



Financial Professional Compliance Manual

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CONFIDENTIAL FOR FINANCIAL PROFESSIONAL USE ONLY

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Member FINRA/SIPC
First Heartland[®] Consultants, Inc.
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****Please note that forms referred to in this Manual are available online at www.firstheartland.com , via Docupace, or by calling our office at (636) 625-0900.**

SECTION I: INTRODUCTION

This Compliance Manual has been developed to provide structure and policies for First Heartland® Capital, Inc., hereinafter referred to as “FH Capital”, and its partners, officers, directors (or any other person occupying a similar status or performing similar functions), its employees, its registered representatives (“RRs”), and others who provide securities services on behalf of FH Capital and are therefore, subject to the supervision and control of FH Capital, hereinafter collectively referred to as “associated persons”. This manual will, on an annual basis, be reviewed and amended as needed. FH Capital endeavors and requires its associated persons to conduct business with integrity and in accordance with all ethical and professional standards, as well as in a manner consistent with all rules and regulations applicable to FH Capital.

In addition, due to the fact that a significant number of the FH Capital’s Registered Representatives are also registered with the firm’s affiliated RIA, First Heartland® Consultants, Inc., as Investment Advisor Representatives, parts of this manual will incorporate policies and procedures specific to advisory business.

FH Capital and all associated persons are required to comply with all rules and regulations applicable to FH Capital. Upon learning of any violation, RRs and personnel of FH Capital should immediately notify the CCO. The CCO, or her designated person, will investigate the matter and determine what steps, if any, need to be taken given the facts and circumstances.

Ms. Zeonia M. Christy is FH Capital’s Chief Compliance Officer (“CCO”). Ms. Christy currently holds a life and health license as well as the Series 4, 6, 7, 24, 53, 63, and 65 and has over 25 years of experience in the financial services industry.



SECTION 2: REGISTRATION

A. FINRA Registration

You must maintain a current FINRA registration for each state in which you *solicit and/or conduct* business. This registration must be obtained *prior* to conducting any business or solicitation. Please note that you must be registered in the customer's legal and mailing state of residence. You must also be registered in the state where an account's trustee or attorney-in-fact (POA) reside. These registration requirements also apply to any RR participating in any split on an account or compensation.

When soliciting annuity or variable life business you must also comply with the insurance laws of the state in which the contract owner resides and the state in which the sale occurs. Please ensure you are properly licensed in the applicable states and appointed with the insurance company through which you will be placing the business.

It is *your responsibility* to know the states in which you are registered to conduct securities business. Annually, in October FH Capital will send you a listing of all the states where you are securities registered. This is an opportunity to advise us of which states you would like to renew and which states you want to drop from registration. *Be very careful when making your decision.* You will not be able to earn or receive commission or trails for an account owned by a customer in a state where you are not properly registered. For example, if your customer makes an annual contribution to his account and you are no longer registered in that state, you will not receive commissions for the transaction, without exception, regardless of the amount of commission.

The decision whether or not to renew in a State is not a cost-benefit analysis; it is necessary to comply with the rules to be registered in each State in which you operate. If you have customers with active accounts, you need to be registered in their states of residence (both mailing and legal), and the state of their POA or trustee, if applicable. If FH Capital receives new account opening documents and you are not properly registered in the customer's state of residence, you have already violated the rule to be registered in the state where your customer resides *prior to* soliciting securities business. In this instance, FH Capital will automatically register you in the appropriate state, return the paperwork to you and you will be required to obtain new, current dated paperwork.

B. Form U-4 Responsibilities

In accordance with FINRA By-Laws Article V, Section 2(c) and FINRA Rule 4530, you have an ongoing responsibility to keep your Form U4 current at all times by promptly notifying FH Capital in writing if any information you provided has changed. FH Capital will update your Form U-4 upon receipt of your written notification. Changes include, but are not limited to, home address, telephone number, and any information regarding civil lawsuits, customer complaints, civil judicial actions, financial judgments or outside business changes.

RRs are required to notify FH Capital's Compliance Department immediately, but in no case later than 12:00pm CST on the next business day following notice of any complaint, civil and/or criminal proceeding, litigation, and/ or arbitration brought by any person, customer, entity or regulatory authority, including but not limited to FINRA, SEC, and/or State and Local Agencies.



In addition, RRs are required to notify FH Capital's Compliance Department promptly, but in no event later than 30 days of any judgment, lien, compromise with creditors, bankruptcy or **any other material issue** including changes to any previously reported information.

Please note that failure to provide timely notification may cause monetary penalties and/or other disciplinary action to be imposed.

C. Outside Business Disclosure

In accordance with FINRA rules, FH Capital requires you to report all business activities you engage in other than your activities as a registered representative of FH Capital. This disclosure is required anytime there is a change in your activities and once every year if there are no changes. The FHC® Outside Business Disclosure form has two sections, Outside Business Activity and Outside Accounts.

You are prohibited from engaging in any outside business activity, regardless of any compensation, or any personal private securities transaction, which has not been disclosed in writing and acknowledged by FH Capital in advance of your participation.

Activities:

Outside business activity is defined as ANY business endeavor in which you participate. You must disclose all outside business activities regardless of profitability or whether or not you are compensated for your participation. Pursuant to FINRA Rule 3270 notification of any outside business activity must be given *prior* to participation in the activity. The Outside Business Disclosure Form (which is available on the FH Capital website) must be completed annually and whenever your outside business activity changes. In addition to FH Capital's required form, please know that you are required to ensure your Form U-4 is current with this information.

Examples of outside business activities you are required to report include, but are not limited to, the following:

- A corporation, LLC, DBA, or any other entity in which you have ownership, are an officer of, operate as, and/or are employed by.
- Any business for which you receive compensation, such as the sale and distribution of insurance products.
- Any organization, charitable or otherwise, where you serve in an official or decision-making capacity, such as a board member or officer.
- Ownership of rental property.
- Trustee or Attorney-in-Fact. (See Section 10, Item C for restrictions)

Accounts:

While FH Capital allows you to retain existing accounts upon your affiliation us, **we do not permit you to open any new accounts with other broker/dealers.** You must disclose any non FHC® brokerage accounts registered in your or your spouse's name and that you have control or financial interest in the account or entity owning the account (Trust, Corporation, LLC, UTMA, etc.). Once you have disclosed the details of your outside account on the FHC® Outside Business Disclosure form, a letter will be sent to the firm holding your account notifying them of your affiliation with First Heartland® Capital, Inc. We will request that duplicate transaction confirmations and periodic statements be sent directly to us as we are



responsible for monitoring your trading activity. Any deviation from this policy is on an exception basis at the sole discretion of FH Capital.

Participation in personal investment opportunities (other than brokerage accounts as detailed above) must be requested in writing and approved by compliance *prior* to your participation.

FINRA takes the disclosure and firm acceptance of Outside Business very seriously. According to FINRA Sanction Guidelines, certain violations may be punishable with monetary sanctions of up to \$77,000. And depending upon the egregiousness of the incident, a violator could be suspended or barred from the industry.

FINRA Rule 3270 Outside Business Activities of Registered Persons

FINRA Rule 3210 Accounts at Other Broker-Dealers and Financial Institutions

FINRA Rule 3280 Private Securities Transactions of an Associated Person

D. Fingerprint Cards

All registered persons and any non-registered staff member handling mail, customer funds or securities, or having access to securities customer information, customer funds or securities, must be fingerprinted. These fingerprint cards will be filed with FINRA.

SEC Rule 17f-2 Fingerprinting of Securities Industry Personnel



E. Addendum A to the Registered Representative Agreement

All Registered Representatives must review, sign and date the “Addendum A to the Registered Representative Agreement”. This form is submitted with your initial FH Capital registration paperwork. Additionally, you will be required to review, initial, sign and date Addendum A on an annual basis, which may contain revisions from the previously signed document.

Registered Representatives are specifically PROHIBITED by company policy from the following:

COMPENSATION PROHIBITIONS

- Paying and/or accepting any form of compensation to any other individual or entity for referrals.
- Accepting cash or any other property from a customer.
- Accepting customer checks made payable to the RR, the RR's family, the RR's company, staff, or the Firm.
- Accepting any form of compensation for securities sales activities from any other person or entity except the Firm.
- Sharing commissions from any securities product sale with any individual or entity.

BUSINESS DEALINGS PROHIBITIONS

- Acting as personal custodian, representative or trustee for any customer of the Firm without the prior written approval of the Firm.
- Entering into ANY business transaction with a customer without the prior written approval of the Firm.
- Maintaining a joint securities account with any customer or sharing any benefit with any customer resulting from a securities transaction without the prior written approval of the Firm.
- Raising money, or participating in the raising of money for any company, individual or venture without the prior written approval of the Firm.
- Acting independently as a licensed RR for any customer, individual, or entity other than the Firm for securities products.
- Engaging in any outside business activity, regardless of any compensation, or any personal private securities transaction, which has not been disclosed in writing and acknowledged by the Firm PRIOR to your participation.
- Obtaining, possessing or utilizing a customer's personal login and password for the customer's accounts.
- Borrowing or lending money from/to a customer, customer's family or customer's company.

TRANSACTIONAL PROHIBITIONS

- Arranging for the extension of credit or maintenance of credit to or for any customer with the exception of the LoanAdvanceTM program or margin accounts offered through the Firm and Pershing, LLC.
- Recommending or utilizing an investment which not meet the customer's financial situation and investment objectives.
- Discarding copies of all/any communication with/from customers concerning securities or investment products, or failing to maintain a document retrieval system so that the documents can be located.
- Utilizing discretion for any customer account unless such account is covered by an advisory services agreement through First Heartland® Consultants, Inc.



- Referring a customer to a third-party money manager or utilizing the services of a product vendor or platform without the prior written approval of the Firm.
- Soliciting, selling, discussing or in any way facilitating or participating in the sale of promissory notes.
- Agreeing to repurchase any securities from a customer for the RR's account, for the account of the Firm or for any other account.
- Effecting transactions influenced by, or based upon, material, non-public information.
- Warranting or guaranteeing the present or future value or price of any securities, or that any company or issuer of securities will meet its promises or obligations.
- Accepting or retaining forms or documents from a customer that have not been thoroughly completed or are blank, but have been signed by the customer.
- Affixing a customer's initials and/or signature to any form, document or agreement or reusing a previously signed form or document.
- Altering customer executed forms, documents, or agreements in any way.
- Opening ANY brokerage account other than through the Firm.
- Forwarding confirmations or account statements to any other address or person without the customer's written consent.

ADVERTISING-LICENSING-REPORTING PROHIBITIONS

- Participate in online discussions or utilizing any type of direct/indirect messaging platforms that pertain to securities, investing or financial planning that have not been pre-approved by the Firm in writing.
- Texting any Firm business-related messages outside of the approved Firm provider.
- Making oral or written statements about matters regarding securities products that are not covered in the offering documents or other approved sales materials of the product.
- Using any advertising or sales literature, including website and non-personal social media posts, not approved by the Firm.
- Utilizing any performance reporting system, other than Albridge or Pershing, for the provision of customer reports, without the prior written approval by the Firm.
- Soliciting customers prior to being properly registered in the customer's state of residence.

Registered Representatives specifically AGREE TO do the following:

ADVERTISING-LICENSING-REPORTING EXPECTATIONS

- Solicit and conduct business in only those states where both the Firm and the RR are properly registered and licensed.
- Keep current with new Federal and State laws concerning sales activity and business conduct and all Firm policies and procedures.
- Have all non-email correspondence to customers and prospects reviewed, approved and acknowledged by a registered principal of the Firm and maintain a copy in a correspondence file.
- Have ALL email communication made using an email address hosted by the Firm for the purpose of review and archiving email. The hosted email address must be used for any incoming and outgoing securities-related email. It is your responsibility to make sure that your email systems and software are configured to meet the above requirements.
- Disclose any and all pertinent information as part of a review and/or investigation by the Firm, any regulatory agency, and/or government agency.
- Notify the Firm immediately, but in no case later than 12:00pm CST on the next business day, following notice of ANY complaint, proceeding, litigation, levy, lien, bankruptcy, compromise with creditors, and/or judgment brought against the RR or any entity associated with the RR by any



person, customer, entity or regulatory authority, including but not limited to the FINRA, SEC, IRS, and State/ Local agencies.

