



COMPLIANCE MANUAL

For Associated Persons (RRs) Or Written Supervisory Procedures
Version A

For Associated Persons Use

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NEW:

January, 2024 Version P

- T+1 Coming in May of 2024
- Delivery of D Packet or H Packet to New Customers Containing Form CRS, Regulation Best Interest Disclosure Brochure and Customer Agreement Addendum Has Been and Is Now A Required Delivery To New Customers Which Must Be Signed by them.
- New form called "**REG BI Questionnaire for Mutual Funds, Variable Annuities, UITs & 529 Plans**" required to be completed by each AP on for EACH PURCHASE of these investments. Under FAF website, *Forms #4. Mutual Fund Disclosure Statement* for the above. 
- FINRA is now referring to you as an "Associated Person" vs. a "Registered Representative"
- Change in (FINRA) Regulatory Continuing Education from Every Three Years to Yearly Requirement in Addition to the Firm Element (FAF) Continuing Education.

It should be noted that this manual includes only those rules, regulations and policies that are considered to be most applicable to the day-to-day activities of the Associated Persons contracted for securities with First Asset Financial Inc. It is not all-inclusive of the laws and regulation with which First Asset and its Associated Person must comply. You are encouraged to visit FINRA's Website (www.finra.org) and you are welcome to review the "companion" manual to this one, the 265+ page First Asset Written Supervisory Procedures, Class B manual, located on our website under Compliance, then under item #7.

FORWARD

This compliance manual sets forth various house policies which First Asset Financial Inc. (the Company) has adopted to protect both the Associated Person (“AP”) and the Company from customer problems, and to ensure compliance with the rules and regulations that govern the industry.

The AP is expected to be familiar with the contents of this manual and the regulatory provisions relating to the conduct of the AP and the handling of customer accounts.

INTRODUCTION

First Asset Financial Inc. compliance and business policies adhere to sound investment principles and practices, and ethical standards. They are intended to ensure conformity to the rules and regulations of the many governing bodies to which we are subject.

It is the desire of the company that its policies be conscientiously followed and effectively enforced. In order to accomplish this goal, the company is providing you with this compliance manual, Version A. Version B is available for review upon request. Companion manuals include one for anti-money laundering and one for best practices for Cybersecurity.

The prime responsibility for following the policies and procedures set forth in the subsequent sections rests with you, the Associated Person. While the company has a variety of supervisory procedures to oversee compliance, a conscientious and professional attitude on your part will ensure that we fulfill the many rules, regulations and business customs of the securities brokerage business.

While every attempt has been made to have this manual touch all of the requirements, your good judgment is nevertheless required for the success of the company’s compliance program. You should be familiar with the procedures and policies set forth in this manual, which is divided into sections covering each of the many areas for which **you are held responsible.**

From time to time, questions may arise which cannot be answered fully by quick references to the compliance manual. Such questions should be brought immediately to the attention of the Supervisory Principal before any action is taken.

Section 15(b) (4)(e) of the Exchange Act allows imposition of sanctions for failure to reasonably supervise, Mandated by Article III, Section 27: “Each member shall establish and maintain a system to supervise the activities of each registered associated person and associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with the rules of this Association. Final responsibility for proper supervision shall rest with the member. A member’s supervisory system shall provide, a minimum, for the establishment and maintenance of written procedures.”

This manual is designed for a “straight forward” presentation of the basic rules, regulations, and procedures in less than 30 pages in a format that is easily understandable. It is an abbreviated and condensed version of First Asset Financial Inc. Supervisory Manual, Version B. Version B is more “in depth” and detailed in regard to the methods and implementation of compliance for First Asset. A copy is available upon request for any AP who wishes to review its 250+ pages of information.

COMPLIANCE MANUAL FOR FIRST ASSET FINANCIAL INC. (FAF)

(Written Rules of Supervisory Procedure-Version A)

REGULATION BEST INTEREST (REG BI)

The important changes mandated by Regulation Best Interest (Reg BI) in June of 2020 may alter the way in which you conduct business. You are required to deliver Form CRS (Customer Relationship Summary) by the Securities and Exchange Commission (SEC) on accounts and are required to act in a consistent manner with four obligations.

Regulation Best Interest is comprised of four primary parts that FAF APs are obligated to follow when providing recommendations for retail customers consisting of (1) **disclosure** (2) **care** (3) **conflict of interest disclosure** and (4) **compliance** with a secondary point. These are to be observed and implemented in the following ways:

- ***Disclosure Obligation:*** provide certain required disclosure before or at the time of the recommendation, about the recommendation and the relationship between you and your retail customer;
- ***Care Obligation:*** exercise reasonable diligence, care, and skill in making the recommendation;
- ***Conflict of Interest Obligation:*** establish, maintain, and enforce written policies and procedures reasonably designed to address conflicts of interest; and
- ***Compliance Obligation:*** establish, maintain, and enforce written policies and procedures reasonably designed to achieve compliance with Regulation Best Interest.

Secondary Reg BI Action:

Record-making and Recordkeeping: You must also comply with new record-making and recordkeeping requirements related to and surrounding Reg BI. This deals primarily with taking client notes, completing an FAF Reg BI form, delivery of Form CRS and possibly a Best Interest Disclosure (IRA Rollover Disclosure Form) with a signature verification of delivery of Form CRS and the Reg BI disclosure contained in the **H & D Packets**.

1. Disclosure Obligation

Reg BI's Disclosure Obligation requires the broker-dealer (BD) or AP (registered representative), prior to or at the time of a recommendation, to provide the retail customer, in writing, full and fair disclosure of all material facts relating to the scope and terms of the relationship with the retail customer. The general information for Reg BI is contained under "**Regulation Best Interest Disclosure Brochure**" as contained in both the "**D Packet**" and the "**H Packet**." The customer signs on receiving the "Packet" demonstrating receipt of the Brochure and Form CRS.

2. Care Obligation

Under Reg BI's Care Obligation, you must exercise reasonable diligence, care and skill when making a recommendation to a retail customer to understand potential risks, rewards and costs associated with recommendation, and have a reasonable basis to believe that the recommendation could be in the best interest of at least some retail customers.

3. Disclosure Obligation

Reg BI's Disclosure Obligation requires First Asset or the AP (registered representative), prior to or at the time of a recommendation, to provide the retail customer, **in writing, full and fair** disclosure of all material facts relating to the scope and terms of the relationship with the retail customer.

4. Compliance Obligation

The Compliance Obligation requires broker-dealers (BDs) to establish, maintain and enforce written policies and procedures reasonably designed to achieve compliance with Reg BI. The Compliance Obligation applies to your BD and as an AP (registered representative), your responsibility under the Compliance Obligation is to comply with your BD's policies and procedures.

Aspects of Reg BI requires You To:

- Provide **full and fair disclosure** of the material facts of your client relationships.
- Prove and document that you have clients' **best interests** first, always.
- Understand the **risks, rewards, and costs** of your recommendations.
- Show a **reasonable basis** to believe your recommendations are in the best interest of your clients.
- Demonstrate that recommendations are in a client's best interest based on their **investment profile**.
- Show that recommendations alone, and when **viewed holistically**, are in a client's best interest.
- To **mitigate conflicts of interest** that may arise.
- Refrain from making recommendations that place their interests ahead of their clients.
- Factor in the cost and **expense of your recommendation**. Show that the **cheapest option** isn't necessarily in the client's best interest.

Along with the above, your Reg BI obligation is completed when you deliver (1) Form CRS, (2) the Regulation BI Disclosure Brochure (both in the D or H Packet) to the customer and (3) when you **complete the Reg BI Questionnaire** (completed and signed by you-not the customer).

REGISTRATION ELEMENTS WITH FIRST ASSET FINANCIAL INC.

Associated Person Compliance Meetings

Starting in 2023, FINRA changed their "Regulatory Element of Continuing Education" from once every three years to ONCE a YEAR. Failure to complete this will make your license inactive!

Each Associated Person (AP) of First Asset Financial Inc. (FAF) is required to take the "Firm Element" of Continuing Education in addition to the above CE each year. Also is required completion of one "annual" compliance meeting each calendar year as per FINRA Rules. This requirement is usually completed via QuestCE's annual compliance meeting option.

Other Business Activities and Form U-4 Updating

No person registered with FAF shall accept compensation from any other business activity, other than a passive investment, unless he/she has disclosed the activity on the original Form U-4 or has provided First Asset Financial Inc. with prompt notice **prior to engaging in that business activity** in writing using the "Outside Business Activity and DBA" form provided by FAF and must be approved **prior** to engaging in the activity.

