Compliance Manual

March 2023

The Leaders Group, Inc.

Contents

Introduction

The Leaders Group, Inc. (the Firm or Leaders) adheres to high standards of honesty and integrity in the course of business. We expect the best from our representatives in all they undertake. Our philosophy includes putting the customer's interests first, and doing the right thing. These principles are the cornerstone of compliance with federal and state laws, rules and regulations. In the absence of specific laws, rules or regulations, Financial Industry Regulatory Authority (FINRA) Rule 2010 should guide behavior:

A member, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade.

In concordance with our philosophy, The Leaders Group, Inc. has adopted the following Code of Conduct:

The Leaders Group Code of Conduct

As a securities industry professional and representative of The Leaders Group, Inc., I believe in, and shall abide by, the following principles:

- I shall put my clients' interests before my own when making recommendations.
- I shall strive to enhance the prestige of my profession by always representing myself and my firm with the highest integrity.
- I shall accurately and honestly present all information necessary to enable my clients to make informed decisions.
- I shall comply with all laws and regulations governing my business and professional activities.
- I shall respond promptly to the inquiries, service requests and concerns of my clients and shall always place their interests above my own interests.
- I shall respect the confidentiality of information regarding my client's personal and business information. I shall exercise the highest integrity in cooperating with all others who serve the needs of my clients.
- I shall maintain and increase my professional knowledge, skills and competence through continuing education.
- I shall allow my professional conduct to be reviewed by my clients and my company to ensure consistency with the above principles.
- I remember that doing the right thing is always the right thing.

Registration Policies

General Information

Representatives cannot do any securities business until they have been registered and approved through The Leaders Group, Inc. with FINRA. Registration is initiated by the filing of FINRA Form U4. Registration becomes final once the Firm obtains a written statement from the FINRA Central Registration Depository (CRD). Representatives may not conduct any business until they have been notified by the firm in writing of their approval with FINRA and the requested states.

State Licensing

Representatives must be properly registered in each customer's state of residence prior to soliciting business. Representatives also may be required to pass the series 63 examination given by the state/territory or provide evidence of such licensing. State registration and licensing is in addition to registration with FINRA but is usually filed through FINRA's Central Registry Depository (CRD) system.

The Representative's signature on the Investment profile is their indication that they are appropriately registered in the client's resident state. Submitting an application for a resident of a state in which a representative is not registered will trigger automatic registration in that state and possible disciplinary action. Representatives may request additional states at any time through our Registration Department. There is an administrative fee for adding states. Please contact the Registration Department (registrations@leadersgroup.net) for more information.

Commissions

Representatives may not be paid any commissions if they were not properly registered at the time of the sale. This includes state registrations and insurance licenses. Any sales made prior to complete registration can be rescinded at any time. Representatives should contact the Registration Department to add necessary state registrations. If a payment does go through in a state where the representative is not registered, the firm will submit a request for state registration, and the representative's commission will be debited the appropriate amount.

Commissions will not be paid or credited to Registered Representatives for sales in which the paperwork is not complete. New account forms, disclosure forms, and applications must be complete.

In the case of insurance products, a representative must be properly appointed with the carrier prior to soliciting the sale in order for commissions to be paid. Contact the Contracting Department (contracting@leadersgroup.net) for appointment help.

Commissions are payable to the Registered Representative on a regularly scheduled commission run upon receipt of the concession by the Firm. 12b-1 fees are not considered earned until paid to the Firm. If a representative terminates their registration prior to the fees being received by Leaders, the representative will not get paid the 12b-1 fees. No commissions are paid to a representative after the termination date, even if the commissions were earned prior to termination.

In accordance with the FINRA rules, a Registered Representative of The Leaders Group will not split, share commissions with, or pay finder's fees (referrals) to another representative or with a non-FINRA member. However, representatives who conduct securities business through The Leaders Group may share commission accounts. Both representatives must have prior approval from the Firm before any transactions are executed in a split commission account. In addition, both representatives should have similar licenses through FINRA, states/territories, and any other self-regulatory organization.

Registration Requirements

The list below shows some of the activities that require registration as a Registered Representative:

- Cold-calling, telemarketing, or otherwise soliciting clients
- Accepting payment for securities sales
- Accepting orders or physical securities from a client

- Discussing securities product features with a prospective client
- Signing securities-related correspondence
- Giving securities product recommendations
- Obtaining suitability information to provide securities recommendations
- Mention licences on social media sites (LinkedIn etc.)

An administrative staff person who restricts securities-related activities to the following is not required to register with a FINRA member firm as a registered representative, but is required to be fingerprinted and file as a non-registered filing:

- Assembling and mailing completed account applications and checks to the home office
- Setting up and maintaining customer databases
- Handling records, files, and/or checks
- Handing out prospectuses and sales literature only by Registered Rep's/client request
- Opening mail that could contain checks or complaints

Registration Fees

Any fees required for completing registration or examinations are the representative's responsibility and must be paid at the time of registration. Additional registration fees incurred after registration may be deducted from commissions if sufficient funds are available.

Agreement of Association

Each representative is required to sign and keep a copy of a Registered Representative Agreement at the time of association with the Firm.

Fingerprinting

Each person seeking registration with the Firm shall be required to submit fingerprints. The fingerprints are forwarded to the FBI National Crime Information Center for verification of any prior law enforcement actions. In addition, all administrative persons who have access to customer applications or checks also must submit fingerprints to FINRA.

Background Investigation

The Firm shall conduct a due diligence review of the applicant's background, which may include contacting former employers, former broker-dealer affiliations, employment background agencies, credit bureaus, and/or other information analytic services. If the Compliance Department requires further details regarding any issue, the prospective representative is expected to comply. Any information gleaned from these services shall be used to ensure that the Firm accepts only those persons it deems worthy of association.

Personnel File

Each representative is responsible for maintaining the following information in their files:

- Complete copy of Form U4
- Copy of Registered Representative Agreement
- Copy of Regulatory Element of Continuing Education status report
- Copy of any Firm disciplinary action or counseling
- Outside Business Activities (this includes all activities for which a person is paid)
- **Note:** Any customer complaints shall be retained in a separate file

Updating contact information

FINRA requires that all information contained on Form U4 be kept current at all times. It is the representative's responsibility to notify the Firm in writing of any changes or updates in a timely manner and to maintain their own file. Changes in address (business or personal), phone number, email address, employment and outside business activities must be reported to us within 30 days. Failure to do so could result in a fine being assessed, or if egregious, registration termination.

