Private Client Services, LLC

Registered Representative Manual

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Non-Conventional Investments (NCIs)

Alternative investments to conventional equity and fixed income investments do not fall under a common category, but 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 (collectively referred to as NCIs, and having complex terms and features not easily understood).

In FINRA Notice to Members 03-71, FINRA 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 are recommending NCIs, as with all securities, you must understand the features of the product being offered so as to be in a position to make an adequate suitability determination before executing a transaction.

  While due diligence efforts may vary from product to product, there are common features that you must understand in order to be able to perform an appropriate suitability analysis, including, but not necessarily limited to

  - The liquidity of the product
  - The existence of a 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
  - 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 to some extent on representations concerning an NCI contained in a prospectus or disclosure document, reliance on such materials alone may not be sufficient for us to satisfy our due diligence requirements where the content of the prospectus or disclosure document does not have sufficient information needed to fully evaluate the risk of the product. In such instances, you must obtain additional information about the NCI, and if unable to do so, you must conclude that the product is not appropriate for sale.

- Customer-Specific Suitability

  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)]

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 Private Client Services, LLC 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 Private Client Services, LLC 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, Private Client Services, LLC 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.

Code of Ethics

Private Client Services, LLC 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. Sufficient internal controls have been implemented to ensure that all reasonable efforts are taken at all times to deter and detect any activities which 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 be such that we will 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 which have been determined to be appropriate for their specific needs and which 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 Private Client Services, LLC, is not to be used for personal gain or to be shared with others for personal benefit.
- All efforts are to be 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.
- Strict compliance with all laws and regulations governing the securities industry is paramount.
- Senior Management will continue to ensure that the procedures in place are acceptable in terms of making determinations regarding the qualifications, experience and training of all individuals prior to assigning them any supervisory responsibilities.
- Individual employees not adhering to this Code of Ethics, as well as all other policies and directives issued by Private Client Services, LLC, during the course of any activities undertaken on its behalf will be subject to sanctions and possible termination.

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

- The best interests of our clients must be foremost.
- Adherence to all regulatory requirements must be ensured.
- All our personnel are adequately trained so as to perform at the highest ethical, legal and professional levels.
- We will utilize only highly qualified, well trained personnel given review and/or supervisory responsibilities.
- Corrective measures are to be appliedto any area(s) in which our efforts are found to be 'deficient' in any manner.
- We will have in place sufficient teamwork to put into place as rapidly as possible, any actions determined to be necessary at any given time
- We will ensure awareness on the part of all associated persons regarding the seriousness with which all compliance efforts should be undertaken.

Account Transfers

The following steps must be taken for all account transfers:

- No account may be transferred without first receiving written authorization, signed by the client.
- Upon receipt of such authorization, a copy should be made for your file and the original should immediately be sent to your Supervising Principal.
- Instructions should be received from the Supervising Principal on how to treat the account during the ACAT process (i.e. will the account be frozen or will trades be accepted until the transfer process is complete).

It is against regulatory Rules and our internal policy to hamper or delay any customer request for an account transfer. You are obliged to respond appropriately to a customer request and to do everything you can to ensure prompt compliance with such request.

Change of Broker-Dealer Status for Direct Business

Given that the considerations that make the use of negative response letters appropriate only in five situations outlined in FINRA's Notice to Members 02-57 (which would be the firm's decision to utilize, not a rep's) are not present when a 'direct application' accounts broker/dealer of record is changed, a customer's affirmative consent must be obtained prior to changing the broker/dealer of record on such a 'direct application' account.

You should discuss this matter with your supervising principal or with Compliance to determine what your responsibilities are in obtaining a customer's affirmative consent.

Registered Reps Prohibited From Using Negative Response Letters

Should you leave this broker/dealer, it is important that you fully understand that you are expressly prohibited (by the regulators) from sending negative response letters to customers to effect the transfer of customer accounts to your new broker/dealer.

Address Changes

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

- Address change requests must be made by you, in writing if possible, to Compliance or to whomever you are directed to make such submissions
- Address change requests will be confirmed with the customer by notice being made to the old and new address. This may be your responsibility or a back office or Compliance responsibility. You should take steps to be certain that you are fully aware of all your specific responsibilities that you have concerning address changes.

- Address change requests must be submitted for review to your appropriate supervising principal 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.

Annual Compliance Meeting

Private Client Services, LLC is required to hold an 'Annual Compliance Meeting,' which must be attended by every registered individual.

There are no exceptions and failure to attend will result in disciplinary action.

Sufficient notice will be given to you concerning the date and place of such meeting and if it is impossible for you to attend, 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 you have sufficient reason to be absent. Make up sessions may be scheduled, individual interviews may be required – we will do our best to work with you in terms of assisting you to comply with the requirement to attend this meeting.

Should you fail to attend scheduled make up sessions or 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 (3) major functions:

- the undertaking of a thorough review of Private Client Services, LLC's business and methods of operation, as well as all compliance issues related thereto
- a forum in which participants may raise any questions they may have concerning compliance requirements
- an opportunity for a central discussion of recent regulatory developments, firm policies and any related information

Arbitration: Form U-4s

FINRA Conduct Rule 3080, 'Disclosure to Associated Persons When Signing a Form U-4,' requires that broker/dealers provide each associated person, when the individual is asked to sign a new or amended Form U-4, certain specified disclosure language explaining that the Form U-4 contains a pre-dispute arbitration clause, and indicating where on Form U-4 such clause is located, advising the associated person to read the pre-dispute arbitration clause and ask any relevant questions prior to signing the form.

If you have not been supplied with such disclosure, you should speak to your supervising principal or to someone in Compliance.

Books and Records Maintenance

All books and records relating to a broker/dealer's securities business must be maintained for certain lengths of time, ranging from 3 to 6 years. The majority of these records are the responsibility of the firm. However, registered personnel are also required to maintain certain records, such as, but not limited to: individual client files, advertising file, correspondence files, complaint file, registration file.

It is imperative that you fully understand your responsibilities in terms of what books and records you are personally required to maintain. If you feel you have not been given sufficient training and/or information regarding the books and records you are responsible for, you must make it your business to become adequately informed so as not to inadvertently be in non-compliance.

A lack of understanding will not serve as an excuse which the regulators will accept. Furthermore, unless you have made it clear to your supervising principal that you are not fully aware of your books and records maintenance responsibilities, a lack of understanding may not serve as an excuse which this firm will accept. It is ultimately your responsibility to continue to seek information and guidance if you feel it is not being offered or if you remain unclear about any area of responsibility.