Your Obligation to update FINRA Form U-4

It is the obligation of any associated person to keep their U-4 current. You are to notify FAF of any of the following changes from the most recent U-4 filing: address changes, outside activities (see below), change of name, change of office address, change in “disclosure notices,” judgments from creditors, child support orders, federal and state tax levies, bankruptcy wage withholding orders, new

“other/outside” business activity (or cessation of such) and any other changes from your original or most recent Form U-4. A fine of has been instituted by FINRA for tardy reporting of U-4 changes, paid by the associated person at \$100 for the first day and \$25 for each subsequent day up to 60 days with a charge to the AP of up to \$1,575 total! It “pays you” to report U-4 updates promptly.

Outside Activity Acknowledgements

As the SEC, FINRA, and many state securities commissions may interpret the AP’s association as an “employee” of FAF (while FAF “interprets” APs as ‘independent contractors’), steps must be taken to reveal to involved parties that FAF is not a party to certain “approved outside activities.” FAF regularly allows approved business activity to be conducted by an AP that is not related to any business of FAF’s. In meeting FINRA regulations that require it to be very clear which business activity applies to FAF and which business activities are being conducted “away” from FAF, a disclosure made by the AP to the customer when business outside of FAF is being, or intended to be, conducted with the customer or prospect. An FAF form should be completed for each “outside” business activity you engage in. Selling Fixed Equity Index Annuities that are not on the approved lists would be considered selling “away” without permission of FAF (your broker-dealer). Specific written permission must be given by FAF for these situations.

YOU MUST SUBMIT A REQUEST TO FAF TO ENGAGE IN AN OUTSIDE BUSINESS ACTIVITY PRIOR TO ENGAGING IN SUCH ACTIVITY AND RECEIVE PERMISSION FROM FAF TO DO SO.

FINRA Rule 3270 requires that, upon receipt of an AP's written notice of a proposed outside business activity, FAF will consider whether the proposed activity (1) will be allowed or not allowed, (2) any limitations placed on the activity and (3) the manner in which the business should be characterized.

AP's must submit all “Fixed Equity Index Annuities” (FIA) to a FAF supervisor for review even though the business may be conducted “away” from FAF. FAF recognizes that FIAs are an insurance product and not a security and require only an insurance license to handle FIAs. As the policy holder may not be a customer of FAF, any documents relating to the customer are to be considered documents for suitability determination as per NASD (FINRA) Notice to Members 50-50 and not considered to be documents allowing the policy holder to be a customer of FAF.

Private Securities Transactions

No person associated with First Asset Financial Inc. shall participate in a private securities transaction without providing prior written notice to First Asset Financial Inc. and receiving written approval. The written notice will describe, in detail, the proposed transaction and the person's proposed role, including any selling compensation. FAF reserves the right to refuse permission to any associated person or to dictate specific conditions for participation. Selling shares of any LLC, partnership or corporation could be considered a “private securities” transaction.

Accounts With Other Brokers or Dealers

It is preferred that all FAF associated persons hold their brokerage accounts with FAF’s clearing broker/dealer, Hilltop Securities Inc. (HTS). In all cases, but especially regarding broker dealers other than HTS, Associated Persons are required to notify First Asset Financial Inc. in writing

before opening a securities or commodities account with another broker dealer. As per FINRA regulations FAF must give permission to open the account and cause statement copies to be sent to FAF. The firm with whom the account is opened must be notified that you are an associated person when you open the account.

Registration

No person will conduct business for securities in which he or she is not registered with FINRA or MSRB, nor conduct business in any state in which he or she is not properly registered. If an associated person wishes to conduct business in a state where the AP is not registered through the use of an exemption, the compliance officer must first approve the exemption prior to any business being solicited or placed. Also see **page 11** for insurance licensing policy and procedures, whereby licensing must be present for the FAF agency, product, and individual.

Customer Complaints

Copies of ***all customer complaints, verbal or written***, must be immediately forwarded to the home office at 110 E. Iron, Salina, KS, ATTN: Compliance Department or by e-mail to bobh@firstassetfinancial.com.

A complaint is any verbal or written contact with a client that goes beyond the typical request for services. A complaint is any accusation, threat of action, or a demand for accounting, explanation, or reimbursement. If a client makes a verbal complaint, the AP should listen carefully, take good notes and request that the client put his problem in written form. All notes and background information must be filed with the home office compliance department. The verbal complaints noted in a memorandum to the compliance office should indicate the nature of the complaint, date of the complaint, and securities or procedures involved and the resolution (resolution may be sent later if not resolved at the time of the complaint).

CUSTOMER ACCOUNTS

Receipt of Securities

Due to United States Securities and Exchange Commission (SEC) net capital rules, First Asset Financial Inc. offices and Associated Persons are **NOT ALLOWED TO RECEIVE** customer securities directly from the customer. Therefore, it is necessary to have CUSTOMERS mail securities to FAF's "clearing firm" (HTS) or other entity.

Assistance in completing the endorsement of the certificate or stock powers may be performed for the client as long as the client is physically present, but the Associated Person is **NOT TO TAKE POSSESSION of any security, certificate, or other valuables of customers**. Such activity could result in significant fines to First Asset Financial Inc., (minimum \$5,000 fine) of which the violating Associated Person will be required to pay as per their contract with FAF.

Customers are required to mail their own certificates. It is HIGHLY recommended that customers insure mailed certificates for an adequate amount to replace the certificates if lost in the mail. THE CUSTOMER IS RESPONSIBLE FOR LOST CERTIFICATES, NOT FIRST ASSET FINANCIAL INC., Hilltop Securities Inc. or the Associated Person. Normally 5-10% of market value will be sufficient to purchase a bond that will replace lost certificates.

ASSOCIATED PERSONS (REGISTERED REPRESENTATIVES) ARE NOT ALLOWED TO TAKE POSSESSION OF CUSTOMERS' SECURITIES.

Receipt of Customer Funds

No person associated with First Asset Financial Inc. shall accept **CASH** in payment of securities purchases. In "cleared" trades processed through the clearing firm, ***clients should be instructed to make payment directly to the clearing firm*** (Hilltop Securities Inc.). In other cases checks shall be made payable directly to the escrow agent, mutual fund, partnership, etc. **AT NO TIME SHALL A CLIENT MAKE A CHECK PAYABLE TO FIRST ASSET FINANCIAL INC. OR THE AP.** When accepting a check, the AP should provide the client with a check receipt and FORWARD THE CHECK THE SAME DAY. It is not permissible to hold checks or non-check applications overnight at any time, except if the check/application is received after regular business hours (3 pm or later). Then the check/application should be mailed promptly the next day. The AP is required to keep a "blotter" for checks sent to the home office. Such a "blotter" should also be kept for orders (with and without checks) sent to the home office. This blotter should be available to FAF upon request sent to the FAF home office no less than semi-annually.

Order Procedure

FINRA rules require that ALL "application way" orders be ***reviewed by a principal prior to sending*** to the appropriate entity. This review aids in assuring that the investment matches the client investment objectives and gives the supervisor an opportunity to review the application for accuracy and conformity. This requires orders to be placed with the clearing firm (HTS-and reviewed from electronic data on a daily basis) or submitted to the AP's "Office of Supervisory Jurisdiction" (OSJ) for review by a principal at the OSJ location.

Principles of Fair Dealing

First Asset Financial Inc. and all persons associated with the firm will observe high standards of commercial honor and just and equitable principles of trade in all dealings with the public. Common violations of FINRA Conduct Rules, while not inclusive, are as follows:

1. Recommending speculative low-priced securities without knowledge of customer's financial situation and ability to bear risk.
2. Excessive trading or "churning" involves the purchase and sale of securities in a client's account for the purpose of generating commissions and not in accordance with the client's investment objectives.
3. Short-term trading of load or back-end load mutual funds is a form of "churning" since mutual funds are long term investments.
4. Unauthorized transactions in client accounts are expressly forbidden. The client must direct or approve, prior to entry, the specific security to be purchased or sold and the quantity.
5. Associated Persons (AP) of FAF may not share in profits or losses in client accounts except to the extent that the representative or Associated Person has provided capital for that account. It is expressly against First Asset Financial Inc. policy for an AP to have a hidden interest in any account. The account must be titled with the AP's name as a joint account, or be a partnership account with the AP listed as a partner. Any such sharing in an account must be proportional and approved by the compliance officer prior to the establishment of such an account. Copies of statements must be provided FAF.