Additionally, criminal offenses, disciplinary actions, injunctions by any state or federal court, and bankruptcies or liens must be reported to us within 30 days. FINRA charges a fee of $375.00 up to a maximum of $1,575.00 that will be passed on to the representative for disclosure occurrences reported late. Individual records may be checked at http://brokercheck.finra.org/.

Arbitration

The Form U4 contains a pre-dispute arbitration clause, #5 in item 15A, on page 15 of the Form U4. All representatives should read that clause.

Before signing the Form U4, or any amendments to the U4, representatives should understand the following:

- A representative agrees to arbitrate any dispute, claim or controversy that may arise between him or her and the Firm, or a customer, or any other person required to be arbitrated under the rules of the self-regulatory organizations of which the Firm is a member. Representatives also give up the right to sue a member, customer, or another associated person in court, including the right to a trial by jury, except as provided by the rules of the arbitration forum in which a claim is filed.
- A claim alleging employment discrimination, including a sexual harassment claim, in violation of a statute is not required to be arbitrated under FINRA rules. Such a claim may be arbitrated under FINRA only if the parties have agreed to arbitrate it, either before or after the dispute arose. The rules of other arbitration forums may be different.
- Arbitration awards generally are final and binding; a party's ability to have a court reverse or modify an arbitration award is very limited.
- The ability of the parties to obtain documents, witness statements and other discovery usually is more limited in arbitration than in court proceedings.
- The arbitrators do not have to explain the reason(s) for their award.
- The panel of arbitrators may include arbitrators who were or are affiliated with the securities industry, or public arbitrators, as provided by the rules of the arbitration forum in which a claim is filed.
- The rules of some arbitration forums may impose time limits for bringing a claim in arbitration. In some cases, a claim that is ineligible for arbitration may be brought in court.

Termination

Registration for security licensing will be maintained only for those persons actively engaged in the securities business. The Leaders Group, Inc. prohibits the parking of a registration and/or license. Upon termination, the Firm will promptly file a form U5 with CRD and send a copy to the representative within 30 days. Representatives are prohibited from using any materials referring to the Leaders Group after their termination. All materials mentioning affiliation should be changed immediately.

A terminating representative may acquire and remove copies of client files and documentation for retention purposes. FINRA requires the Firm to maintain these records for a prescribed period of time for regulatory inspections and compliance reasons. Due to privacy laws governing the release of client information, The Leaders Group, Inc. does not allow any outgoing block transfers of accounts. Customer accounts not transferred to a new broker-dealer will be re-assigned to another rep or made house accounts within 30 days of termination. No commissions will be paid to a Registered Representative after their termination date, regardless of whether the commission was earned prior to that date.

Any customer complaints naming a terminated representative shall be reported to FINRA in accordance with its rules and regulations. An appropriately amended Form U5 shall be provided to the representative at the last known address provided to the Firm.

Errors & Omissions Insurance (E&O)

All representatives are required to participate in the Firm's Errors and Omissions Insurance program unless granted an exception.

Dual Registrations

Dual Registrations may be considered on a case-by-case basis, and require a written dual registration agreement with the other broker-dealer.

Minimum Production Requirements

Minimum production requirements may be determined on a case-by-case basis. Registered personnel performing certain job functions may not be producing commissions or transacting business but may need to have completed various examinations and acquired certain registrations to perform their assigned job. These representatives shall be considered administrative.

Investment Advisors

Individuals holding registrations with the Firm may be allowed to register as an Investment Advisor Representative (IAR) with TLG Advisors Inc., our Registered Investment Advisor. In certain instances, they may be allowed to register with a non-affiliated investment advisor firm. In those instances, the non-affiliated investment advisor firm shall be required to provide the Firm with a current copy as well as any future amendments to its Form ADV Part I and Part II. The Firm shall be provided with a copy of all client services agreements and shall be given access to its client's accounts at an approved custodian.

Because NTM 94-44 and NTM 96-33 require the BD to supervise the suitability of any representative's advisory business, for those representatives allowed to register with a non-affiliated Registered Investment Advisor, the following requirements are imposed and must be adhered to:

- The individual is required to comply with all state and/or federal requirements for conducting fee business in all jurisdictions in which they receive income.
- The Form ADV and Brochure for the individual's operation will be submitted to The Leaders Group annually for review.
- The individual must provide The Leaders Group, Inc. access to all custodian records through electronic feeds. Transaction blotters must be submitted to The Leaders Group compliance department when requested. A list of clients by account number with year-end account value, model in and fees charged to them must be submitted annually.

- The type of advisory services being rendered by the RIA is critical to the acceptability by The Leaders Group, Inc. A description of advisory services including current models and their makeup, risk tolerance questionnaire, rationale for placing clients into each model, list of any outside managers used must be submitted and approved prior to registration.
- A space sharing agreement may be required if representatives from two separate financial entities are sharing space.
- All communications must be submitted to The Leaders Group, Inc. for approval prior to client distribution, i.e. advertising materials, market updates, performance reports, client updates, or RIA objectives or style of management. All email must be journaled to The Leaders Group's email archiving platform.
- The RIA will maintain and provide proof of E & O Insurance with limits of $1,000,000 or more per occurrence and $3,000,000 or more aggregate. Alternately, coverage may be purchased through The Leaders Group, Inc.
- Maximum cost for supervision of employees of the RIA will be $20,000 per firm. This does not include independent contractors of the RIA.
    - Each individual registered with the RIA and The Leaders Group, that is involved in customer recommendations on a discretionary basis and management of the firm, is obligated to pay a supervision fee of $20,000 annually to the firm on a quarterly or annual basis, as determined and agreed.
    - Any exceptions to these fees must be negotiated with senior management of The Leaders Group, Inc.

Compliance Policies

Violation of the firm's policies will result in suspension, probation or termination of a representative's registration with The Leaders Group at the discretion of management.

Standard of Conduct

All recommendations to customers must be made in the best interest of the client. Each representative **must exercise reasonable diligence, care, and skill** when making a recommendation to a retail customer to:

- understand potential risks, rewards, and costs associated with recommendation, and have a reasonable basis to believe that the recommendation could be in the best interest of at least some retail customers;
- have a reasonable basis to believe the recommendation is in the best interest of a particular retail customer based on that retail customer's investment profile and the potential risks, rewards, and costs associated with the recommendation and does not place the interest of the broker-dealer ahead of the interest of the retail customer; and
- have a reasonable basis to believe that a series of recommended transactions, even if in the retail customer's best interest when viewed in isolation, is not excessive and is in the retail customer's best interest when taken together in light of the retail customer's investment profile.