- Notify the Firm promptly, but in no event later than 30 days, upon knowledge of any other material issue which may be U4 reportable, including but not limited to address changes, DUIs, or any other criminal or private legal matter.

CUSTOMER EXPECTATIONS

- Provide Form CRS and the Firm's Conflicts and Compensation Disclosure to each customer PRIOR to providing any services.
- Notify the Firm immediately upon customers' death or account closings.
- Submit all paperwork to the Firm prior to submission to any vendor.
- All new account applications must be complete and signed by the RR, and reviewed, signed and accepted by a registered principal of the Firm.
- Always act in the best interest of your customers.

OFFICE EXPECTATIONS

- Notify the Firm and have a Firm-initiated background check performed PRIOR to making an offer of employment to any person.
- Notify the Firm immediately upon the termination of any member of the RR's office personnel.
- Supervise all employees and/or independent contractors working for you in your home or office to ensure compliance with all Firm policies and procedures.
- Maintain a Checks Received Log, a Securities Received Log, a Correspondence File, an Advertising File, a Customer Complaint file, and a Regulation Best Interest (Reg. BI) Disclosure Delivery Log.
- Participate in reviews of your office and sales activities.

F. Registered Representative Staff

All registered staff persons and any non-registered staff member handling mail, customer funds or securities, or having access to securities customer information, customer funds or securities, must be fingerprinted. These fingerprint cards will be filed with FINRA.

The RR is responsible for the supervision of his or her staff and ensuring their staff understands and complies with the FH Capital's policies and procedures, including our Privacy Policy. Registered and unregistered staff persons are expected to comply with FH Capital policies and procedures as well as the rules and regulations of our industry.

Any FINRA registered staff member (Administrative Only RRs/Licensed Sales Assistants) will be assigned to an FH Capital supervisor or OSJ manager. The assigned supervisor will have the responsibility to supervise the registered staff person in the same manner they would supervise any other Registered Representative. Additionally, the FINRA registered staff person will be subject to applicable disciplinary actions imposed by FH Capital, FINRA and State and Federal regulatory agencies.

The RR must notify FH Capital immediately upon the termination of a staff person and steps must be taken to change passwords where applicable and/or other measures necessary to ensure the account integrity and confidentiality of all First Heartland® customers.

Hiring



Due to the sensitive nature of the information we have access to in our industry, FH Capital requires a background check, including a credit check, prior to the RR extending an offer of employment to a candidate. The cost of the background check will vary, but is typically in the range of \$70 to \$150.

Typically, the following should occur:

- (1) Interview and completion of application including the Employment Inquiry Release (contact Kristy Wiegand)
- (2) If candidate a possibility, run First Advantage background and credit check (contact Kristy Wiegand)
- (3) If background and credit check is acceptable, ask candidate to come in for fingerprinting and/or possible second interview, if necessary. Go to Step (4).

If credit check not acceptable, must send preliminary letter to candidate notifying them that the credit report was run, that it contains information that may prevent an employment relationship and enclose a copy of the report and their rights under the FCRA. After some waiting period, make a decision. If the decision is No, then send final FCRA letter.

- (4) Run fingerprints
- (5) If fingerprints come back acceptable, decision on offer of employment

Securities Activities of Unregistered Staff

An unlicensed or unregistered person is never to accept or solicit an order to buy or sell a mutual fund, stock, bond or any other securities product from a customer. Securities orders must only be accepted by a representative who is properly registered for the security type of the transaction. Unregistered office staff may complete a brokerage order ticket or enter an order at the instruction of a registered person only.

FI. Addendum A to the Administrative Only Registered Rep Agreement (Registered Admin)

All Admin-Only Registered Representatives must review, sign and date the “Addendum A to the Administrative Only Registered Representative Agreement”. This form is submitted with your initial FH Capital registration paperwork. Additionally, the registered administrative professional will be required to review, initial, sign and date Addendum A on an annual basis, which may contain revisions from the previously signed document.

Administrative Only Registered Representatives (hereinafter “ARR”) are specifically PROHIBITED by company policy from the following:

COMPENSATION PROHIBITIONS

- Accepting cash or any other property from a customer of the Firm.
- Paying any form of compensation to any other individual or entity for referrals.
- Accepting customer checks made payable to the ARR, the ARR's family, the ARR's company, the Firm, the Registered Representative (RR), the RR's family, or the RR's company.
- Accepting any form of compensation for referrals or securities sales activities.

BUSINESS DEALINGS PROHIBITIONS

- Acting as personal custodian, representative or trustee for any customer of the Firm without the prior written approval of the Firm.



- Entering into ANY business transaction with a customer without the prior written approval of the Firm.
- Maintaining a joint securities account with any customer or sharing any benefit with any customer resulting from a securities transaction without the prior written approval of the Firm.
- Raising money, or participating in the raising of money for any company, individual or venture without the prior written approval of the Firm.
- Acting as a licensed securities registered representative or an agent for any individual or entity.
- Engaging in any outside business activity, regardless of any compensation, or any personal private securities transaction, which has not been disclosed in writing and acknowledged by the Firm PRIOR to your participation.
- Obtaining, possessing or utilizing a customer's personal login and password for the customer's accounts.
- Borrowing or lending money from/to a customer, customer's family or customer's company.
- Engaging in any type of sales activities, including but not limited to, the solicitation of product sales and discussing securities products.

TRANSACTIONAL PROHIBITIONS

- Arranging for the extension of credit or maintenance of credit to or for any customer.
- Recommending any investment product or platform to any individual or entity customer.
- Discarding copies of all/any communication with/from customers concerning securities or investment products.
- Referring a customer to a third-party money manager or utilizing the services of a product vendor or platform.
- Soliciting, selling, discussing or in any way facilitating or participating in the sale of promissory notes.
- Agreeing to repurchase any securities from a customer for the ARR's account or for any other account.
- Effecting transactions influenced by, or based upon, material, non-public information.
- Warranting or guaranteeing the present or future value or price of any securities, or that any company or issuer of securities will meet its promises or obligations.
- Accepting or retaining forms or documents from a customer that have not been thoroughly completed or are blank, but have been signed by the customer.
- Affixing a customer's signature or initials to any form, document or agreement or reusing a previously signed form or document.
- Affixing the RR's signature or initials to any form, document or agreement or reusing a previously signed form or document.
- Altering customer executed forms, documents, or agreements in any way.
- Opening ANY personal brokerage account other than through the Firm.
- Forwarding confirmations or account statements to any other address or person without the customer's written consent.

ADVERTISING-LICENSING-REPORTING PROHIBITIONS

- Participating in online discussions or utilizing any type of direct/indirect messaging platforms that pertain to securities, investing or financial planning that have not been pre-approved by the Firm in writing.
- Making oral or written statements about matters regarding securities products.



- Using any advertising or sales literature, including website and non-personal social media posts, not approved by the Firm.
- Texting any Firm business-related messages outside of the approved Firm provider.

Administrative Only Registered Representatives (hereinafter “ARR”) specifically AGREE TO do the following:

ADVERTISING-LICENSING-REPORTING EXPECTATIONS

- Keep current with new Federal and State laws concerning business conduct and all Firm policies and procedures.
- Have all non-email correspondence to customers and prospects reviewed, approved and acknowledged by a registered principal of the Firm and maintain a copy in a correspondence file.
- Have ALL email communication made using an email address hosted by the Firm for the purpose of review and archiving email. The hosted email address must be used for any incoming and outgoing securities-related email. It is your responsibility to make sure that your email systems and software are configured to meet the above requirements.
- Disclose any and all pertinent information as part of a review and/or investigation by the Firm, any regulatory agency, and/or government agency.
- Notify the Firm immediately, but in no case later than 12:00pm CST on the next business day, following notice of ANY complaint, proceeding, litigation, levy, lien, bankruptcy, compromise with creditors, and/or judgment brought against the ARR or any entity associated with the ARR by any person, customer, entity or regulatory authority, including but not limited to the FINRA, SEC, IRS, and State/Local agencies.
- Notify the Firm promptly, but in no event later than 30 days, upon knowledge of any other material issue which may be U4 reportable, including but not limited to address changes, DUIs, or any other criminal or private legal matter.

OFFICE EXPECTATIONS

- Participate in reviews of your office.
- Comply with all Firm policies and procedures, including but not limited to the Financial Professional Compliance Manual

F2. Acknowledgment by Non-Registered Administrative Assistants (Non-Registered Admin)

All non-registered administrative professionals must review, sign and date the “Acknowledgment by Non-Registered Administrative Assistants”. The administrative professional will be required to review, initial, sign and date this Acknowledgment on an annual basis, which may contain revisions from the previously signed document.

Non-Registered Administrative Assistants (“NRA”) specifically acknowledge and agree that they are PROHIBITED by company policy from the following:

COMPENSATION PROHIBITIONS

- Accepting cash or any other property from any customer of the RR ("customer").
- Accepting checks made payable to the NRA, the NRA's family, the NRA's company, the Firm, the RR, the RR's family, or the RR's company from any customer.
- Accepting any form of compensation from a customer.



BUSINESS DEALINGS PROHIBITIONS

- Acting as personal custodian, representative or trustee for any customer without the prior written approval of the Firm.
- Entering into ANY business transaction with a customer without the prior written approval of the Firm.
- Maintaining a joint securities account with any customer or sharing any benefit with any customer resulting from a securities transaction without the prior written approval of the Firm.
- Raising money, or participating in the raising of money for any company, individual or venture without the prior written approval of the Firm.
- Acting as a licensed securities registered representative or an agent for any individual or entity.
- Obtaining, possessing or utilizing a customer's personal login and password for the customer's accounts.
- Borrowing or lending money from/to a customer, customer's family or customer's company.
- Engaging in any type of sales activities, including but not limited to, the solicitation of product sales and discussing securities products.

TRANSACTIONAL PROHIBITIONS

- Arranging for the extension of credit or maintenance of credit to or for any customer.
- Recommending any investment product or platform to any individual or entity.
- Discarding copies of all/any communication with/from customers concerning securities or investment products.
- Referring a customer to a third-party money manager, product vendor or platform.
- Soliciting, selling, discussing or in any way facilitating or participating in the sale of promissory notes.
- Agreeing to repurchase any securities from a customer for the NRA's account or for any other account.
- Effecting transactions influenced by, or based upon, material, non-public information.
- Warranting or guaranteeing the present or future value or price of any securities, or that any company or issuer of securities will meet its promises or obligations.
- Accepting or retaining forms or documents from a customer that have not been thoroughly completed or are blank, but have been signed by the customer.
- Affixing a customer's signature or initials to any form, document or agreement or reusing a previously signed form or document.
- Affixing the RR's signature or initials to any form, document or agreement or reusing a previously signed form or document.
- Altering customer executed forms, documents, or agreements in any way.
- Forwarding confirmations or account statements to any other address or person without the customer's written consent.

ADVERTISING-LICENSING-REPORTING PROHIBITIONS

- Participating in online discussions or utilizing any type of direct/indirect messaging platforms that pertain to securities, investing or financial planning that have not been pre-approved by the Firm in writing.
- Making oral or written statements about matters regarding securities products.
- Using any advertising or sales literature, including website and non-personal social media posts.
- Texting any Firm business-related messages outside of the approved Firm provider.