General Standards

All communications with the public shall be truthful. No material facts may be omitted, nor exaggerated, unwarranted or misleading statements or claims made.

Prohibited Activities

Use of Firm Name

No AP may use the Firm's name in any manner which could be reasonably misinterpreted to indicate a tie-in between the Firm and any outside activity of the AP.

High Pressure Sales Tactics

The Firm and its APs will not engage in high pressure sales tactics which may include excessive telephone calls, implying that a price may change on a security if the customer doesn't act immediately or falsely representing that there is a limited supply of a security at a particular price.

Providing Tax Advice Not Permitted

APs may not give tax advice to customers since the Firm and its APs are not engaged in the practice of providing tax advice. Customers requiring specific tax guidance should be referred to their personal tax advisers.

Rebates of Commission

APs are prohibited from rebating to anyone, directly or indirectly, any commission or compensation received.

Settling Complaints or Errors Directly with Customers

APs may not make payments to customers of any kind to resolve an error or customer complaint. Errors and complaints must be brought to the attention of the AP's designated supervisor.

Personal Loans with Customers

APs are not permitted to borrow from or lend to customers of the Firm (unless the AP is borrowing from a customer bank in a normal bank transaction). Exceptions require the review and approval of Compliance.

Personal Funds Deposited in Customer Accounts

In general, APs are not permitted to deposit personal funds or securities in customers' accounts or deposit customers' personal funds or securities in AP accounts. The same prohibitions apply to withdrawals. Exceptions should be reviewed by Compliance.

Prohibition against Guarantees

The Firm and its APs are prohibited from guaranteeing a customer against loss in any securities transaction. Designated supervisors are responsible for identifying prohibited guarantees in correspondence or other written communications with public customers. Options or written agreements that establish the future price of a transaction such as repurchase agreements are not included in this prohibition.

Fees and Other Charges

APs are not permitted to charge fees or assess other charges to customers or customers' accounts.

Customer Signatures

APs are not permitted to sign documents on behalf of customers, even when doing so is meant to accommodate a customer's request. Customer signatures must be original by the customer on all documents.

Rumors

No AP may spread any rumors or misinformation that the AP knows to be false or misleading. This includes rumors of a sensational character that might reasonably be expected to affect market conditions. Discussion of unsubstantiated information published by a widely circulated public media is not prohibited providing the source and unsubstantiated nature are also disclosed.

Misrepresentations

APs may not disseminate any information that falsely states or implies guarantees or approval of securities by the government or other institution such as government guarantee of securities that carry no such guarantee. The Securities Investors Protection Corporation ("SIPC") may not be misrepresented as a guarantor of a customer's account against losses from transactions.

Bribes

No AP may offer or solicit explicit inducements to or from employees or associated persons of other institutions or foreign governmental or political officials to obtain business.

Gifts and Gratuities

Gifts of anything of value and gratuities to anyone relating to the Firm's business are limited to \$100 per year per person (other than to persons with a written employment agreement with the Firm). Gifts to a particular recipient will be aggregated on a calendar year basis. This limitation does not include usual business entertainment such as dinners or sporting events where the AP hosts the entertainment.

Accepting Gifts

APs may not solicit gifts or gratuities from customers or other persons with business dealings with the Firm. APs are not permitted to accept gifts from outside vendors currently doing business with the Firm or seeking future business without the written approval of Compliance. This policy does not include customary business lunches or entertainment; promotional items (caps, T-shirts, pens, etc.); or gifts of nominal (less than \$100.00) value.

Acting without Registration

No AP may engage in activities that require registration (selling securities, soliciting accounts, trading, etc.) unless registered in the appropriate capacities. Questions regarding the need for registration should be referred to Compliance.

Designations

FAF APs **may not** use the following designation on any literature, business cards, signs, advertisements, letterhead, news release, or convey that they have such designation:

Certified Senior Specialist (CSS),, Certified Elder Planning Specialist (CEPS), Retirement Income Specialist (RIS), Certified Senior Advisor (GSA), Certified Financial Gerontologist (CFG), Chartered Senior Financial Planner (CSFP) Or indication membership in National Ethics Bureau (NEB) or other designations not approved by a FAF. **If you wish to use a designation, check with First Asset to gain approval for use of the designation.**

Limits to Being Named Customer's Beneficiary

FINRA Rule 3241, “Associated Person Being Named a Customer’s Beneficiary or Holding a Position of Trust for a Customer,” would protect investors by requiring all FINRA member firms to affirmatively address situations where associated persons (whether or not employees) are named to these positions, according to the organization. Rule 3241 requires the associated persons to provide written notice to the member firms with which they are associated, then the firms must review and approve or disapprove the associated person assuming such status or acting in such capacity. Rule 3241 does not apply where the customer is a member of the associated person’s “immediate family” as defined in the rule.

Associated Person’s Obligations Regarding FINRA Rule 3241

- (1) Being named a beneficiary of a customer’s estate or receiving a bequest from a customer’s estate upon learning of such status, unless the associated person provides written notice upon learning of such status and receives written approval from First Asset prior to being named to such status, or upon learning of appointment to such status; *and*
- (2) Being named as an executor or trustee or holding a power of attorney or similar position for or on behalf of a customer, *unless*:
 - (a) Upon learning of such status, the associated person provides written notice and received written approval from FAF prior to acting in such capacity or receiving any fees, assets, or other benefit in relation to acting in such capacity; *and*
 - (b) The associated person does not derive financial gain from acting in such capacity other than from fees or other charges that are reasonable and customary for acting in such capacity.

Rule 3241 does not prohibit an associated person from being named a beneficiary of or receiving a bequest from a customer’s estate. Further, associated persons who do not have customer accounts assigned to them are not subject to the Rule.

First Asset Financials’ Obligations

Rule 3241 does not prescribe any form of written notice, but rather permits First Asset Financial to specify the form of notice for its registered associated persons.

Upon receipt of a notice from an associated person, the rule requires the First Asset Financial to:

1. Perform a reasonable assessment of the risks created by the associated person's assuming such status or acting in such capacity; *and*
2. Make a reasonable determination of whether to approve the associated person acting in such capacity or assuming such status, to approve it subject to specific conditions, or to disapprove it.

If an associated person is approved to hold (and receive compensation for) a position of trust for a customer whose account is held *away from the First Asset Financial*, the requirements of both Rule 3241 and FINRA Rule 3270 (Outside Business Activities of Associated Persons) would apply to the activities away from the First Asset Financial.

Marketing Material Indicating an FAF AP Is the Author

FAF APs are prohibited from distributing hard-cover books or pamphlets, newspaper or magazine articles that imply they were written or authored by an FAF AP. See FINRA Notice 08-27.

Cold Calls

AP's are not to make cold calls before 8 a.m. or after 9 p.m. (local time at the called person's location). When making cold calls, AP's must, in a clear and conspicuous manner, disclose the called party with his/her name, firm name, a telephone number and address at which the caller may be contacted. If the purpose of the call is to solicit the purchase of municipal securities or related services this must also be promptly disclosed as stated in MSRB Rule G-39. If a FAF "account form" is executed by the customer, the FAF AP is able to call the customer and be exempt from the restrictions.

Each AP is responsible for acquiring him/herself with any state imposed "Do Not Call List" as well as any such federal list. It is the AP's responsibility to obtain it and not call any numbers/names on the list while cold calling. Any fines levied by violation involving a "Do No Call List" are solely those of the AP and not the responsibility of FAF.

If the office does NOT engage in cold call activities, then this requirement is waived; but a statement to the effect that said activities are NOT engaged in must be on file. If a statement of "no cold call activity" is on file and any AP in the office embarks on cold calling activity, the do-not-call list must be established and cold call restrictions observed. AP's are expected to observe all of the rules as set forth by the Telephone Consumer Protection Act of 1991 that became effective in December 1991.

Please note that the cold-calling issues do not apply to calls made to "existing customers" for whom First Asset Financial Inc. carries an account due to account disclosure.

Correspondence

All correspondence must be approved prior to being mailed by a principal if it makes any financial or investment recommendation or otherwise promotes a product or service of the firm.

Business Cards and Stationary

Format for business cards and stationary must be approved by First Asset Financial Inc. *prior to use*. It is suggested approval be obtained prior to printing to avoid re-printing charges. A business card policy statement should be obtained from the home office for reference prior to creating the cards. The only e-mail addresses that may be used on business cards and stationary is the First Asset e-mail address assigned to the AP. The only web-site address that may be allowed is First Asset's. You are encouraged to use your FAF e-mail address on the card and FAF's website of firstassetfinancial.com on your business card or stationary. You may NOT use your personal e-mail address on either of these.

