment experience
    - Knowledge of particular markets
    - Investment objectives
    - Ability to undertake potential financial risks of transactions involved
- Before approving an investment partnership for option trading, a written document must be obtained designating the person or persons authorized to sign each agreement on behalf of the partnership and stating that such authority specifically includes option trading.
- You are responsible for determining that options prospectus/applicable booklets are delivered to the customer at, or prior to, the time the account is approved for option transactions.
    - Proof that the prospectus was sent must be included with the new account information (either in the form of a cover letter or note, dated and signed by the individual who supplied the prospectus)
    - Additionally, it must be ascertained that Options Risk Disclosure forms were appropriately supplied to customers, with a signed acknowledgement form being maintained in the customer's file
- Upon opening the account, you must note the level of options activity approved for the account (i.e. buying, covered writing, spreading, naked writing, etc.).
- L.M. Kohn & Company requires all customers to execute and submit a 'Special Statement For Uncovered Option Writers' letter before it will approve any account for uncovered options. This document will be maintained with the customer's new account application.
- L.M. Kohn & Company will have option prospectuses/applicable booklets concerning options available for walk-in customers.

Order Errors/Trade Corrections

It is your responsibility to exercise care during the order taking and execution process to prevent the necessity of having to make any corrections or having any order errors.

Order errors will, however, occur from time to time and do not necessarily mean that any fraudulent activities have taken place. However, failure to disclose any errors or required corrections may result in sanctions.

All order errors and trade corrections must immediately be brought to the attention of your designated supervising principal.

RRs will bear cost and responsibility of errors and corrections not identified on the trade date.

Order Tickets/Investor Questionnaires/Subscription Agreements/Applications

Upon receipt of a client order, you must complete an order ticket, as broker-dealers are required to maintain a memorandum of each brokerage order and of any other instruction, given or received, for the purchase or sale of securities, whether executed or unexecuted. You must be familiar with our order ticket policies, as order tickets may be completed electronically or in traditional hardcopy form.

Order tickets must disclose the following:

1. The terms and conditions of the order or instructions, as well as any modification to the account for which it was entered
2. The time of order receipt
3. The time of order entry - the time when the order is transmitted for execution
4. The time of order execution
5. The price at which the order is executed and, to whatever extent feasible, the time of execution or cancellation

   Items 3, 4 and 5 above are all required, even if any two of them are considered to be the same time.

6. Your representative number, or name, if you are responsible for the account
7. The representative number, or name, of any other person who entered or accepted the order
8. Solicited orders should be designated as such
9. An indication if the order is executed pursuant to discretionary authority
10. Sales tickets must be marked 'Long' or 'Short'

    Subscription/Application basis orders (i.e., private placements, mutual funds, etc.) are exempt from Items 2, 3, 4 and 9 above.

Continuous failure to correctly and completely fill out these required documents may result in disciplinary action, ranging from a withholding of the commission relevant to a specific order to a suspension of your sales activities.

Outside Business Activities

Policy

L.M. Kohn & Company's policy allows employees to participate in outside business activities so long as the activities are consistent with L.M. Kohn & Company's fiduciary duty to its clients and regulatory requirements, and the employee provides prior written notice to L.M. Kohn & Company before engaging in such activities.

Prior to beginning such activity, each employee must identify any new outside business activities to the firm's CCO, or other designated officer.

Background

An outside business activity ("OBA") is any business activity outside the scope of a firm where an employee of the firm:

- May be compensated or have the reasonable expectation of compensation;
- Is working with or for a client, regardless of whether compensation is received; or
- Is in a position to receive material non-public information concerning a publicly-traded company.

L.M. Kohn & Company's policies and procedures covering the outside business activities of employees and others represents an internal control and supervisory review to detect unapproved outside business activities and to prevent possible conflicts of interests and regulatory violations.

Responsibility

The Compliance Department has the responsibility for the implementation and monitoring of our policy on outside business activities, disclosures, and recordkeeping.

Procedure

Registered Representatives must communicate the following:

- Upon hiring, employees must provide our CCO, or other designated officer, with a list of outside business activities in which the employee would like to continue;
- Current employees must provide written notice prior to beginning any OBA, and include the following information:
    - The activity's start and end date (if applicable);
    - The name of the entity where the activity is taking place;
    - The position title; and
    - A description of the employee's duties and an estimated hours per week that would be dedicated to the activity.
- Upon receiving a written notice, the CCO will evaluate the information and give consideration to whether:

    - The activity will interfere with or compromise the employee's responsibilities to L.M. Kohn & Company and our clients; and
    - The activity will be viewed by our clients or the public as part of L.M. Kohn & Company's business based on the nature of the activity.
- Our CCO will evaluate each activity and decide on the advisability of imposing specific conditions or limitations or completely prohibiting the activity;
- Any employees engaged in approved OBAs must inform our CCO of any changes in, or new conflicts of interest relating to the OBA once the employee becomes aware;
- Annually, our Compliance Department will obtain attestations from employees that they are not engaging in any other outside business activities beyond those that have been disclosed and approved;
- Our Compliance Department conducts email reviews specifically focused on identifying potential OBAs;
- We maintain a list of our employees' current OBAs, which is updated on a consistent basis;
- Our CCO, or other designated officer, will review all employees' reports of outside business activities for compliance with the firm's policies, regulatory requirements, and the firm's fiduciary duty to its clients, among other things; and
- L.M. Kohn & Company will retain documentation in accordance with our applicable recordkeeping requirements.

Penny Stocks

Policy Requirements

L.M. Kohn & Company does not recommend penny stocks. The firm only accepts orders on an unsolicited basis, from customers, for penny stocks. Additionally, the firm's Risky Investment Form must be completed and signed off by customers in order for their associated penny stock transaction(s) to be accepted.

Procedures and Documentation

Rule 15g-5: Prior to effecting a transaction in a penny stock, you must disclose, and provide the customer with the firm's Risky Investment Form (to be signed/dated by the customer, registered representative, and supervisory principal) and subsequently confirm in writing to the customer at or prior to the confirmation, the aggregate amount of cash compensation you will receive concerning the transaction. Penny stock transactions will be executed on an Agency basis only.

Rule 15g-6: Our Clearing Firm must provide penny stock customers with an account statement containing the following information:

1. The identity and number of shares or units of each security held for the customer's account;

2. The estimated market value of the security (to the extent it can be determined), as follows:

    a. The highest inside bid quotation on the last trading day;

    b. In the absence of a bid, the weighted average price per share paid by the broker dealer as set forth in the Rule; or

    c. If neither are applicable, a statement that there is "no estimated market value."

3. The legend specified by the SEC as set forth in Rule 15g-6.

Supervising principals will, by their signature on the firm's Risky Investment Form and review of transactional details/customer paperwork, evidence that all the applicable disclosures and requirements have been met.

Performance-Based Fee Accounts

Except as provided in FINRA Conduct Rule 2330(f)(1)(A) and (B), IT IS PROHIBITED for you to share directly or indirectly in the profits or losses in any customer account. This prohibition is overridden if:

- You receive prior authorization from L.M. Kohn & Company to engage in certain specific sharing arrangements, **and**
- You obtain (and deliver to Compliance) prior written authorization from the customer, **and**
- The profits or losses shared in any account are only in direct proportion to the financial contributions made to such account by either L.M. Kohn & Company or you.

Exempt from the direct proportionate share limitation of Rule 2330, are accounts of your immediate families. (Immediate family is defined as parents, mother/father in law, spouse, children or any relative to whose support the individual registered representative contributes, directly or indirectly).

Under Subsection (f)(2), L.M. Kohn & Company is permitted to receive compensation based on a share in profits or gains in an account if ALL of certain conditions are satisfied.

NO PERFORMANCE BASED-FEE ACCOUNTS WILL BE OPENED UNTIL THE ABOVE CRITERIA HAVE BEEN MET

Before Compliance will allow any such sharing, there must be sufficient information on file to ensure that there is sufficient information to reasonably believe the arrangement represents an 'arm's length' arrangement between the parties. (Questions concerning what constitutes 'arm's length' should be directed to your Supervising Principal.)

Any compensation formula agreed upon must take into account BOTH gains and losses realized or accrued over a period of at least one (1) year.

Any individual entering into a performance-based fee arrangement with a customer WITHOUT FIRST receiving written authority will be subject to sanctions.

Authorized fee based accounts:

- ADVISOR: Customized, professional investment advice developing an asset allocation strategy suited to the client's needs. This non-discretionary platform offers access to a wide variety of securities, automatic account rebalancing, no sales charges or transaciton fees, complimentary Investment Account Access (Visa Gold Debit Card/Rewards Program) as well as free check writing.
- UNBUNDLED MANAGED ACCOUNT SOLUTIONS (uMAS): An unbundled, non-discretionary managed account platform that offers an A La Carte offering list with quarterly performance reporting and flexible billing options as well as comprehensive portfolio management tools. These tools are chosen after the client and Financial Consultant review and execute the LMK RIA Agreement. Reports will include market commentary, summary reports, objective comparison statistics, asset allocation

market values, cash flows, and portfolio evaluation. Outside Money Manager porfolios may also be included in the reporting.

- RESOURCE II: This program provides participants discretionary investment management services which feature portfolio management services provided by a select group of independent investment advisors which RBC Correspondent Services has previously reviewed for inclusion as subadvisors in the program, through a due diligence screening process. LMK will review the client's advisory needs, as well as other objectives and risk tolerances, and assist the client in selecting an appropriate advisor(s) from the group.
- TOTAL STRATEGY ACCOUNT (TSA): A customized investment management program that allows for multiple money managers, mutual funds and exchange traded fund (ETF's) all in one account. The TSA platform provides a disciplined automatic rebalancing process across all investment in the client's portfolio. For taxable accounts, tax efficiency is improved by monitoring 'wash sales' and short term gain exposure. This account platform provides consolidated in depth reporting.
- L.M. Kohn RIA Agreement - Fee for advice/service/account review/Financial Plans/Hourly Fees.

Political Contributions

It is L.M. Kohn & Company's policy to permit the firm, and its covered associates, to make political contributions to elected officials, candidates and others, consistent with regulatory requirements including FINRA Rule 2030.

You are responsible for notifying the Compliance Department (for review/approval) of any political contributions made in the previous 24 months prior to onboarding or at any time during employment. This is done by completing (and returning to the Compliance Department) a "Political Contributions Attestation" form which asks questions related to, but not limited to, the following:

- Dollar amount of contribution(s);
- Name of candidate(s);
- Name of office(s);
- Election cycle(s); and
- Election date(s).

Positions on Behalf of a Customer

Policy Requirements

On February 5, 2021, Rule 3241 went into effect which limits any registered person from being named a beneficiary, executor or trustee, or to have a power of attorney or similar position of trust for or on behalf of a customer.