As part of Regulation Best Interest each representative must deliver the Customer Relationship Summary (Form CRS) and additional disclosures before, or at the time a recommendation is made. The delivery can be made electronically or hard copy. All disclosures are available at www.leadersgroup.net. Representatives must record on the New Account Investment Profile how and when the form CRS was delivered. It is best practice that a link to the Form CRS also be on the representative's website.

Each representative must possess knowledge about the product they are recommending and have a reasonable basis to recommend it. Costs, reasonably available alternatives and product details must be clearly communicated to the customer. Annuities are complex products that require careful disclosure and information to ensure that the customer understands the recommendation and the rationale for the recommendation.

Anti-Money Laundering Training Program

It is the policy of the Firm to prohibit and actively prevent money laundering and any activity that facilitates money laundering or the funding of terrorist or criminal activities. Representatives must have a reasonable belief to know the true identity of any customer before proceeding with any transaction. If a potential or existing customer refuses to provide any required information or appears to have intentionally provided misleading information, the representative must not proceed with any transaction and immediately notify the Firm's Compliance Department.

In support of this policy, the Firm requires periodic AML training. Such training will include, but is not limited to, the following topics:

- How to identify red flags and signs of money laundering that arise during the course of the employees' duties.
- What to do once the risk is identified.
- The role of the representatives and any authorized employees in the Firm's AML compliance efforts, and how to perform the duties associated with that role.
- The Firm's record retention policy.
- Disciplinary consequences for non-compliance with the PATRIOT Act.

Training may be in the form of compliance bulletins, web-based seminars/courses, in-person meetings, and explanatory memos. As with their continuing education, representatives should keep records of the training received for future reference.

Refer to the Appendix for examples of acceptable identification and examples of red flags of which representatives should be aware. In light of the increased instances of identity fraud, the Firm and its representatives may take additional measures, when necessary, to verify a customer's identity.

Note: accounts held by representatives and/or their relatives and employees are subject to the same requirements as above.

Continuing Education Requirements

In order to maintain registration with the Firm, all representatives and principals must satisfactorily complete the following elements: Regulatory CE, Firm Element, annual questionnaires, and annual compliance meeting. All representatives should maintain a file of their completion certificates. Failure to complete any of these requirements could result in disciplinary action and/or termination from the Firm.

Regulatory Element

Each representative is required to complete a computer-based training session within 120 days (four months) of their second anniversary date of original registration, and every three years thereafter. Notification of the anniversary date will be sent to the representative in advance. It is each representative's responsibility to schedule and complete the CE session within the allotted 120-day window. If the representative fails to complete the Regulatory Element within that time, the representative's registration will be inactivated by FINRA. During that time the representative may not hold themselves out as a representative or conduct any securities business.

Communications will be monitored during this time to ensure compliance with the representative's inactive status. The Firm's Compliance Department (or an outsourced provider) will notify the representative via email when their continuing education window opens.

Firm Element

This part of the continuing education program is developed and implemented by the Firm with the goal of providing ongoing training specific to the Firm's business. Participation is mandatory for all representatives, regardless of the amount of time that they have been licensed in the industry. Representatives failing to complete the Firm Element requirement will be fined, and may be subject to termination by the Firm if not completed by year end.

Annual Compliance Meeting

The Firm conducts a compliance meeting at the annual sales conference and via webinars or conference calls. Representatives who do not attend the meeting as required will be fined, and may be subject to termination by the Firm.

Annual Compliance Questionnaire

All representatives must complete annual compliance questionnaires as requested. The questionnaires shall include attestations concerning securities accounts, private securities transactions, information security, outside business activities, and any other topics deemed appropriate by the Firm. Representatives who do not complete the questionnaires by the given deadline will be fined and may be subject to termination by the Firm.

Compliance Bulletins

Compliance bulletins are generally issued periodically, as a supplement to this manual. Representatives are required to review them promptly and contact the Compliance Department with any questions or concerns. All bulletins should be retained with other compliance records.

Outside Business Activities

All outside business activities must be **pre-approved** by the Compliance Department. Regulators scrutinize outside business activities, so it is imperative that all existing activity be disclosed as well as any new activity **before** taking part in such activity, in accordance with FINRA Rule 3270.

Outside business activities are defined as ANY sort of activity—including civic/charitable activities, or using a "doing business as" (DBA) name—that is not paid through The Leaders Group. **This includes life insurance sales, TLG Advisors, or any other activity not involving passive investments or charities.** With insurance, we do not need the name of each carrier with which business is done; rather, we need to know what type of insurance business is sold (such as fixed life, P & C, long term care, etc.). Any soft dollar arrangements must also be reported. Any non-profit, charitable or religious positions not reportable on Form U4, will be reported and updated annually on the registered representative's questionnaire and reviewed within the plain language of FINRA Rule 3270.

Registered Representatives must obtain written approval from Compliance before engaging in any new outside business activity. Outside business activity requests are submitted to Compliance by filling out and submitting an Outside Business Activity Request Form available on the TLG portal. Representatives should also notify Compliance when an existing activity has ended, so that the firm's records and CRD can be updated accordingly. The firm performs on-going reviews of the Internet to detect any undisclosed OBAs. Should such undisclosed activities be found, RR may face fines or discipline as determined by executive management.

Private Securities Transactions

Prior to participating in any private securities transaction, registered representative or associated person of the Firm must submit the details of such transaction to the CCO for review and upon a positive finding receive written authorization from the President of the Firm or compliance principal for participation in such transaction. Any Private Securities Transactions conducted for compensation shall be maintained in the firm's books and records. They need not be maintained in the same manner as other records of compensation.

Designations

Any designations must be in good standing and approved by the Compliance Department prior to use. The designation must be accredited and require an examination and continuing education. Each designation must be reported to the firm annually on the compliance questionnaire. If you have a designation, you must uphold all guidelines of that governing body as well as those of the firm

Office Audits

Periodic office audits are required, regardless of whether an office is a registered branch. If a representative falls under FINRA branch guidelines, or is in a state that requires offices to be registered, then that representative's location will be a registered branch. Registered branches must be audited every two years, while non-registered locations are done every three years, or at intervals determined by the Firm. Wholesale branches will be audited on a five-year rotation. Typically, audits are conducted by a third-party contractor, but may be done by the Firm. Representatives are expected to be available and cooperative with the auditor during the visit. Any findings must be promptly corrected. Severe findings may subject the representative to fines up to $2,400, disciplinary action, or termination of their registration. Copies of audit reports should be maintained in each office. Audits that are cancelled after they have been scheduled by the auditor will be charged to the representative.