Cash Account Settlements

It is your responsibility to ensure that your clients are aware of the fact that they must make full payment for securities transactions effected in brokerage cash accounts on or prior to T+3. If payment has not been received by T+3, you will be notified by appropriate parties (i.e. your supervisor, back office personnel, clearing firm). Upon such notification you are required to contact your client to request payment in full.

Pursuant to Section 220.8 of the Federal Reserve Board's Regulation T, Private Client Services, LLC must promptly cancel or otherwise liquidate a customer purchase in a cash account if full payment has not been received within five business days of trade date (T+5) or request an extension of time for payment on T+5. (Private Client Services, LLC reserves the right to determine if a Regulation T extension request will be made to extend the client's payment time period.)

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.

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).

Cold Calling/Telemarketing

It is the general practice of Private Client Services LLC not permit its registered personnel to engage in cold calling activities. As there are a number of strict rules which must be followed when cold calling activities are permitted, it is imperative that you adhere to this prohibition. Failure to comply will result in disciplinary action which could include possible termination.

Should you be advised that cold calling has become a permitted activity, you may not begin any cold calling until you have been thoroughly trained and the prohibition has been removed from this Manual, replaced with appropriate requirements and procedures.

Compliance

Our Compliance Department is responsible for overseeing all activities undertaken by registered and non-registered personnel on behalf of our clients and for ensuring that all such activities are ethical, fair, in the best interests 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 required to pro-actively assure that our securities activities are being conducted in compliance with the regulatory requirements, as well as with our internal policies.

All policies, procedures and directives are issued 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 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 given may seem unclear.

It can only be of benefit to 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.

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

All individuals registered with FINRA are required to complete computer-based training programs given by 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. Private Client Services, LLC 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 Private Client Services, LLC who have direct contact with customers are required to participate in an internally established Firm Element Training Program. Such training is offered 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.

Failure to complete this training agenda by the specified date can result in sanctions and could result in termination.

Correspondence

Correspondence Defined

Pursuant to FINRA Rule 2211, correspondence is defined as *"any written letter or e-mail message that a member distributes to one or more of its existing retail customers and to fewer than 25 prospective retail customers within any period of 30 calendar days."*

An "existing retail customer" is any person who is *'not an institutional investor and for whom the broker/dealer, or a clearing firm on its behalf, carries an account, or who has an account with any registered investment company for which the member serves as principal underwriter.'*

A "prospective retail customer" is any person who is not an existing retail customer or an institutional investor.

Incoming/Outgoing Correspondence

Each broker/dealer handles the requisite review of incoming/outgoing correspondence (including e-mail) differently. It is important, however, regardless of how the review is undertaken, that you are:

- aware of the requirement to have all incoming/outgoing "snail mail" reviewed by a supervising principal
- aware of all your firm's policies regarding the use, maintenance, supervision and monitoring of all incoming/outgoing e-mails, including internal e-mails
- ensuring that any incoming correspondence which can in any manner be deemed to be a complaint, or a potential complaint, is immediately passed on to your Supervising Principal (see Complaint section herein).

Instant Messaging ("IM")

It is your responsibility to be aware of this firm's policy regarding the use of instant messaging. If permitted, either as a means of internal communication or as a way of communicating with existing or potential customers, you should be aware that supervision of this means of communication is consistent with the polices and procedures regarding the supervision of all correspondence ("snail mail," internal and external e-mails, etc.).

*It is currently the policy of this broker dealer to not allow Instant Messaging for any securities related activity.

Group E-Mail and Form Letters

Under FINRA Rules 2111 and 2210 most group e-mail and form letters are deemed to be correspondence, not sales literature.

To reiterate, correspondence is defined as "any written letter or e-mail message that a member distributes to one or more of its existing retail customers and to fewer than 25 prospective retail customers within any period of 30 calendar days."

For purposes of determining what is sales literature, correspondence is expressly excluded from the definition of sales literature. However, if material is actually created to be used as sales material it cannot be "converted" to correspondence simply by enclosing it with a piece of correspondence.

Use of Home Computers

- You are expressly prohibited from corresponding with customers from a non registered email address, or through a third-party system, unless such arrangements have been agreed to, in writing, between you and Private Client Services, LLC, prior to the onset of such activities. Should such permission be granted, either on a company-wide or individual basis, you are required to adhere to all standards and policies required for on-site activities.

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 Accounts

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.

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.

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)

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 to each customer with information indicating where 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 Age

A customer's age must be noted for all accounts (except institutional accounts). No account is 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 1/2.)

No individual or joint account can be opened in the name of any person who has not attained the age of majority in his/her state of residence. To ascertain the correct 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 US territories have adopted either one or both of these Acts.

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

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

In states with laws modeled on UGMA, the account title must be:

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

In states with laws modeled on UTMA, the account title must be:

- *(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 activities is limited in UGMA or UTMA accounts to purchasing puts against long stock positions and selling covered calls

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 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, to the fund or insurance company, 'home' office, cashier, etc.).

You may also be required to enter check receipt and securities transaction information onto all appropriate logs. If you are operating from a branch location, this is a requirement.

*Accepting at any time a customer check made payable to you could 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.

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), 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.

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.

Discretionary Accounts

*This broker dealer currently does not allow discretion over any client accounts.

Registered Representative as Trustee

You may not act as a trustee for any customer account, or have any fiduciary interest in such account, without receiving permission from Compliance prior to opening the account. The only exception to this is with a account of an immediate family member but then you would still need to get permission from compliance before proceeding.

(The term 'immediate family member' includes parents, spouse, siblings, children, or any in-laws, as well as any other person you may materially support, directly or indirectly.)

Employee Accounts

Personal Securities Accounts

Upon being hired by Private Client Services, LLC you were required to disclose all securities accounts (the only exception being mutual fund accounts not held at any broker/dealer in a general trading account under your name) being maintained by you and any family member for whom you have financial responsibility.

After the initial disclosure of this information, no additional accounts are permitted to be opened without prior approval of Compliance.

Upon receiving permission to maintain additional outside securities accounts, you are responsible for ensuring that any requests to have duplicate confirms and statements submitted to Compliance are adhered to.

'Hot Issue' IPOs

- Due to the regulatory prohibitions against registered employees of a broker/dealer participating in 'hot issues' (any initial public offering that trades at a premium in the immediate after market), all participation in IPOs by affiliated individuals is prohibited by Private Client Services, LLC.
- 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 member' includes parents, spouse, siblings, children, or any in-laws, as well as any other person you may materially support, 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 properly documented (and reviewed by compliance) to show they are bona fide corrections, cancellations or errors.

Any breech of these guidelines can result in immediate termination.