FINRA regulations do not allow you to use your personal or office address on your First Asset business cards or stationary unless you are registered as a branch address.

Communications with the Public

There are three categories of Firm communications as defined by and regulated by FINRA Rule 2210:

1. **Retail communication** - Any written communication, including electronic, distributed or made available to more than 25 retail investors within any 30 calendar-day period
2. **Correspondence** - Similar to retail communication, but is limited to 25 or fewer retail investors
3. **Institutional communication** - Any written communication, including electronic, distributed or made available only to institutional investors, such as banks, insurance companies and registered investment companies, among others. A firm's internal communications are not covered by this definition.

Advertising

Any material prepared for use in a public media, including telephone directories, newspaper, etc. must be approved by the First Asset Financial Inc. compliance office prior to use. In some cases, it may be necessary to submit advertising to FINRA for review/approval. All costs for FINRA submission shall be borne by the AP. This includes approval by a Municipal Principal for municipal bond advertisements. The definition of "advertising" includes Yellow Page ads. All business cards and stationery must be approved **PRIOR** to use by FAF.

Communications with the Public

Under FINRA revision for 2210, decreasing the number of communications categories from 6 to only these three: (1) institutional communications; (2) retail communications & (3) correspondence, resulted in few changes to FAF policies. FAF still is required to review all correspondence PRIOR TO USE that makes any financial or investment recommendation or otherwise promotes a product or service of the firm. All communications must follow the points made under the various clauses of FINRA Rule 2210:

All communications

- Communications with public must be based upon the principles of fair dealing and good faith.
- Must be fair and balanced.
- Provide sound basis for evaluating the facts.
- May not omit any material fact if omission would cause the communication to be misleading.

Prohibited

- False statements.
- Promissory statements or claims.
- Exaggerated statements.
- Unwarranted statements (claims without basis).
- Misleading statements.
- There must be a reasonable basis for the recommendation.

Projections & Predictions

- Predicting or projecting performance is prohibited.
- Hypothetical illustrations of mathematical principles are permitted.
- Should not imply past performance will recur.

All Retail Communications and Correspondence:

- Must disclose the name of the member (may also include a legal fictional name by which the member is commonly known, i.e. First Asset).
- Must reflect any relationship between the member and any non-member entity or individual named.
- If it includes other names, reflect which products or services are being offered by the member so that it is evident which entity is offering which products/services

Tax Considerations

Communications may not characterize income or investment returns as tax-free or exempt from income tax when tax liability is merely postponed or deferred.

- Indicate which taxes do and do not apply.
- Applies to retail communications and correspondence.

Advertisement of Membership

SIPC Disclosure must be included in:

- Print advertisements larger than 10 square inches.
- Radio advertisements longer than 30 seconds in length.
- Television advertisements longer than 15 seconds in length.
- Web advertisements--“SIPC” membership must link to www.sipc.org
- If the appropriate Firm logo is used, the SIPC requirement is met

Electronic Communications with the Public

FAF Associated Persons are under similar “approval” concerning electronic communications (e-mail) with customers as exists for printed communications (non-electronic) for certain e-mail. **E-mail that must be approved by the CCO BEFORE use include (1) any sales oriented communication for a product or service of the firm (2) makes a financial recommendation (3) any advertising, sales letter, solicitation or forward of such communication (4) any email going to more than 25 individuals in a 30-day period or (5) any regulatory communication.** This approval should be evidenced by a printed copy in the file of the home office initiated by the CCO. For emails that do not meet the preceding for prior approval, FAF associated persons may rely upon the home office sampling review for email, assuming that the AP is following company policy and using the internal FAF email system. These electronic communications **MUST BE SENT FROM a FAF SPONSOR E-MAIL ADDRESS** (i.e., JohnD@firstassetfinancial.com). For e-mail communications between FAF associated persons and their customers that do not contain elements in items 1-4 listed above, do not need approval by the CCO prior to use. This is intended to facilitate communications with customers and improve service to them by allowing routine communication to occur freely without the delay of pre-approval of the communication.

Web Pages & Other Electronic Media

ALL FAF ASSOCIATED PERSONS MUST NOTIFY FAF of any and all “web” page addresses maintained or caused to be maintained on their behalf. This includes family web pages, personal web pages, social networking sites such as “Twitter,” or any web places similar in nature. FAF will, from time to time, review the “web site” for compliance with FINRA/SEC/State regulations. Any failure to report a site within 30 days of the establishment of a web page to FAF’s home office will result in a \$100 “administrative fee” from FAF. Note that all web pages involving the sale of securities must be approved by FINRA. There is a per page charge for this service from FINRA, which the AP must pay.

FAF APs are PROHIBITED from discussing securities in “chat rooms” or “blogs.” The point of view of FINRA is that an associated person cannot “control” who is in a chat room or blogs and exposed to the “conversation,” therefore considered to be “communication with the general public” that falls under the “pre-approval” rules of FINRA. This is an “impossible” situation to control and

monitor; so as an FAF Associated Person, you are prohibited from participating in securities discussions in “chat rooms” or on “blogs.”

FAF APs must use caution in “pulling” information from the Internet and presenting to clients. It is preferred that such information be reviewed by the AP’s immediate Supervising Principal or a home office Principal before delivering to the public. Care must be taken to deliver a prospectus to the customer, if the information relates to a prospectus item.

E-Mail Policies

FINRA requires that the APs interoffice and customer communications be supervised by the broker dealer with whom the APs persons place their license. FINRA is requiring First Asset to preserve all e-mail communications for three years and give FINRA access to all firm e-mail. This allows the regulators, as they have done to large firms, to “look under the covers” by examining e-mail for any potential violation through Global Relay, including non-reported customer complaints, improper practices, inappropriate product sales, unapproved customer/prospect communications or other potential violations. *You are encouraged NOT to use your First Asset email address for personal email, but use it only for business, customer and interoffice email.*

1. You have been given your e-mail address generally your first name & first (or more) letters of your last name, i.e.JoeS@firstassetfinancial.com or joes@firstasset.biz **You are to use this email address at Office 365 Outlook for all business purposes. It is preferred that you use an alternative email address for personal business.** Note that the “.com” & “.biz” addresses go to the same place at Office 365 Outlook.
2. If a business communication is sent to your personal email (and this is likely to happen!), you are required to forward it to your FAF address. Always answer the email from your First Asset email address, even though it may have come to your personal address.
3. When communicating with First Asset **ALWAYS use your FAF email address.** Communications from your personal email address will not be answered.
4. You have either already, or will, execute a “Representations to First Asset” document and signed it in which you stated that you will use your FAF email address exclusively for your business communications.
5. You may use *ONLY your FAF email address on your business card or other public communications.* All other email addresses are prohibited.
6. Be aware that FINRA requires email to be archived for three years and **FINRA will have access to your FAF email. Use caution in what you say to customers and or disclose in emails to customers and interoffice email as it will be reviewed by regulators!**
7. Email containing Personal Identifiable Information (PII), which includes Social Security and account numbers as well as other information, shall ALWAYS be sent in email using encryption or FAX (with a secure receipt location).

As stated above, ALL email to First Asset should be conducted FROM YOUR First Asset e-mail address. It should also be sent to the First Asset e-mail address you wish to reach at the home office. The First Asset e-mail address is: FAF@firstassetfinancial.com or faf@firstasset.biz

After you have created your First Asset e-mail address, you must next then create a "signature plate" that will always appear on your business email. It should appear similar to this:

Your Name, Financial Advisor

First Asset Financial Inc.

(if you are a branch, your branch information here, including, firm name, address, phone number, your email address, Member SIPC) (**If you are not a branch, you may only use your name and phone number[s]**)

(firm information:) Home Office: 110 E. Iron, Salina, Kansas 67401 **785-825-5050** FAX (785) 823-9207 **FAF@firstasset.biz**

Trades & other time sensitive information should not be sent via E-mail or left on voicemail. Always speak to a live person for trades or investment orders. The information contained in this email is confidential & intended for the named recipients(s) only. First Asset employs an E-mail monitoring program for the review of domain email. Nothing in the content of this E-mail should be considered a specific investment recommendation or tax or legal advice.