Insurance/Annuity Training

Each representative is responsible for keeping track of and completing all continuing education required for their insurance license(s). Additionally, many states and/or carriers require representatives to complete specific annuity training. The firm does not track this information; it is each representative's responsibility to satisfy those requirements and maintain records of such.

Information Requests

From time to time, the Compliance Department may request information from a representative. This may be as a result of a regulator's inquiry, a product sponsor inquiry, or the Firm's own internal inquiries. Representatives must submit the requested information within the time frame requested. If a representative receives any request directly from a regulator, contact the Compliance Department immediately. Failure to cooperate with an information request is cause for termination of registration for cause and possible FINRA disciplinary action. Any false statement or misrepresentation may be subject to termination for cause.

Visits by Regulators

Regulators serve an important function within the financial services sector. Their primary objective is to protect investors while maintaining the integrity of the financial markets. They perform this duty by promoting disclosure of material information, conducting examinations of its registrants, and enforcing the securities laws.

The U.S. Securities and Exchange Commission (the "SEC"), oversees public companies, stock exchanges, broker-dealers (e.g., The Leaders Group, Inc.), investment advisors, mutual funds, and public utility holding companies. The Financial Industry Regulatory Authority ("FINRA") is the primary independent regulator for all securities firms and their registered representatives conducting business in the U.S. These are the primary regulators that will contact and perform an examination of the firm.

Regulatory First Contact Policy

No registered representative, associated person or employee should engage in discussion or take any action in response to a regulator prior to contacting the Chief Compliance Officer. Please contact The Leaders Group's Chief Compliance Officer via one of the following:

Chief Compliance Officer: Z. Jane Riley
Phone Number: (303) 797-9080, ext. 101
Fax Number: (303) 797-7297
E-mail: jane@leadersgroup.net

If contacted by a regulator by phone, politely inform them of the above policy. Ask for their first and last name, the agency they are with, their contact information, and advise them that the CCO will respond. Forward the regulator's contact information to the CCO, and confirm via phone that it was received.

If contacted by a regulator by mail, fax or e-mail, forward that communication to the CCO and confirm via phone that it was received.

If a regulator arrives in person unannounced, request their full name, the agency they are with, and the purpose of the visit. Politely request to see official agency identification (not a driver's license) and make a photo copy in order for Compliance to confirm identity. Escort the regulator to an empty office, conference room, or other area and immediately contact the Chief Compliance Officer.

Regulatory Cooperation Policy

The Leaders Group's Regulatory Cooperation Policy is to cooperate with regulators seeking information concerning company operations or to investigate a complaint. At the same time, the company is entitled to all the safeguards provided by law for the benefit of persons under investigation. The Chief Compliance Officer must be consulted before regulators are given access to any records or personnel.

Regulatory Interaction Policy

Regulator(s) should be provided an empty office, conference room, or other area to conduct the examination. Inform the regulator of normal business hours and politely request to be informed when they arrive and depart each day. In addition, ask the regulator in advance the approximate time they expect to arrive and depart each day as the primary contact person is required to be physically present when the regulators are in the office.

Physically show the regulator where to find restrooms, kitchen, and the desk/office of the primary contact person. For security reasons, the firm would prefer that the regulator be escorted around the premises when possible. All communication with a regulator should go through the primary contact person. Other personnel should avoid contact with the regulator unless specifically authorized by the CCO.

Regulatory Information Sharing Policy

If authorized by Compliance to provide information to the regulator, let the regulator know approximately how long it will take to respond. Do not supply original documents to the regulators. Make two copies of all documents supplied, one copy for the firm's retention and the other for the regulator. All information requests from the regulator should be in writing.

The regulator may request to speak with various personnel. Do not commit to an interview without explicit authorization by the CCO. During the interview, it is okay to tell a regulator that you don't know, don't remember, or don't recall. It is NOT appropriate to mislead or lie to a regulator.

Required Books & Records

SEC and FINRA recordkeeping rules require all representatives to maintain:

Retail client files: Must be kept for 6 years after the account is closed.

1. New account form that has been updated at least every 36 months
2. Copies of all applications and checks taken
3. Copies of all materials presented to the client
4. Notes detailing all personal visits and phone conversations with the client
5. Copies of all correspondence to or from the client
6. Confirmations on all transactions
7. Annual statements

Wholesale client files: Must be kept for 6 years after the account is closed or policy replaced.

1. Copy of application
2. Copy of illustration (with client initials if required by the state)
3. Copy of policy receipt

Office files for ALL offices: Must be kept, even if empty. All except personnel file must be kept at least 3 years after the last addition. Personnel file kept indefinitely.

1. Advertising file
2. Customer complaint file
3. Correspondence file
4. Personnel file with fingerprints, copy of U4 and registered rep agreement
5. Continuing Education records – must be kept indefinitely
6. Transaction blotter, including check numbers

Electronic files

Files may be kept electronically; however, guidelines do apply to electronic storage of documents. The files must be backed up in a manner that is compliant with SEC Rule 17a-4. The records must be backed up regularly and the completeness should be verified.
The files must be protected from privacy breach as indicated in the Information Security Policy. An inventory of what files are stored should be kept in case of loss or theft. The image quality must be

checked prior to destruction of the originals. The originals must be destroyed or stored in compliance with privacy regulations.
Any electronic generated report given to customers, such as a retirement calculator, must be retained either in hard copy or electronically. If kept electronically, the report should be emailed to the customer, or to the representative, in the archived email system.

Information Security Policy

Firm Guidelines

The SEC, FINRA and an ever-increasing number of states are making the security and protection of customer information a top priority. The firm follows all applicable laws and regulations designed to ensure the security and confidentiality of non-public personal information and to prevent unauthorized access to or use of such data that could result in substantial harm or inconvenience to any customer, investor, security holder, representative, agent, or employee who is a natural person. Following are several guidelines which must be followed to achieve this purpose.