False or Artificial Entries

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

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

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.

General Overview/Securities Transactions

As a registered representative, you must constantly bear in mind that your conduct is governed not just by Private Client Services, LLC 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.
- You must be adequately 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 Private Client Services, LLC 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 registration with Private Client Services, LLC, is not to be used for personal gain or to be 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 with regulators and the giving of gifts/gratuities is perceived to be a potential problem.

You are prohibited from giving anything of value, including gratuities, in excess of one hundred dollars per individual per year to any client, principal, proprietor, employee, agent or representative of another person where such payment or gratuity is in relation to the business of the employer of the recipient of the payment or gratuity.

FINRA Rule 3060(a) applies only to those payments or gratuities that 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 substantial gifts or monetary payments to certain persons without the knowledge of those persons' employer.

In FINRA Notice to Members 06-69, the regulator states, *'The prohibitions in Rule 3060 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 from FINRA Notice to Members 06-69, *'Rule 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. FINRA also generally does not apply the prohibition in Rule 3060 to customary Lucite tombstones, plaques or other similar solely decorative items commemorating a business transaction, even when such items have a cost of more than $100.'*

Rather than make the decision yourself, you are required to submit a written request to compliance or your supervisor prior to giving any gifts/gratuities. If you have any questions on your responsibilities regarding the giving of gifts you should bring them up with your supervising principal or Compliance.

While there is no specific rule prohibiting your being the recipient of gifts, this too may create actual or possible conflicts of interest. Therefore, you should ensure that you are aware of our policies concerning the receipt of gifts.

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.

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 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. Any suitability determination issues or questions must be discussed with your designated supervising principal prior to the execution of a high yield bond transaction.

IDENTITY THEFT PREVENTION: Safeguarding Confidential Customer Information

Regulation S-P ('Privacy') calls for all financial institutions to have policies and procedures in place that address the protection of customer information and records. There are, however, additional issues surrounding possible identity theft which are not covered in Reg S-P.

For instance, the fact that more and more individuals are telecommunicating or working part-time from their homes or while on travel increases the possibilities of identity theft through lost laptops or through access by unauthorized individuals. Wireless connections ('Wi-Fi') are more easily intercepted that those required to tap into a physical wire. 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 Private Client Services, LLC, it is important that you are mindful of the importance of safeguarding customer information, both that which you maintain on a computer and documents that 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.

In terms of your office and paper documents retained, 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) do not leave, for instance going out for a quick lunch with the client, without being certain that all paper work containing client information has been securely put away.

There is no document as appealing to someone bent on identity theft than a New Account Form. Everything they could possibly want to know about someone, including their SS#, is there, on a silver platter.

It is your responsibility that you treat all personal client information as carefully as you would treat your own. Identity theft is one of the most rapidly growing crimes, globally, and you have to be sure that you are doing everything you possibly can to prevent one of your clients from becoming a victim.

Insider Trading

Insider Trading Sign Off

Upon being registered, or at some time within the first year of your registration with Private Client Services, LLC, you are required to sign, and return to Compliance, an 'Insider Trading Safeguard' Statement. (You may also, from time to time, be requested to sign the statement again, reiterating your understanding of Insider Trading prohibitions and implications.)

In addition, you are required to:

- Maintain as confidential all business-related information in connection with your duties at Private Client Services, LLC
- Refrain from disclosing (except on a carefully-determined 'need to know' basis) any inside information to any person - if you are unclear as to what denotes a “need to know” basis, you should discuss this matter with your Supervising Principal, or with Compliance. Refrain from trading on inside information
- Refrain from trading on inside information

If you have information that one or more other employees is/are 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 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 or may not be properly communicated to another person must be brought to the attention of your Supervising Principal or Compliance prior to taking any action.

Internet Bulletin Boards

With respect to communications posted by associated persons of Private Client Services, LLC 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, therefore, you are prohibited from posting 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 Private Client Services, LLC and therefore any participation is strictly prohibited.

*Breech of these guidelines can result can result in sanctions and/or termination.

Intra-day Trading Accounts

'Intra-day trading strategy' is defined (by FINRA) as 'an overall trading strategy characterized by the regular transmission by a customer of multiple intra-day electronic orders to effect both purchase and sale transactions in the same security or securities.'

We are prohibited from effecting any transactions for such customers prior to approving such account pursuant to FINRA Conduct Rule 2360(b), which requires that we determine that such intra-day trading strategy is appropriate for each specific customer.

To make such a determination, all associates must exercise appropriate diligence to ascertain the essential facts relative to the customer, including his/her financial situation, investment experience and investment objectives. You should make such determinations ONLY IN CONNECTION with your Supervising Principal. You are required to maintain records setting forth the basis of approval for each intra-day trading customer account. You are further prohibited from recommending and intraday trading strategy to any client.

*It is the general rule of this broker dealer not to have these type of accounts, however, if they are to be allowed (on a separate one on one approval basis by compliance) all trades (buys/sells) can be accepted and executed by you only on an 'unsolicited' basis. It is also mandatory, upon account acceptance, that you supply to this client a copy of the disclosure statement required by FINRA Conduct Rule 2361. (Copies of the disclosure document can be obtained from your Supervising Principal or from Compliance.)

Investment Advisory Programs

- When referring a customer to an outside Investment Advisor ("IA"), you must ensure that the IA has been reviewed and approved by Private Client Services, LLC. You are not permitted to refer to any IA which has not yet been approved.

- You should check with your Supervising Principal to make sure that you have a current list of all such approved IA firms, their investment style, their location, minimum account size, etc.

- Should you wish to utilize an IA which is not on the 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. You may not refer any clients to this firm until Compliance has added them to the list.

Investment Analysis Tools

While FINRA Rule 2210(d)(1)(D) prohibits its member firms from making predictions or projections regarding investments or investment strategies, FINRA has (under its Rule Modernization Project) adopted IM-2210-6 as a limited exception to the general prediction and projection prohibition. Pursuant to IM-2210-6, we may offer such technological tools under certain circumstances and may also provide customers with written reports generated by and sales material concerning investment analysis tools.

Investment Analysis Tool Defined

IM-2210-6 defines an investment analysis tool as *"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."*

It is therefore permissable for you to utilize investment analysis tools so long as you ensure that you are meeting all the requirements of IM-2210-6.

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

- Determine that the 'Tool' has been PREAPPROVED by Private Client Services, LLC and appears on their APPROVED list.
- Once generated get approval from compliance PRIOR to sending/presenting to client.
- On cover sheet - 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 hard copy) 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 furthermore 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.