E-Mail Procedures

You should adopt one of the basic email software programs (email client) as your email source for First Asset email of Office 365 Outlook. Outlook 365 is available from anywhere by logging in. You can also load your mail on your iPhone, iPad or Android phone. If you put your email on your iPhone/iPad, the mail will go to your desktop and those portable devices all at the same time. They will all "synchronize" so if you delete an email on your iPhone, it will also delete on your desktop and iPad. You are welcome to "dump" Office 365 and other email addresses into your chosen software (client) as well so that they are "mixed together." This should provide a "convenience" to you in that you can

check all your e-mail addresses at one location (like @gmail.com, @aol.com, or other personal email carrier address) but do not choose Office 365 to be the primary email location. The other email addresses **WILL NOT** be monitored even though they are "dumped" into your (client) email program, only the "First Asset" email addresses will be monitored (the "@firstassetfinancial.com and @firstasset.biz" addresses). You are encouraged to use other email addresses for your PERSONAL EMAIL and are **DISCOURAGED** from using your First Asset email address for personal email. If you do "dump" your personal and other email addresses into your email software, BE SURE YOU SELECT YOUR FIRST ASSET EMAIL ADDRESS WHEN YOU ARE **SENDING OUT BUSINESS RELATED EMAIL**.

Regulations make it necessary for you to conduct all of your securities e-mail through a "company" e-mail address. Firm policy and FINRA regulations require that you use your First Asset email address for all your customer, prospect, intra-firm, and vendor communications.

You are required to FORWARD any securities related e-mail you might receive at your current e-mail PERSONAL email address to your FIRST ASSET e-mail address. The same is true for any MISTAKE that you might make by sending out "securities" related e-mail from your current e-mail address, simply FORWARD that email to your First Asset e-mail address. Please do not make a habit of this, but do perform this "FORWARD" for the occasional error that you might make.

Social Media-LinkedIn/Twitter

Each First Asset AP must use a "Global Relay" FAF email address to conduct securities business. APs are permitted to have LinkedIn accounts so long as those accounts are "linked" with Global Relay (they charge for the service!). If their account is not "linked" with Global Relay, the AP is NOT permitted to use a LinkedIn account. If an AP has LinkedIn, but does not use it, then a document must be executed and stated that the AP will not use the account. APs are permitted to have a Facebook account so long as they "friend" an appropriate person in the home office, only conduct personal non-business related communication on their Facebook account. APs are prohibited from

using other “social platforms” for sales purposes, communication with customers, identification as a securities associated person or for investment commentary.

Manuals

The FINRA manual can be found at: <https://www.finra.org/rules-guidance/rulebooks/finra-rules>, the MSRB Manual at: www.msrb.org, and the First Asset Compliance “A” Manual at www.firstassetfinancial.com under Compliance, #7, A. Consider a "book mark" or desktop icon on at least one computer at your location that enables you to access FINRA Manual, MSRB Manual and First Asset Compliance “A” Manual.

Sales Literature

Any written communication distributed to or made generally available to customers or the public, such as a form letter, must be approved by the FAF compliance office prior to use.

Seminars and Other Speaking Engagements

When participating in a seminar, forum, radio or television interview or other public appearance, all persons will conduct themselves in the same spirit of good faith and fair dealing as required in written communications. All materials relating to a seminar must submitted to the home office and be pre-approved prior to the seminar. That includes the invitations, literature used or handed out at the seminar, the script for the seminar, any PowerPoint used or other related materials.

Securities Covered by Prospectus

AP's are reminded that securities offered by prospectus are covered by the Securities Act of 1933. Only pre-approved ads from the underwriters may be used. In the case of correspondence concerning a prospectus offering, letters should be limited to a single transmittal note, e.g., "I have enclosed a prospectus on ("product name") for your review, "Please call me if you have any questions," or similar statements. Only these directive comments are allowed to be sent without prior approval. Any additional comments must be cleared with the compliance office prior to being sent. You are prohibited from "lifting" information from mutual fund fact sheets or a prospectus and using it in customer communications. Regulations prohibit you from "cherry picking" information.

For existing customers, the “Account Application” or any supplemental form(s) contains an election whereby the customer may elect to have disclosure documents (including prospectus) delivered electronically.

PRODUCT AREAS

Prohibited Areas-Trust Documents/Reverse Mortgages/Factoring

First Asset Financial Inc. associated persons are prohibited from participating in any fashion with respect to the drafting, delivery, or execution of a trust document as well as receiving any form of compensation, either directly or indirectly based on the solicitation, preparation, execution, or delivery of a trust document unless a general statement of no specific disapproval by their state Attorney General for this activity is obtained, unless the FAF AP is bar certified attorney. A copy of this statement must be submitted to First Asset Financial before proceeding with the activity. FAF associated persons are also prohibited from offering reverse mortgages and offering “factoring” services or products. FAF associated persons are also required to notify FAF of any LLC they are a part of as well.

Syndicate or New Issue Groups

First Asset Financial Inc. will not participate in any firm commitment underwriting. FAF participates as a member of a selling group with no financial commitment. As our clearing broker

dealer, Hilltop Securities, Inc. does not participate in new equity issues, FAF does not offer new issues of listed securities.

Mutual Funds

Before placing an order for a mutual fund, an AP should first insure that First Asset Financial Inc. or Hilltop Securities has a selling agreement with the fund. A prospectus should be also be delivered for each initial mutual fund presentation and/or sale (see also "Securities Covered by Prospectus) either at the time of sale or immediately subsequent to the sale or verify that the prospectus will be delivered by the fund or Hilltop Securities Inc. If using a brokerage account at Hilltop Securities Inc. (HTS), you may rely upon HTS to deliver the prospectus to the customer.

A form entitled REG BI Questionnaire for Mutual Funds, Variable Annuities, UITs & 529 Plans should be completed by the AP.

FAF stresses that open end mutual funds are primarily long term investments and that short term trading in load funds that generate a sales charge is, in most cases, unsuitable.

Each representative or Associated Person in their sales presentation shall make note of the respective break points offered by each mutual fund and/or mutual fund group on the "application way" and "brokerage" purchases. The AP shall note to the client that there may be available a lower sales charge by reaching a break point sale. APs should also disclose costs of non-A share classes to the investor if the AP determines that an alternative share class is appropriate.

Each representative or Associated Person shall inquire in their sale presentations as to the possibility of other mutual funds which the client may own and may be available for the rights of accumulation feature. AP shall

tell the client in the presentation that there may be available a lower sales charge by exercising this right of accumulation.

In the case of "B Class" shares, each representative or Associated Person shall disclose to the client the possibility of a 12-b1 "back-end" surrender charge which may be incurred should a 12-b1 mutual fund be surrendered in the early years. The term no-load mutual fund shall not be used in conjunction with the explanation of the 12-b1 mutual fund, which has no initial sales charge, but does have a "back-end" surrender charge. Written permission must be obtained from FAF for any Class B shares used in a qualified plan and for any purchase exceeding \$25,000 in a non-qualified investment.

Class "C" Share Policy

FAF recommends that Class C Shares mutual fund shares not be sold to any qualified plan whereby the age of the account expected to be longer than roughly 8 years (review the prospectus to determine the holding costs). A comparison of classes of shares is available on the FINRA.org website.

Non-Traditional Exchange Traded Funds (ETF) Prohibition Policy

Non-Tradition ETFs are defined as "exchange traded funds" (open ended) that are two or more of these categories:

1. Leverage is used (i.e. 1.5, 2 or 3 times a benchmark)
2. Track and underlying benchmark or index in commodities, currencies, or commodity or currency based instruments and are not registered as investment companies
3. "Reset" daily
4. Have historically differed, at times, significantly from the index they seek to emulate
5. Seeks "inverse" performance to a benchmark

First Asset APs are prohibited from soliciting the above leveraged or inverse ETFs. Only occasional unsolicited orders can be accepted through the use of a "Leveraged and Reverse ETF Non-Solicitation Form." The nonsolicited order should be an infrequent occasion and a form completed for each transaction.

NO VIATICAL SETTLEMENTS/CONTRACTS, LIFE SETTLEMENTS, PROMISSORY NOTES, LEASING OR OTHER PARTNERSHIP INTERESTS (LP or GENERAL) or BUSINESS INVESTMENTS MAY BE SOLD BY ANY FAF REPRESENTATIVE OR ASSOCIATED PERSON WITHOUT EXPRESS WRITTEN PERMISSION OF AN OFFICER OF FAF

Variable Annuity and Variable Life Products

To participate in this product area, each associated person will be properly licensed (usually both life and securities licensed). FAF recognizes that variable annuities (VA or VAs) and variable life insurance is regulated by the states as an insurance product and by the federal regulators as a security. This is what prompts the requirement for APs to be both securities and insurance licensed. All other "insurance" products are regulated by the states and are not considered to be "securities" by the federal regulators or laws.