Rule 3241 provides that a registered person must decline:

1. being named a beneficiary of a customer's estate or receiving a bequest from a customer's estate upon learning of such status unless the registered person provides written notice and receives written approval from the member firm prior to being named a beneficiary of a customer's estate or receiving a bequest from a customer's estate; and
2. being named as an executor or trustee or holding a power of attorney or similar position for or on behalf of a customer unless:
3. upon learning of such status, the registered person provides written notice and receives written approval from the member firm prior to acting in such capacity or receiving any fees, assets or other benefit in relation to acting in such capacity; and
4. 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.

The rule does not apply where the customer is a member of the registered person's immediate family.

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Posting Book

Although firms maintain books and records covering all transactions and all client information, in order to effectively and appropriately service a particular client, registered representatives who handle customer accounts must also maintain individual complete, accurate and up-to-date records of client information in a posting book or log, etc.

Representatives who do NOT maintain such records will not be able to effectively adhere to the 'Know Your Customer' requirements.

At the minimum, such logs should contain the following information:

- Name of client
- Current address
- All requisite suitability information maintained on a current basis and reviewed at least annually
- All purchases and sales information, including trade date, security name, quantity, and price
- Security holdings
- Type of account (i.e. cash, margin, discretionary)

Premier Lines of Credit

Premier Lines of Credit

Registered representatives may offer the RBC Premier Line of Credit to high net worth investors. Neither the Registered representative nor LMK, as a firm, will participate in any revenue sharing on the Premier Line of Credit. This solution, or service, is only offered as a value add and is not intended to be a revenue source for the firm or the registered representative.

Each line of credit is for a minimum of $500,000.00, lines may be fixed rate or variable. RBC determines the lending levels based on the types of assets in the account - typically 70% is the most RBC will lend. RBC Bank has the right to issue collateral calls, or securities sales to meet sufficient collateral to support the credit line. Every new line of credit must be approved by RBC as well as LMK in writing prior to funding any loan.

Suitable client situations may include:

1. Refinancing high cost debt

2. Meet Real Estate Financing Needs on a short term basis (less than 3 years)

3. Business financing

4. Personal liquidity to avoid selling securities subject to capital gains liability

5. Satisfy other tax obligations

6. other reasonable short term liquidity needs for purchases, payments or liabilities

This is a value-added offering and is not part of the general business of LMK or any registered representative. Generally speaking this is not a product or service to be solicited, but rather a solution to a specific client need that the client has identified. If a the collateral for a line of credit decreasing the appropriate OSJ will notify the registered representatives if the loan is getting close to a collateral call.

Privacy Disclosure (SEC Regulation S-P)

L.M. Kohn & Company is required to supply all new customers with a notice disclosing its policies and procedures regarding the sharing of non-public personal information. This information must be provided to only 'natural' persons, as institutional customers are exempt.

While it is likely that such disclosure will be made directly by Compliance or Operations, you may be required to deliver a notification upon initial contact with a prospective customer.

It is important that you are aware of your responsibilities as a registered representative to ensure that L.M. Kohn & Company is in compliance with the SEC's Regulation S-P. If you have any question concerning your role in this compliance effort, direct them to your Supervising Principal or to Compliance.

There are specific rules and requirements for the safeguarding of customer information. You should be aware of the requirements and our policies and procedures on such safeguarding to ensure that you are not violating any rule or internal policies or procedures concerning private, non-public information you have in your possession.

Private Placements - Unregistered Securities

The SEC has created various exemptions from registration for certain limited offerings, intended to achieve the SEC's primary mission of investor protection while reducing the small issuer's burden.

Private placements can be structured as equity, debt, LLCs, LPs, etc. It is important to understand the underlying structure of any private offering in which you may become involved, and to be aware of any different regulatory requirements that the underlying structure may incur.

With few exceptions, regardless of how the security is structured, the requirements and the responsibilities are the same.

If you have any questions of how an underlying structure may impact a deal in which you are becoming involved, you should seek guidance from your immediate Supervising Principal or from Compliance.

When distributing securities in a private offering, L.M. Kohn & Company will rely on, and adhere to, one of the safe harbor rules, such as Regulation D or Regulation S under the Securities Act of 1933.

The SEC's other regulations, including its anti-fraud rules and its prohibition on market manipulation under the Exchange Act's Rule 10b-5 and Regulation M, are unaffected and still in effect for all private offerings.

PRIOR to commencing any sales of unregistered securities, registered personnel must obtain approval from Compliance or their Designated Supervisor.

Offers and sales of private placements are usually made only to accredited investors as defined by Regulation D – generally institutions, such as banks, insurance companies, mutual funds, and investment advisers, with greater than $5,000,000 in assets, or high net worth individuals with greater than $200,000 in income in each of the recent past two years or joint income with his/her spouse in excess of $300,000 in each of the two most recent years. In addition, individuals may meet the "net worth" test. The individual must have a net worth in excess of $1 million, not including the value of the individual's primary residence.

Registered personnel must ensure that all private placement transactions meet FINRA's suitability guidelines.

All sales to non-accredited investors must be approved by the designated principal, PRIOR to the trade, to:

- Determine their suitability for the transaction, AND
- Maintain a list of non-accredited investors to ensure that the number does not go above thirty-five

You are responsible for providing an offering memorandum to each client at, or prior to, the transaction and for maintaining a record of each offering memorandum sent to customers (i.e. the customer's name, date of sending, address, receipt of sending, etc.).

Tenants-in-Common Interests

FINRA guidance has indicated that firms engaged in undertaking Section 1031 tax-deferred exchanges of real property for certain tenants-in-common (TIC) interests in real property offerings should establish an appropriate supervisory system for the offer, and sale, of TIC interests.

All promotional materials must be approved PRIOR to use to ensure that all information is fair, accurate and balanced. Any associated personnel found utilizing unapproved materials will face disciplinary actions, including the possibility of termination.

Referral fees must be carefully considered in light of the fact that real estate agents sometimes refer their customers to broker-dealers that offer TIC exchanges. In addition, some states may require that a licensed real estate agent participate in the transfer of a TIC interest to an investor.

Broker-dealers that pay a fee to a real estate agent or split its brokerage commission with the agent in connection with a TIC exchange may be deemed to have violated FINRA Rule 2420 which generally prohibits the payment of commissions and fees to entities that operate as an unregistered broker-dealer.

Among the activities the SEC staff has found would require broker-dealer registration are the following:

- Receiving transaction-based compensation
- Participating in presentations or negotiations
- Making securities recommendations or discussing or presenting the attributes of a securities investment
- Structuring securities transactions
- Recommending lawyers, underwriters, or broker-dealers for the distribution or marketing of securities in the secondary market

Written approval must be obtained PRIOR to entering into any fee arrangements with real estate agents.

Advertising

As private placement offerings have severe restrictions on solicitation, it is imperative that all advertising, sales literature, and correspondence be pre-approved by your Supervising Principal or by Compliance PRIOR TO USE.

Limited Partnership Private Offerings

In addition to general private placement due diligence, for limited partnership private placements, it is important to also undertake all appropriate due diligence efforts to understand the tax aspects of the offering and how they may impact the investor.

Limited Partnership Rollup Transactions

If the issue of rollup transaction is raised by a customer, you should IMMEDIATELY contact your Supervising Principal or Compliance. There are a number of general prohibitions against our being involved in the solicitation of votes or tenders from limited partners in connection with a limited partnership rollup transaction, regardless of the resulting entity form (i.e., partnership, real estate investment trust or corporation).

Product Approval

Lists of 'products' which you are permitted to offer to customers will be given or made available to all registered personnel as they are updated or altered in any manner. If you are uncertain as to the status of a particular security/product, you must immediately take the question up with your Supervising Principal.

If you are found to be engaged in transactions involving products not approved by L.M. Kohn & Company, you may face disciplinary sanctions.

RRs are specifically prohibited from selling:

- Viaticals
- Private Placements

Professional Certificates, Prohibition Against

Outside vendors often solicit registered personnel to purchase certificates that commemorate passing FINRA and state-required examinations (i.e. the Series 7, the Series 63, etc.).

> FINRA believes that such certificates could be misused by registered personnel or misunderstood by the public. Passing a qualification exam is just one step in the registration process; customers may wrongly assume that it is the only step. Furthermore, registration status may change; a registration may be suspended, canceled or voluntarily terminated, but the presence of a certificate commemorating the passage of a qualification examination may incorrectly suggest otherwise. Because of potential problems and confusion with respect to these certificates, FINRA does not recommend or encourage the use or display of such certificates or plaques.

While FINRA Regulation does not go so far as to prohibit the display of such certificates you should ensure that you are aware of any prohibitions this firm has in place. Prior to utilizing any **commemorative certificates or plaques ask your supervising principal or Compliance if it is permitted.**

Prohibited Acts

As a registered representative of L.M. Kohn & Company, you are specifically prohibited from doing any of the following:

Registered individuals (principals and representatives) handling customer accounts are specifically prohibited from doing any of the following:

1. Engaging in 'private' securities transactions (any transaction not sponsored or authorized by an authorized principal of this broker/dealer). Registered individuals may not effect securities transactions for any person or entity outside the scope of his or her employment with this broker/dealer.

   Any registered individuals effecting private securities transactions without first receiving written permission from a principal of this firm will immediately be terminated.

   Transactions excluded from the above prohibition are: (a) those subject to Rule #3050 of FINRA Conduct Rules; (b) personal transactions in investment company and variable annuity securities; and (c) those transactions among immediate family members for which the associated person does not receive any selling compensation.
2. Breaching fiduciary duty. A registered individual's fiduciary responsibilities include managing the account in a manner directly comporting with the needs and objectives of the client, ensuring that the client is continually informed regarding changes in all matters affecting his or her interest, acting responsibly to protect those interests, ensuring that the client is fully aware of each completed transaction and openly and clearly explaining any impacts and possible risks of any investment strategy.
3. Raising money individually or as an agent for any business enterprise whatsoever without the advance written consent of an authorized principal of this firm.
4. Warranting or guaranteeing the present/future value or price of any security or warranting that any company, partnership, or issuer of securities will meets its obligations, promises, or comply with its representations to investors.
5. Agreeing to repurchase a security at some future time from a client for the registered individual's account, for the firm's account or for any other account.
6. Raising money for a charitable of political organization without informing an appropriate principal prior to the commencement of such activity.
7. Acting as personal custodian of client securities, stock powers, money or other property.
8. Arranging for or accepting authority to be granted access to a safety deposit box or other safekeeping place belonging to a customer/client.
9. Borrowing securities from a client.
10. Executing an order without the client's express permission (unauthorized transactions).
11. Mismarking orders in terms of whether the transaction was solicited or unsolicited.
12. Borrowing money from a client (other than the limited situations where this is permissible under FINRA Rule 2370)
13. Receiving compensation for securities transactions (from clients or other securities dealers) for services rendered, including finder's fees, purchase rep fees, investment advisory fees, and commissions of any sort. This prohibition can be waived in writing, only be an appropriate principal of this firm, in advance of any transaction.