General office

- Files, faxes, mail or any other documents with customer or employee information should not be left unattended, particularly if accessible to a customer or non-affiliated person (such as maintenance or repair personnel).
- Customers or outside personnel should not have unsupervised access to areas where non-public information may be kept.
- If customer files are maintained on paper rather than electronically, all files must be locked or securely stored at the close of each business day.
- No extraneous documents containing personal information should be put in the trash; they should be shredded.
- Proprietary or non-public information should not leave the office without proper security (password-protected computer, locked briefcase, etc.).

Office equipment

- All computers must be password protected -- including when in screen-saver mode – to prevent unauthorized access. Non-public information should <u>never</u> be visible on an unattended computer screen. The Firm suggests that computers should be idle no more than two-to-five minutes before converting to screen-saver mode.
- All computers that store or have access to non-public information should have up-to-date virus protection.
- Logins and passwords must be stored safely out of view. Never keep them visible at a desk or workstation. Avoid using common passwords like names, birthdates, anniversaries, SS#, etc.
- Do not leave documents unattended at printers or fax machines. Make sure both devices are clear of any papers before leaving the office each night.

Computers should be powered off or locked at the close of each business day.

Additional notes

It shall be the responsibility of each representative to protect the information of the Firm and its customers. If additional staff is employed, proper training must be administered regularly to ensure compliance.

If a breach is identified by any staff members or reported by a customer, it is the representative's responsibility to report it to the Compliance Department immediately.

Communications with the Public

Firm Policy

All communications are subject to FINRA regulations and recordkeeping requirements. Internal communications are subject to the same 3-year retention requirements as external communications. All communications must be based on principles of fair dealing and good faith, must be fair and balanced, and must provide a sound basis for evaluating the facts in regard to any particular security or type of security, industry, or service.

Under no circumstances is a representative of the firm to use abusive, callous, vulgar or impolite language with a prospect, client or colleague. Violation of this policy may result in immediate termination for cause.

Correspondence

Correspondence is all written forms of communications between representatives and their clients or prospective clients by US Mail, courier, email, facsimile transmission or any other form.

All correspondence conducted by a representative of the Firm is considered the property of the Firm and must be retained in the Firm's books and records. FINRA has specific rules and regulations for correspondence and the Firm shall remain in compliance at all times with such rules.

All correspondence related to a rep's securities business is considered advertising and requires prior approval.

All correspondence must be retained in the representative's files for a period of 3 years.

Public Appearances and Electronic Meetings

Video meetings are considered public appearance by the firm. If a public appearance includes slides or scripts, the firm disclosure must be made and the documents pre-approved and maintained. Extemporaneous video calls or meetings do not have these requirements.

Electronic Communications

Electronic communications fall under the same guidelines as all other correspondence, advertising and sales literature. They must not be exaggerated, misleading, or omit any material facts. They must provide a sound basis for customers to evaluate any products or services being marketed. The materials must be maintained for three years after the last use.

Representatives are not required to seek prior approval to send emails to fewer than 25 clients; however, all securities or investment-related email must be archived through the firm's service provider for retention and review by the Firm.

Email

Email accounts are required for <u>all</u> registered persons. Email is considered correspondence and is subject to all correspondence regulations.

The firm uses an email archive system as required by the SEC, FINRA and each state. **<u>This is required of all representatives</u>**. There are several options for this depending on domain, use of an Exchange server or need of an email address. Reps have the option of having a current email hosted by AppRiver, an Exchange Server journaled to Global Relay, or have a

your.name@leadersgroup.net email address set up for securities email (if the other two options don't work based on your server type, or if all that the representative has is a free email account [Gmail, Yahoo, etc.]). The cost of this (except hosting a domain) is included in compliance and technology fees. The Leaders Group will use the archiving email address for all communications; as such they must be checked at least once a week.

The email that is archived through the firm is required by FINRA to be used on all business cards, websites and marketing material associated with securities business. It is recommended for groups or agencies to journal their existing email domain to avoid the burden of updating all business cards, websites, and marketing materials.

Larger groups usually have archiving to the firm set up; each rep needs to check with their IT person to have their email added to the journaling. The firm's staff members are not tech gurus, so please direct technical questions to the support people at Global Relay.

Additional procedures to be followed by all representatives:

- If representatives send any sensitive or non-public data (such as account numbers, social security numbers, logins or passwords) via email, that email must be encrypted or password-protected to ensure security of the data. This includes all email attachments. Detailed instructions on how to encrypt a document or file are listed in the appendix.
- Login and/or passwords should be given to customers verbally whenever possible. If such information must be sent via email, logins and passwords should be sent separately. Never send both in the same email.
- At minimum, any sensitive data within an email or in an email subject line must be concealed, similar to what might be printed on a receipt (Examples: SS# XXX-XX-9999, Acct #XXX123, et al). If an incoming email includes this type of information, it is the representative's responsibility to correct that email accordingly so that the non-public data is masked.
- Representatives are required to annually disclose all email accounts and addresses they utilize for business.
- If a newly hired rep does not have an email address established through their employer and an alternate email address is provided (via AOL, Yahoo, Gmail, etc.), it is that rep's responsibility to notify the Firm ASAP when their business email address has been established and to make sure it is being archived.
- No registered person may contact a securities customer or potential customer via any email accounts other than that which is archived and reviewable by Leaders Group.
- As part of an office audit, email accounts may be inspected.
- In addition, the business computer of a representative is subject to inspection.
- All correspondence rules and procedures apply to email, with one exception: individual emails do not require prior approval, but all securities or investment-related emails must be sent through the archived email account.
- Group transmissions (similar transmissions sent to more than one person) generally are considered sales literature and must be reviewed/approved in advance in compliance with FINRA Rule 2210.

Faxes

The following guidelines must be followed when sending or receiving faxes:

- When faxing to a customer, avoid sending non-public information to a shared fax machine unless the customer has the ability to retrieve the fax immediately. Ask the customer before sending if the fax machine is secure.
- Fax machines should not be stationed where customers or third parties may have unsupervised access. Documents received from a customer should not sit out unattended, particularly if they contain non-public data.

Websites

Websites are viewed by FINRA as advertisements, in that they are accessible to the general public. They also can serve as a communication medium and a "place" to conduct business. Prior to the establishment of a website separate and apart from the Firm, a detailed description, site map, and page layout must be submitted (via link or PDF) to the Compliance Department for approval. We prefer you use an approved provider for your website that will not publish without compliance approval. Contact the Compliance Department for approved providers.