IPO Sales Restrictions

As stated elsewhere in this manual, it is the current policy of this broker dealer to prohibit the sale of any IPOs by its registered representatives to any of their clients or for these registered representatives to purchase this classification of security in any of their personal accounts or the purchase in any way in the accounts of any of their ' immediate' family's accounts (as defined earlier).

Legal Proceedings and Investigations

You are required to notify your Supervising Principal or Compliance if you are ever:

- 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 (misdemeanor or felony) offense, other than a minor traffic violation.

Should an event occur about which you are unclear as to the attendant disclosure requirements, bring the matter up 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 it may also result in the finding of wrongdoing by a regulatory body.

Letterhead and Business Cards

No letterhead or business cards may be used other than those which are approved by Compliance. If you need changes made to your letterhead or business cards, please make such requirements known to your Supervising Principal or to Compliance. In no instance should you create new copies of either.

If you simply want to have additional copies of previously approved letterhead or business cards printed up, that is permissible without prior permission. This is only permitted, however, if absolutely no changes to the initially approved documents are being made. Even the slightest changes must receive prior approval.

Limited Partnerships

*This broker dealer's current policy is to allow the purchase of any Limited Partnerships in 'qualified' accounts only. Any proposed purchase in nonqualified accounts is strictly prohibited.

ALL RECOMMENDATIONS must be suitable to the specific investor and the representative must have reasonable grounds to believe the Limited Partnership to be suitable, based on the information provided by the issuer (and based on the representative's knowledge of the customer).

PRIOR TO ANY LIMITED PARTNERSHIP SALES ACTIVITY TAKING PLACE, the appropriate supervising principal will undertake a thorough review of the account as to the suitability of a Limited Partnership customer transaction - such suitability MUST BE ESTABLISHED based on offering memorandum disclosures and investor objectives. An appropriate Principal must indicate, by initialing appropriate documentation, that a particular investor is making a suitable transaction.

Information such as investment objectives, financial capabilities and other investments, which must be obtained for each Limited Partnership customer, includes:

- Net worth of investor
- Customer's understanding of the risks involved
- Financial experience and stability of the sponsor
- Tax aspect and benefit (if any) to customer of the particular investment
- Economic benefit to the customer

Disclosure

FINRA Rule 2810(b)(3) requires that prior to our participating in a public offering of a direct participation program, we must have reasonable grounds to believe (based on information made available to us by the sponsor through a prospectus, offering memorandum or other materials) that all material facts are adequately and accurately disclosed and that such disclosures provide a sufficient basis for evaluating the program.

You are not permitted to offer any direct participation program to customers if you do not have proof that a written indication exists acknowledging the appropriate disclosure of all material facts, in a manner found by this firm to be adequate and accurate.

Limited Partnership Rollup Transactions

Should a customer raise the issue of a roll up with you, you should immediately speak with your supervising principal. FINRA Rule 2810(b)(6)(A) prohibits participation 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) except under certain specific circumstances.

Loans Between Registered Persons and Customers

FINRA Rule 2370 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 which will permit us to consider requests for such activities. It is your responsibility to be fully aware of all such polices 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 are given training concerning the prohibitions and 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 (5) scenarios exists:

- The customer is a member of your immediate family (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

Should Compliance determine that the lending or borrowing situation falls into one of the above situations, a determination will be made as to whether or not to approve your request. Approval or denial will be made in writing and only upon such written approval may you engage in the lending or borrowing arrangement.

If additional clarity is required, referral can be made to FINRA Notice to Members 03-62, available at www.finra.org.

Failure to adhere to the requirements under Rule 2370 or with this firm's specific internal policies thereunder may result in sanctions.

Margin Accounts

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.

Upon OPENING a margin account (in addition to following all other new account procedures), you must also:

- Obtain a signed margin agreement [stating all the rules with which the client must abide and giving Private Client Services, LLC the right to hypothecate (loan) the customer's securities to secure the credit extension].
- Provide a margin disclosure statement to all non-institutional clients (see “FINRA Margin Disclosure Statement” below). 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 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.

Sample disclosure statement attached.

Click here for a sample Margin Disclosure Statement

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 related services.

The first concern with M & A clients is customer confidentiality. Therefore, immediately upon discussions taking place with a prospective M & A client, you must contact your immediate supervising principal or Compliance to determine what steps are required to adhere to our policies for making certain that all confidentiality documentation is in place.

Without confidentiality requirements in place, the process of determining whether or not we will become involved with a particular “deal” cannot begin.

In cases where publicly traded companies are involved, be certain not to overlook your responsibilities not to engage in any activities which might violate our Insider Trading policies and procedures.

Money Laundering Detection and Deterrence

Required Registered Representative Training

FINRA Rule 3011 requires that all registered personnel receive Anti-Money Laundering Training.

Senior Management and Compliance are responsible for jointly overseeing Private Client Services, LLC's overall Anti-Money Laundering Program. In your training you will be advised of who your firm's AML Compliance Officer is, or 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.

Private Client Services, LLC'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 Private Client Services, LLC, you are a part of those efforts, in fact the 'front line of defense.' Senior Management looks to you to greatly assist in their efforts to comply with all laws and regulations designed to combat money laundering, including the reporting of (a) currency transactions, (b) utilization of certain monetary instruments and (c) suspicious activities.

If the acceptance of currency and/or monetary instruments is prohibited by Private Client Services, LLC, 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 unacceptable for you not to know and understand all of your responsibilities under the program. You must make every effort to become fully educated as to your responsibilities and the overall requirements under The USA PATRIOT Act and FINRA Rule 3011.

Acceptance of Currency

The acceptance of currency is prohibited by Private Client Services, LLC. With this currency prohibition in place, it is important that you understand that failure to comply could result in your termination. There could also be criminal ramifications.

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 you must take is to determine who your customers are under the CIP regulations. Essentially, the final CIP regulations define a 'customer' as an account holder. Excluded from the CIP definition of 'customer' are:

- Financial institutions regulated by a Federal regulator, as defined by the Bank Secrecy Act, i.e. 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 will 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 on the definition of 'customer.'

CIP Definitions of an 'Account'
An 'account' means a formal relationship with Private Client Services, LLC established to effect securities transactions. Excluded from this definition are:

- Any accounts acquired by Private Client Services, LLC 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 your supervisor if you have any questions on the definition of an 'account.'