Non-Registered Administrative Assistants (“NRA”) specifically acknowledge and agree to the following:

ADVERTISING-LICENSING-REPORTING EXPECTATIONS

- Have all non-email correspondence to customers and prospects reviewed, approved and acknowledged by a registered principal of the Firm and maintain a copy in a correspondence file.
- Have ALL email communication made using an email address hosted by the Firm for the purpose of review and archiving email. The hosted email address must be used for any incoming and outgoing securities-related email. It is your responsibility to make sure that your email systems and software are configured to meet the above requirements.
- Disclose any and all pertinent information as part of a review and/or investigation by the Firm, any regulatory agency, and/or government agency.
- Notify the Firm immediately, but in no case later than 12:00pm CST on the next business day, following notice of ANY complaint, proceeding, litigation, levy, lien, bankruptcy, compromise with creditors, and/or judgment brought against the NRA or any entity associated with the NRA by any person, customer, entity or regulatory authority, including but not limited to the FINRA, SEC, IRS, and State/Local agencies.

OFFICE EXPECTATIONS

- Participate in reviews of your office.
- Comply with all Firm policies and procedures, including, but not limited to the Financial Professional Compliance Manual.



SECTION 3: COMPLIANCE RESPONSIBILITIES

A. Compliance Meeting

You are required to participate in at least one annual compliance meeting conducted by a registered principal of the firm. Failure to participate in an annual compliance meeting may result in fines as well as any other consequences outlined in your Registered Representative Agreement, including but not limited to termination.

FINRA Rule 3110(a)(7)

B. Continuing Education

I. Firm Element (FINRA Rule 1240(b) Firm Element)

As a part of FH Capital's Firm Element program, you are required to complete our firm's annual Firm Element requirements, which are determined each year based on a needs analysis. Firm Element may be administered in the form of computer-based training or via firm sponsored conferences and/or webinars, or other training formats as deemed appropriate. Notification of the year's Firm Element requirements is communicated via email. Requirements must be completed by their due date. If the modules/credits are not completed by their due date, you risk being fined as well as subject to any other consequences outlined in your Registered Representative Agreement, including, but not limited to termination.

2. Regulatory Element

Regulatory Element is FINRA's portion of continuing education and is different from the Firm Element described above. This is an annual requirement. Regulatory Element is administered via an online Module. The link for the module is <https://www.finra.org/registration-exams-ce/finpro/ce>

If the regulatory element of your continuing education is not completed by the end of each calendar year, you risk being terminated and/or being placed on inactive status.

If you are placed on inactive status for failure to comply with your regulatory element by the end of the calendar year, you are prohibited from conducting any securities business, and any commissions received by FH Capital during your inactivity period for transactions executed prior to your inactivity date will become the sole property of FH Capital and will not be due and payable to you.

FH Capital will assist you in complying with this requirement by reminders throughout the year. These reminders will be sent to your securities-approved email address. It is the RR's responsibility to ensure this requirement is completed by the end of each calendar year.

FINRA Rule 1240(a) Regulatory Element



C. Anti-Money Laundering Training

As a part of the firm's AML Training Program each registered representative will be required to participate in an AML Training exercise annually. This exercise may consist of online computer based training, or other training formats as deemed appropriate. AML Training is a requirement of all broker/dealers and is separate from Firm Element training and AML training that may be required by certain insurance carriers. The RR will be notified each year of the training requirement and its due date.

FINRA Rule 3310 Anti-Money Laundering Compliance Program

D. Compliance Disclosures and Attestations

Each year registered representatives will be required to complete an online survey/questionnaire. The purpose of the questionnaire is to obtain feedback regarding the previous year's Firm Element Program, gain insight regarding training and education needs and review the RR's business practices and disclosure events (if applicable).

In addition to the online survey, registered representatives will be required to review and/or complete the following:

- Outside Business Disclosure
- Addendum A to the RR Agreement (and the following for your staff, as applicable); and
 - Addendum A to the Administrative Only Registered Representative Agreement
 - Acknowledgment by Non-Registered Administrative Assistants
- Overview of AML compliance program
- FP Compliance Manual and Acknowledgment (if changes were made during the year)



SECTION 4: BRANCH OFFICES

In NTM 05-67, the NASD announced a new Branch Office definition. Due to this definition it will be necessary for nearly all office locations to be registered as a Branch Office of FH Capital through FINRA.

Each Branch Office is required to have a 'Person-in-Charge' (hereafter "PIC") named for the location. For a non-OSJ location this person does not have supervisory responsibilities. The PIC is responsible for maintenance of the branch records (see Section 7).

FH Capital is required to conduct an inspection of your Branch at least once every three years; once each year for OSJ locations. Inspections may be done virtually or in-person. In order to assist you in preparing for the examination of your branch, FH Capital has created a checklist entitled "What to Expect During a Routine Firm Audit of a Branch Office" for your reference. In most cases you will be contacted in advance of the audit; however, FH Capital may also conduct an unannounced inspection. In either case your complete cooperation is appreciated and necessary.

FINRA Rule 3110(c) Internal Inspections

A. SIPC

Pursuant to Article II, Section 4 (b) each member of SIPC shall continuously display in a prominent place the official symbol at its principal place of business and at each branch office.

B. BOOKS AND RECORDS

As a general rule of thumb, all books and records pertaining to your business and customers must be kept for a period of six years. Two years on your premises and four years readily accessible. Because certain records have specific retention requirements, you are not to discard any documents pertaining to your securities business without prior approval of your supervisor.

You are strongly encouraged to maintain a log or diary of all customer/customer contacts including but not limited to in-person meetings, telephone calls, mailings of contracts, and any other important information.

Books and Records Maintenance: You are required to maintain the following files/logs in your office:

- **Periodic Transaction Blotters:** These blotters are generated by the FH Capital Compliance Department on a weekly basis via the FHC® website. You should not rely on the FHC® website for your blotter retention; print or save the blotter elsewhere. The blotter may be maintained in hard copy or electronically and should be reviewed for data accuracy.
- **Complaint File:** This file contains copies of all written complaints received. If you are unsure if any received correspondence is a complaint it should be forwarded to FH Capital Compliance, your supervisor and it must be preserved in this file.
- **Correspondence File:** This file contains copies of all non-email correspondence sent to your customers or prospects. Non-email correspondence maintained in this file should evidence review and approval by a registered principal of the firm* (your supervisor or FH Capital Compliance).



This file will also contain copies of incoming securities-related correspondence received from a customer or prospect, which must be forwarded to compliance@firstheartland.com for review. You must also maintain account summaries and Albridge reports here. This file may be hard copy or electronic.

*The RR will generally not receive evidence of principal review of email correspondence reviewed via the Firm's email monitoring platform.

- **Advertising File:** Copies of advertising should evidence review and approval by a registered principal of the firm (your OSJ supervisor or FH Capital Compliance). If the advertising piece has been filed with FINRA, a copy of the FINRA review letter must also be attached. This file may be hard copy or electronic.
- **Customer Account Files:** Files should contain the following:
 - Customer Profile Form and supporting documents as required. Trust document, etc.
 - Account Profile Form or Fixed Product Suitability Form
 - Product applications and copy of check or transfer paperwork
 - FHC disclosures, if applicable
 - Transaction confirmations
 - Evidence of delivery for insurance products, including annuity contracts
 - Securities files should not contain information regarding other accounts or random notes.
 - Files should be separated by account. Multiple accounts should not be kept in the same file.
- **Checks Received Log:** You are required to log of all incoming checks recording the details of the transaction, when the check was received and when and to where the check was forwarded. Checks must be logged using the FHC Compliance Logs app available to you through your Google Workspace account.
- **Securities Received Log:** You are required to maintain a log of all incoming stock certificates recording the details of the certificate, when the certificate was received and when it was forwarded to FH Capital. Certificates must be logged using the FHC Compliance Logs app available to you through your Google Workspace account. All stock certificates must be submitted to FH Capital via a traceable method, i.e. FedEx, UPS or the like and separately from the Stock Power Form.
- **Reg BI Disclosure Delivery Log:** Reg BI Disclosure delivery events must be logged using the FHC Compliance Logs app available to you through your Google Workspace account.
- **Gift Log:** You are required to log gifts received and/or given to and/or from prospects, customers, and business colleagues. Gifts must be logged using the FHC Compliance Logs app available to you through your Google Workspace account. Logo d items from financial services providers do not need to be logged.
- **FH Capital FP Compliance Manual:** Hard copy or electronic via our website is acceptable
- **FINRA Rules Manual:** This should be a link in your favorites. <https://www.finra.org/rules->



SECTION 5: SUITABILITY AND BEST INTEREST

A. Customer Suitability and the Best Interest Standard

FH Capital and associated persons must have a reasonable basis to believe that a recommended transaction or investment strategy is suitable, and in the customer's best interest based upon information obtained through reasonable diligence to ascertain the customer's investment profile. Investments will not be recommended that are incompatible with the customer's investment objectives, circumstances and financial conditions. A customer's investment profile includes, but is not limited to, the customer's age, other investments, financial situation and needs, tax status, investment objectives, investment experience, time horizon, liquidity needs, risk tolerance and any other information the customer may disclose.

If a customer declines to disclose financial data to you and/or objects to such data being recorded on the FH Capital Customer Profile Form, you are prohibited from making recommendations to the customer due to having inadequate data for you and/or your supervisor to determine suitability and best interest. Suitability data will be captured via FH Capital's Customer Profile Form and Account Profile Form. Best Interest determinations will be based upon suitability data and additional information provided on the Customer Recommendation Form.

FINRA Rule 2111 Suitability
SEC Regulation Best Interest

B. Non-Traded REITs (There are currently no approved offerings.)

Please carefully review the product prospectus for complete suitability requirements. FH Capital imposes house suitability requirements for non-public REITs in addition to the product prospectus suitability requirements. House rules:

Investors Age 74 and Under:

- The customer's investment amount into any one non-public REIT must not exceed more than 10% of the customer's LIQUID net worth.
- No more than 15% of a customer's LIQUID net worth will be permitted in total into a combination of non-public REITs. (Example the customer can invest in several non-public REITs as long as the total of all the REITS does not exceed 15% of their LIQUID net worth).

Investors Age 75 through 80:

- The customer's investment amount into any one non-public REIT must not exceed more than 5% of the customer's LIQUID net worth.
- No more than 10% of a customer's LIQUID net worth will be permitted in total into a combination of non-public REITs.

Investors Age 81 through 85:

- The customer's investment amount into any one non-public REIT must not exceed more than 5% of the customer's LIQUID net worth.
- No more than 5% of a customer's LIQUID net worth will be permitted in total into a combination of non-public REITs.



Investors Age 86 and Above: Not permitted.

Please note if the REIT product prospectus allows for **less than** the FH Capital requirements the product prospectus will supersede the FH Capital requirements. Always refer to the product prospectus for state specific suitability requirements.

C. Annuity Concentration

Liquid net worth and investable assets must be taken into account when determining the suitability and appropriateness of a proposed investment into an annuity. As a general guideline, an appropriate amount permitted to be invested into an annuity is approximately 50% of liquid net worth and investable assets combined. Facts and circumstances of each transaction will ultimately be used when considering an appropriate annuity concentration for a particular customer. Customer assets already held in annuities that are out of surrender period may be considered liquid in the calculation.

In the event that the proposed transaction shall exceed this annuity concentration guideline, the designated principal may take one or more of the following actions:

- Reject the transaction
- Approve the transaction based upon its facts and circumstances
- Ask for more information to understand why the transaction is suitable
- Call the customer to discuss their concentration in annuities
- Request additional written disclosure from the customer acknowledging their understanding of their concentration of annuities
- Suggest a reduced investment amount



SECTION 5.1: SEC REGULATION BEST INTEREST (effective June 30, 2020)

REGULATION BEST INTEREST OVERVIEW

General Obligation of Broker Dealers & Registered Representatives:

Regulation Best Interest requires that at the time the registered representative (RR) recommends a securities transaction or investment strategy involving securities, they **MUST** act in the customer's best interest and are prohibited from placing their own interests ahead of the customer's interests. This will require an objective assessment of the facts and circumstances of whether the specific components of the regulation are satisfied at the time the recommendation is made.