14. Making arrangements for a client to borrow money for this purpose of purchasing securities. Advice and assistance can be given to clients in obtaining letters of credit from their bank for completing a unit purchase in a private placement.
15. Maintaining a joint account in securities with any client, or sharing any benefits, profit or loss with any client resulting from a securities transaction, except under the following circumstances:
    - Prior written authorization is given (by Compliance) to the firm or to the associated person;
    - Prior written authorization is received by this firm from the customer; and
    - Prior written guidelines indicate that this firm or the associated person share in the profits and losses in the account ONLY in direct proportion to the financial contributions made to such account by either the firm or the associated person.
16. Entering into any business transaction or relationship jointly with a client without the specific advance written approval of an appropriate principal.
17. Making written or oral representations, regarding securities, other than those contained in official offering prospectus if issue is under registration, or in materials specifically authorized by this firm to us if the securities are the subject of a private placement.
18. Accepting an account from a customer on a discretionary basis. Only registered investment advisory firms are permitted to maintain discretionary accounts.
19. Making arrangements for the purchase or sale of securities for a customer/client except through this broker/dealer, unless specifically authorized (in writing) by an appropriate principal.
20. Advertising in any newspaper or publication without obtaining prior written approval from an appropriate principal.
21. Offering or selling securities in states in which the registered individual is not appropriately registered/licenses.
22. Recommending the purchase (or continuing purchase) of securities in amounts which are inconsistent with the reasonable expectation that the customer/client has the financial ability to meet such a commitment.
23. Compensating any person, firm or entity other than another registered individual of this firm for any services rendered in connection with the sale of a security to a customer without express written advance approval of an appropriate principal.
24. In many states it is prohibited for individuals to represent more than one broker/dealer or issuer unless both entities are affiliated by direct or indirect common control. All such registration issues should be discussed with an appropriate principal.
25. No individual associated with this firm shall, directly or indirectly, give or permit to be given anything of value, including gratuities, in excess of one hundred dollars ($100) per individual per year to any person, principal, proprietor, employee, agent or representative of another person, where such payment or gratuity is in relation to the business of this firm. (A gift of any kind is considered a gratuity).
26. Selling 'control' or 'restricted' securities without prior written approval from the Compliance Department.

If you have any questions concerning any of these or other prohibitions, or if you are unclear as to an activity in which you wish to engage falling under one of the above, contact your Supervising Principal or Compliance for clarification.

Public Offerings

When L.M. Kohn & Company is participating in a public offering for which a registration statement is not yet effective, you are PROHIBITED from accepting orders or payment for orders in those securities.

- During this pre-effective period, you may ONLY solicit customer indications of interest in the offering.
- During this pre-effective period, the preliminary prospectus or 'red herring' is the ONLY form of written communication you are allowed to send to a client.
- When your Supervising Principal notifies you that an offering has been declared SEC-effective, you may contact clients to reconfirm their interest in the public offering and accept orders.
- A final prospectus MUST be sent to the customer prior to, or with, the confirmation.

If you have any questions regarding the solicitation of an offering (pre-effective/post-effective period restrictions or requirements etc.) you should bring them to the attention of your Supervising Principal or Compliance.

Registration and Licensing

It is important that both this firm and its employees who engage in a securities business be fully registered with the appropriate self-regulatory organizations and state jurisdictions.

Retail securities activities are permitted to take place (solicited or unsolicited alike) only in those states where BOTH the firm and the salesperson are registered.

There are some registration exemptions where the customers of a firm are deemed to be 'institutional.'

If you have any questions, when dealing with a new prospect, as to appropriate state licensing of either the firm or you, bring the matter immediately to the attention of your Supervising Principal or Compliance for clarification.

Form U-4 Maintenance

When you became registered with L.M. Kohn & Company a Form U-4 was created and filed with FINRA.

It is your responsibility to advise your Supervising Principal, Registration or Compliance (as appropriate) when any information stated on your U-4 has changed. Such changes include name change, address change, and any of the items discussed herein under the “Legal Proceedings and Investigations” chapter.

Failure to immediately notify the appropriate individual of any required U-4 amendments may result in internal disciplinary action. If you are at any time uncertain as to whether or not something calls for a U-4 amendment, you should check with your supervising principal, Compliance or the Registration Department. If you don’t have a copy of your Form U-4 and are uncertain as to the information currently disclosed on it, you should request a copy that you can review and update if necessary.

Active Duty Military Call-Up

Upon receiving notice of active duty call-up, you must provide a copy of your 'call-up' notice to your designated supervisor.

FINRA By-Laws provide specific relief to registered personnel who are called into active military duty and, under FINRA's IM 1000-2, such individuals are placed in a specially designated 'inactive' status upon FINRA being notified of their military call up. Such inactive status will not jeopardize their FINRA registration so long as certain procedures are followed. In addition, such individuals will remain eligible to receive transaction-based compensation, and dues and assessments identified in Article VI of FINRA By-Laws will be waived.

Regulatory Requests for Information

- Should you ever receive a request for information from the FINRA or other regulatory body (either verbal or written) for information or material - IMMEDIATELY TAKE IT UP WITH YOUR SUPERVISING PRINCIPAL OR COMPLIANCE. They will give you guidance as to how to respond. Do not attempt to deal with this on your own.
- DO NOT, HOWEVER, EVER REFUSE TO RESPOND. Get the name, address and telephone number of the person making the request and advise them that you will be back in touch shortly.
- A blatant refusal to cooperate may result in a fine and suspension from the FINRA; it can also result in your being completely expelled from the industry.

It is important to keep in mind that the requirement to cooperate with FINRA, and other regulatory bodies, extends for a two-year period after an individual leaves the securities industry and in certain instances can continue even longer than that. In such case, you would have to deal with such requests on your own, but during your employment and registration with L.M. Kohn & Company, you will have our assistance and guidance in dealing with any such requests.

Reportable Events

As a registered individual with L.M. Kohn & Company, it is your responsibility to IMMEDIATELY notify your Supervising Principal, or Compliance, of certain specific events.

You must IMMEDIATELY notify your Supervising Principal, or our Chief Compliance Officer, if you ever become involved in any of the following:

- The subject of any investigation, or inquiry, by any federal or state authority or self-regulatory organization (SRO)
- Requested to testify before, or provide documents to, any federal or state authority or SRO
- A defendant or a respondent in any civil, administrative or arbitration matter
- The subject of any censure, injunction, suspension, fine, cease-and-desist order or any other sanction imposed by any federal or state authority or SRO
- The subject of any bankruptcy proceeding
- The subject of any oral or written complaint by a client or any claim for damages by a client
- The subject of any arrest, summons, arraignment, indictment, conviction or guilty plea to any criminal offense - misdemeanor or felony - other than a minor traffic violation

Failure on your part to make such IMMEDIATE notification may result in sanctions, including the possibility of termination.

In addition, you should obtain a copy of your Form U4 from Licensing, Compliance or your Supervising Principal, to ensure that you have responded appropriately to all the questions listed on the form (e.g., current name, address, disciplinary matters, etc.). Your Form U4 must also be continuously maintained in a current manner, by disclosing to your Supervising Principal, Licensing or our Chief Compliance Officer, any changes which should be made.

It is important that you report all required information PROMPTLY and COMPLETELY. Failure to make complete disclosures on any reportable events may result in your termination and may also place you in regulatory jeopardy.

Restricted Stock Transactions

Restricted securities are those securities that have been acquired from an issuer in a transaction not involving a public offering. The resale of restricted securities is subject to restrictions and can only be executed pursuant to an exemption from registration or registration under the Securities Act of 1933.

Typically, company insiders, including officers, directors and control persons (i.e., ownership of less than 5% of outstanding stock) are among the most common individuals to acquire restricted shares.

The most popular exemption from registration relied upon to resell restricted securities is Securities Act Rule 144.

To uncover potential transactions in restricted stock, you must endeavor to obtain complete background data for all new accounts, including information concerning your client's affiliation (i.e., a current or past officer, director or similar official of the company).

Prior to the trade, you must have a signed and completed New Account Form for that client. The designated principal will review this New Account Form and either approve or return it for clarification prior to, or within two days following, the initial transaction.

In cases where certificates are being deposited, you must inspect the certificates for restricted legends indicating that the certificates are restricted securities, in which case, they can only be sold after Compliance has approved such sale.

To comply with Securities Act Rule 144, the following steps must be taken:

- Five copies of Form 144 must be filed with Compliance
- The issuer must be current in its SEC filings
- Restricted shares must have been held for at least one year
- The securities must be sold in an unsolicited brokerage transaction
- You must adhere to restricted share volume restrictions
- You must also contact Compliance to determine if L.M. Kohn & Company requires any additional Rule 144 documentation, such as a written Legal Opinion from client's counsel acknowledging the appropriateness of the sale

Securities Act Rule 144A provides a safe harbor from Section 5 registration for the resale of private placements by qualified institutional buyers provided certain conditions are met. These conditions are extensive and quite complex. Accordingly, you must consult with your supervisor prior to effecting any Rule 144A transactions.

Sales, Marketing, Promotional Material

- You are prohibited from utilizing any sales, marketing and promotional material which have not been indicated to you as having been pre-approved by an appropriately designated principal of this firm.
- If you are unclear as to whether or not all marketing material in your possession has been appropriately approved, check with your Supervising Principal or with Compliance. You should discard any material you may have available which has been determined not to have been so approved.
- If you maintain your own web site, it is important to realize that any presence you maintain on the Internet may violate the advertising rules and regulations. You should download copies of all your web site pages and give them to your Supervising Principal for review.
- You should also be aware that by offering any 'hyperlinks' on a personal web site, you become responsible for any information being maintained on the sites visitors can get to from visiting your site.
- Marketing material marked as 'internal use only' is strictly prohibited from being shared with customers.
- Marketing material includes:
    - letterhead and business cards
    - advertisements
    - brochures and fliers
    - client / prospecting letters and mailers
    - columns prepared for outside publications, reprints and excerpts
    - interviews and public appearances
    - seminar invitations and handouts
    - statement messages / stuffers
    - seminar invitations and handouts
- The inclusion of the term 'electronic' in the definition of 'advertisement' clarifies the applicability of Rule 2210, FINRA Conduct Rules, to communications available to all computer or electronic network subscribers, including items displayed over network bulletin boards.
- The inclusion of the term 'electronic' in the definition of 'sales literature' clarifies the applicability of the FINRA's Conduct Rules to messages sent directly to targeted individuals or groups. (This definition DOES NOT INCLUDE a personalized message sent to a particular individual via electronic mail - such messages would fall under the correspondence rule, see Rule 3010, FINRA Conduct Rules).
- Telemarketing scripts are also included in the definition of 'sales literature;' these are considered by the FINRA as 'comparable to a form letter delivered orally.'
- Publicly available Web sites are considered advertisements.
- Bulletin board postings are considered advertisements.
- Group e-mail is considered sales literature.
- Password-protected Web sites are considered sales literature.