Minimal Account Opening CIP Information
Prior to opening a new account, Private Client Services, LLC 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.):

1. Name
2. Date of birth (for individuals)
3. Address
   a. For an individual, a residential or business street address
   b. 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; or
   c. For a person other than an individual, a principal place of business, local office or other physical location; and
4. Identification number
   a. For a US person, a taxpayer ID number; or
   b. For a non-US person, one or more of the following types of information that allows Private Client Services, LLC to establish a reasonable belief that we know the identity:
      1. Taxpayer ID number
      2. Passport number and country of issuance
      3. Alien ID card number or,
      4. 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 Private Client Services, LLC 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's critical for you to be familiar with Private Client Services, LLC'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 supervisor, Compliance, or your firm's AML procedures to determine if documentary method(s) are to be 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

When customers are unable to meet the above documentary requirements, prior to opening the account, you must consult with your supervising principle or Compliance to determine appropriate actions 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

Private Client Services, LLC'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, if any, responsibilities you have in complying with this CIP provision.

Comparison with Government Lists

Private Client Services, LLC'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.) Consult with your supervising principal to determine what, if any, responsibilities you have in complying with this CIP provision.

Recordkeeping

CIP information must be recorded on appropriate new account or other similar forms. On such forms, you must describe any customer document 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 supervisor 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 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 i.e. Jersey Channel or Cayman Islands etc.
- Transactions that are 'structured' to avoid the Cash Transaction Reporting ('CTR') requirements i.e. 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 i.e. 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 to understand that the final determination as to whether or not the action is reportable or even actually suspicious upon further investigation is not yours to make.

Suspicious Activity Reporting ('SAR') Requirements

Under the USA PATRIOT Act and FINRA Rule 3011, we are required to file SARs. If you are not certain of what our policy is on SAR filings, and what role you are required to take concerning such filings, it is your responsibility to find out. and to ensure that you fully understand all the issues surrounding SARs and how they are treated.

It is important to know that all SARs are 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.

Reporting Violations of Private Client Services, LLC's AML Compliance Program

Senior Management encourages and expects you to report any suspected violations of its AML Compliance Program. Such reporting is confidential and a strict company-wide policy is in place expressly prohibiting any such retaliation.

Municipal Securities (including 529 College Savings Plans)

You must be capable of describing to customers the general characteristics of all municipal securities being offered and you must be thoroughly knowledgeable of, and in a position to adequately disclose, all important features which may impact an individual's decision to purchase or sell a particular product, including, but not limited to: tax consequences, pricing, credit agency ratings, yield related information, call features (if applicable), and maturity.

If you are unclear as to any of these matters, you should bring the questions to your Supervising Principal.

The following are key points to be aware of when conducting any municipal securities business:

- As is the case for any security recommendation, a suitability determination must be made prior to recommending a municipal security transaction. Suitability (and any other) information used or considered to be reasonable and necessary in making recommendations to customers must be recorded on the client's new account documentation forms.

    - If you are involved in municipal securities transactions, you must comply with MSRB Rule G-37 ('Pay to Play Restrictions') by promptly reporting, in writing, all political contributions to Compliance. (MSRB Rule G-37 places certain restrictions/requirements upon Private Client Services, LLC, including limitations on business activities triggered by political contributions.)

While it is important that you bring any questions concerning municipal securities transactions to the attention of your Supervising Principal or Private Client Services, LLC's MSRB Principal, you should also retain access the MSRB web site, 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 Securities and Exchange Commission (SEC) 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 Municipal Securities Rulemaking Board (MSRB).

529 college savings plans ('529 plans') are financial products designed to help parents and others save and invest for higher education. The plans offer families the opportunity to obtain tax-free growth and distribution of the money they save and invest for college costs. They are named after the section of the tax code that gave them their special tax-advantaged status.

These plans clearly play an increasingly important role in enabling parents to save for college. Industry statistics show that more than $40 billion is now invested in 529 plans and some estimate that this number will double by the end of 2006. Approximately eight percent of families with children under 18 own a 529 savings plan.

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 'advisor-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.
529 plans present all of the potential suitability, disclosure and other sales practice issues as do mutual funds. In fact, these products from an investor's point of view look very much like mutual funds. Their very benefits, such as in-state tax deductions and fee reductions, present additional disclosure and other sales practice

issues, further confusing investors.

In fact, the disclosure of in-state tax benefits is the focus of the MSRB's June 2006 interpretation on Section 529 Plans. Under this interpretation, 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, that:

(i) 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;

(ii) state-based benefits should be one of many appropriately weighted factors to be considered in making an investment decision; and

(iii) 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 (the "out-of-state disclosure obligation").

The number and variations of 529 plans complicate the choices for investors and the sales process for those selling the plans. First, while federal tax advantages are standard to all college savings plans, state tax treatment of 529 plans varies from state to state and can be an important consideration for investors in deciding which plan to select. In 25 states and the District of Columbia, investors receive a tax deduction or tax credit if they reside in the state sponsoring the 529 plan.

Deductions vary from state to state. For example, Colorado currently allows residents to deduct the entire amount of their contribution to their in-state plan for each beneficiary, up to the maximum contribution limit. Rhode Island, on the other hand, allows only a $1000 deduction in total for joint filers and $500 for single filers.

The variations in fees the plans charge can also 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 the home state's 529 plan.

The regulators required that you 'have reasonable grounds . . . for believing that the recommendation is suitable.'

A sale of an out-of-state plan can be suitable. 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.

529 college-savings plans can be confusing to both brokers and investors. You must be fully able to explain to customers the complexities of these plans. Matching a client with a 529 can be a complicated task and it does not help either brokers or investors that there is no standardized disclosure among the plans.

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

- Contribution limits vary by state.
- State tax advantages vary from state to state and may depend on whether you are a resident of the state sponsoring the plan.
- 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.
- Fees and expenses vary greatly, even among plans offered within the same state.

Mutual Funds

You must be capable of conveying to customers the general characteristics of all mutual funds being offered and you must be thoroughly knowledgeable of, and in a position to appropriately disclose all fees, possible tax consequences and other important features which may impact an individual's decision to purchase a particular product.

- 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.
- Relatedly, 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 are to be shared with the public and general conversations regarding performance, portfolio structure, etc. should be held.
- Suitability can be the only final determination as to what investment vehicles are appropriate for a particular client.
- When reviewing mutual fund transactions, your Supervising Principal will be sensitive to any patterns of purchases and solicitations which 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 (required to be accomplished before the transaction settles) is handled either directly by the registered individual dealing with the customer, by our clearing firm, or by the mutual fund vendor.

Under SEC Rule 154 (Securities Exchange Act of 1933), 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 being met, regardless of who is actually undertaking the action.

You must document all mutual fund recommendations, maintaining copies of such recommendations in the client files.

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 in full PRIOR to any sale

being made.

- 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.'