Recommendations include, but are not limited to:

- recommendations of account types,
- recommendations within an account,
- transfers of assets,
- brokerage vs. advisory, and
- "explicit" hold recommendations ("implicit" hold recommendations are not covered since we DO NOT provide ongoing account monitoring).

General Obligation is only satisfied when the broker dealer and RR comply with 4 specified components:

1. **DISCLOSURE OBLIGATION:** providing certain prescribed disclosures before or at the time of the recommendation, about the recommendation and the relationship between the customer and the broker dealer.
2. **CARE OBLIGATION:** a broker dealer and financial professional must exercise reasonable diligence, care and skill when making a recommendation to a customer.
3. **CONFLICT OF INTEREST OBLIGATION:** a broker dealer must establish, maintain, and enforce reasonably designed written policies and procedures addressing conflicts of interest associated with its recommendations to customers.
4. **COMPLIANCE OBLIGATION:** a broker dealer must establish, maintain and enforce written policies and procedures reasonably designed to achieve compliance with Regulation Best Interest as a whole.

Education vs. Recommendation

Certain types of communications are not treated as recommendations so long as they do not include a recommendation of a particular security or particular investment strategy involving securities.

Examples of topics where general discussions would be considered educational include, but are not limited to:

- general financial and investment information including investment concepts (risk and return)
- diversification
- tax deferral



- dollar cost averaging
- historic returns in asset classes
- inflation effects
- estimates of retirement income needs
- assessment of a customer's investment profile

What constitutes an “investment strategy” recommendation is interpreted broadly. An example would be a recommendation to use a bond ladder, irrespective of whether the recommendation mentions particular securities. Registered representatives will be responsible for these recommendations REGARDLESS of whether those recommendations result in transactions or generate transaction-based compensation.

****Recommendations that are made MUST always be documented—even if the recommendation DOES NOT ultimately involve a sale or compensation. If the recommendation is made and the prospect or customer executes that recommendation through another RR, you MAY still be held responsible.**

REGULATION BEST INTEREST-SPECIFIC DISCLOSURES

FORM CRS (Customer Relationship Summary)

The Form CRS is a four-page standardized disclosure that describes the types of investment services and advice that may be provided by you as a Registered Representative of FH Capital and/or as an Investment Advisory Representative of F H Consultants Delivery of this document is required.

CONFLICTS DISCLOSURE (Compensation and Conflicts of Interest Disclosure)

All disclosures required under the Disclosure Obligation of Regulation Best Interest cannot fit within the mandated confines of Form CRS. As such, this additional disclosure document is required to fully meet our Disclosure Obligation. This document covers the various sources of compensation that the broker/dealer receives as well as its conflicts of interest. Delivery of this document is required.

- **Best Practice**
Always deliver the Form CRS and the Conflicts Disclosure together.

Obligations of the Registered Person:

- I. When must the Form CRS and the Conflicts Disclosure be provided to a prospect or existing customer?

Before or at the earliest of

- a. a recommendation of account type;
- b. a recommendation within an account, including an explicit hold recommendation;
- c. opening an account; or
- d. placing a securities transaction.



➤ **Best Practice**

Provide the Form CRS and Conflicts Disclosure to your prospect when you first begin discussions about potentially working together. This could be as early as when you first meet a prospect or prior to your first phone or in-person meeting. At the very least, it **MUST** be **BEFORE** any recommendation is made, including the recommendation to transfer assets or open a brokerage account.

2. Are the Form CRS and the Conflicts Disclosure required for both broker-dealer and investment advisory prospects and customers?

Form CRS: Yes.

The Form CRS provides information regarding commission and advisory based services. Regardless of which company you can or will do business with, you must provide the Form CRS in accordance with the parameters described above.

Conflicts Disclosure: Maybe.

If the customer is opening a Pershing brokerage account this disclosure must be provided.

Remember, even if you have recommended an advisory relationship, a Pershing brokerage account is still a broker/dealer account.

If the advisory relationship is Financial Planning only, or an account with a vendor other than Pershing (SEI, AssetMark, Charles Schwab), the Conflicts Disclosure is not required.

Of course, Best Practices is to provide both disclosure documents at the onset of the relationship.

3. Can the Form CRS and the Conflicts Disclosure be provided via email?

Yes. However, a prospect or customer must first give consent to electronic delivery. See Delivery Options section of this manual for electronic delivery specifics.

4. Do I need to provide the Form CRS and the Conflicts Disclosure to existing customers?

Yes, IF:

- a. a new account is opened;
- b. changes are made to existing accounts that materially changes the nature and scope of the relationship with the investor; OR
- c. a recommendation is made

5. How do I document that I provided the Form CRS and the Conflicts Disclosure to a prospect or customer?

You will log delivery using the FHC Compliance Logs app available to you through your Google Workspace account. You will record the name of the recipient, the date you provided the disclosures, and the version/date of the disclosures.



Quick Reference

Delivery Options for Reg BI Disclosures (Form CRS and Conflicts Disclosure)

Docupace (prior to opening an account)

1. Initiate Reg BI Work Item
2. Complete Cover Page-name, email address, and physical address required
3. Submit for E-Signature
 - an actual e-signature is not required, but the e-sign process allows the recipient to consent to e-delivery
4. Recipient receives email, opens and clicks through the process of consenting to e-delivery
5. Document delivery on Reg BI Disclosure Delivery log using the FHC Compliance Logs app.

Considerations:

- “Householding” is not permitted with this option. As such, if sending to husband and wife two separate email addresses are required.
- If recipient does not complete authorization process within 10 days, FHC will mail the disclosure to the recipient (postage may be assessed to the representative).

Non-Secure Email

1. Intended recipient completes, then wet-signs FHC®’s *Non-Secure E-Mail Delivery Consent* form
 - a. Docupace E-sign of the *Non-Secure E-Mail Delivery Consent* form is available for existing customers.
2. Upon receipt of completed and signed authorization, representative may email Form CRS and Conflicts Disclosure to recipient from the representative’s FH Capital approved email address
3. Document delivery on Reg BI Disclosure Delivery log using the FHC® Compliance Logs app.

Considerations:

- “Householding” is permitted with this option (assuming customers have designated the same email address)
- Representative may email the form to the prospect for completion, however, recipient must print for wet-signature after completion and may return form via email, fax, or mail.

Mail

1. Send a paper copy of the Form CRS and Conflicts Disclosure
2. Document delivery on Reg BI Disclosure Delivery log using the FHC® Compliance Logs app.

Considerations:

- “Householding” is permitted with this option
- Must send paper, no electronic media option



In Person

1. Hand deliver paper copy of the Form CRS and Conflicts Disclosure
2. Document delivery on Reg BI Disclosure Delivery log using the FHC® Compliance Logs app.

Considerations:

- “Householding” is permitted with this option
Must use paper, no electronic media option

➤ Best Practice

When in doubt—make delivery!

SECTION 5.2: PTE 2020-02

PTE 2020-02 - Improving Investment Advice for Workers & Retirees

This new rule expands the circumstances in which rollover advice would constitute ERISA fiduciary advice. It re-establishes the 5-part fiduciary advice test from 1975 and provides exemptive relief for conflicted compensation by financial professionals and institutions.

An individual is providing fiduciary investment advice only if they are:

- Providing advice about investments for a fee;
- giving the advice on a regular basis;
- providing the advice subject to a mutual understanding that said advice is fiduciary in nature;
- giving advice with the understanding that it will be the primary basis for an investment decision; and
- providing individualized advice.

The DOL has reinterpreted the Regular Basis Requirement and confirmed that advice causing someone to enact a rollover meets the “regular basis” requirement. In addition, the term “rollover” will also apply to IRA to IRA transfers. As such, any recommendation to rollover/transfer assets from a plan to an IRA, from another financial institution to FHC®, or an IRA to IRA transfer AND that recommendation results in the receipt of compensation, FHC® will need to meet the requirements under PTE 2020-02.

PTE 2020-02 Requirements

- Acknowledge fiduciary status in writing.
- Disclose services and material conflicts of interest.
- Adhere to Impartial Conducts Standards - special focus on “reasonable compensation.”
- Adopt policies and procedures designed to ensure compliance with the Impartial Conduct Standards and to mitigate conflicts of interest that could cause violations of those standards.
- Document and disclose the specific reasons that any rollover recommendations are in the investor’s best interest.
- Conduct an annual retrospective review.



Employer-Sponsored Plans & Traditional Rollovers

Financial professionals will NOT recommend any course of action, including a rollover.

The customer will be provided the “Considerations for Retirement Plan Participants” and “Retirement Plan Participant Acknowledgement” for review and signature PRIOR TO any recommendation with respect to type of account (advisory vs. non-advisory) or ultimate investments to be made. The new forms replace the “Moving Your Qualified Retirement Plan Disclosure & Guide.”

The “Considerations for Retirement Plan Participants” form describes the participant’s options with respect to their plan account and the “Retirement Plan Participant Acknowledgement” confirms the participant’s decision with respect to plan assets, including the decision to rollover, was their decision, unsolicited by the FP, and that the FP did not make a recommendation with respect to any of the options listed on the form.

The “Considerations for Retirement Plan Participants” form and “Retirement Plan Participant Acknowledgement” form must be provided and executed PRIOR to any action being taken on rollover paperwork. These forms may be provided and completed by the customer prior to or at the same time as the completion of the Customer Recommendation Form and other FHC® paperwork.

The Customer Recommendation Form will document the recommendations that occur AFTER the customer has decided that they are doing a rollover. All normal Reg. BI reviews will be conducted.

As no rollover recommendation is occurring, there is no need to comply with PTE 2020-02.

IRA-to-IRA transfers & Change of Dealers on Qualified Accounts

Financial professionals that recommend IRA to IRA transfers and/or Change of Dealers and receive compensation, will need to rely on PTE 2020-02.

Customer Recommendation Form will continue to be used to document the recommendation (or lack thereof) to do the transfer. The customer will continue to provide a statement from their account. If the FP did not recommend a transfer/change of dealer, they must specify that in section 6 of the CRF. All normal Best Interest reviews will be conducted, which already include looking at pricing, cost, etc.



SECTION 6: NEW ACCOUNTS AND TRADING

A. Account Forms

Customer Profile Form (CPF)

FH Capital must have a CPF for each customer or customer household. This form allows the RR to capture suitability data for a customer that is not specific to the account, but rather applies to the customer overall. The CPF should be updated when there are changes in the customer's circumstances.

➤ Best Practice

Complete an updated CPF when the customer informs you there are changes in their circumstances, the customer is opening a new account, and/or during the customer review process.

Account Profile Form (APF)

One APF will be completed per account. This form is designed to capture suitability information on the account level, as a customer's objectives, time horizon and risk tolerance may vary from account to account. The APF is not valid unless a CPF is on file for the customer/customer household, or is being submitted simultaneously.

Depending on the account registration you will complete a CPF and APF **or** an Entity Profile Form (EPF), **or** Retirement Plan Account Form (RPAF).

- The Entity Profile Form is for use only with the following registrations: Corporate, Limited Partnership, or Limited Liability Company.
 - When working with an entity, you must also submit a W9, the Entity Beneficial Owner Form, and documentation supporting the entity's existence and authorized signer(s).
- The Retirement Plan Account Form is for use only with retirement plans such as 401k Plans, Defined Benefit Plans, Profit Sharing Plans and 457 Plans. Documentation supporting the plan's existence and authorized signer must accompany the RPAF.

Each account form must be thoroughly completed. Any form not containing all required information may be returned to you. Incomplete applications will not be approved or accepted by FHC®.