Securities Investor Protection Corporation - SIPC

You, as a registered representative, may or may not be responsible for adhering to the FINRA rule requiring that at the time of opening a new customer account the customer is given, in writing, documentation as to our SIPC membership, indicating that the customer can obtain information about SIPC (including the SIPC brochure) by contacting SIPC by phone (202/371-8300) or by going to the SIPC website (www.sipc.org).

You should check with your Supervising Principal to determine if this is a responsibility of yours or if your clearing firm or operations department is ensuring compliance in this area.

Senior Investors: Diminished Capacity

If you have any Senior Investors, it is important that you understand, to the best of your ability, the issues that can arise for Seniors who have diminished capacity in any way (e.g., limited eyesight or hearing, the onset of some form of dementia, or any other aging-related disability). You should work closely with your designated Supervising Principal and Compliance when dealing with Senior Investors, most especially when you have concerns regarding how to handle a particular customer.

FINRA Regulatory Notice 07-43 notes that, one of the most troubling issues to the firms FINRA surveyed is that of investors who exhibit signs of diminished mental capacity. Unfortunately, this difficult and sensitive issue is likely to become more common as the ranks of older seniors grow: a recent study published by the National Institute on Aging reveals that impaired cognition affects approximately 20 percent of people aged 85 years or older.

Another troubling issue is suspected financial - and sometimes mental or physical - abuse of senior customers by their family members or caregivers. Financial abuse is difficult to define, and therefore, difficult to recognize. In general terms, it is the misuse of an older adult's money or belongings by a relative or a person in a position of trust.

Red flags can include sudden, atypical or unexplained withdrawals; drastic shifts in investment style; inability to contact the senior customer; signs of intimidation or reluctance to speak in the presence of a caregiver; and isolation from friends and family.

FINRA Rule 4512 requires you 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 you 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 you are authorized to contact the trusted person and disclose information about the customer’s account.

If L.M. Kohn & Company, per FINRA Rule 2165, allows for temporary holds on a disbursement of funds or securities from the account of a vulnerable adult if there is reasonable belief that financial exploitation of the specified adult has occurred, is occurring or will be attempted, there will be 15 days to initiate an internal review of the facts and circumstances of the possible financial exploitation. If needed, the rule permits for an extension of 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.

Senior Investors: High-Pressure Sales Seminars Aimed at Seniors

Under no circumstances may you hold a seminar without receiving PRIOR approval from your designated Supervising Principal or Compliance, regardless of who your proposed audience is. Furthermore, you may NOT use any title 'designation' of any sort without PRIOR approval.

With regard to seminars aimed at seniors and professional designations suggesting expertise in dealing with older investors, in FINRA Regulatory Notice 07-43, FINRA stated its concern about the proliferation of professional designations, particularly those that suggest an expertise in retirement planning or financial services for seniors, such as 'certified senior adviser,' 'senior specialist,' 'retirement specialist' or 'certified financial gerontologist.' Regardless of how such titles are granted, seniors may be led to believe that these individuals are particularly qualified to assist them based on such designations. A recent FINRA Investor Education Foundation-sponsored survey found that a quarter of senior investors surveyed were told by an investment professional that the investment professional was specially accredited to advise them on senior financial issues, and a half of those investors were more likely to listen to the professional's advice because of it.

FINRA Rule 2210 PROHIBITS firms and registered representatives from making false, exaggerated, unwarranted or misleading statements or claims in communications with the public. This prohibition includes references to nonexistent or self-conferred degrees or designations, or referencing legitimate degrees or designations in a misleading manner.

Permission to utilize any professional designations and/or titles must be given to you in WRITING, and you must maintain such approval records. Utilization of any non-approved designations/titles will result in disciplinary action, including the possibility of termination.

Furthermore, all seminars must be pre-approved, in writing, by a designated Supervising Principal. Any seminars directed at seniors must also receive pre-approval by our Chief Compliance Officer. All scripts, handouts, dates, names of individuals conducting seminars to be attended by seniors, as well as any other relevant material, must be pre-approved. All such documentation must be maintained.

If you receive approval to hold a seminar to which senior investors will be invited, a list of attendees, including their phone numbers and home addresses must be supplied to Compliance.

Senior Investors: Suitability

FINRA released Regulatory Notice 07-43 to remind firms that policies and procedures should be in place to address special issues that are common to many Senior Investors. The Notice also highlights a number of practices that FINRA has found some firms to have adopted to better serve these customers.

Regulatory Notice 07-43 states, '*FINRA does not have special rules for senior customers. Firms owe all their customers the same obligation and duties. However, in executing those duties, age and life stage (whether pre-retired, semi-retired or retired) can be important factors, and firms should make sure that the procedures they have in place take these considerations into account where appropriate. Two areas of particular concern to FINRA are the suitability of recommendations to, and communications aimed at, older investors.*'

In addition, you must meet the core obligations required under Regulation Best Interest, including:

- Providing certain prescribed disclosures before or at the time of a recommendation regarding the investment and the relationship between the retail customer and the firm.
- Exercising reasonable diligence, care, and skill in making any recommendations.

Further, you should ensure that you receive appropriate training regarding the special issues that should considered when servicing senior investors.

Such training should include issues such as the added importance of liquidity and the fact that seniors and retirees may have less tolerance for certain types of risk than other investors. For example, retirees living solely on fixed incomes may be more vulnerable to inflation risk than those who are still in the workforce, depending on the number of years those retirees are likely to rely on fixed incomes. Likewise, investors whose investment time horizons afford less time or opportunity to recover investment losses may be disproportionately affected by market fluctuations.

Over-reliance on net worth is particularly problematic where an investor meets the accredited investor standard based largely on home values, which may represent the largest asset of many Senior Investors.

Questions you should consider when dealing with Senior Investors include, but are not necessarily limited to:

- Asking, either at account opening or at a later point, whether the customer has executed a durable power of attorney
- Asking, either at account opening or at a later time, whether the customer would like to designate a secondary or emergency contact for the account whom the firm could contact if it could not contact the customer, or had concerns about the customer's whereabouts or health. To avoid violating any Regulation S-P privacy issues, you would have to clearly disclose to the customer the conditions under which the information would be used, and the customer would have the right to withdraw consent at any time.
- Asking the customer if he or she would like to invite a friend or family member to accompany the customer to appointments at the firm.

- Informing the customer, where appropriate, that, in the firm's view, a particular unsolicited trade is not suitable for the customer.
- Confirming of any changes in beneficiaries, powers of attorney, or trustees in an account, with the customer and requiring his/her signature.
- Facilitating the transition of a senior customer from actively employed to a retired status by communicating with the client to setup an updated investment profile.
- Communicating at least annually with the customer through usage of account statements, by phone, mail or email and making any necessary account updates.
- Working with the beneficiaries, trustee, or executor on the next steps to take upon the death of the customer, which could include transitioning the current account to a new account, liquidating the current account, or transferring assets to the appropriate parties.

You should also obtain additional important information including, but not limited to:

- Is the customer employed?
- What is the customer's annual income?
- What is the customer's net worth (excluding home)?
- What is the customer's total liabilities?
- If a joint account. what is the joint owner's annual income?
- What is the customer's liquid net worth?
- What is the customer’s financial objectives and overall risk tolerance? For example, how important is generating income, preserving capital, growth, etc.?
- What is the liquidity needs of the customer?
- What is the source of funds being used by the customer?
- What is the customer's investment time horizon and typical holding period?
- Who is listed as the customer's trusted contact (if provided)?

While not all seniors are, or should be, risk-adverse, and while no particular product per se is unsuitable for older investors, certain products or strategies pose risks that may be unsuitable for any seniors because of time considerations, liquidity, volatility or inflation risk.

Of specific concern should be transactions involving products that have withdrawal penalties or otherwise lack liquidity, such as deferred variable annuities, equity indexed annuities, some real estate investments and limited partnerships; variable life settlements; complex structured products, such as collateralized debt obligations (CDOs) or cases where investors have mortgaged home equity for investment purposes or have utilized retirement savings, including early withdrawals from IRAs, to invest in high risk investments.

Short Sales

Marking Order Tickets

You must mark all "sell" order tickets for equities either "long," "short" or "short exempt" as required by Rule 200(g) under SEC's Regulation SHO.

Consult with your Supervisor or Compliance if you have any question regarding the marking of "sell" order tickets.

Locate and Delivery Requirements

You may NOT accept a short sale order in an equity security from another person unless you are aware that we have:

- Borrowed the security, or entered into an arrangement to borrow the security; OR
- Reasonable grounds to believe that the security can be borrowed so that it can be delivered on the date delivery is due; AND
- Documented compliance with the above provisions

To meet the borrowing requirements noted above, the SEC has stated in a "Frequently Asked Questions on SHO" (available at www.sec.gov) that broker-dealers may use "easy to borrow" reports, or other similar reports, to show securities available for loan. Consult with your Supervising Principal or Compliance if you are not certain of your responsibilities in terms of complying the above requirements.

There are a number of exemptions from the above requirements:

- Orders from another registered broker or dealer that is required to comply with the above requirements - SEC Rule 203(b)(1)
- Any sale of a security that a person is deemed to own, provided that, in the case of restricted securities, you have been reasonably informed that the person intends to deliver such security as soon as all restrictions on delivery have been removed. If the person has not delivered such security within 35- days after the trade date, we must borrow securities or close out the short position by purchasing securities of like kind and quantity
- Short sales effected by a market maker in connection with bona-fide market making activities in the security for which this exception is claimed
- Transactions in security futures

If you are uncertain at any time of whether any exemptions apply to a particular customer's transactions, ask for guidance from your Supervising Principal or Compliance.

Threshold Securities Fail-to-Deliver

Exchange Act Rule 203(b) covers the requirements regarding threshold security fails-to-deliver buy-ins. In addition, FINRA enacted Rule 3210 regarding short sale delivery requirements, which applies short

sale delivery requirements to those equity securities not otherwise covered by the delivery requirements of Regulation SHO, namely non-reporting OTC equity securities.

A threshold security is defined by the SEC as *"any equity security of an issuer that is registered pursuant to Section 12 of The Exchange Act, or for which the issuer is required to file reports pursuant to Section 15(d) of The Exchange Act for which:*

1. *there is a fail to delivery aggregate position for five consecutive settlement days at a clearing agency of 10,000 shares of more and that is equal to at least .5% of the issue's total shares outstanding;*
2. *is included on a list disseminated by an SRO; and*
3. *provided, however, that a security shall cease to be a threshold security if the aggregate fail to delivery position at the clearing agency does not exceed the level specified in paragraph (c)(6)(i) of this section for five consecutive settlement days."*

Fail-to-deliver positions in a threshold security, open for thirteen-settlement days (or ten-settlement days plus T-3 for the total of thirteen days), must be closed out by our firm purchasing securities of like kind and quantity.