- 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 appropriate disciplinary action for failing to act in accordance with just and equitable trade principles.

- 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 their 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 (many funds under a single management company) which result, or could result, in additional commission charges or which could establish new required holding periods is STRICTLY PROHIBITED by both Private Client Services, LLC and by regulatory standards. Under certain circumstances, a switch may be reasonable and justifiable. This determination 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, submitted with other paperwork and copies kept in client 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.

Negative Response Letters

No field registered representatives of Private Client Services, LLC is permitted to send out such 'negative response letters'.

Selling on Dividends

FINRA's Conduct Rules PROHIBIT the 'selling of dividends,' (i.e. 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 existence of 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 the existence of any redemption sales charges.

- It is an unfair sales practice and an omission of material information to state that there is 'no initial load' without giving a complete explanation of the nature of any contingent deferred sales load (a sales load that is charged on redemption on a declining-percentage basis annually, 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 the nature of all 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 be sure that:

- 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 2830(k) prohibits any sort of “reciprocal” or “quid pro quo” arrangements regarding the sale of mutual funds. Under 2830(k), the following prohibitions are laid forth:

- No particular investment company or family of funds may 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.

In order to make a determination as to whether or not a certain activity is appropriate, FINRA Notice to Members 05-04 and FINRA Rule 2830(k) should be reviewed.

So long as no provisions of 2830(k) are 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 n a basis prohibited by 2830(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. Should there ever be an instance where a front end load sales charge was paid on a purchase which was to have been done at NAV, the transaction will be cancelled 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 and as switch letters are reviewed a determination will be able to be made that if the fund into which the money is being invested has an NAV Transfer Program the customer did in fact receive NAV purchase price.

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

Mutual Fund Re-Instatements

Many mutual funds have a re-instatement policy that allows investors to reinvest proceeds from sales in shares of the fund without paying a front-end sales charge. Generally, the re-instatement must occur within a specified period of time (i.e. 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 re-instatement policies of the fund they have purchased.

Also, upon a client sale of any or all of a mutual fund holding, you must again advise them of the fund's re-instatement 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 (see FINRA Conduct Rule 2830). Such disclosure shall be adjacent to the fee table in the front section of the prospectus.

Prohibition Against "Late Trading" and "Market Timing"

As you are aware, Investment Company Act Rules [specifically, 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.

FINRA Notice to Members 03-50 states: *"It is a violation of FINRA Rule 2110 and may be a violation of the federal securities laws and FINRA Rule 2120 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 2110 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 what 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: Should the investor sell 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 being able to guarantee 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 (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 as to this product, make sure that your concerns are made 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 'Class A' shares) may impose a front-end sales load, but may impose 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. Additionally, 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 'Class B' shares) may not impose a front-end sales charge. This may tend to make B shares more attractive to investors (and therefore easier to sell by registered reps). However, 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. Furthermore, 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 'Class C' shares) may impose neither a front-end nor a back-end sales load, but may impose a relatively high 12b-1 fee. Additionally, 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.

Regulatory Concerns
FINRA Notices to Members 94-16 (March 1994) and 95-80 (September 1995) provide further guidance with respect to mutual fund sales practices. These Notices remind 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, Interpretive Material 2830-1 generally prohibits broker/dealers 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 be sufficiently educated choose the class that is most 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 such disclosure is made in writing, proof of such written disclosure (with client signature) will be maintained in client files. When such disclosure is made orally, written records of these discussions are required to be maintained in the client files.

If there is any doubt or confusion, speak with your supervising principal or Compliance to determine what, if any, responsibilities you have in obtaining the above disclosure documentation.

Various Classes and Their Impact on Breakpoints, Rights of Accumulation or Letters of Intent
It is critical for you to be aware of the ramifications of 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 2830(l), '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.'

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

FINRA Website

Private Client Services, LLC recommends that you periodically review relevant information on the NASDR's web site (www.finra.org).

In particular, there is information under the heading of 'Registered Representative,' which will offer insights into the rules and regulations governing your employment as a registered employee of an FINRA broker/dealer. In addition to finding material concerning your responsibilities to Private Client Services, LLC 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.

Glossary

FINRA's web site also has an excellent glossary of investment-related terms which can be of great assistance in appropriately defining some often misused or confusing terminology.

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.

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 the compliance department and you should never attempt to manually correct it yourself. Such attempts could result in sanctions and/or termination.

*Negative trade errors can also result in monetary penalties to you, the representative.

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 (Pershing) or in traditional hard copy form.

Order tickets must disclose:

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

   #s 3, 4 and 5 above are all required, even if any two of them are deemed to be the same time.
6. Your rep number or name <u>if</u> you are responsible for the account
7. The rep number or name of any other person who entered or accepted the order
8. Solicited orders are to be so designated
9. An indication if the order is executed pursuant to discretionary authority (discretion <u>not</u> allowed at this time)
10. Sales tickets must be marked 'Long' or 'Short'.

Subscription / Application basis orders (i.e. private placements, mutual funds, etc.) are exempt from (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

FINRA's Conduct Rule 3030 states that, 'no person associated with a broker/dealer shall be employed by, or accept compensation from, any other person as a result of any business activity, other than a passive investment, outside the scope of his/her relationship with Private Client Services, LLC, unless he/she has provided prompt written notice to Private Client Services, LLC.'

- Before being hired by Private Client Services, LLC you were required to disclose all 'outside business activities' in which you were engaged (whether compensation was received or not).

  *During your registration with Private Client Services, LLC you are required to receive PRIOR permission before entering into any additional outside business activities.

Failure to receive such permission can result in regulatory and internal sanctions up and including termination.

Parking of Securities

You are expressly prohibited from engaging in any transaction where securities are "parked," (i.e. a non-bona fide purchase from, or sale to, a client or another counterparty).

Parking of securities is generally a manner of covering up prohibited activities and is most often evidenced as either:

- Unauthorized trading in a client or error account
- Temporary placement of securities into an account

You may not enter into any agreement or understanding modifying the terms or conditions of a securities transaction without receiving approval from your Supervising Principal and without ensuring that the agreement is accurately reflected on the books and records of Private Client Services, LLC.

If you detect a situation which you feel may involve an illegal parking of securities, you are to immediately notify Compliance.

Penny Stocks

The definition of a 'penny stock' can be found under SEC Rule 3a51-1 and if you are not clear on what is and is not a penny stock you should ask your Supervising Principal or Compliance for clarification and guidance. In addition you can refer to FINRA Rule 2315.