Upon completion and review by the customer, both the customer and the RR must sign and date the account form. The disclosure pages of the document include the Customer Relationship Summary, Compensation and Conflicts Disclosure, Pre-Dispute Arbitration Agreement, firm's Privacy Policy and Business Continuity Summary. When printing the Customer Profile Form from our website, in addition to providing your customer with a copy of the completed form, you must give all the disclosure documents that print with the Customer Profile Form. It is imperative that your customers receive these documents.

Account Forms must be updated if any of the customer's personal or suitability information changes. Registered reps are encouraged to proactively review suitability data with the customer frequently.



B. Trading

An unlicensed or unregistered person is never to accept or solicit an order to buy or sell a mutual fund, stock or bond from a customer. Orders must only be accepted by a representative who is properly registered for the security type of the transaction. Unregistered office staff may complete an order ticket or enter an order at the instruction of a registered person only.

The Firm and its associated persons may buy or sell securities or hold a position in securities identical to the securities recommended to customers. However, it is the Firm's policy that no associated person will put his or her interests before a customer's interests. To ensure customer's interests are properly protected, the Firm has enacted the following procedures:

Associated persons may not trade ahead of any customer nor trade in a way that would cause the supervised person to obtain a better price than the price a customer would obtain. Trades for a FP's personal accounts should **never** be included in the same block as customer trades. Supervised persons can consult with the CCO to determine whether a security is an appropriate purchase or sale by the supervised person.

C. Sponsor Direct Business Processing (Application-Way Business)

Mutual Funds

Mutual fund application-way business must be submitted to your supervising office for processing and compliance review and approval prior to sending to the vendor.

Fixed and Fixed Indexed Annuities

All annuity applications must be submitted to FH Capital for approval prior to submitting the application to the carrier or FMO for processing.

Variable Annuities

Pursuant to FINRA Rule 2330, variable annuity applications must be submitted to FH Capital or your OSJ supervisor for approval *prior to* submitting the application to the product sponsor for processing.

Non-Traded REITs (There are currently no approved offerings.)

All non-traded REIT subscription agreements, even those for additional deposits, require compliance pre-approval. All *original* subscription agreements must be sent to FH Capital or your OSJ supervisor for review and approval, unless otherwise specified in writing by your supervisor.

D. Customer Recommendation Form

This form is used to document the reason you recommended the product/transaction to the customer.

This form must be completed and signed by the investor(s) and the Financial Professional, then reviewed and signed by a principal of FH Capital. The form must be completed with the proper disclosures and reviewed with the customer prior to the customer's signature.

The reason for change/recommendation must be detailed and comprehensive, describing motivation, objective and expected benefits and/or potential risks involved with the change as well as the rationale



for the new product selection. Alternatives **MUST** be considered and documented as to why they were not recommended. Upon completion, this form should substantiate that recommendation is in the customer's best interest.

E. Variable Annuity Disclosure

The Variable Annuity Disclosure is required for an initial variable annuity purchase. The form is not required for additional deposits to an existing contract, unless required by compliance for a specific reason. The purpose of this form is to document the customer's acknowledgement of disclosure of key factors of the annuity being purchased.

F. Mutual Funds

When recommending a mutual fund to a customer a prospectus must be delivered to the customer *prior* to the sale. When a customer requests a redemption or change of mutual fund that is held in a Pershing brokerage account, you must notify the customer that such a redemption or change could be transacted directly at the fund company free of any charges.

Breakpoints

You must obtain adequate information from your customer to determine their eligibility for a sales-charge reduction or breakpoint. Such information includes their current holdings away from the firm and if they have any linked accounts that could be counted towards a breakpoint. Procedures regarding account, transaction, and product linkage apply to both initial and additional investments, including periodic investments. Ensure you are familiar with the breakpoint structure of the funds you are soliciting. Current breakpoint schedules are located in the fund's prospectus, directly from the mutual fund company or on Pershing's NetX360.

Breakpoint Acknowledgement Letter

You must advise your customer of breakpoint opportunities. If a breakpoint would have been achieved by purchasing within one mutual fund family, but the customer purchased funds in two or more different mutual fund families instead, a Breakpoint Acknowledgement Letter must be completed and signed by the customer.

Letter of Intent or Rights of Accumulation

Where applicable, you must offer the customer the option to sign a Letter of Intent or a Rights of Accumulation letter, to provide the customer with the appropriate purchasing power based on their intended investment volume in a selected fund.

Share Class Selection

Share class selection will be evaluated based upon the customer's stated investment time horizon. Those C-share transactions where the customer's account profile form indicates a long-term time horizon may be rejected depending upon the customer's individual circumstances.

A helpful resource to compare the cost of C-share versus A-share is FINRA's Fund Analyzer. This tool can be accessed here: https://tools.finra.org/fund_analyzer/

Multi-Class Mutual Fund Disclosure



For every purchase of a Class B mutual fund your customer must read and sign a Multi-Class Mutual Fund Disclosure. This form may be required for other share class purchases if deemed appropriate by the registered principal reviewing the transaction.

G. Pershing Brokerage Order Tickets and Confirmations

An order ticket must be completed/generated for every trade, even if you have the ability to enter your trade electronically. The order ticket must be completed thoroughly and signed by the RR. You are strongly encouraged to have your customer review and sign the order ticket. FPs are permitted to generate a trade blotter from NetX360 that will satisfy this requirement. ALL order tickets must be sent to FH Capital or your OSJ supervisor for review.

H. Low-priced or Unseasoned Securities

Solicitation of low-priced or unseasoned securities is prohibited. Unsolicited orders may be accepted; however, *prior* to entering a buy order for a stock selling below \$3 per share, an Acknowledgment of Risk Letter must be completed and signed by the customer authorizing the transaction.

I. Customer Funds

FH Capital is an introducing broker/dealer. As such we do not custody customer funds or securities. Cash, checks or money orders made payable to FH Capital, the RR or the RR's company will not be accepted. Customer should make checks payable to Pershing, LLC or the specific product sponsor.

All efforts should be made to send customer funds and customer securities for processing the same day they are received. However, all customer funds and securities received must be sent for processing by no later than the following business day. These items must be entered into the check-received log or securities-received log in the Compliance Logs app available in Google Workspace. All checks and securities kept overnight must be kept in a secure, locked location.

J. Insider Trading

Insider trading is prohibited by law. RRs and affiliated persons are prohibited from trading (personally or on behalf of others) while in possession of material, non-public information. Associated persons are also forbidden to communicate material, non-public information to others in violation of the law. This policy applies to all associated persons and extends to activities within and outside of their duties with FH Capital.

“Material Information” is generally defined as:

- information for which there is a substantial likelihood that a reasonable investor would consider it important in making his or her investment decisions, or information which, if disclosed, could be viewed by a reasonable investor as having significantly altered the “total mix” of information available;
- information that, if publicly disclosed, is reasonably certain to have a substantial effect on the price of the company's securities; or
- information that could cause insiders to change their trading patterns.

There is no simple test that exists to determine when information is “material”. As such, RRs should seek guidance from the Chief Compliance Officer if there is any question as to whether or not



information is “material”. Information is considered “non-public” until such time as it has been effectively communicated to investors in the marketplace.

The consequences for trading on or communicating material, non-public information are severe. Consequences can be imposed on the persons involved in insider trading and their employer. Penalties can be imposed even if the parties involved do not personally benefit from the activities involved in the violation. In addition to the regulatory and criminal penalties that could be imposed, supervised persons can expect that any violation of FH Capital’s insider trading policy will result in serious penalties to all parties involved, potentially including dismissal from affiliation with FH Capital. FH Capital strictly prohibits insider trading. If any RR believes that they may have access to material, non-public information through the course of fulfilling their duties, they are to report to the Chief Compliance Officer immediately. Any time a supervised person suspects that a customer or another supervised person is trading based on inside information or determines that they have received material, non-public information, it must be reported to the CCO immediately. Persons having knowledge of material, non-public information will not place any securities transactions in securities relating to such information for any account. In addition, no recommendations will be made in relation to any securities affected by the information. Information will be communicated only to FH Capital’s CCO who will then determine the appropriate course of action to take. The CCO will communicate the appropriate course of action to the supervised person(s) having knowledge of the information. The CCO will confidentially document FH Capital’s actions in addressing the material inside information.

The CCO is responsible for making the final determination regarding whether the information is material or non-public and could be considered insider information.

FH Capital, in its review of personal securities transactions and holding for access persons, will document if any questionable activity or behavior is detected. If such questionable activity or behavior is detected, the Chief Compliance Officer will conduct an investigation into the matter to determine if a violation of firm policies has occurred and what actions should be taken, including termination.

K. Anti-Money Laundering

Money laundering is defined as engaging in acts designed to conceal or disguise the true origin of criminally derived proceeds so that the unlawful proceeds appear to have been derived from legitimate origins or constitute legitimate assets. Money laundering occurs in connection with a wide variety of crimes, including, but not limited to, drug trafficking, robbery, fraud, racketeering, and terrorism. Don’t assume an attempt at money laundering can’t happen to you.

Look for signs of suspicious activity that suggest money laundering. If you detect a “red flag”, notify your supervisor immediately. Examples of “red flags” are described below:

- The customer exhibits unusual concern regarding the firm’s compliance with government reporting requirements and the firm’s Anti-Money Laundering policies, particularly with respect to his or her identity, type of business and assets, or is reluctant or refuses to reveal any information concerning business activities, or furnishes unusual or suspect identification or business documents.
- The customer wishes to engage in transactions that lack business sense or apparent investment strategy or are inconsistent with the customer’s stated business strategy.



- The information provided by the customer that identifies a legitimate source for funds is false, misleading or substantially incorrect.
- The customer has a questionable background or is the subject of news reports indicating possible criminal, civil or regulatory violations.
- The customer exhibits a lack of concern regarding risks, commissions, or other transaction costs.
- The customer appears to be acting as an agent for an undisclosed principal, but declines or is reluctant, without commercial reasons, to provide information or is otherwise evasive regarding that person or entity.
- The customer has difficulty describing the nature of his or her business or lacks general knowledge of his or her industry.
- The customer attempts to make frequent or large deposits of currency, insists on dealing only in cash equivalents or asks for exemptions from the firm's policies relating to the deposit of cash and cash equivalents.
- The customer engages in transactions involving cash or cash equivalents or other monetary instruments that appear to be structured to avoid the \$10,000 government reporting requirements, especially if the cash or monetary instruments are in an amount just below reporting or recording thresholds.
- For no apparent reason, the customer has multiple accounts under a single name or multiple names, with a large number of inter-account or third party transfers.
- The customer's account has unexplained or sudden extensive wire activity, especially in accounts that had little or no previous activity.
- The customer's account shows numerous currency or cashiers check transactions aggregating to significant sums.
- The customer's account has a large number of wire transfers to unrelated third parties inconsistent with the customer's legitimate business purpose.
- The customer's account indicates large or frequent wire transfers, immediately withdrawn by check or debit card without any apparent business purpose.
- The customer makes a funds deposit followed by an immediate request that the money be wired out or transferred to a third party, or to another firm, without any apparent business purpose.
- The customer makes a funds deposit for the purpose of purchasing a long-term investment followed shortly thereafter by a request to liquidate the position and transfer of the proceeds out of the account.
- The customer requests that a transaction be processed in such a manner to avoid the firm's normal documentation requirements.
- The customer, for no apparent reason or in conjunction with other "red flags", engages in transactions involving certain types of securities, such as penny stocks, Regulation S stocks, and bearer bonds, which although legitimate, have been used in connection with fraudulent schemes and money laundering activity.
- The customer's account shows an unexplained high level of account activity with very low levels of securities transactions.
- The customer maintains multiple accounts, or accounts in the names of family members or corporate entities, for no apparent business purpose or other purpose.
- The customer's account has inflows of funds or other assets well beyond the known income resources of the customer.