Until a position is closed out, you may not affect further short sales in a threshold security without borrowing or entering into a bona fide arrangement to borrow the security.

There are some close-out exceptions in Rule 203(b)(3) about which you, or your Supervising Principal, should be aware.

You should ensure that either your Supervising Principal, Compliance or Operations notify you of all open fails-to-deliver subject to this Rule as it impacts your ability to effect further short sale orders in a particular security.

Signature Guarantees

In instances where signature guarantees are permitted:

- Signature guarantees are required in all instances when stocks, bonds or other registered securities are transferred from a seller to a buyer.
- Signature guarantees are to be obtained on the appropriate documents, including, but not necessarily limited to, stock certificates and stock/bond power forms.
- All signature guarantees must receive approval by a Certified Medallion Guarantor, and no signature guarantee is to be approved without a comparison being made to the new account document files for validation purposes.

You should make sure to be fully aware of our policies on signature guarantees.

As of 9/19/07, all persons authorized to use the Medallion Signature Guarantee imprint devices must be Certified Guarantors. In order to become certified, each individual must log on to www.STAMPeSource.com and complete all six training modules with a score of 100% on each section in order to pass. Additionally, you must be approved by the CCO to become a Guarantor. This certification must be completed by new Guarantors prior to receipt of their STAMP imprint device.

The following Home Office employees are authorized to use the Medallion Signature Guarantee imprint devices (as they are Certified Guarantors): Kristin Hobbs, Tina Williams, and Larry Kohn.

Additionally, Cara Kimmerly (Home Office) is a notary public certified to notarize in the State of Ohio.

Each Guarantor must retain a log of each time their imprint device is used, along with copies of the document guaranteed and the supporting documentation viewed to determine that the client is the correct one to sign for the transaction requested. These logs should be maintained at the Guarantor's office and should be available for review to any L.M. Kohn & Company supervisor during an audit, or any other time it is requested.

For each imprint, the following must be verified:

1. L.M. Kohn & Company or the Guarantor must have a continuing relationship with the person requesting the Guarantee.
2. The Guarantor must view a photo ID for the person requesting the Guarantee.
3. The Medallion Guarantee device should only be used in transactions involving the transfer of ownership for securities.
4. The Guarantor must retain a copy of the evidence of ownership for the account (i.e. statement or stock certificate).
5. All owners for the account must be present to sign at the same time.

6. All signatories to be guaranteed must have attained the age of majority and appear to be in control of their affairs.
7. If the person signing is someone other than the registered owner, the Guarantor must retain a copy of their legal capacity to sign for the registered owner.
8. The Guarantor must retain a copy of all documents examined, and the document that was guaranteed.
9. The Guarantor must confirm that the dollar amount of the transfer is covered by their STAMP limit. For outside offices, that limit is $100,000.00.
10. NEVER guarantee an incomplete form or document.
11. NEVER date a Medallion Signature Guarantee imprint.

Each person who wishes to become a Certified Guarantor must receive prior approval from Carl Hollister as the Contact Person for our company with Kemark Financial Services, Inc., the provider for our bond and imprint devices. Generally only registered principals will be approved for this service.

Social Media

Policy

It is L.M. Kohn & Company's policy to monitor employee use of social media, networking and similar communications. Employees should take note that their social media and networking use is monitored by Compliance (on a daily basis) through the Smarsh archiving system and that their e-mails are monitored by Compliance (on a daily basis) through the Global Relay archiving system. There should be no expectation of privacy in the use of the Firm's Internet, e-mails, any use of blogs, instant messages, company-owned cellular phones and text messages on company-owned equipment under this policy. Every message leaves an electronic trail that's both traceable to a specific individual and accessible by L.M. Kohn & Company even if it is deleted. Blogging or other forms of social media or technology include but are not limited to: video or wiki postings, sites such as LinkedIn, Instagram, Facebook and Twitter, chat rooms, pod casts, virtual worlds, personal blogs, microblogs or other similar forms of online journals, diaries or personal newsletters.

L.M. Kohn & Company ("LMK") will retain records of any communications through the approved site. With respect to communications posted by associated persons of LMK on approved social media sites, such materials are considered advertisements because they can be viewed by anyone with access to these services. You are **PROHIBITED** from posting to these sites without receiving prior approval from your Supervising Principal or Compliance. Texting and Instant Messaging are **PROHIBITED.**

Participating in conversations in chat rooms is **PROHIBITED.** You may not publicly discuss clients, investment strategies or recommendations, investment performance, other products or services offered by the firm. You may not post on personal blogs or other sites the name, trademark, or logo of LMK or any business with a connection to LMK. You may not post company-privileged information, including copyrighted or trademarked information or company-issued documents. You may not post on personal blogs or social networking sites photographs of other employees, clients, vendors, or suppliers, nor can you post photographs of persons engaged in company business or at company events. You may not post on personal blogs and social media sites any advertisements or photographs of company products, nor sell company products and services. Associated persons may not link from a personal blog or social networking site to LMK's website. You should avoid including personal or account related information on social media communications. You are required to ensure that any postings or materials being shared on social media sites are done so in a professional nature.

More specifically, you are **PROHIBITED** from posting information or materials considered to be:

- Defamatory, libelous, confidential, harassing, abusive, threatening, obscene, harmful, offensive, objectionable or which may lead to liability or violation of law;
- Fraudulent, deceptive, or misleading;
- Infringing on the copyright, intellectual property, proprietary, or other rights of any person/entity;
- Violating any person's privacy or publicity rights;

- Attempting to influence polls, rankings, or web traffic;
- Promotional in nature or focused on selling a product or service;
- Phishing, spam, chain letters, scams, or pyramid schemes;
- Containing a virus or any other component that may harm a person's computer;
- Containing, depicting, or promoting illegal content or activities;
- Containing or requesting any personal or confidential information;
- Containing or requesting account numbers, policy numbers, or claim numbers;
- Containing or requesting e-mail addresses, phone numbers, or financial information; or
- Requesting or providing specific investment advice, recommendations, or testimonials.

Any information, comments, photos, and videos (along with any image, likeness, voice, and statements contained therein) and any other content or actions taken by users on our Social Sites ("User Content") is the responsibility of the person who posted them and does not necessarily reflect the views or opinions of LMK. We are not responsible, do not endorse, and do not confirm the accuracy of any User Content. This includes the ads, products, advice, opinions, recommendations of, or other material that any third-party may place on social media or other websites. Links to third-party sites and associated content are intended for informational purposes only and should not be considered investment advice or recommendations to invest. LMK is not responsible for the terms of use, privacy, or security policies of social media sites you visit, and any usage of these sites is at your own risk and subjects you to the terms and conditions of the site's social media provider.

LMK reserves the right, at any time, to amend the terms and conditions of its social media policies. Associated persons are expected to review, understand, and adhere to the firm's social media policies. Failure to comply with these policies may result in disciplinary measures including fines and possible termination.

AWARDS

Associated persons must disclose to LMK if they are receiving a business-related award. If a representative is paying award providers for the ability to promote themselves as award recipients, the associated person must ensure proper disclosures to the public that payments were made. PRIOR to any purchase, representatives must submit such requests for use of awards to compliance through the Financial Tracking site. The amount that was paid for any awards, plaques, or reprints for any advertisements must be disclosed in the reprints or the articles, near the plaques, or near any other physical awards representations. This must be in a prominent location that is visible. For social media and websites any description of any award received must have a hyper link that goes directly to the disclosure of such award. The disclosures must include a description of the criteria used for the award, any amounts paid for the awards, the number of awards that were granted, whether you are required to be a member of an organization to be eligible to receive the award, and whether the award was independently granted.

General Provisions

Unless specific to job scope requirements, employees are not authorized to and therefore may not speak on behalf of L.M. Kohn & Company through social media or otherwise. Employees may not publicly discuss clients, investment strategies or recommendations, investment performance, other products or services offered by our Firm (or affiliates, if applicable), employees or any work-related matters, whether confidential or not, outside company-authorized communications. Employees are required to protect the privacy of L.M. Kohn & Company, its clients and employees, and are prohibited from disclosing personal employee and non-employee information and any other proprietary and non-public information to which employees have access. Such information includes but is not limited to customer information, trade secrets, financial information and strategic business plans.

Personal Blogs and Social Networking Sites. Bloggers and commenters are personally responsible for their commentary on blogs and social media sites. Bloggers and commenters can be held personally liable for commentary that is considered defamatory, obscene, proprietary or libelous by any offended party, not just L.M. Kohn & Company.

It is L.M. Kohn & Company's policy that no employee may use employer-owned equipment, including computers, company-licensed software or other electronic equipment, nor facilities or company time, to conduct personal blogging or social networking activities. Employees cannot use blogs or social media sites to harass, threaten, discriminate or disparage against employees or anyone associated with or doing business with L.M. Kohn & Company.

Employees may not post on personal blogs or other sites the name, trademark or logo of L.M. Kohn & Company or any business with a connection to L.M. Kohn & Company. Employees cannot post company-privileged information, including copyrighted or trademarked information or company-issued documents. Employees cannot post on personal blogs or social networking sites photographs of other employees, clients, vendors or suppliers, nor can employees post photographs of persons engaged in company business or at company events.

Employees cannot post on personal blogs and social media sites any advertisements or photographs of company products, nor sell company products and services. Employees cannot link from a personal blog or social networking site to L.M. Kohn & Company internal or external website.

Employees must pay to use the monitoring service from Smarsh, should they choose to utilize any of the social media platforms.

Text Messaging Policy. As L.M. Kohn & Company is unable to capture such communications, **no L.M. Kohn & Company business may be conducted via text messaging.**

Internet Monitoring. Employees are cautioned that they should have no expectation of privacy while using company equipment or facilities for any purpose, including authorized blogging. Employees are cautioned that they should have no expectation of privacy while using the Internet. Your postings can be reviewed by anyone, including L.M. Kohn & Company. L.M. Kohn & Company reserves the right to monitor comments or discussions about the company, its employees, clients and the industry, including products and competitors, posted on the Internet by anyone, including employees and non-employees.

L.M. Kohn & Company uses blog-search tools and software, and/or may engage outside service providers to periodically monitor forums such as blogs and other types of personal journals, diaries, personal and business discussion forums, and social networking sites.

Social Networking

Social networking sites and blogs raise regulatory challenges, particularly in the areas of supervision, advertising and books and records requirements,' said FINRA Chairman and CEO Rick Ketchum.

Social networking sites, such as Facebook, Twitter and LinkedIn, typically include both static content and interactive functions which will require pre-approval from a Supervising Principal or Compliance.

Examples of static content typically available through social networking sites include profile, background or 'wall' information. As with other Web-based communications such as banner advertisements, a registered principal of the firm must approve all static content on a page of a social networking site established by the firm or a registered representative before it is posted.

You should be aware of the fact that in instances where you recommend a security through a social media site, suitability requirements (under FINRA Rule 2111) are adhered to. Prior to posting any recommendations, you must have all content reviewed and approved by an appropriate Supervising Principal.