Penny Stock Recommendations

If you do recommend penny or microcap stocks, certain customer disclosures might be required (depending upon certain circumstances). You should find out from your Supervising Principal or Compliance if the following apply in your situation:

- your designated supervisor must approve the customer's account for such transactions and receive the customer's written agreement, which sets forth the identity and quantity of the penny stock to be purchased
- in addition, the customer must receive a 'Risk Disclosure Document,' specified by the SEC (see following herewith)
- you must receive, and maintain, from the customer a written acknowledgment that s/he has received the 'Risk Disclosure Document.'
- in addition, specific suitability and disclosure obligations are required, pursuant to SEC Rule 15g

Click here for a sample Penny Stock Disclosure Statement

Privacy Disclosure (SEC Regulation S-P)

Private Client Services, LLC is required to supply all new customers ('natural' persons only - institutional customers are exempted) with a notice disclosing its policies and procedures on 'information sharing' of non-public personal information.

While it is likely that such disclosure will be made directly by Compliance or Operations, you may be required to deliver some notification upon initial contact with a prospective customer.

It is important that you are completely aware of what responsibilities you have as a registered representative to ensure that Private Client Services, LLC is in compliance with this SEC Rule, Regulation S-P. If you have any questions 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 information you have in your possession.

PSC Privacy Disclosure is attached.

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.

For the most part, however, regardless of how the security is structured, with few exceptions, the requirements and the responsibilities are the same. (At the end of this section, is a short paragraph itemizing some additional information which should be referred to in regard to LP offerings.)

*If you have any questions as to your responsibilities in this area, you should seek guidance from your immediate supervising principal or from Compliance.

The SEC's other regulations, including its anti-fraud rules and its prohibition on market manipulation under Rules 10b-5 and Regulation M and related rules 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. This broker dealer is currently limiting any participation by registered representatives in this area to those placements with preapproved 1031 and REIT third party vendors. In some cases, clients already existing Private Placement instruments may be accepted with approval by compliance and our clearing broker dealer.

Offers and sales of private placements are generally made only to accredited investors, as defined by Regulation D – generally, institutions, such as banks, insurance companies, mutual funds, investment advisers, with greater than $5,000,000 in assets or high net worth individuals with greater than $200,000 in income. Registered personnel must ensure that all private placement transactions meet FINRA's suitability guidelines.

On very rare circumstances compliance may consider a sale to non-accredited entities acceptable. All sales to non-accredited investors are also to be approved by compliance, PRIOR TO THE TRADE.

You are responsible for providing an offering memorandum to each client at or prior to the transaction and 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

In its Notice to Members 05-18, FINRA 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.

In addition to our due diligence efforts, we must obtain, from counsel, a "clean" legal opinion that each specific TIC Interest should or will qualify for exchange under Section 1031. Copies of such opinion letters should be maintained in the client files.

No TIC private placement transaction will be permitted to be finalized without a review of all documentation to ensure that we are evidencing in the file that both a reasonable-basis suitability analysis (regarding the investment vehicle) has been appropriately accomplished and that evidence is retained indicating an appropriate customer specific suitability analysis (indicating why such an investment vehicle is appropriate and suitable for the customer).

All promotional materials must be approved prior to use to ensure that all information is fair, accurate and balances. Any associated personnel found to be 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 to require broker/dealer registration are:

- 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; and
- Recommending lawyers, underwriters, or broker/dealers for the distribution or marketing of securities in the secondary marked.
  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 Compliance PRIOR TO USE and rarely is allowed.

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

Should the issue of rollup transaction be 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 made available 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 Private Client Services, LLC, you may face disciplinary sanctions.

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.).

In September of 1998, FINRA issued a 'Regulatory & Compliance Alert,' (reiterated in November of 2001), whereby they stated that ...

> *'FINRA Regulation 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 Regulation 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 Compliance if it is permitted.

Prohibited Acts

As a registered representative of Private Client Services, LLC, 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 authorized by this broker/dealer). Registered individuals may not effect securities transactions for any person or entity outside the scope of his or her registration with this broker/dealer.

   Any registered individuals effecting private securities transactions without first receiving written permission from the compliance department of this firm will face sanctions and possible immediate termination.

   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. (Possible exception being for immediate family or a special circumstance, both needing prior approval by the compliance department).
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.
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 and approved by the compliance department.

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 the Compliance department for clarification.

Public Offerings

If you have any questions relating to the purchase of a Inital Public Offering (IPO) you should bring them to the attention of Compliance.

*It is currently the policy of this broker dealer to prohibit the particapation in any equity based IPOs nor can a registered representative purchase for their own or an immediate family member's account(s) through a third party.

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 Private Client Services, LLC 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 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 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 registration with Private Client Services, LLC, you will have our assistance and guidance in dealing with any such requests.

Reportable Events

As a registered individual with Private Client Services, LLC 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 CCO should you ever become:

- 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 (misdemeanor or felony) offense, 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 U-4 (from Licensing, Compliance or your Supervising Principal) to ensure that you have responded appropriately to all the questions listed on the form (current name, address, disciplinary matters, etc.). Your U-4 must also be continuously maintained in a current manner, by disclosing to your supervising principal, licensing or our CCO of 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(s) 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 (ownership of >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 SEC 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 (a current or past officer, director or similar official of the company).

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 SEC Rule 144 the following steps must be taken:

- five (5) 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
- restricted share volume restrictions must be adhered to
- you must also contact Compliance to determine if Private Client Services, LLC requires any additional Rule 144 documentation (such as a written legal opinion from client's counsel concerning the appropriateness of the sale)

SEC 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 compliance for review and get preapproval before becoming active. Also your vendor is required to supply compliance with any ongoing changes for preapproval before being applied.

- 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 and requires preapproval:

    - 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 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 FINRA as 'comparable to a form letter delivered orally.'

- Publicly available Web sites are considered advertisements.

- Bulletin board postings are currently not permitted by this broker dealer.
- Group e-mail is considered sales literature.

- Password-protected Web sites are considered sales literature.

SENIOR INVESTORS: Diminished Capacity

If you have any senior investors, it is important that you understand, to the best of your ability, what issues can arise for seniors who have diminished capacity in any way (limited eyesight or hearing, the on set 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 or are unsure of how to handle a certain customer.

From FINRA Notice to Members 07-43: *One of the most troubling issues to the firms we surveyed is that of investors who exhibit signed 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 suddent, 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.*

SENIOR INVESTORS: High-Pressure Sales Seminars Aimed at Seniors

Under no circumstances may you hold any seminars without receiving prior approval from your designated supervising principal or Compliance, regardless of who your proposed audience is. Nor may you use any title 'designation' of any sort without prior approval.