Generally, most insurance companies require that you show evidence of "training" prior to selling a VA and FAF will rely on those requirements for training on the product. If you have not taken training on the company's VA, you must request that training and complete it prior to selling the product. Allowances may be made for "grandfathering" if you have sold the product in prior years.

The sale of "L Shares" or similar classed shares may not be appropriate for policies with "income" riders. "L" class shares may be appropriate for accounts that state a 5 year or less time/investment horizon for the specific funds (separate accounts) invested. Evidence of the time/investment horizon may be evidenced by the Account Form, VA1 or a separate written statement by the customer. If there are income riders or if there is a longer term investment horizon, then the contract will most likely be rejected. **APs are encouraged to refrain from using L class contracts when offering variable annuities.**

Upon initial sale of a variable annuity product you should complete at least ONE of the following forms (BOTH if the transaction is an exchange or liquidation):

1. VARIABLE ANNUITY ACKNOWLEDGEMENTS-VA 1

2. EXCHANGE OR LIQUIDATION OF A VARIABLE ANNUITY AND VA ACKNOWLEDGEMENTS-VA 3

(There is no VA-2 Form)

The following procedures must be followed in the sale of any variable insurance products:

1. Only properly licensed APs may sell variable insurance products.
2. APs must be insurance and securities licensed by the State in which the customer resides in, as well as the First Asset Financial Inc. and, if this product is variable, First Asset Financial Inc. must also be registered for securities in the state (unless an exemption is available) before sales can be made in the respective state. Before commissions can be paid any AP, he/she must be "appointed" with the appropriate variable insurance company.

3. The variable insurance product (variable annuity or variable life insurance) must be approved for sale in the state where the application is signed.
4. Shared commission arrangements involving variable annuities and variable life products can be made ONLY with other associated persons registered with First Asset Financial Inc. It is prohibited to "share" commissions with registered associated persons of other broker/dealers without the express written consent of both First Asset Financial Inc. and the other broker/dealer. Before such request could be made, BOTH associated persons must be properly licensed and appointed as stated above to receive variable insurance commissions.
5. Complete any training required by the insurance company.
6. Any applicable state regulations regarding the replacement of existing insurance and annuity contracts must be complied with PRIOR to signing the application and the application form requirements are complied with.
7. Only authorized literature and pre-approved sales letter and materials may be used. A current prospectus must be presented to each prospect.
8. Existing firm policies in the "know your customer" principle extends to variable insurance product sales also.
9. The fees, charges, MVA risk, and penalties (both company surrender charges/penalties and IRS penalties), the fact that a VUL and VA is an *insurance* product must be fully disclosed to the client as per state regulations.
10. As of October 1, 2015, sales of L Share or similar classes of shares of variable annuities are prohibited for investors with more than 6 years investment horizon or that have income rider benefits. The VA1 form must show 0-5 years as time expected to need the funds. Exceptions can be made only by written consent of the CCO PRIOR to sale.

Firm policy requires that a standard FAF Account application and VA1 be completed also for variable life and annuity sales and a D-Packet be given each new customer for signature(s).

Municipal Bonds

All municipal transactions will be conducted in accordance with the rules and regulations of the Municipal Securities Rulemaking Board. To date the firm has made NO political contributions or taken any actions that would cause filings to be made under MSRB Rule 37-G/38-G.

Under Rule G-37 of the MSRB, an AP of FAF is prohibited from making political contributions to individuals, political action committees, political parties, political subdivisions, municipal finance professional, or political official **in the name of, on behalf of, or for the benefit of First Asset Financial Inc. unless** prior permission is obtained from an executive officer of First Asset Financial Inc., **OR** the amount contributed is \$250 or less (per official per election). If said permission for such a political contribution is given, written notification noting the amount, date, and entity to which the contribution is made must be forwarded to the Municipal Principal of FAF within 10 days after said contribution.

Direct Participation Program

FAF does not participate in the sale of a partnership offering, either public or private.

Over the Counter and other Securities Riskless Principal Transactions

First Asset Financial Inc. will only do principal transactions on a "riskless" basis; i.e., where the AP has a firm order in hand and executes the other side to complete the transaction. The firm does not take down positions, which risks the firm's capital for any period of time, whatsoever.

The mark-up/mark-down on a riskless principal transaction must be disclosed to a retail customer in the transaction. This may be accomplished with a trailer on the confirmation generated by the clearing firm. When placing such a trade, a trailer must be entered on the trade screen disclosing the markup/markdown (whichever applies) in either "markup/markdown=cents per share," "markup/markdown =\$X.XX/share" or a percentage, i.e. "markup/markdown=2% per share OR you may "drop" the "per share" on the line for "markup/markdown=2%" or, in the case of bonds in "markup/markdown=points per bond" or "markup/markdown= \$X.XX per bond." It is our responsibility to disclose the amount, NOT Hilltop Securities'. However, Hilltop Securities does not disclose markup/markdowns on debt instruments traded through their trading desk, but request that they disclose the markup/markdown on a "trailer" to cover you and FAF in case it IS required by the regulators. Exceptions to the disclosure requirement are government securities and new issues.

A "First Asset Financial Inc. Executed Riskless Principal Trade Report Form" for equity trades with the "other side" of the riskless transaction shown on the ticket should be submitted to the home office. For fixed income, the bond desk at HTS should be used. The bottom of the *P&S Department from First Asset Financial Inc. Correspondent Bond Input Ticket* should be used with the bottom half of the "order ticket" to be completed.

Crosses between two retail accounts require two separate tickets, the spread is to be considered for the entire transaction and not on each side, and must be disclosed, but normally can be disclosed on one ticket only (that is why you have to consider the transaction as "one" transaction for markup/markdown purposes).

Options

A Registered Options Principal must approve all option orders. This action shall be evidenced by the initials of the Options Principal appearing in the daily blotter.

Low Priced Securities

Certain low priced securities, defined as below \$5 (unless listed) are not to be solicited. When a customer requests purchase of these securities, the customer must complete and sign a "Non-solicitation Letter," or form, if, in fact, the trade was unsolicited.

ACCOUNT DOCUMENTATION

New Accounts

It is the responsibility of the Associated Person to insure that account documentation is completed in full and that the information is accurate prior to any transaction.

FOR “APPLICATION WAY” NEW ACCOUNTS:

Necessary Forms:

- D Packet-** FAF New Acct Form 2023-website location=#2
- Vendor Application (Fund, VA, etc.)
- Specific product training or 3 years of experience in the product (investment line)
- This **Checklist**
- Reg BI Form-** *Reg BI Questionnaire for Mutual Funds/UIT, Variable Annuities & 529 Plans*- website location=#4

Possible Applicable Forms:

- DOL Form-*DOL Retirement Account Best Interest Disclosure* -website location=#17
- Reg. Rep. Checklist for VARIABLE ANNUITY SALE*-website location=#7
- VA 1 Form 2023 -website location=#10
- VA 3 Form 2023 -website location= #11

FOR HILLTOP SECURITIES NEW ACCOUNTS:

Necessary Forms:

- H-Packet-** Supplement to HTS Acct Form 2023- website location #3
- HTS Appropriate New Account Form

Possible Applicable Forms:

- Reg BI Form-** *Reg BI Questionnaire for Mutual Funds/UIT, Variable Annuities & 529 Plans*- website location=#4
- DOL Form For Incoming Retirement Accounts--*DOL Retirement Account Best Interest Disclosure*- website location=#17
- Justification for Going to Advisory Acct. from a Commission Account - *Customer RIA Adoption Form (must request form-not on FAF website)*
- HTS IRA Rollover Certification Form
- HTS ACAT Form
- HTS TOD Form
- HTS IRA Distribution Form
- HTS Certification of Trustees
- Estate Paperwork-Death Certificate, etc.
- Other Forms or Paperwork-

HTS Forms can be found on HTS website

It is highly recommended, but not required, that a copy of a picture ID (usually, their Driver’s License) be obtained from the customer. A copy of the customers picture ID can be obtained through a photocopy, scanner, fax or a picture taken by your cell phone and transferred to a printer via your computer

Conditions Under Which Changes Can Be Made on a Form AFTER the Customers Signs the FAF Account Application and Agreement (New Account Form)

If changes are made to the FAF Account application or other forms **AFTER the customer(s) has signed the form**, such changes, updates, revisions, or additions shall be noted by one of the following:

(a) the customer's initials (b) the AP's initials or (c) a supervising principal's initials near the change(s). The changes can **ONLY** be made by verbal verification from a person who has knowledge regarding the change or by reliance on another customer-executed document. This should clearly identify any changes made **AFTER signatures were applied**. It is HIGHLY IMPORTANT that all APs are CONSISTENT regarding this policy. **Changes that cannot be made** after the signing of the application are (1) change in investment time horizon, (2) risk tolerance for market fluctuation or the "investment objectives" or under "Tell Me How You Intend to Us This Account...." (3) the address of the customer without the customer's initials or a supervising principal's initials and the 3 YES/NO check boxes above the signature(s) for "...hold FAF harmless" "Tax Withholding..." & "copy of app..."