If online communications are permitted to recommend any specific investment products, you need to use a pre-approved communication or template. Certain 'third-party posts' may be used provided that L.M. Kohn & Company's has (1) been involved in the preparation of the content or (2) explicitly or implicitly endorsed or approved the content.

Communications posted on electronic bulletin boards and/or message boards are considered advertisements because they can be viewed by anyone with access to these services. Accordingly, you are PROHIBITED from posting information to any bulletin or message boards without receiving prior approval from your Supervising Principal or Compliance.

Chat Rooms

Chat room discussions are considered public forums, and it is therefore important to be aware that chat rooms are not appropriate places for you to discuss the purchase or sale of securities or any business related to L.M. Kohn & Company.

Suitability: Institutional Accounts

Rule 2090 (Know Your Customer) reads as follows:

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.

For purposes of FINRA Rule 4510 (Books and Records) and FINRA Rule 2111 (Suitability), an institution is (a) a bank, savings and loan association, insurance company or registered investment company; (b) an investment adviser registered with either the SEC under Section 203 of the Advisers Act or with a state securities commission (or any agency or office performing like functions); or (c) any other entity (whether a natural person, corporation, partnership, trust or otherwise) with total assets of at least $50 million.

You must employ the following procedures when opening an institutional account.

- Obtain information (in accordance with Rule 2090) required on new account forms and deliver the information, with specifically stated instructions, to a principal.
- The principal will determine what, if any, additional documentation (e.g., agreements, corporate resolutions) may be required.

Institutional Account Suitability

FINRA Rule 2111, Supplementary Material .07

Institutional Investor Exemption. Rule 2111(b) provides an exemption to customer-specific suitability regarding institutional investors if the conditions delineated in that paragraph are satisfied. With respect to having to indicate affirmatively that it is exercising independent judgment in evaluating the member's or associated person's recommendations, an institutional customer may indicate that it is exercising independent judgment on a trade-by-trade basis, on an asset-class-by-asset-class basis, or in terms of all potential transactions for its account.

Rule 2110(b): A member or associated person fulfills the customer-specific suitability obligation for an institutional account 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.

To fulfill your suitability requirements to institutional customers, your responsibilities include:

(a) Having a reasonable basis for recommending a particular security or strategy, as well as reasonable grounds for believing that the recommendation is suitable for the particular customer.

The suitability interpretation states that the two most important considerations in determining the scope of broker-dealer suitability obligations in making recommendations to an institutional customer are

1. The customer's capability of evaluating investment risk independently
2. The extent to which the customer exercises independent judgment in evaluating a broker-dealer's recommendation.

You must determine, based on information available, the customer's capability of evaluating investment risk. If the customer is either not capable of evaluating investment risks or lacks sufficient capability to evaluate a particular product and its risks, your obligation under the suitability rule IS NOT diminished by the fact that you are dealing with an institutional customer.

(b) Determining whether the customer is exercising independent judgment in its investment decision - Is the customer's investment decision based on its own independent assessment of the opportunities and risks presented by a potential investment, market factors and other investment considerations?

When you have reasonable grounds for concluding that an institutional customer is making independent investment decisions and is capable of independently evaluating investment risks, and when you determine that the recommendation is appropriate for the particular client, then you have fulfilled your obligation to determining suitability of a recommendation.

Determining a Customer's Ability to Make Independent Investment Decisions

Several issues should be considered including, but not necessarily limited to, the following:

- Any written or oral understanding that exists between the broker-dealer and the customer regarding the nature of their relationship and the services to be rendered by the broker-dealer
- A pattern of accepting or rejecting recommendations of the broker-dealer
- The customer's use of ideas, suggestions, market views and information obtained from other broker-dealers and/or market professionals, specifically those relating to the same type of securities
- The extent to which the broker-dealer has received from the customer current comprehensive portfolio information in connection with the discussion of recommended transactions.

Suitability: Investment Recommendations

In order to comply with FINRA Rule 2111, all investment recommendations made to a client must be suitable for the client, based on information obtained by the registered representative upon opening of the account (under FINRA Rule 2090, the 'Know Your Customer Rule').

*Rule 2111**(a)** states:*

*(a) A member or an associated person must have a reasonable basis to believe that a recommended transaction or investment strategy **(see further below for details concerning recommended investment strategies)** 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.*

You must document the client information being taken into account, as necessary, relating to recommended (i.e., solicited) transactions by those individuals.

A client's investment objectives, risk tolerance, financial resources and level of sophistication and knowledge about financial matters and securities markets, and all other investor profile requirements, must be clearly understood.

Income, liquidity needs, time horizons, age, employment status, occupation, dependents and other relevant information must be considered and discussed with the client when determining investment objectives and making appropriate recommendations.

Suitability must also be a concern even when accepting a non-recommended transaction. There have been cases where registered representatives and their firms have been cited for unsuitable, non-recommended transactions, and the mere fact that a registered individual STATES that a transaction was not recommended was not the determining factor in the arbitration case.

Transactions you consider clearly unsuitable should not be processed without first consulting a supervising principal who may require a written disclosure from the customer acknowledging this firm's concern that the transaction is unsuitable and that the customer wants to proceed regardless.

If at any time a customer wants to undertake a transaction that you consider unsuitable, you must discuss the trade with your supervising principal PRIOR TO EXECUTING THE TRADE.

A supervising principal may not approve new account forms and the opening of a new account and, therefore, the first transaction may not be undertaken, unless the principal determines that you have obtained sufficient investor profile information.

For retail clients, any investment in excess of three hundred thousand dollars ($300,000) may require a new financial statement unless there is one in the client's file which is current within two years prior to the proposed transaction.

If a trade appears unsuitable, you may be contacted to discuss the trade, requiring you to defend your position that it was suitable. If there is no acceptable defense and the transaction is ultimately deemed to be un-suitable, disciplinary action may be warranted.

Every effort must be made to obtain the following, or similar, information (as well as any other information deemed to be pertinent in terms of our making investment recommendations) on all new accounts and on all accounts as they are routinely updated.

- Title of Account
- Customer's Full Name/Home Address/Home Phone
- Customer's Employer/Customer's Occupation/Customer's Title
    - Is Employer a broker-dealer?
    - Is the customer affiliated with FINRA?
    - Is Customer associated with another broker-dealer?
    - Is Customer a public company officer/director/controlling stockholder?
- Spouse's Employer/Spouse's Occupation/Spouse's Title, if applicable
- Customer's Employer Address and Spouse's Employer Address, if applicable
- Name/Address/Relationship of third-party operating account
- Type of Account
- Citizenship/Age
- How the account was acquired/How long has the representative known the client?
- Bank References/Other References
- Previous Investment Experience
- Other securities holdings
- Investment Time Horizons
- Liquidity Needs
- Income/Net Worth/Tax Bracket
- Investment Objectives
- Initial Transaction information
- Social Security/Tax Payer ID Number
- Signature of Registered Representative/Signature of Principal
- Any standing Instructions
- Verification of Registered Representative's Licensing/Registration in Customer's State of Residence
- Other brokerage accounts held by customer
- Is Customer related to/associated with an Employee of this firm?

Supporting documentation to be obtained includes but is by no means limited to:

- Tax returns

- Power of Attorney, if applicable
- If the client is an Employee Benefit Plan participant

    -- Copy of plan document

    -- Written authorization executed by plan trustee which expires and requires renewal on an annual basis

Liquefied Home Equity Recommendations

You are prohibited from making any recommendations to an existing or potential customer to use a home equity line of credit (HELOC) to purchase investment securities.

Recommended Investment Strategies -- Supplemental Material .03 to Rule 2111 states the following:

The phrase 'investment strategy involving a security or securities' used in this Rule is to be interpreted broadly and would include, among other things, an explicit recommendation to hold a security or securities.

However, the following communications are EXCLUDED from the coverage of Rule 2111 as long as they do not include (standing alone or in combination with other communications) a recommendation of a particular security or securities:

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

(b) Descriptive information about an employer-sponsored retirement or benefit plan, participation in the plan, the benefits of plan participation, and the investment options available under the plan;

(c) Asset allocation models that are (i) based on generally accepted investment theory, (ii) accompanied by disclosures of all material facts and assumptions that may affect a reasonable investor's assessment of the asset allocation model or any report generated by such model, and (iii) in compliance with NASD IM-2210-6 (Requirements for the Use of Investment Analysis Tools) if the asset allocation model is an 'investment analysis tool' covered by NASD IM-2210-6; and (d) Interactive investment materials that incorporate the above

FINRA Regulatory Notice 11-02 (January 2011) discusses several guiding principles that are relevant to determining whether a particular communication could be viewed as a recommendation for purposes of the suitability rule. In addition, Regulatory Notice 11-25 has some investment strategy FAQs.

In addition to FINRA Rule 2111, you must meet the obligations of Regulation Best Interest (Reg BI), which requires you to act in the retail client's best interests when making an investment which includes:

- *Disclosure*. You must provide certain prescribed disclosures before or at the time of a recommendation regarding the investment and the relationship between the retail customer and our firm.
- *Care*. You must exercise reasonable diligence, care, and skill in making the recommendation. The Care Obligation mirrors FINRA's Suitability Rule, with the caveat that under Reg BI, in addition to suitability, the obligation also considers whether our firm's standards avoid placing our financial interests ahead of the customer.

These obligations (which may be met by oral communication) must be memorialized through documentation in a CRM system (e.g., FinFolio); through a follow-up e-mail; or through a follow-up letter.

Prior to or at the time of a recommendation, you will provide to clients complete written disclosures that include all material facts about the scope and terms of the firm's relationship with the customer, including: the nature of the relationship, material fees and costs, the type and scope of services to be provided, whether or not account monitoring services will be provided, and any conflict of interest associated with the recommendation that might incline you or the firm to make a recommendation that is not disinterested.

Suitability: Main Suitability Obligations Under FINRA Rule 2111

The suitability rule lists in one place the three main suitability obligations: reasonable-basis, customer-specific and quantitative suitability.

- **Reasonable-basis suitability** requires a broker to have a reasonable basis to believe, based on reasonable diligence, that the recommendation is suitable for at least some investors. In general, what constitutes reasonable diligence will vary depending on, among other things, the complexity of and risks associated with the security or investment strategy and the firm's or associated person's familiarity with the security or investment strategy. A firm's or associated person's reasonable diligence must provide the firm or associated person with an understanding of the potential risks and rewards associated with the recommended security or strategy.
- **Customer-specific suitability** requires that a broker have a reasonable basis to believe that the recommendation is suitable for a particular customer based on that customer's investment profile. As noted above, the new rule requires a broker to attempt to obtain and analyze a broad array of customer-specific factors.
- **Quantitative suitability** requires a broker who has actual or de facto control over a customer account to have a reasonable basis for believing that a series of recommended transactions, even if suitable when viewed in isolation, are not excessive and unsuitable for the customer when taken together in light of the customer's investment profile. Factors such as turnover rate, cost-equity ratio and use of in-and-out trading in a customer's account may provide a basis for finding that the activity at issue was excessive.