Regarding seminars aimed at seniors and professional designations suggesting expertise in dealing with older investors, in its Notice to Members 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 and NYSE 472 prohibit firms and registered representatives from making false, exaggerated, unwarranted or misleading statements or claims in communications with the public. This prohibition includes referencing nonexistent or self-conferred degrees or designations or referencing legitimate degrees or designationsl 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. Utilizing 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 CCO. Scripts, handouts, dates, names of individuals conducting seminars to be attended by seniors, as well as any other relevant material, must be approved and 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 Notice to Members 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.

The number of Americans who are at or nearing retirement age is growing at an unprecedented pace. The United States population aged 65 years and older is expected to double in size within the next 25 years. By 2030, almost 1 our of every 5 Americans - approximately 72 million people - will be 65 years old or older. Those who are 85 years old and older are now in the fastest growing segment of the U.S. population. At the same time, Americans are living longer than ever, meaning that retirement assets have to last longer that ever, too. Moreover, fewer and fewer retirees and pre-retirees can rely on traditional corporate pension plans to provide for a meaningful portion of retirement needs. Therefore, the financial decisions made by those who are at or nearing retirement are more important that ever before.

Notice 07-43 states, '*FINRA does not have special rules for senior customers. Firms owe all their customer 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.*'

You should ensure that you receive appropriate training regarding special concerns that should be taken into effect when servicing senior investors.

Such training should include issues such as liquidity taking on added importance 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-reliace on net work 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 to ask 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 of had concerns about the customer's whereabouts or health. (To avoid violating Regulation S-P ('Privacy') 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.

Additional important information to obtain includes:

- Is the customer still currently employed? If so, how much longer does he or she plan to work?
- What are the customer's primary expenses? For example, does the customer still have a mortgage?
- What are the customer's sources of income? Is the customer living on a fixed income or anticipate doing so in the future?
- How much income does the customer need to meet fixed or anticipated expenses?
- How much has the customer saved for retirement? How are those assets invested?
- How important is the liquidity of income-generating assets to the customer?
- What are the customer's financial and investment goals? For example, how important is generating income, preserving capital or accumulating assets for heirs?
- What health care insurance does the customer have? Will the customer be relying on investment assets for anticipated and unanticipated health costs?

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 horizon 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.

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 Supervising Principal, 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.

Suitability

The NYSE's Rule 405 is commonly referred to as the 'Know Your Customer Rule.' (FINRA's 'Suitability Rule" is Conduct Rule 2310.)

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. 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 Private Client Services, LLC'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.

Client Records

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. 'client file,' 'logs,' etc.) of client information.

Reps not maintaining such records will not be able to effectively adhere to the 'know your customer' requirement and is a breech of company policy and industry standards.

Such information should minimally contain the following:

- 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), client statements
- Personal notes/meeting notes

Liquefied Home Equity

In FINRA Notice to Members 04-89, 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), 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, FINRA states that for purposes of the Interpretation, '...an institutional customer shall be any entity other than a natural person.' 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.

Third Party Requests

- All requests to change delivery to a third party address, or to have funds sent to a third party, or to deal with a third party in any manner concerning a customer account, must be obtained in writing from the client, and all appropriate documentation (i.e. Power of Attorney) must be on hand.

- A "third-party form" (or whatever other or additional documentation is required by Private Client Services, LLC) must be utilized, with no change of address taking effect, or no other instructions followed, until the document has been returned by the customer, acknowledging their request, and approval for the third party address has been given by your Supervising Principal.

- Upon being signed by the customer, and appropriately internally approved, in writing or via "initialing," all third-party forms, with indications of approval, are to be maintained in the appropriate client file.

Any employee utilizing a third party address or name in any manner without following appropriate procedures will be sanctioned and may be terminated.

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.

Trade Shredding

Our policy prohibits the practice of "trade shredding". If you become aware of such a practice occurring at our broker-dealer, you are required to notify your designated supervisor immediately.

What is "trade shredding"? "Trade Shredding" refers to the practice of splitting customer orders for securities into multiple smaller orders (i.e. a 1,000 share order is split into ten 100-share orders) for the primary purpose of maximizing payments or rebates to the broker/dealer.

By way of background, FINRA expressed concern in Notice to Members 06-19 that *"concerns have been raised about market participants increasingly engaging in the practice of trade shredding as a means to increase their share of market date revenues under the joint industry plans where a plan participant has adopted a practice of sharing its plan revenues with market participants that send it orders. To address these concerns, the SEC adopted Regulation NMS, which contains amendments to the current plan formula used to allocate plan income.* Notice to Members 06-19 continues, *"Although these (Regulation NMS) modifications in plan formulas reduce the incentives for trade shredding, new Rule 3308 was proposed and approved to prohibit such practices."*

TRADING: Ahead of Market Orders

FINRA Rule 2111 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 2111 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 2111 does not apply to riskless principal transactions, provided that certain requirements are satisfied, as described in the Rule (see further FINRA Notice to Members 05-69). Certain off-lot orders are also exempt from the Rule, as discussed in the Rule's FAQs addressed in FINRA Notice to Members 06-03.

If at any time you are unclear about any of the provisions under FINRA Rule 2111, you should make sure that you discuss it with your supervising principal or with someone in Compliance.

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 (which must be so indicated on order tickets) must have appropriate written authorization is 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 as to be able to continue to fill the order, and
- obtain (by the following day) the requisite written authorization.

*It is the current policy of this broker dealer not to allow any time and price decretion with any retail client.

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, in Notice to Members #04-26, cautions firms and their registered personnel that *'the same duties* [that apply to correctly applying breakpoint discounts in the sale of mutual fund shares] *extend 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 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 Private Client Services, LLC.

Variable Products (Annuities and Life Insurance)

As a registered representative of Private Client Services, LLC 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. 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 and Living 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 Private Client Services, LLC.

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 Private Client Services, LLC).

- 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.

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.

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, you will more than likely be called in for discussion with your Supervising Principal (and possibly with Compliance as well) and may face having all your customer files reviewed on an in-depth basis, under the oversight of Compliance.

Cash and Non-Cash Compensation

NASD Rule 2820(h), '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.'

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 of 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). As stated in NASD Notice to Members 05-50, *"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. (Securities Act Release No. 6645, 35 SEC Docket 952, May 29, 1986, adopting Rule 151)." NASD Notice to Members 05-50 continues, *"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 (NASD Rule 3030) or as private securities transactions (NASD Rule 3040). 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.

SECURITIES INVESTOR PROTECTION CORPORATION ("SIPC"): Information Disclosure to Customers

You, as a registered representative, may or may not be responsible for adhering to 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.