The site must continually adhere to and contain all disclosures required under FINRA. If the website requires a customer to enter any personal information, the site must be secure or provide clear notice that it is not secure. The following disclaimer should be placed on the home page of the website if it has any licenses/securities mentions:

Securities offered through The Leaders Group, Inc. Member FINRA/SIPC 26 W. Dry Creek Circle, Suite 800, Littleton, CO 80120, 303-797-9080. <*Your company name*> is not affiliated with The Leaders Group, Inc.

> **NOTE**: In the disclaimer above, "FINRA" should be a hyperlink to www.finra.org, and "SIPC" should be a hyperlink to www.sipc.org.

FINRA also requires that a hyperlink to FINRA BrokerCheck (https://brokercheck.finra.org/) be prominently displayed on the website. The BrokerCheck link must be on the home page (separate from the disclaimer) **and** on any page that contains a rep's professional profile.

As with other advertisements, the website is subject to the general and specific standards of communications with the public in FINRA Rule 2210:

- Fair and balanced content with no omission of material facts
- No false, exaggerated or misleading statements
- No guarantees, implications or predictions of performance of any security or investment product

Representatives also must retain and be able to reproduce all historical content within the site for a minimum of three years. Representatives must keep a log of all changes made to their website.

Whenever updates are made to a website, representatives are required to seek prior approval from the Compliance Department and save the new page(s) in their records. Representatives are responsible for all fees involved in the website review process. Use of hyperlinks will be reviewed on a case-by-case basis.

Whenever updates are made to a site or page mentioning securities business, representatives must obtain prior approval from the Compliance Department and email the new page to the Firm after the update has been made.

Chat Rooms, Forums, Bulletin Boards & Blogs

As with websites, the FINRA views online bulletin boards and blogs as advertisements; however, chat rooms are considered public appearances (similar to seminars) because the audience is targeted and, therefore, more limited.

Any information discussed should be general in nature. Writing or posting any of the following is strictly prohibited:

- Specific financial advice or product recommendation;
- False, misleading or fraudulent statements about individuals or companies;
- Solicitation of business;
- Company-specific details;
- Any non-public information about clients, products or companies that may violate any federal or state rule or regulation.

A simple rule of thumb: Do not post anything that an examiner would find problematic.

Social Media Policies and Procedures

The Leaders Group, Inc. allows the use of social media sites such as Twitter and LinkedIn by its registered representatives as a means of contacting existing and prospective customers. The purpose of these policies and procedures is to detail how these sites can be used while remaining in compliance with all applicable rules and regulations.

Social media communications are subject to the same compliance standards as written communications. Specifically, they are subject to FINRA review, recordkeeping, and filing requirements. SEC Rule 17a-4 requires the firm to preserve copies of all such communication relating to the member's business for a minimum of three years.

FINRA Rule 2210 stipulates that all communications must be fair and balanced, with no misleading statements or omissions of material information. Further, any false, exaggerated, unwarranted, promissory claims or guarantees are prohibited.

All static content needs to be reviewed and approved by compliance prior to the initial use. Any new profile content should be approved prior to posting.

All LinkedIn individual pages are required to be archived. However, please note that company pages containing non-investment related content, such as items relating to fixed insurance, do not need to be archived. No solicitation of business is allowed on any social media site. Avoid making recommendations, endorsements and promotions of any specific products or services.

Finally, Registered Representatives must keep their business page separate from their personal page. A profile or page created for professional use must be used only for professional activities. Personal profiles or pages must be used only for personal activities. Recognizing this difference will keep The Leaders Group from any intrusion into a registered representative's personal life.

Cost of monitoring social media content

The Leaders Group, Inc. uses Global Relay as its third-party vendor to capture and archive social media content. All representatives who elect to use Twitter or LinkedIn personal pages for business purposes must sign up with Global Relay so that their content can be archived electronically. The

cost for this service is included with the compliance and technology fees. The use of Facebook or LinkedIn company pages is not included and is subject to an additional fee of $45.00 per quarter.

The Leaders Group will search for Social Media accounts periodically. If you are found to have a social media account containing securities keywords or a LinkedIn individual page, a link will be sent to your archived email address for you to immediately sign up through Global Relay or remove your securities-related content. Non-compliance with our social media policies is grounds for having your payment withheld, fines, and if chronically ignored, termination.

Required disclaimers:

Your Leaders Group disclaimer must be included in one of these formats:
Securities offered through The Leaders Group, Inc., Member FINRA/SIPC, 26 West Dry Creek Circle, Suite 800, Littleton CO 80120, (303) 797-9080

On individual LinkedIn pages under Summary, Certifications or Education, it should say:
Registered Representative of The Leaders Group, Inc. Member FINRA/SIPC.

If you are registered with TLG Advisors as well, this disclaimer must be used:
Securities and Investment Advisory Services offered through The Leaders Group, Inc. Securities Dealer, Member FINRA/SIPC; TLG Advisors, Inc. Registered Investment Advisor; 26 W. Dry Creek Cir., Ste. 800, Littleton CO 80120, (303) 797-9080

Please make sure to check regulations for any additional rules specific to your state.

Legal or Tax Disclaimers

Make sure your pages contain the proper securities disclaimers. Any other discussions concerning tax or legal issues must also contain disclaimers about obtaining independent tax or legal advice. Contact The Leaders Group Compliance Department for further information about these disclaimers.

Sharing of Information

Personal, private, or confidential information about clients, carriers, fund companies, publicly-traded companies, or The Leaders Group or its affiliates may not be shared. Information must be accurate, authentic and factual.

Enforcement of policies

We will be reviewing all usage on a regular basis. Any deviations from accepted policies may result in disciplinary action, including warnings and leading up to other penalties such as fines or, in certain cases, termination for cause.

Procedures for getting started

For individual LinkedIn pages, a member of the compliance team will send you a request to archive your LinkedIn page to your archiving email address. You will need to click on this link and login using your LinkedIn username and password. This will need to be renewed each calendar year after the archiving has be initiated.

For company Facebook and LinkedIn pages there is an authorization form on the firm's website that will need to be filled out prior to the archiving being set up. Once this information has been received, Global Relay will reach out to the admin of the page to set up the archiving. Please follow their instructions for signing up for archiving for these pages. You may **not** use your personal Facebook page for your investment related page, and we do not allow the use of individual Facebook pages. You will need to create a new business page if necessary. Once your page has been posted, contact the Compliance Department at (303) 797-9080 or compliance@leadersgroup.net so that it can be reviewed. If it is deemed as being used for securities business, the site needs to get set up for archiving through Global Relay.