ACCOUNT APPLICATIONS MUST BE REVISED/VERIFIED EVERY THREE (3) YEARS AS PER S.E.C. RULES.

[DO NOT conduct business with a customer whose account form is more than 3 years old unless it is a Hilltop Securities Inc. account]

CHECK THE DATE OF YOUR ACCOUNT FORM BEFORE SENDING IN NEW BUSINESS IF YOU HAVEN'T CONDUCTED BUSINESS IN A WHILE WITH THE CUSTOMER

-UTMA & UGMA Accounts-IMPORTANT!!!

Securities regulations may not permit our APs to allow Custodians to effect transactions in, and withdraw, journal and transfer money from UTMA/UGMA Accounts after the beneficiaries have reached the age of majority. That is, NO TRANSACTIONAL ORDERS MAY BE ACCEPTED from the CUSTODIAN for the account AFTER the BENEFICIARY has reached the age of majority in the state of residence.

Regarding Custodians for UTMA/UGMA accounts where the beneficiaries have reached the age of majority, First Asset APs are to attempt to obtain the contact information for the beneficiary who has reached the age of majority and provide the proper documents to the beneficiary to register the account in their name. AP's are requested to identify such accounts in their periodic review of accounts and take action on the appropriate UTMA/UGMA accounts.

Anti-Money Laundering

FAF AP's should be watchful for signs that might indicate possible money laundering activities. When opening a new account, suspect activity might include evasiveness about occupation, income, or source of funds, or unusual concern regarding FAF's compliance with government reporting requirements. Other "red flags" include: (a) customer is from a country identified as a non-cooperative country by Financial Action Task Force (FATF) (b) customer exhibits lack of concern regarding risks or commission cost (c) customer lacks general business knowledge or is unable to clearly describe occupation (d) unusually large sums in cashier's check, MO, or wire transfer in from foreign country or other activity that might lead an AP to suspect the customer's legitimacy. The AP

must call the FAF home office to check any questionable person or organization's name against a "Control List" issued by OFAC and **MUST DISCUSS ANY SUSPICIOUS ACTIVITY OF INTENDED CUSTOMERS.**

New Option Accounts

A Registered Options Principal shall approve the opening of all customers' accounts for options trading before effecting any options transactions. This action shall be evidenced by the signature of

the Options Principal appearing in the appropriate area on the New Account Application. The type of options allowed should be so indicated on each option account by marking the appropriate box.

Appropriate background information should be obtained on each customer opening an option account. This should be accomplished by the completion of the financial and personal information on the new account application and any other additional information deemed necessary by the ROP. If the account is joint or tenants in common, FINANCIAL INFORMATION must be obtained on BOTH parties. Records of these forms shall be maintained with the new account information on the customers.

Associated Persons are to explain the risks involved in the type of option transaction that the customer intends to engage in. ***The customer is to receive a current copy of "Characteristics and Risks of Standardized Options"*** from the clearing broker/dealer. It is the policy of HTS to mail or email (in the case the account has been granted eDelivery) this document to the customer upon receipt of an option account. FAF intends to rely on this delivery to meet the regulations. If the customer is doing uncovered options, they must also receive the "Special Statement for Uncovered Options Writers." This is also to be noted on the new account form with the title of the form and date given to customer.

Employees of other FINRA Firms

First Asset Financial Inc. must notify another broker/dealer if we transact a securities purchase or sale for an account in which anyone associated with that broker-dealer has a financial interest or discretionary power. The Associated Persons must receive permission from the compliance office prior to opening an account with an employee of another broker-dealer or Registered Investment Advisor or their spouses. This is easily overlooked if the customer holds him(her) self out to the public as an insurance sales person, yet is also Series 6 licensed. This person falls under this definition of an "associated person," and, as such, should obtain permission from his/her broker/dealer prior to opening an account through FAF.

Fictitious Accounts

It is a violation of FINRA's Conduct Rules and against First Asset Financial Inc. policy to open any account in the name of any other person other than the actual customer.

Supervisory Review

A Securities Principal must approve all new accounts. The Principal is responsible for reviewing the Account application for completeness, legibility, and review of the account for any potential problems prior to signing the form. **A principal cannot approve his own forms in the function of "principal." To do so would be in contravention to FINRA regulations.**

A designated principal will review all orders placed by the AP and indicate that review by initialing applications (on "application way" orders) or the daily production run. It is necessary for all Series 24 or Series 26 Principals to have another principal approve their new account applications and orders. No one is able to "supervise themselves" as per FINRA interpretation of the rules.

Associated Person Records

All associated persons will maintain the following records:

1. Customer Record

A copy of the FAF Account application/Supplemental form and (if applicable) the clearing firm's account form will be kept on file at the associated person's location for each client. This documentation will include the client name, telephone number, account number, and relative account information such as whether the account is cash or margin (if applicable).

2. Client Confirmations

The Associated Person will maintain a blotter in chronological order by settlement date, or a similarly structured blotter. The printout from HTS will suffice for this requirement.

3. "Daily Activity Report" or "Blotter"

Even though you may be "attached" to an OSJ, you are expected to keep a "blotter" at your location of "direct business." This can be an important record to demonstrate your actions should a piece of business ever be lost in the mail.

SPECIAL ACCOUNT DOCUMENTATION

Margin Accounts

With a "T+1" or trade date plus one day settlement coming in 2024, consider making all qualifying accounts margin accounts upon opening. This "adjustment" may protect both the AP and the customer for anticipation or delay in paying later than one day after settlement. It would be

presumed that the customer would not make regular use of margin, but create margin only when a delay in payment is an issue. **A better policy would be to REQUIRE PAYMENT PRIOR TO PLACING THE ORDER or shortly after the order fills.** Accounts will not be allowed to purchase securities on margin until they have returned a signed margin agreement to the AP and have been furnished a copy of the Margin disclosure statement before forwarding to the clearing firm. Those customers, who have the financial sophistication, financial assets, and investment objectives suitable for the risk inherent in leveraged securities ownership, should only use margin accounts on a regular basis. **A MARGIN HANDBOOK AND MARGIN DISCLOSURE DOCUMENT SHOULD BE DELIVERED** to each customer establishing a margin account. FAF will rely on the HTS policy to deliver a margin handbook and margin disclosure statement for each margin account established. The

HTS policy is to mail or email these items to each customer with these type accounts when the account is established.

Discretionary Accounts

Family accounts over which an AP exercises discretion must have a trading authorization on file with First Asset Financial Inc. compliance office. This includes spouses of a AP.

Accounts authorizing the AP to exercise discretion must forward a trading authorization and a current Account application/Supplemental Account form to the First Asset Financial Inc. compliance department **PRIOR** to the AP exercising discretion in any manner. The AP will be notified, when the account is approved for discretionary trading. FAF discourages discretionary accounts with APs having discretion except for family accounts.

All order tickets for discretionary orders through the broker dealer must be marked "Discretionary" and must be approved by a designated principal via the daily trade listing. However, if the AP is also a Registered Investment Advisor Representative and holds a "discretionary agreement" with the client(s), it is not considered a "discretionary account" through the broker dealer as "discretion" is made under the advisory agreement vs a broker dealer agreement. An AP who also an IAR and is placing an order under an investment advisory agreement should **ALWAYS MARK THE TRADE AS RIA DISCRETIONARY ORDER (or ODA)**.

Registered Stock/Rule 144 Transactions

AP's should be alert for "restricted" or "control" securities. Question anyone who might hold stock that is subject to Rule 144 prior to a sales transaction. For new customers who have stock in their possession, you should review it or a copy prior to a sales transaction to assure there is no restriction. If you wish to sell securities through Rule 144, know that it must be submitted and "cleared" by HTS. Before selling any stock with any "Red Lettering" on the face or reverse side of the certificate, CONTACT the home office for approval PRIOR to sale. Review the forms and policies of HTS prior to Rule 144 sales.