Special NASD Notice to Members 02-21



Identification Verification

The Customer Identification Procedures of FH Capital's Anti-Money Laundering Policy state you must review a non-expired, government issued form of identification for any customer that is unknown to you or that you have known for less than two years. The identification type and number will be recorded on the Customer Profile Form. You as a FP must personally view the identification, then initial and date where indicated on the Customer Profile Form attesting you personally reviewed the identification.

It may be necessary for FH Capital to request from you additional information regarding verifying a customer's identification. A prompt response to such inquiries is necessary. Any delayed responses may result in the account closure and/or forfeiture of any compensation.

L. Solicited, Unsolicited and Discretionary Orders

Solicited

When a transaction is recommended to a customer by an FP, the customer has approved the transaction, and the order is entered as a result of that recommendation, the resulting order is considered to be solicited even if a lapse in time has occurred between the discussion and the order's placement. Solicited also refers to any order placed by a customer for the purchase or sale of a specified security resulting from the selling efforts or at the suggestion of the RR.

A solicited order may be the result of either: oral or written communications which suggest or recommend a specific security or commodity; or the furnishing or mailing of any research report, market letter, or other written communication concerning a specific security or commodity.

Customer orders that are solicited should be marked "solicited" on the order ticket for the transaction.

Unsolicited

Any order for a particular security which was initiated by the customer and which was not recommended or otherwise suggested in any manner by the FP is considered "unsolicited." Effectively, the FP's participation in the order is limited to merely giving the customer specifically requested statistical information, such as the current quote or known (not estimated) earnings, dividends, etc. and taking the order at the customer's direction.

Discretion

Discretion refers to the authority given to someone other than an account's beneficial owner to make investment decisions for the account concerning the security, the number of shares or units, and whether to buy or sell. The authority to decide only timing or price does not constitute discretion. RRs are not permitted to utilize discretion



NEW COMMISSION-BASED ACCOUNTS (FIRST HEARTLAND® CAPITAL, INC.)

REGISTRATIONS PERMITTED	TYPES OF ACCOUNTS PERMITTED	PROCEDURES
All IRAs (Rollover, Traditional, Roth, Simple, SEP, Inherited, Coverdell)	J10 Brokerage Accounts	All forms required for account set-up are available via DocupaceOR you may contact the Securities Department directly for guidance.
	Variable Annuity	All applications and forms must be submitted to FH Capital PRIOR to submission to vendor
Solo K	Fixed Annuity	
Individual	Fixed Indexed Annuity	Prior to selling FA/FIA, please be sure to contact our licensing team to confirm that you are properly contracted/appointed through the broker dealer
Joint		Annuity applications (VA/FIA/FA)--All commission options available
TOD	**Held-Direct Mutual Fund Accounts	*529 Plans may be Held Direct at any Mutual Fund Company for which we have a selling agreement.
Corporate		
529*		***Accounts may only be Held Direct at the following Mutual Funds: American Funds Fidelity Funds Franklin Funds Invesco Funds (Oppenheimer) Aristotle Funds (Pacific Funds) Principal Funds
UTMA/UGMA		(choice of share class subject to best interest standards)
Trust		SIMPLE plans only-Timothy Funds may be used
Estate		
401(k)/403(b)		<u>NOTE: New participants to existing SIMPLE plans may be added and additional deposits to existing MF accounts may be made regardless of where the account is held</u>



This page ONLY applies to First Heartland® Consultants, Inc. Investment Advisory Representatives

NEW ADVISORY-BASED ACCOUNTS (FIRST HEARTLAND® CONSULTANTS, INC.)

REGISTRATIONS PERMITTED*	TYPES OF ACCOUNTS PERMITTED	PROCEDURES
All IRAs (Rollover, Traditional, Roth, Simple, SEP, Inherited, Coverdell) Solo k Individual Joint TOD UTMA/UGMA Trust Corporate Estate 401(k)/403(b) *Subject to custodian availability	Rep as PM Brokerage Accounts • Pershing (wrap) • Charles Schwab (non-wrap) Sub-Advisor Accounts: (Referral Service Level) • BNY Mellon Advisors/ Managed 360 • Valor • SEI • AssetMark • First Heartland Asset Strategies Financial Planning Only	All forms required for account set-up are available via DocupaceOR you may contact the Consultants' Department directly for guidance. All applications and forms must be submitted to FHC PRIOR to submission to vendor Advisory accounts under agreement with FH Consultants will be charged a platform fee (all registrations). When available, MUST ALWAYS choose the lowest share class available in terms of expenses Asset Based Pricing for Rep as PM accounts custodied at Pershing What is Included: (1) Mutual Funds---both load and no load funds (2) Equities (3) ETFs (4) Fixed Income Securities (5) Unit Investment Trusts (6) Short-term redemption fees on FundVest positions are inapplicable (waived) What is NOT Included: (1) Surcharge Funds (i.e., Vanguard, DFA)—while the underlying ticket is covered by the pricing, the surcharge amount is not. As such, these types of funds will carry a separate \$10 charge. What this Means For You: (1) There will be no separate "ticket charges" assessed to you on advisory account trades. (2) You will be assessed 1.5 basis points annually. (3) This charge will be assessed to you monthly based upon the value (AUM) of your advisory accounts at the end of each month. (4) The charge will hit your Capital commission statement and if needed, can be transferred to Consultants.



This page **ONLY** applies to First Heartland® Consultants, Inc. Investment Advisory Representatives

DISCOUNTING ADVISORY FEES

You may discount your advisory fee (not the First Heartland® Platform Fee) for any service level, for any customer, for any reason.

IARs with a Flat Fee %

May discount to a lower flat fee.

For Example: If your current fee under a particular service level is 1%, you may discount to .75%

IARs with a Tiered Fee structure (Graded or Breakpoint)

May reduce each tier by a specific percentage (i.e., a 10% discount). Discounting graded or breakpoint tiers may either be made on all levels or some levels in consecutive order, just so long as tiers at greater dollar values are lower than the previous tier. The IAR's fee may not be lower than the firm's Platform Fee.

For Example: Discounting only first two tiers by 10%

<u>Your Standard Fee Schedule</u>	<u>Your Standard Fee Schedule with a 10% Discount</u>
First \$500,000.....1.00%	First \$500,000.....0.90%
Next \$500,000.....0.85%	Next \$500,000.....0.77%
Over \$1,000,000.....0.75%	Over \$1,000,000.....0.75%

- Please note that when discounting tiers, your asset levels MAY NOT change
- You may not discount from a tiered to a flat rate
- The IAR's fee may not be lower than the First Heartland® Platform Fee



SECTION 7: ERISA PLANS

APPROVED ERISA PLAN VENDORS

(401k, Pension Plans, Defined Benefit Plans)

The list below are the approved vendors that representatives may work with for NEW and/or Transfers of ERISA Plans:

1. American Funds
2. ADP
3. CUNA Mutual
4. Empower
5. ePlan Services
6. Fidelity
7. John Hancock
8. Mass Mutual
9. Mutual of Omaha
10. Nationwide
11. OneAmerica
12. Pershing (Retirement Plan Network)
13. Principal
14. Transamerica
15. Voya
16. Paychex
17. Vanguard
18. Standard
19. Ascensus (including PAi)
20. KTrade (FH Consultants only)



SECTION 7.1: ERISA PLANS - FIRST HEARTLAND® CAPITAL, INC.

COMMISSION-BASED ERISA ACCOUNTS

(effective May 1, 2020)

ERISA PLANS PERMITTED	TYPES OF ACCOUNTS PERMITTED	PROCEDURES
401k, Profit Sharing Plan, Defined Benefit Plan, All other ERISA Employer-Sponsored Plans	J10 Brokerage Accounts Other approved Vendor Platforms (see page 38)	All forms required for account set-up are available on Docupace OR you may contact the Securities Department directly for guidance. All applications and forms must be submitted to FHC® PRIOR to submission to vendor Representative is PROHIBITED from acting as a fiduciary in any capacity

Non--fiduciary services you may provide through First Heartland® Capital, Inc.

- Service Provider Liaison. RR shall assist the Plan by acting as a liaison between the Plan and service providers, product sponsors or vendors. In such cases, RR shall act only in accordance with instructions from the customer on investment or Plan administration matters and shall not exercise judgement or discretion.
- Assistance with Changes in Investment Options. RR may assist customer, at customer's direction, in making changes to investment options under the Plan. However, RR will NOT have discretion regarding the changes to be made.
- Education Services to Plan Committee. RR may provide education or training for the members of the Plan Committee with regard to plan features and responsibilities.
- Participant Enrollment. RR will assist customer in enrolling participants in the Plan, including conducting enrollment meetings. As part of such meetings, RR will provide education to participants with information about the Plan, which may include information on the benefits of participation, the benefits of increasing contributions, the impact of pre-retirement withdrawals on retirement income, and the terms of the Plan.



SECTION 7.2: ERISA PLANS-FIRST HEARTLAND® CONSULTANTS, INC.

This page **ONLY** applies to First Heartland® Consultants, Inc. Investment Advisory Representatives

FEE-BASED ERISA ACCOUNTS

(effective September 1, 2018)

ERISA PLANS PERMITTED	TYPES OF ACCOUNTS PERMITTED	PROCEDURES
401k, Profit Sharing Plan, Defined Benefit Plan, All other ERISA Employer-Sponsored Plans	J60 Advisory Brokerage Accounts Other approved Vendor Platforms (see page 38)	All forms required for account set-up are available on Docupace OR you may contact the Consultants' Department directly for guidance. All applications and forms must be submitted to FHC® PRIOR to submission to vendor **In order to work with these plans, you MUST hold one of the following designations: CPC, CPFA, or a C(k)P (see page 41)

Fiduciary Services you may provide through First Heartland® Consultants, Inc.:

- Ongoing Investment Monitoring. IAR will perform ongoing monitoring of investment options in relation to the criteria specified in the Plan's investment policy statement or other written guidelines provided by the customer.
- Ongoing Investment Recommendations. IAR will recommend, for consideration and ultimate selection by the customer, specific investments to be held by the Plan, or in the case of a participant-directed defined contribution plan, specific investments to be made available under the Plan. IAR will recommend, for consideration and ultimate selection by the customer, investment replacements if any existing investment is determined by the customer to no longer be suitable as an investment option.
- 404(c) Assistance. As part of the Ongoing Investment Recommendation Service set out above, the IAR will assist customer in identifying investment options in connection with the "broad range" requirement of ERISA 404(c).
- Qualified Default Investment Alternative Assistance. As part of the Ongoing Investment Recommendation Service set out above, IAR will assist customer in identifying an investment fund product or model portfolio in connection with the definition of a "Qualified Default Investment Alternative" (QDIA) under ERISA.



This page ONLY applies to First Heartland® Consultants, Inc. Investment Advisory Representatives

APPROVED CREDENTIALS TO WORK WITH ERISA PLANS (401K, Pension Plans, Defined Benefit Plans) on a FIDUCIARY basis through First Heartland® Consultants, Inc.

In order to work with ERISA Plans on a fiduciary basis, you must be registered with First Heartland® Consultants, Inc., work with the Plan on an advisory basis only, AND possess one of the following credentials:

Certified Plan Fiduciary Advisor (CPFA)

- a. Sponsored by the National Association of Plan Advisors (NAPA)
- b. Consists of four (4) online education modules
- c. Final examination consisting of seventy-five (75) multiple choice questions (Prometric testing centers across the country)
- d. Initial Cost of \$650 for education modules and \$334 for the final exam (*FHC is a member of NAPA*)
- e. Ongoing annual cost of \$65 per year to maintain credential
- f. Required continuing education of 20 credit hours every 2 years (includes ethics requirement)

For additional information: www.napacpfa.org

Certified 401(k) Professional (C(k)P)

- a. Sponsored by The Retirement Advisor University at UCLA Anderson School of Management Executive Education (TRAU)
- b. Consists of classroom, online, and live instructor led courses - 3 levels of curriculum must be completed - approximately 142 hours of coursework
- c. Final examination for each course followed by a Candidate Designation Final Exam
- d. Only offered during specific time during the year
- e. Prerequisites include 10 Plans under management, \$30 million of assets under management, and 3 years of experience in the defined contribution industry
- f. Required continuing education of 12 hours each calendar year
- g. Initial cost of \$5,450 (includes \$1,000 non-refundable deposit)
- h. Ongoing annual cost of approximately \$480 per year

For additional information: www.trau-university.com

Certified Pension Consultant (CPC)

- a. Sponsored by the American Society of Pension Professionals & Actuaries (ASPPA)
- b. Consists of five (5) specific examinations covering various topics concerning defined contribution and defined benefit plans
- c. In addition to the above exams, education modules consisting of four (4) core and two (2) elective online consulting modules
- d. Final exam consisting of eight (8) essay questions
- e. Required continuing education of 40 credit hours every 2 years
- f. Various costs per exam and education materials

For additional information: www.asppa.org



SECTION 8: PUBLIC COMMUNICATIONS

Registered representatives and their staff should familiarize themselves with all aspects of FINRA Rule 2210.