Appropriate usage

- Never represent yourself or the firm in a false or misleading way. All statements must be true and not misleading; all claims must be substantiated.
- Post meaningful, respectful comments — in other words, please, no spam and no remarks that are off-topic or offensive.
- Use common sense and common courtesy: for example, it's best to ask permission to publish or report on conversations that are meant to be private or internal. Make sure your efforts to be transparent don't violate privacy, confidentiality, and legal guidelines for external commercial speech.
- Stick to your area of expertise.
- When disagreeing with others' opinions, keep it appropriate and polite.
- If you want to write about the competition, make sure you behave diplomatically, have the facts straight and that you have the appropriate permissions.
- Please never comment on anything related to legal matters, litigation.
- Be smart about protecting yourself, your privacy, and The Leaders Group confidential information. What you publish is widely accessible and will be around for a long time, so consider the content carefully.
- Respect copyright and plagiarism principles. Cite the sources you use and attribute quotes.
- Please be aware that anything you post or write, even private messages, is considered communications with the public and open to regulatory review.

Prohibited content

- Specific buy/sell recommendations.
- Referring to past investment recommendations.
- Promises about future performance.
- Discussion of specific investment-related questions on your Facebook or LinkedIn page. Call them back or use email.
- Publication of any client information, including addresses, phone numbers, account/policy numbers, social security numbers, passwords, PIN numbers, etc.
- Personal client information. Both Facebook and LinkedIn invite you to upload your email address books to their sites so that you can invite your contacts to be your "friends" or "connections." However, if your account is hacked, then your customers' information could be compromised.
- Recommendations from clients. These are considered testimonials, which are not permitted.
- If you are registered with TLG Advisors as well: no recommendations/testimonials are allowed, regardless of who they are from.
- Any untrue, misleading, or exaggerated statements. Avoid terms like "always", "never", "the best", "guaranteed", etc.

Instant Messaging

Representatives are prohibited from exchanging instant messages regarding any securities-related or investment matter. This includes IMs done through any mobile electronic device, internet service provider or networking site.

Text Messaging

Representatives are prohibited from text messaging via any electronic device about securities-related or investment matters or to solicit business, unless it is done through MyRepChat and captured by the firm.

Consolidated Statements

Regulatory Notice 10-19 states that, "these reports represent communications with the public by the firm; the dissemination of these reports must comply with all applicable FINRA rules as well as the federal securities laws."

Registered Representatives of the firm are not allowed to produce consolidated statements. Customers may be given access to Advizr or eMoney as part of an advisory program, but it must be fully explained that these assets are not held by the firm, and where the valuations are obtained.

Account summaries may be used, but the attached template must be used, and copies emailed to compliance@leadersgroup.net . Customers that use these summaries should be encouraged to reference source documents, such as account statements, as they contain important notices from the product sponsor.

The annual compliance questionnaire will require an attestation concerning the use of consolidated statements. Office auditors will check for the use of unapproved consolidated statements.

Prohibited Communications

In addition to text messaging and instant messaging, the following activities are prohibited by the firm

- Use of telemarketers or telemarketing scripts
- Cold calling, with this exception:

  - Established Business Relationship Exception: Exceptions to the do-not-call rule may be permitted under the following circumstances:

    1. There is an established business relationship between the caller and the person receiving the call.
    2. The person is a family member, friend or acquaintance of the representative.
    3. The representative has prior written permission or invitation to make the call.

  - An established business relationship is assumed if:

1. The person has made a financial transaction or has a security position, a money balance, or account activity with the member or at a clearing firm that provides clearing services to such member within the previous 18 months immediately preceding the date of the telemarketing call. Account activity shall include, but not be limited to, purchases, sales, interest credits or debits, charges or credits, dividend payments, transfer activity, securities receipts or deliveries, and/or journal entries relating to securities or funds in the possession or control of the member.
2. The member is the broker/dealer of record for an account of the person within the previous 18 months immediately preceding the date of the telemarketing call. This also refers to the broker/dealer identified on a customer's account application for accounts held directly at a mutual fund or variable insurance product issuer.
3. The person has contacted the member to inquire about a product or service offered by the member within the previous three months immediately preceding the date of the telemarketing call.

Note: A person's established business relationship with a member does not extend to the member's affiliated entities unless the person would reasonably expect them to be included. Similarly, a person's established business relationship with a member's affiliate does not extend to the member unless the person would reasonably expect the member to be included.

Business Cards and Stationery Guidelines

Any business card or stationery used for business purposes must be approved by the Chief Compliance Officer or a designee prior to use. Representatives may design their own cards and submit a draft to Compliance before printing. This includes letterhead that may be stored and used through a word processing program (such as Microsoft Word). Business cards are required to include the email address that is archiving to firm.

All representatives must have the following disclaimer on their cards and stationery and the disclaimer disclosure language must be of sufficient font size to comply with FINRA Rule 2210:

Securities offered through The Leaders Group, Inc. Member FINRA/SIPC, 26 W. Dry Creek Circle, Suite 800, Littleton CO 80120, 303-797-9080.
Or:
Securities and Investment Advisory Services offered through The Leaders Group, Inc. Securities Dealer, Member FINRA/SIPC; TLG Advisors, Inc. Registered Investment Advisor; 26 W. Dry Creek Cir., Ste. 800, Littleton CO 80120, (303) 797-9080

Use of Fictitious Name

Under FINRA guidelines, the representative must have significant other business outside of broker-dealer related business for which they operate under the fictitious name (DBA, “doing business as”). If the broker-dealer related business is the only business which the representative operates, then a fictitious name is inappropriate and not within the guidelines. The Firm discourages the use of more than one business card by its representatives. Business cards listing a DBA should include one of the above disclaimers with the addition of:

ABC Company is not affiliated with The Leaders Group, Inc.

Seminars

Seminar materials must be approved **prior** to scheduling a seminar. The Firm recommends seminar materials from carriers and vendors that have received FINRA approval. If a product company is sponsoring the seminar, it must be disclosed on the invitation and at the seminar. Unless disclosed in advance to the attendees, representatives are not allowed to pitch any products.

Prior to the seminar, the following items must be submitted to Compliance for approval:

- Name of the speaker, presenter and/or sponsor.
- Location, date, and the outline or script, along with any slides or Power Point presentations.
- A profile of the intended audience, a copy of the invitation and any handouts to be given to the audience.