CUSTOMER FUNDS AND SECURITIES

Managed Investments (Registered Investment Advisor Accounts)

If you are a FAF AP who is also registered with an "affiliated" Registered Investment Advisor (RIA) and you open an FAF account that will become an RIA account, a form entitled "*Customer RIA Adoption Form*" is required to be completed and sent to the home office for review and approval or disapproval. This form provides potential justification to move from a "commission" account to a "fee" account.

CUSTOMER ORDERS

Transmitting Funds for "Application Way" Investments

When a client subscribes to a mutual fund or direct participation program where payment is made directly to the sponsor, the AP will forward the subscription document and check to the appropriate OSJ (Office of Supervisory Jurisdiction) the same day. The "same day" is defined as mailed the same day if the order is completed prior to the close of the regular business day (generally 3 p.m.) with "after business hours" orders being mailed no later than noon of the following day. If the customer is not an existing client, it will also be necessary to complete the standard account application and any other documentation necessary and forward it with the investment to the appropriate OSJ.

Purchases and Sales

It is the AP's responsibility when accepting or soliciting a customer purchase order to insure, prior to entry that the client has the necessary funds to pay for that purchase on or before Settlement Date. It is the AP's responsibility, when a client wishes to enter a sell transaction, to insure that the client has possession of the certificates and they must be delivered to HTS and "cleared for sale" by HTS, prior to entering the order. Any losses resulting from a buy-in or sell-out will be charged to the AP, including Reg T extension fees, and interest charges if not recovered from the client. An AP may request an extension for money or securities due; if justifiable reasons exist. There is a fee for this request and the request may be turned down.

Third Party Wires

An email alone to request to wire money from a customer's account to a third party is insufficient. APs MUST speak directly with the customer to confirm the details of the request and complete the additional documentation required by Hilltop Securities Inc. that must be signed by several parties. Do not make a commitment for an arrival time of a wire of funds to anyone.

Commissions

First Asset Financial Inc. has no commission schedule. All commissions are negotiable. The price charged to the customers must be fair, taking into consideration all relevant circumstances (see Article II, Section 4 of FINRA Manual for a discussion of FINRA Mark-Up Policy). Any questionable mark-up situation should be presented to the compliance department prior to execution of the order.

The mark-up policy of FINRA does **NOT ALLOW MARK-UPS GREATER THAN 5%** on PRINCIPAL or AGENCY trades without full written justification. The only exceptions to this rule are the agency commissions on options trades as the total dollar amount of the underlying security is considered. If a special situation exists whereby mark-ups or commissions of greater than 5% are warranted, contact the home office for permission BEFORE placing the trade(s).

Recognizing that clientele, overhead, competition, and other factors vary from town to town, each office is allowed to establish its minimum commission level. The minimum commission level must be established IN WRITING and submitted to the home office.

Be advised that ALL trades are subject to the minimum commission established by the office with the sole exceptions at the end of this paragraph. An AP could be in violation of the 5% FINRA mark-up policy by violating the established minimum, i. e., an office minimum of \$50 would be permissible on a \$500 trade even though it is 10%. However, if later trades are done at \$35, FINRA would construe this \$35 charge as a minimum commission, possibly putting the \$500 trade with a \$50 commission in violation of FINRA 5% mark-up rule.

Order Tickets

The memorandum of order is the electronic entry of the order into the computer system, usually at HTS. As order tickets are no longer “printable” from the HTS system, the “daily trade blotter” is acceptable. Handwritten order tickets are also acceptable, but not required. FAF will rely upon HTS system (Momentum), as approved by FINRA or the NYSE, as an acceptable format containing all the required information, as amended from time to time.

Compensation

Associated Persons will be paid the agreed percentage of net income generated after clearing costs. If there is a chargeback originating from the sale of a variable insurance or securities product, the associated person will be expected to remit the amount due to FAF within 10 days. Failure to comply can result in termination and possible further actions.

Under no circumstances will an associated person with First Asset Financial Inc. share commissions in any manner with any person not associated with First Asset Financial Inc. Finders fees, referral fees, etc. are strictly forbidden by FINRA and First Asset Financial Inc. as well as any kind of rebates.

Persons associated with FAF are also forbidden to accept any non-cash sales incentives, including travel, prizes, and awards from an issuer or affiliate of an issuer of securities in excess of \$100 per issuer annually.

Branch Office Supervision

Each associated person with FAF will be assigned to the main office or an Office of Supervisory Jurisdiction for supervisory purposes. Each OSJ Principal will report directly to a designated principal in the home office. It is necessary for all Series 24 Principals to have another principal approve their new account applications and orders. No one is able to “supervise themselves” as per FINRA interpretation of the rules. A complete list of the compliance supervisory chain will be kept with the MASTER COPY of the Written Supervisory Procedures-Class B in the main office.

A principal must approve every new account and every “application way” order must be approved by a principal prior to submission of the order. In the case of “cleared orders,” this approval is conducted by a review of the daily trade blotter and evidenced by the initials of a principal.

FINRA altered the definition of a “Branch Office” recently. It is the AP's responsibility to check with FAF management upon initial registration and annually thereafter to determine if their location needs to be registered as a branch office under this new definition. All offices are considered branch offices

with the exceptions noted below. The following is not “all inclusive” but provides some basic information regarding a non-branch office:

Non-Branch Offices

Many of the APs of the Company are not “housed” in an OSJ or Branch office. Many of the Company’s associated personnel operate from locations exempt from registration as “branch offices.” Many, in fact, work from their homes or from an office for which the primary purpose of the location is other than securities sales. Seven types of locations – often referred to as “unregistered offices” or “non-branch locations” – are excluded from the definition of “branch office” as follows:

AP’s home is allowed to be used as a non-branch location if it meets the following:

- A residence where only the AP and his immediate family members who live with him/her (and who are Associated Persons) work from the residence;
- The location may not be held out as an office;
- The location is not held out as an office and the Associated Person(s) does not meet with customers at the location;
- Neither customer cash nor securities may be handled at the location;
- The Associated Person or persons are assigned to a designated OSJ or branch office, which is reflected on all business cards, stationery, advertisements and other communications to the public;
- All communications with the public must be subject to the supervisory procedures described herein;
- All electronic communications must be transmitted using an approved email address;
- All orders must be entered through the designated branch office or through an electronic system established by the Company that is reviewable at such branch office

FINRA Rule 3310. Supervision contains more detailed information and should be consulted.

Remember, it is **YOUR RESPONSIBILITY** to notify First Asset if you are not a branch office and later become subject to be a branch office.

Cybersecurity

As all but the home office computers are the property of the AP, it is the AP’s responsibility to maintain the computer’s security by:

- Employing virus protection
- Securing the computer from use of non-associated personnel
- Using a firewall
- Employing anti-malware software
- Securing Wi-Fi connections with a password
- Using a password to open your computer
- Protecting any private information of customers
- Using the “automatic update” feature for your Windows or Apple operating system
- Not using your laptop in public places for business purposes
- Not putting customer personal date on “memory sticks”
- Use Windows 10 or the latest version of the Apple OS

This list is not comprehensive and it is highly recommended that you obtain and review First Asset’s Cybersecurity Manual.

First Asset Financial Code of Ethics

Persons associated with First Asset Financial Inc. (Associates), believing that the interests of the public and private sector are best served through the voluntary observance of ethical standards of practice, hereby subscribe to the following Code of Ethics

Honesty and Integrity

Associates shall conduct business in a manner reflecting honesty, honor and integrity.

Professional Conduct

Associates shall conduct their business activities in a professional manner. Members shall not pressure any provider of services, goods or facilities to circumvent industry professional standards.

Honesty in Advertising

Associates shall endeavor to be accurate in all advertisements and solicitations.

Confidentiality

Associates shall avoid unauthorized disclosure of confidential information and take safeguards to protect the confidentiality of information in their care.

Compliance with Law & Regulations

Associates shall conduct their business in compliance with all applicable laws and regulations.

How to find the FINRA Manual and "Notices" on the web:

1. Go to <http://www.FINRA.org>
2. On the FINRA.org home page, click on "Rules & Guidance" for regulatory notices then on "Notices." For the FINRA Notices under "Rules & Guidance" click either "By Date" or "By Topic." Under the "By Date" option, you will choose the year desired and the Notice Type and then click on Regulatory Notice. Regulatory Notices are usually written "19-32" with the first two numbers (19) being the year and the second numbers being the sequence of the release within the year. You also may use the "filter" function to better target .

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