The rule makes clear that broker-dealers and their registered representatives must have a firm understanding of both the product and the customer. It also makes clear that the lack of such an understanding itself violates the suitability rule.

In addition, any recommendations under Regulation Best Interest are not subject to the Suitability Rule, but are subject to Regulation BI requirements.

Technology Requirements/Oversight - Including E-Mail and Instant Messaging

Registered representatives should expect NO right of privacy with regard to e-mails, Instant Messaging (if permitted), regular correspondence or personal websites.

For all business related e-mail communications, you must use ONLY e-mail addresses that are approved by L.M. Kohn & Company and captured through its Global Relay e-mail review system. Using a personal e-mail address to conduct business related communications is STRICTLY PROHIBITED.

Password-protected access to e-mail or the Internet does NOT give you the right to privacy, and you may NOT use unauthorized or secret passwords. ONLY those passwords assigned to you by appropriate Supervisory Personnel may be used.

ALL computers and applications such as e-mail have been provided by L.M. Kohn & Company at its own expense, and remain the firm's private property. It is supplied to you as a tool SOLELY for use in L.M. Kohn & Company's business transactions and communications.

It is important that you understand that e-mails can still be traced directly to the sender even after they have been 'deleted'. Furthermore, L.M. Kohn & Company may be required to produce e-mail messages in response to regulatory or litigation requests.

L.M. Kohn & Company is required to routinely monitor e-mail messages – both received and sent - and you WAIVE any privacy regarding these communications.

If you are found to have created, or sent, abusive or inappropriate e-mails, or participated in non-work related activities either through e-mail or on the Internet, or violated any SEC, FINRA or other regulatory rules through e-mail or Internet usage, you may be subject to disciplinary action, including the possibility of termination.

You are NOT permitted to maintain a personal website without first receiving written permission from Compliance. If such permission is granted, the site will be monitored by Compliance.

Use of Home Computers

You are expressly PROHIBITED from corresponding with customers from a home computer, or through a third-party system, unless such arrangements have been agreed to, in writing, between you and L.M. Kohn & Company, PRIOR to the onset of such activities. If such permission is granted, either on a company-wide or on an individual basis, you must continue to adhere to all standards and policies required for onsite activities.

Text Messaging

It is our policy that business-related text messaging, either with customers or with co-workers, is prohibited. Registered representatives should expect NO right of privacy with regard to text messaging.

Each affiliated person is required to sign a statement indicating that they are aware of, and will comply, with this internal prohibition. In addition, this prohibition is discussed at each year's Annual Compliance Meeting.

Should it be determined that any associated person is not strictly adhering to this prohibition, internal disciplinary actions, including the possibility of termination, will be taken, with documentation of all such actions maintained by our CCO.

Threats, Intimidation, Harassment, Profanity

Consistent with rules adopted by the FTC and prior FINRA interpretations and policies, individuals affiliated with our broker-dealer are prohibited from engaging in communications with customers that constitute threats, intimidation, the use of profane or obscene language or calls any individuals repeatedly to annoy, abuse or harass the called party. Failure to comply with this prohibition will result in sanctions, including possible termination.

Time and Price Discretion Documentation - Retail Clients

Time and Price Discretion Documentation Requirements

These requirements are solely for retail orders. Institutional accounts are exempt.

When a client orally grants time and price discretion, such discretion is LIMITED to the day it is granted, unless you have received from the customer a signed and dated written authorization allowing you to carry the order forward to completion.

All open orders subject to time and price discretion - must be indicated as such on the order tickets – and must have appropriate written authorization in the client file.

In instances where an open order exists for which appropriate written authorization cannot be located, you are required to:

- IMMEDIATELY obtain ORAL approval for the following day, so that you will be able to continue to fill the order
- Obtain the requisite WRITTEN authorization by the following day

Trading Ahead of Market Orders

FINRA Rule 5320 prohibits firms from trading ahead of customer market orders under certain circumstances. In short, the Rule calls for broker/dealers to make every effort to fully and promptly execute each customer market order received. The rule applies to all Nasdaq and exchange listed securities.

It's important to note that Rule 5320 applies to all broker-dealers that accept and hold customer market orders, irrespective of whether the broker-dealer is a market maker in the security.

Rule 5320 does not apply to riskless principal transactions, provided that certain requirements are satisfied, as described in the Rule. Certain off-lot orders are also exempt from the Rule.

If at any time you are unclear about any of the provisions under FINRA Rule 5320, you should discuss it with your supervising principal or with someone in Compliance.

Unit Investment Trusts

As equity markets have become increasingly volatile, Unit Investment Trusts (UITs) have become more popular with investors. UITs that charge initial sales charges sometimes offer discounts in the sales charge based on the dollar amount or number of units of the investment. The thresholds at which the discounts are offered in the sale of UITs generally are called 'price breaks,' and substantially similar to breakpoint discounts in the sale of mutual fund shares.

FINRA extends 'the same duties that apply to correctly applying breakpoint discounts in the sale of mutual fund shares to the sale of UITs that offer price breaks, and firms should develop and implement the same type of procedures for ensuring the proper application of such discounts in connection with the sale of UITs.

If you are recommending to liquidate a UIT, you should be charging no more than $30.00 per liquidation since you received an upfront commission on the purchase.

When recommending the purchase of UIT's in advisory accounts, you must always use fee based UIT's and their designated CUSIP. You are prohibited from charging any commission on UIT's if the account is a wrap account.

If you have any questions concerning UIT breakpoints or other features, speak with your supervising principal or Compliance prior to soliciting any UIT business.

Unreasonable Fees

FINRA Rule 2430: Charges, if any, for services performed, including miscellaneous services, such as collection of monies due for principal, dividends, or interest; exchange or transfer of securities; appraisals, safe-keeping or custody of securities, and other services, shall be reasonable and not unfairly discriminatory between customers.

FINRA Rule 2440: It shall be deemed a violation of Rule 2440 (as well as Rule 2110) for this firm 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.

It is your responsibility to ensure, to the extent that you are able, that no unreasonable fees are charged for any activity or transactions undertaken on behalf of L.M. Kohn & Company.

Updating Client Information

It is not sufficient to initially know-your-customer but not follow through on changes that may have occurred that could directly alter suitability determinations.

You should make every effort to know your customer in reality, not just on paper. The initial new account form may indicate a particular salary level, certain dependents and other information which could change based on events such as career changes, changes in marital status, etc.

SEC rules require that a client receive a copy of the new account information within 30-days of when the account was opened and then again 36-months after account opening so that the information can be reviewed and corrected where applicable.

Your Supervising Principal can advise you of L.M. Kohn & Company's requirements for updating customer account information according to the rules and requirements. In addition, however, when you are recommending a transaction for a client account which has not been active for a period of time, it is a good practice to review the information contained in the files and make notes regarding any possible changes that could affect your suitability determination.

Variable Products (Annuities and Life Insurance)

As a registered representative of L.M. Kohn & Company engaged in transactions involving variable products, you must be capable of conveying the general characteristics of all variable products being offered and you must be thoroughly knowledgeable of, and in a position to adequately disclose all fees, possible tax consequences and other important features which may impact an individual's decision to purchase a particular product.

Both Variable Annuities and Variable Life have been deemed by the regulators to be securities, which must be offered through a registered broker/dealer. However, while Variable Annuities are considered an investment vehicle and can be discussed with clients in those terms, Variable Life Insurance products SHOULD NOT be referred to as investments – they are life insurance contracts and clear disclosure of this fact must be made to all customers.

Furthermore, as a registered representative engaged in transactions involving Variable Annuities and Variable Life, **you must be insurance licensed** as well as broker/dealer licensed. Insurance licensing carries responsibilities IN ADDITION to, and not necessarily in concurrence with, broker/dealer licensing. If you have any questions concerning your status under insurance regulations, you should address them to your Supervising Principal.

It is your responsibility to ensure that you are sufficiently educated in the difference between the two products and what disclosures are required for each. Every representative who wishes to offer annuities must complete firm element training that may be accredited through the annual compliance meeting or other training sessions offered by the home office or assigned OSJ. For those representatives wishing to offer 'L' share class annuities to their clients or prospects, they must complete the LMK L share training course and successfully attain a 70% on the L Share Annuity Quiz. If you are unclear or wish to request additional training, you should bring the matter up with your Supervising Principal or Compliance.

Prospectus Delivery (Annuities and Life Insurance)

- Providing a current prospectus meets the regulatory requirement for disclosure for both products. The prospectus provides information on the features, risks, investment options and structure of an investment and delivery of the prospectus is mandatory prior to or at the time of soliciting a specific investment. (Clients should be advised to maintain the prospectus so as to have it available for future reference).
- Prior to submitting the application to the insurance company, it is required that you obtain, in writing, documentation verifying the customer's receipt of the prospectus and their understanding of early redemptions and associated tax consequences and penalties thereof.
- You must have receipt notification of some sort in order to be able to determine the date on which the client's 'free look' provision begins.
- In addition to supplying customers with a current prospectus, balanced discussions should take place which cover potential risks as well as possible rewards. A client's understanding of information contained in the prospectus should be increased; associated costs must be discussed and clients are to be

reminded that when investments are sold, contract values may be either higher or lower than when purchased. Additionally, disclosure must be made on:

- Sales charges
- Administrative expenses
- Mortality expenses
- Surrender periods and charges
- Sub-account options and investment management fees
- Death benefit features and amounts
- Long-term care features, if applicable
- Critical care features, if applicable
- Contingent deferred sales loads
- Variability of contract values - risk of loss of principal
- Policy premium lapse periods

Switching / Replacements ('1035 Exchanges')

The replacement of variable life insurance and annuity contracts, especially within the same company is an issue of great concern with the regulators and therefore a matter taken seriously by Compliance and Senior Management of L.M. Kohn & Company.

Switching transactions occur when the full or partial proceeds from the sale of one investment product or certificate of deposit are used to purchase another investment product, and you have the obligation to evaluate net advantages to the client of any switching transaction.

Such transactions are generally difficult to justify if the financial gain or investment objective to be achieved by the transaction is undermined by sales charges, surrender charges and/or potential tax consequences.

- All such sales charges, new investment charges and potential tax consequences must be brought to the attention of the client by the representative.
- Proof that such disclosure was made must be available in the form of a 'switching letter,' a statement signed by the client documenting their understanding of the foregoing negative aspects of the proposed switch.

  Such letter must acknowledge that the switch may initiate:

  - new sales load
  - contingent deferred sales charges
  - new surrender period and charges
  - taxable transaction by switching (if applicable)
- Switching/Replacement letters must be attached to the account applications or the application cannot be processed
- Replacements can only occur after being carefully reviewed (by an appropriate Supervising Principal) to ensure that the proposed transaction is in the best

interests of the customer. The best interests of the customer must always be the primary concern of this company and of its employees.