A. General Standards

- a. Communications must be based on principles of fair dealings and good faith, must be fair and balanced, and must provide a sound basis for evaluation.
- b. No false, exaggerated, unwarranted, promissory or misleading statements or claims.
- c. Footnotes must be easy to understand.
- d. Statements must be clear and not misleading within the context they are made, must provide balanced treatment of risks and potential benefits.
- e. Intended audience of the communication must be considered
- f. Communications may not predict or project performance, imply that past performance will recur or make any exaggerated or unwarranted claims, opinions or forecasts.
- g. Communications must contain the broker/dealer disclosure.

B. Use of the term 'Advisor' or 'Adviser'

You may only use the term 'Advisor' or 'Adviser' in your title if you are registered with First Heartland® Consultants, Inc. A BD only (First Heartland® Capital, Inc.) representative may not use the title Financial Advisor or refer to themselves as a financial advisor.

You may not use the term 'Advisor' or 'Adviser' in your company name unless your entity is a state or SEC Registered Investment Advisor.

C. Correspondence

Your supervisor must review outgoing and incoming customer correspondence. Any communications written on letterhead with the Broker/Dealer disclosure must be reviewed, *even if it is not related to securities*. All incoming customer correspondence regarding securities must be reviewed.

Correspondence includes any written (including electronic) communication that is distributed or made available to 25 or fewer retail investors within any 30 calendar-day period.

Any correspondence written by an unregistered staff person is *not* to be securities related in any form. This includes mailing prospectuses.

Correspondence must be submitted to your OSJ supervisor or the FH Capital Compliance Department promptly or at any time upon request from a firm supervisor.

Email

You and your office staff are required to have an FH Capital approved email address, which will be the only email address you will be permitted to utilize when corresponding about any and all securities related topics with any and all other persons, customer or otherwise. This includes emails to and from FH Capital.



Obtaining an FH Capital approved email address can be accomplished by either

- a) routing your domain through our server, or
- b) using an email address issued by First Heartland.

Please contact FHC®'s technology department for information regarding each option.

Email will be archived and reviewed on the firm's email server. Your OSJ supervisor may require an alternate review method that you will be required to comply with.

Texting

Business communications via texting are only permitted via the firm approved archiving vendor. Please contact Compliance to enroll.

D. Retail Communication

Communication that is distributed or made available to more than 25 retail investors within any 30 calendar-day period. "Retail investor" includes any person (other than an institutional investor) regardless of whether the person has an account with the firm. The term 'Retail Communications' encompasses the previous terms 'Sales Literature' and 'Advertising', among others.

Business-related retail communications must be reviewed by your supervisor prior to use and may be filed with FINRA. If your material requires FINRA filing you are responsible for the cost, which is currently \$125 for pages 1-10 and \$10 per page thereafter. Any revisions required by FINRA must be completed before the item can be used. While it is not typical, FINRA may require your piece to be re-filed before use. If this should occur, you will be charged for the re-filing. You must inform your supervisor when the sales literature will be used and where it will be used. This includes but is not limited to form letters, seminar presentations and newsletters.

Social Media

FH Capital does permit the use of social media sites for business purposes; however, before engaging in such activity you must notify FH Capital compliance for approval and to discuss proper usage. Please keep the following in mind when utilizing any social networking site for business purposes.

Communicating by:	Is/Are Considered:
Publicly available websites	Retail Communication
Emailing	May be Correspondence or Retail Communication
Chat room discussions	Prohibited by FHC®
Instant Messaging	Prohibited by FHC®

One of the most challenging aspects of professionally communicating via a social networking site is the requirement that the material be archived. Any representative wishing to engage in any type of social media for business purposes must enroll in the firm-approved archiving service. The current archiving vendor used by the firm is Zix. Please contact Compliance to enroll.

Please note: in your capacity as a Financial Professional you are prohibited from participating in real-time electronic communications. You can however post static business-related material that you have had reviewed and approved by your FHC® supervisor.



Financial Professionals are strictly prohibited from posting any business communications on social media sites where their use and identities are purely personal.

For additional guidance please see FINRA *Notice to Members 10-06*

Websites

All websites require approval PRIOR to going live. Depending upon content, your website may need to be filed with FINRA. If your website requires filing, you may be asked to not allow it to be published until FINRA has responded.

All material changes to websites must be approved PRIOR to implementing. When listing 'Member FINRA and SIPC' on your site, the words FINRA and SIPC must be hyperlinks to each organizations website. www.finra.org and www.sipc.org

Prior to beginning your website design, please contact the compliance department to obtain a listing of commonly needed disclosure.

BrokerCheck Link Requirement

A readily apparent reference and hyperlink to BrokerCheck must appear on the initial web page. Additionally, a BrokerCheck link to your report must appear on any page that includes a professional profile or bio. For guidance in complying with this requirement, please visit: <https://www.finra.org/compliance-tools/rule-2210-brokercheck>

FINRA Rule 2210(d)(8)

E. Public Appearance

Public speaking is considered another form of communication with the public; therefore, the same compliance rules and guidelines apply. You are encouraged to speak on various facets of our industry to groups of people as well as to individuals. When deciding to make a public presentation, you must submit in writing to your supervisor, the following information:

- Name of the organization to which you are speaking
- Time and place
- Name and address of the program chairperson or sponsor
- Names of those in attendance
- Topic and outline
- PowerPoint Presentation, if applicable
- Literature used and/or distributed

Seminars (In-person or Webinar)

Seminars are considered a public appearance. In addition to the above information, you must complete and submit a 'Seminar Worksheet' before final approval of your seminar will be given. Please allow plenty of time for compliance review prior to your event.



F. Telemarketing

Please become familiar with the Federal and your home state's "Do Not Call" list. You are responsible for determining compliance with state and federal restrictions regarding contacting prospects.

Solicitation calls to a non-customer are considered telemarketing. Follow-up calls from a seminar to schedule an appointment are not considered telemarketing. However, this does not mean that this type of call is not governed by your home States' or the Federal "Do Not Call" list.

If you choose to conduct telemarketing calls, you must obtain prior approval from your supervisor. In addition, your supervisor must approve all scripts. No cold calls are to be made before 8 am or after 9 pm at the called party's location. The caller must identify themselves, the firm name, the purpose of the call, and provide the firm telephone number and address where the prospect may contact or meet the caller. You must maintain an internal "Do Not Call" list and provide these names to your supervisor and FH Capital.

G. Business Cards, Letterhead and Email Signatures

All business cards, letterhead and email signatures must be approved *prior* to use and *prior* to reprint. Submit a proof of business cards and letterhead for approval to your supervisor. If you are working with a printer, a proof should be obtained from the printer for submission to compliance. Email signatures should be submitted for review via an actual email. You must maintain evidence of compliance approval.

All letterhead, business cards and securities-related email signatures must contain the following:

Jane Doe, Registered Representative (or Financial Professional is acceptable)
Securities offered through **First Heartland® Capital, Inc.**
Member FINRA/SIPC
Company Name, Inc. is not affiliated with First Heartland® Capital, Inc.

Font Specifications: 'Member FINRA/SIPC' should be *less* prominent than First Heartland® Capital Inc., but not less than 8-point font. **First Heartland® Capital, Inc.** should appear in **bold font**.

If you hold a series 65 or 66 AND have registered as an Investment Advisor Representative with First Heartland® Consultants, Inc., you are permitted to use the title 'Financial Advisor' and your business card, letterhead, and email signature must also contain the following disclosure:

Advisory services offered through First Heartland® Consultants, Inc.

Business cards and/or letterhead will be reviewed periodically. If your card or letterhead are found to be missing required disclosure or contain inaccurate disclosure, you will be asked to supply evidence of compliance review and approval. You will also be required to promptly reprint.



H. Email Policies and Procedures

Email policies and procedures for First Heartland® Capital, Inc. employees and individuals registered with First Heartland® Capital, Inc. and/or First Heartland® Consultants, Inc. (collectively, “FHC®”).

Regulation S-P requires us to protect against unauthorized access to or use of customer records or information that could result in substantial harm or inconvenience to customers. As such, we must be mindful of how we use and maintain customers’ personally identifiable information (“PII”) and protected health information (“PHI”) pursuant to the requirements detailed below.

FHC Business-Related Email Defined

“FHC® Business-Related Email” is defined as any email message related to your FHC® financial services business regardless of recipient. Examples of FHC® Business-Related Emails include, but are not limited to, emails between:

- You and FHC®;
- You and customer or prospect;
- You and an investment provider/vendor;
- You and another FHC® representative;
- FHC® and an investment provider/vendor;
- FHC® and a customer
- FHC® and an insurance agent or registered person

Requirements Regarding FHC® Business-Related Emails

Only an FHC® compliance-approved email address hosted by FHC® (“FHC®-Approved Email”) may be used for FHC® Business-Related Emails. An FHC®-Approved Email will end with @firstheartland.com or will be with the domain you configured with the help of FHC®. If you are unsure if your email address is an FHC®-Approved Email, please call our IT department at 636-625-0900, option 4.

You are strictly prohibited from initiating FHC® Business-Related Emails or responding to FHC® Business-Related Emails from any email address that is not an FHC®-Approved Email. For example, an email address provided by a public domain is not an FHC®-Approved Email, and you are strictly prohibited from using such email address for FHC® Business-Related Email. Public domain email providers include but are not limited to gmail, yahoo, icloud, att, aol, etc.

Example: A customer emails you at your personal email address, AwesomeRep@gmail.com, with a question about his FHC® account. You are strictly prohibited from responding to the customer from your gmail account. Instead, you may forward the customer’s email to your FHC®-Approved Email and respond from that email address.

Requirements Regarding Electronic Communications via Docupace

The Docupace system allows you to send completed documents to customers for electronic signature using Signix. You should be using Docupace’s secure portal to send completed forms to customers for signature when possible.

Docupace will not, however, allow you to send incomplete documents to customers to complete and sign. If you need to send a customer an incomplete form or a form that is not in Docupace, you must follow the email procedures detailed in the “Requirements Regarding Emails Containing PII or PHI” section, below.



Requirements Regarding Emails Containing PII or PHI

Best practice is to avoid sending emails containing PII or PHI. However, there may be occasions where it is necessary to send PII or PHI information through email (although such occasions should be rare and avoided if at all possible).

Emails to Customers

Any email containing PII or PHI that you send to a customer or prospect must be encrypted and accessed by the recipient via ZixPortal.

If you need to send an email containing PII or PHI to a customer (e.g., emailing the customer an incomplete form and requesting that they complete the form), you must email the customer from your FHC®-Approved Email address and include the keyword “ZixPortal” in the email. Including the keyword “ZixPortal” will send the customer to the ZixPortal system, which will dynamically create a login and password for your customer and ensure that PII or PHI does not make it into their potentially unsecure email mailbox.

Emails to FHC® or Providers/Vendors

Any email containing PII or PHI that you send to FHC® or a provider/vendor must be encrypted using ZixEncrypt.

If you need to send an email to FHC® or a provider/vendor and the email or any attachments contain PII or PHI, you must email FHC® or the provider/vendor from your FHC®-Approved Email address and include the keyword “ZixEncrypt” in the email. Including the keyword “ZixEncrypt” will encrypt the email until it reaches FHC®’s or the provider/vendor’s secure email mailbox.

Examples of PII or PHI include:	Examples of where PII or PHI might appear:
• Social Security Number • Date of Birth • Account Number/Policy Number • Any medical or health related information	• Applications • Illustrations • Custodial Statements • PershingX (Albridge) Statements

In Summary:

- You must use your FHC®-Approved email for any FHC® Business-Related Emails.
- Use Docupace’s secure portal to send customer documents when possible.
- You must use **ZixPortal** when emailing anything (including attachments) containing PII or PHI to a **customer**.
- You must use **ZixEncrypt** when emailing anything (including attachments) containing PII or PHI to **FHC®** or a **provider/vendor**.



Examples:

Potential scenario	Policy and Procedure Requirement
My customer emailed me at my personal gmail account, and the customer's email does not contain PII or PHI.	You are prohibited from responding via your gmail or any other account that is hosted by a public domain or is not otherwise an FHC®-Approved Email. You should forward your customer's email to your FHC-Approved Email and respond from there. If your response to the customer contains PII or PHI, you must use ZixPortal when responding.
My customer emailed me at my personal gmail account, and the customer's email contains PII or PHI.	You must delete your customer's email from your personal email account (be sure to also delete from the Trash folder). You should then call your customer and ask him or her to re-send the email to your FHC®-Approved Email utilizing ZixPortal
I am emailing my customer an appointment reminder and my email contains no PII or PHI.	You must use your FHC®-Approved Email. You do not need to use ZixPortal.
The email I am sending to my customer does not contain PII or PHI.	You must use your FHC®-Approved Email. You do not need to use ZixPortal.
The email I am sending to my customer contains PII or PHI in the email body.	You must use your FHC®-Approved Email. You must use ZixPortal.
The email I am sending to my customer includes an attached form that my customer needs to complete, and that document contains PII.	You must use your FHC®-Approved Email. You must use ZixPortal.



My customer's paperwork is completed in DocuSign and I just need her to sign them electronically.	You should not be emailing these documents. You should use DocuSign's secure portal to send completed paperwork to your customer for electronic signature.
My customer asked me to send her copies of her completed and signed account forms.	You must use your FHC®-Approved Email. You must use ZixPortal.
I want to send my customer some incomplete account-related forms that contain PII so the customer can finish completing them.	You must use your FHC®-Approved Email. You must use ZixPortal.
I am emailing a <u>provider/vendor</u> (NOT a customer) a question about a customer's account and have included PII in my email.	You must use your FHC®-Approved Email. You do not need to use ZixPortal
I have a question I want to email to FHC®'s Compliance Department regarding a customer account and I've included PII in my email.	You must use your FHC®-Approved Email. You do not need to use ZixPortal.
I have a question about a customer account and my email to FHC® contains no PII but I've attached a form that DOES contain PII.	You must use your FHC®-Approved Email. You do not need to use ZixPortal.
I want to send an email to FHC®'s Compliance Department telling them what a great job they're doing and my email contains no PII.	You must use your FHC®-Approved Email.



Section 9: PRIVACY AND SAFEGUARDING CUSTOMER INFORMATION

The Firm prohibits sharing of non-public customer information to any person or entity, unless required by law or regulation. Information may be shared with non-affiliated entities with whom the Firm and/or its affiliates have agreements with and are necessary to perform the services and functions requested of the firm, to affiliates, or when requested through written authorization from the customer to provide such information to a third party.

All requests required by law or regulation concerning a customer should be reported to the Firm. The RR should not comply with such requests until the Firm has had an opportunity to review and discuss.

In the event an RR receives a request from a third party, they are prohibited from complying with such request unless they have previously received written authorization from the customer to provide such information to that third party.

All requests and responses to such requests are required to be maintained by the RR in the customer file.

The Firm requires that RRs effectively secure non-public customer information maintained at office locations or on computers. At a minimum, the Firm requires:

- hard copies of files, if applicable, must be maintained in an office or cabinet capable of being locked and that is locked when RRs or their employees are not present;
- restricting access to areas of the office which contain non-public customer information to RRs and their employees unless a third party is being supervised while in the office;
- password protection for accessing all computers that will be used in the normal course of business that contains or provides access to non-public customer information with the following safeguards
 - Contain alphanumeric/special character combinations,
 - Require users to change the password after a certain time period,
 - Lock the device after several unsuccessful attempts at access, and
- install firewalls, anti-virus technology, and anti-spyware technology for all computers that will be used in the normal course of business;
- encrypting any and all customer information placed on CDs, flash drives, etc;
- refrain from leaving computers on or in an accessible location that may allow third parties access to non-public customer information;
- when disposing of old computers, hard drives and other storage medium must be removed and physically destroyed;
- any electronic request for customer information or request to change customer information must be confirmed via physical writing or through oral communication (in person or via the phone);
- wireless networks are named in a generic manner so the identity of the Firm is not apparent from the wireless network's name, secured requiring a complex password, set at WPA2 encryption (or WPA encryption for older devices) and not WEP encryption, and limited to pre-approved devices/laptops (based upon IA addresses);
- ensuring that any third parties performing services for the RR understand the Firm's policy and affirm and acknowledge their ability to comply with this policy.



To limit outside access to confidential customer information via the use of smart phones, each employee is required to password protect his or her smart phone and set the auto-lock function for the shortest possible time. The auto-lock function of the smart phone should also be set to clear the smart phone's memory after a set number of failed log-in attempts or to automatically power down the phone.

The Firm further requires customer information to be disposed of, if such disposal is permissible under books and records requirements, in a manner to prevent unauthorized access or use, i.e., shredding.

It is the primary responsibility of the RR to ensure that they are compliant with the above policy. In the event that an RR becomes aware of or has knowledge that non-public customer information has been compromised, the RR should immediately contact the Firm's Chief Compliance Officer. The Chief Compliance Officer, or her designee, will be responsible for conducting a prompt investigation and to determine what actions should be implemented, including actions to prevent future breaches and notification to the affected customers.

Any outside service provider who does business with an RR or the Firm must contractually agree to keep confidential any non-public confidential customer information. The Chief Technology Officer will conduct due diligence of any service provider used by the Firm to ensure the service provider's ability to protect customer information.

Employees should report any suspicious or unauthorized use of customer information to the CCO. The CCO will be responsible for conducting a reasonable investigation to determine whether a security breach occurred and the likelihood of the information being misused.

In the event of a security breach, the Firm will assess the breach and identify which systems and types of information were compromised. The Firm will then take steps to contain and control the breach and to prevent further unauthorized access or use. The CCO, or her designated person, will notify customers of the breach if misuse has occurred or it is reasonably possible that misuse will occur. Further, the CCO or her designated person will provide notice to the appropriate regulatory authorities, if required.

The CCO or her designated person will prepare and archive a report of each Security Breach including when the breach occurred, the information stolen, and an explanation of the steps taken to prevent a reoccurrence of the breach.

The Firm will provide a copy of its Privacy Policy at the time of account opening, in its welcome letter to customers, and annually thereafter.



SECTION 10: COMPLAINTS/LITIGATION/ARBITRATIONS/REGULATORY ACTIONS/OTHER

The Firm takes all customer complaints seriously. RRs are required to notify the Firm's CCO immediately, but in no case later than 12:00pm CST on the next business day following notice of any complaint (verbal or written), civil and/or criminal proceeding, litigation, and/ or arbitration brought by any person, customer, entity or regulatory authority, including but not limited to FINRA, SEC, and/or State and Local Agencies.

In addition, RRs are required to notify the Firm's CCO immediately, but in no case later than 12:00pm CST on the next business day following notice of any judgment, lien, compromise with creditors, bankruptcy or **any other material issue**.

Upon receipt of such notification, the CCO will determine how to proceed. The RR may be asked to provide relevant documentation, explanations, etc., to assist the Firm in determining what additional steps need to be taken. The CCO, or her designated person, shall promptly initiate a review of the circumstances surrounding the complaint and the Firm shall be responsible for communicating with the customer, if appropriate. RRs are required to supply any and all information requested to assist the Firm in its investigation. If required, after review of all of the information provided, the Firm will update the RRs Form U4.

Regulatory Examinations/Investigations

All supervised persons play an integral role in implementing the Firm's compliance policies and procedures and it is fully expected that all supervised persons will need to assist in preparing and participating in an SEC and/or FINRA examination. It is critical for supervised persons to recognize compliance is an ongoing and constantly evolving process that requires reviews, updates, and amendments of disclosures, and procedures. It is the Firm's intent to be proactive with respect to compliance matters. All supervised persons are expected to participate in compliance program assessments.

Regulatory bodies may initiate investigations in regard to an event that is required to be disclosed on the Form U4, Form U5 or a customer complaint. Any supervised person receiving notice of an investigation must report it to the CCO immediately. Supervised persons will supply all requested information and documentation to the CCO promptly.



SECTION 11: MISCELLANEOUS

A. Internal Revenue Code Section

I. IRC Section 72t

All Registered Representatives are required to utilize the IRC Section 72t Disclosure Form whenever making **ANY** changes to an account from which “substantially equal periodic payments” are being taken pursuant to IRC Section 72t. Please note that no change to an account from which “substantially equal periodic payments” are being taken under Section 72t will be approved until the Disclosure Form is signed by the customer and received by FH Capital. The IRC Section 72t Disclosure Form can be found on the FH Capital website.

B. Required Minimum Distributions

Registered Representatives are also required to utilize the RMD Disclosure Form whenever they are assisting their customers with year-end financial planning. This form may also be found on the FH Capital website.

Please remember that Registered Representatives are strictly prohibited from rendering any sort of tax advice. It is the customer’s responsibility to obtain competent, professional tax advice before implementing any financial plan or decision.

C. Trustee Policy effective January 1, 2006

Registered Representatives are PROHIBITED from serving as a Trustee or Power of Attorney on a customer’s account.

EXCEPTION:

FH Capital will only permit a Registered Representative to serve as a Trustee or Power of Attorney on a customer account under these limited circumstance:

- Customer is a family member (includes grandparent, parent, aunt, uncle, brother, sister, or children);

AND (when possible)

- I. Registered Representative must serve as a Co-Trustee or Co-Attorney in Fact and Co-Trustees/Co-Attorneys in Fact must act jointly (one may not make decisions without the other).

OR

2. Customer account is held away from FH Capital.



D. Non-Cash Compensation

RRs are prohibited from accepting any form of compensation from any other person other than FH Capital. Examples include, but are not limited to, vendor payments for software, website access or use of analytical tools. RRs should consult the Compliance Department before accepting anything of value from a product vendor/sponsor.

RRs and the Firm are permitted, under certain conditions, to receive payment or reimbursement in connection with training and educational meetings. All RRs are required to seek pre-approval from the compliance department prior to agreeing to any form of non-cash compensation arrangement.

The following documentation is required in order for any reimbursement to be processed:

- a. Description of the reimbursement; and
- b. Receipt documenting the PAID expense.

Please note, all reimbursements must be paid to FH Capital. Upon receipt of all required documentation, the reimbursement can be paid to the RR by FH Capital.

For additional guidance with respect to non-cash compensation you may visit NTM 99-55 via www.finra.org.



First Heartland® Capital, Inc.
Financial Professional Compliance Manual
Acknowledgement

I, _____, acknowledge that I have received the current First Heartland® Capital Financial Professional Compliance Manual dated November 21, 2023. I further acknowledge that I have reviewed the compliance manual and will retain a hard copy or electronic version in my office for future reference.

Print Name

Signature

Date