- Generally, replacements occur where a new policy is funded (either totally or in part) from another life or annuity policy through a lapse, surrender, use of nonforfeiture options or an insurance policy loan or financing (i.e. the use of an existing policy's cash value to purchase a new contract).
- Replacements vary in definition from state to state, as well, and it is up to you, with the help of your Supervising Principal, to be familiar with the replacement rules in the state in which it occurs. In each and every case, should a replacement occur, the replacement box on the application MUST BE MARKED 'YES,' regardless of whether the particular state requires a replacement form.
- Replacements should occur on a very limited basis and under no circumstances are you permitted to undertake any sales activities involving contacting former or current clients solely for the purpose of having them replace their existing coverage. Any such transactions must be clearly advantageous to the client.
- In such instances where it is deemed to be appropriate and beneficial to the client, appropriate due diligence and analytical notes must be made for the file to document the rationale to go forward. Should a complaint be received by this firm regarding a replacement or a switch, documentation of a thorough analysis of the client's needs, an appropriately documented suitability determination and proof that the customer understood the costs and risks of the change must be available.
- Failure to appropriately document all replacements/switches will result in the forfeiture of all related commissions, and may result in additional internal disciplinary actions. If there are any policy value adjustments required, all such adjustment costs may be charged to you (depending upon the internal procedures of L.M. Kohn & Company).
- Every 1035 exchange must be accompanied by a Morningstar, or other equivalent vendor, comparison of the existing contract compared to the proposed contract. All fees, surrender charges and riders on both contracts must be clearly identified in order for the client to make a reasonable judgment on the representatives recommendation.

- It is also important that you be able to document the suitability of transactions where client funds have been 'switched' from money markets, CDs or mutual funds to purchase an annuity (or vice versa in the latter case). Such events also require 'switch' letters.

Suitability

It is your responsibility to ensure that you thoroughly understand the risks associated with the underlying investment vehicle (i.e. sub-accounts) in all variable annuity transactions. In any instance where you are not 100% clear on certain sub accounts, you should meet with your Supervising Principal to obtain all appropriate information. Further, you must meet the obligations of Regulation Best Interest.

Sales of Variable Products in Tax-Qualified Plans

You are also required to thoroughly understand the tax-deferral features and benefits with the product. Variable products sold in tax-qualified plans, such as an IRA account or 401(k) plan, do not provide any additional tax-deferred benefits beyond the tax treatment provided by the tax-qualified retirement plan itself. You are required to explain to the client that the tax-deferral feature is provided by the retirement plan and that the tax-deferral feature provided by the variable product is unnecessary. LMK highly discourages the use of VAs in ERISA accounts.

Variable Product Identification

Annuities: When offering an annuity product, the product must be clearly described as such. You may not offer a presentation which represents or implies that the product being offered (or its underlying account) is a mutual fund.

Variable Life Insurance: When offering a variable life insurance product, you must PLAINLY and CLEARLY indicate that it is a life insurance product. Any variable life insurance communications which overemphasize the investment aspects of the policy or potential performance of the sub-accounts may be misleading. You should work closely with your Supervising Principal, on an on-going basis, to ensure that you are aware of this important distinction.

Liquidity: You MAY NOT represent or imply that variable life/annuity products are short-term, liquid investments. Presentations concerning liquidity or ease of access to investment values must be balanced by describing, clearly, the implications of early redemptions.

Guarantees: Insurance companies make a number of specific guarantees about the variable life/annuity products they issue (i.e. guaranteeing a minimum death benefit for a variable life insurance policy or a variable annuity owner).

However, you are prohibited from making any representation that any such guarantee applies to the investment return or the principal value of the separate account.

In addition, no representation or implication can be made that an insurance company's financial ratings apply to the separate account.

Bonus Annuities

All transactions involving 'bonus annuities' will be carefully reviewed by your Supervising Principal, and Compliance, to determine that all appropriate disclosures were made and that the customers were advised of all fees and charges which may ultimately negate the up-front bonus.

If you are deemed to be excessively involved in bonus annuity transactions, this may result in having all your customer files reviewed on an in-depth basis, under the oversight of Compliance.

Home Office Review and Approval

FINRA Rule 2821 (*Effective 5/5/2008*) - The rule requires that VA applications be reviewed by the home office approving supervisor within seven days of client signature date on **the application.** In order for LMK to comply with this regulation, we require all VA applications be delivered to LMK home office for review and approval purposes within **six** business days of the client signature date on the application.

For 1035 Exchanges, representatives are required to complete the 1035 Exchange form. This form must be accompanied with as much informaiton about the existing policy or contract as possible along with as much informatiion about the new proposed policy or contract. It must be disclosed on the form whether the client has completed a 1035 exchange in the last 36 months.

For new VA purchases, the new VA Review Form is required. This form will be used for both qualified and non-qualified contracts or policies.

These forms must be submitted along with the LMK Acknowledgement forms as well as any illustrations, fact sheets, or prospectus used defining the terms, sub account options and expenses as well as a copy of the client's most recent statement of the VA that money is exchanging out of. The VA form must clearly identify what provisions the new contract offers vs. the existing contract in order to complete a 1035 exchange. These must be signed by the client affirming all disclosures have been made and that the suitability thresholds for the client are met.

Cash and Non-Cash Compensation

FINRA Rule 2320(g), 'Variable Contracts of an Insurance Company,' reads: 'In connection with the sale and distribution of variable contracts…no associated person of a member firm shall accept any compensation from anyone other than the member with which the person is associated.'

This requirement will not prohibit arrangements where a non-member company pays compensation directly to associated persons of this firm, provided that:

- This firm has agreed to the arrangement;
- This firm relies on an appropriate rule, regulation, interpretive release, interpretive letter, or 'no-action' letter issued by the SEC that applies to the specific fact situation of the arrangement;

- The receipt by associated persons of such compensation is treated as compensation received by the firm for purposes of FINRA Rules;
- The recordkeeping requirement (under FINRA Rule 2341) is satisfied

It is expressly prohibited for any registered employee to accept any cash and/or non-cash compensation without first receiving permission, in writing, from the appropriate supervising principal or Compliance.

'L' Share class Annuities

L Share class annuities typically have shorter surrender periods than traditional B share class annuities with significantly higher annual expenses. As such they may not be suitable for investors who want to take advantage of longer term oriented riders such as LTC or non reducing death benefits for example. Every L share recommendation, whether solicited or unsolicited, must be accompanied with a Morningstar, or other equivalent vendor, side by side comparison of the L share and the B share annuities clearly identifying the fees, surrender charges and riders in order for the client to make a reasonable judgment on the merits of the recommendation.

Equity Indexed Annuities

Section 2(a)(1) of the Securities Act defines security and Section 3(a)(8) generally exempts from the Securities Act any security that is an "insurance or endowment policy or annuity contract or optional annuity contract, issued by a corporation subject ot the supervision of the insurance commissioner, bank commissioner, or any agency or officer performing like functions, of any state or territory of the United States or the District of Columbia."

SEC Rule 151 offers a "safe harbor" under the Securities Act, clarifying when certain annuity contracts are exempted securities under Section 3(a)(8). *The fundamental construct of Rule 151 is derived from prior judicial interpretations of Section 3(a)(8). Consequently, the SEC has stated that the rationale underlying the conditions set forth in the rule are, along with applicable judicial interpretations, relevant to any Section 3(a)(8) analysis. In order for the Rule 151 safe harbor to apply, the product must be issued by an insurer that is subject to state insurance regulation; the insurer must assume investment risk, as provided in paragraph (b) of the rule; and the product may not be marketed primarily as an investment.*

Registered personnel holding a license as an insurance agent does not qualify that individual to understand the features of an EIA or the extent to which an EIA meets the needs of a particular customer.

Sales of equity indexed annuities are not treated as either outside business activities (FINRA Rule 3270) or as private securities transactions (FINRA Rule 3280). All sales of unregistered EIAs must occur through this broker/dealer.

All EIA transactions are supervised in terms of marketing materials, suitability analyses (including possible surrender charges and the combination of caps and participation rates associated with a particular product) and other sales practice issues associated with the recommendation of unregistered EIAs in the same manner as all other securities transactions are supervised and overseen.

All EIA transactions must be submitted through one of our approved IMOs: Gameplan or Crump. Any other carriers must be specifically approved by the compliance department prior to submission.

Video Conferencing

Video conferencing is considered a type of public appearance from a regulatory standpoint. When video conferencing is being utilized for a seminar, client meeting, webinar, or other public appearance speaking activity that is unscripted and does not constitute a retail communication or correspondence, associated persons must adhere to the following general standards listed under FINRA Rule 2210(d):

A) All member communications must be based on principles of fair dealing and good faith, must be fair and balanced, and must provide a sound basis for evaluating the facts in regard to any particular security or type of security, industry, or service. No member may 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.

(B) No member may make any false, exaggerated, unwarranted, promissory or misleading statement or claim in any communication. No member may publish, circulate or distribute any communication that the member knows or has reason to know contains any untrue statement of a material fact or is otherwise false or misleading.

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

(D) Members must ensure that statements are clear and not misleading within the context in which they are made, and that they provide balanced treatment of risks and potential benefits. Communications must be consistent with the risks of fluctuating prices and the uncertainty of dividends, rates of return and yield inherent to investments.

(E) Members must consider the nature of the audience to which the communication will be directed and must provide details and explanations appropriate to the audience.

(F) Communications may not predict or project performance, imply that past performance will recur or make any exaggerated or unwarranted claim, opinion or forecast.

Per FINRA Rule 2210(f), any recommendations made must include the following disclosures (if applicable):

(A) any 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

(B) 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.

Education, training, and procedural updates are to be provided by the firm and must be adhered to by its associated persons. Event documentation is to be archived according to regulatory recordkeeping requirements. Video conference recording, if utilized, requires prior notification to all attendees. The

firm will conduct post review and additional follow-up (if applicable) to help ensure that its procedures are implemented and adhered to. Associated persons must be appropriately registered/licensed in all state(s) where the video conference attendees reside.

Any scripts, slides, handouts or other written (including electronic) materials used in connection with video conferencing must be approved by the firm prior to use.

The firm mandates that associated persons providing information via “desktop share” close all non-related background windows to help ensure that proprietary firm or customer related information is not inadvertently leaked.

Voicemail

The following is a voicemail template that has been approved for usage by the Compliance Department:

You have reached the voicemail of (name) of (office name) and L.M. Kohn & Company. I am unable to take your call at this time. Please do not leave any buy or sell orders or other instructions for your account on our voicemail system, as they will not be executed. If you would like to enter a buy or sell order immediately, please call L.M. Kohn & Company at 800-478-0788, option #3. Otherwise, please leave your name and telephone number and I will return your call promptly. Thank you.

It is important to include L.M. Kohn and Company with your office name, as well as, instructions to not leave transactional orders on voicemail (if applicable).