A form CRS must be delivered to each attendee at a seminar. After the seminar, a list of attendees must be submitted to the Firm.

The seminar must adhere to the general standards for communicating with the public. Content must be accurate and must provide sufficient information for attendees to evaluate the information with respect to the products or services discussed. A disclosure must be made that the securities transactions will be made through The Leaders Group, Inc. No omissions of material facts, misleading statements or exaggerated claims are permitted under any circumstances.

Advertising

Representatives of the firm may advertise in accordance with the rules and regulations set forth by the SEC and/or FINRA.

The Firm must approve all advertising and sales literature prior to use, including the review of advertisements, sales literature and independently prepared reprints obtained and used from third party sources. Advertising and sales literature may not be misleading, contain false or exaggerated claims, or omit material information. Material should be emailed to compliance@leadersgroup.net for approval. Advertising must contain the name, address, and telephone number of the representative and The Leaders Group, Inc.

Rules Regarding Sales

General Guidelines

All completed applications, checks, and/or required forms must immediately be transmitted to the firm. unless granted prior approval. No representative shall delay or withhold from placing a customer's order for any security. Representatives are prohibited from holding customer securities or funds.

Under no circumstances shall a representative sign documents for a customer. Signing documents for customers is prohibited even at a customer's request, and will be cause for termination. Representatives or associated persons should not ask a customer to sign blank forms. All forms requiring a customer's signature or initials should be reviewed prior to signing or initialing to prevent confusion or misunderstandings. Email is reviewed for requests to customers to sign blank or incomplete paperwork. Discovery of such email is cause for termination.

Representatives must utilize the proper documentation when completing customer transactions. All required documentation is available through the Firm's website, www.leadersgroup.net and LeadersLink.

Representatives **may not** have customers sign blank forms under any circumstance. Customers must receive a copy of every agreement they sign. Since this can be problematic in some circumstances, a copy should be mailed, emailed, or delivered as soon as possible. Use of LaserApp and DocuSign deliver signed copies to the customer.

All solicitations require a representative to adhere to the principle of full disclosure. Full disclosure mandates a representative to present solicitations in accordance with Regulation Best Interest and the communications guidelines detailed in this manual. Under no circumstances may a representative make exaggerations, guarantees, omit material facts, or otherwise mislead a customer.

Full disclosure also requires the representative to have knowledge of and provide adequate information about the security to the customer. In preparing a sales presentation, a representative must read all available information on the security in order to provide a truthful, factual, and complete presentation.

Representatives are not authorized to give tax advice unless they are a CPA or tax preparer. Otherwise, the following disclaimer should be used when presenting tax issues:

- *Federal income tax laws are complex and subject to change. The information in these presentations is based on current interpretations of the law and is not guaranteed. This does not constitute legal or tax advice. Please consult your attorney or tax advisor for answers to specific questions.*

Suitability and Best Interest

FINRA Rule 2111 states that a representative must have a reasonable basis to believe that a recommended transaction or investment strategy is suitable for the customer, based on the information obtained through the investment profile. (This is in addition to being in the best interest of client.) A strategy would include among other things, an explicit recommendation to hold a security or securities. All recommendations and transactions undertaken with a customer must be suitable and must be documented. Any statement of allocation change creates a recommendation, and any hold recommendation is also considered a recommendation or strategy.

It is important to note that all recommendations to liquidate a securities product to purchase a non-securities product must also be suitable. Most state laws require that anyone recommending liquidating a securities product be securities registered.

Know Your Customer

FINRA Rule 2090 requires every member to use reasonable diligence, in regard to opening and maintenance of every account, to know and document the essential facts concerning every customer, and concerning the authority of each person acting on behalf of such customer. The essential facts are defined as those required to effectively service the customer's account, to act in accordance with any special handling instructions, to understand the authority of each person acting on behalf of the customer and to comply with applicable laws, regulations and rules. To comply with these laws each representative must contact each customer at least annually and request an

update of any essential facts. It is each representative's responsibility to inform the home office of each update through submitting an updated new account form to the Accounts Management Department.

Approved Products

In order to assure that all securities sold through the firm. are in compliance with regulatory requirements, no solicitation or sale of any security may be made that is not on the approved product list. The product list consists of securities which the firm has approved and conducted the proper due diligence. The list is available at The Leaders Group website and on LeadersLink.

From time to time, additions and/or deletions will be made to the approved product list. In situations where a representative wishes to solicit sales of a security not listed on the product list, written approval must be obtained by the firm prior to solicitation, and a selling agreement obtained. Representatives should contact the Marketing Department with any questions or concerns about products.

IRA Rollovers

Any recommendation to sell, purchase or hold securities must be suitable, but also in the best interest of the customer and the information that investors receive must be fair, balanced and not misleading. A determination to roll over plan assets to an IRA rather than keeping them in a previous employer's plan or rolling over to a new employer's plan should reflect consideration of various factors, the importance of which will depend on the customer's individual needs, circumstances and options. Please see Appendix for Fiduciary Guidelines under the Department of Labor Conflicts of Interest Fiduciary Rule.

Mutual Funds

All funds should be rated three stars or above by Morningstar to be placed into any customer accounts. It is your responsibility to make sure the funds are suitable for your clients. Please review all accounts and replace any funds rated below three stars unless the funds remain suitable for the client.

The firm requires that the following items (where applicable) be disclosed to a customer when dealing with mutual funds:

- Charges/Fees: It is the representative's responsibility to disclose and explain sales charges, administrative fees, and management fees. Disclosures should be made to the client explaining all costs relating to front-end loads, back-end loads, and no-loads. Back-end loads and mutual funds with asset-based service fees in excess of 25 basis points are not to be represented as no-load funds.

- Breakpoint Sales: Representatives are required to inform the public of the various breakpoint levels on investments that would qualify for a reduction in sales charges. Sales just under breakpoint levels are prohibited unless disclosed to the customer. Disclosure should include a statement signed by the customer acknowledging the breakpoint sale. **Note:** A letter of intent may be signed to qualify for quantity discounts.

- Rights of Accumulation (ROA): Representatives are required to inform the public that rights of accumulation exist, and the customer may be eligible for them. ROA are rights that

allow a mutual fund shareholder to receive reduced sales commission charges when the amount of mutual funds purchased plus the amount already held equals a rights of accumulation (ROA) breakpoint.

- Share classes: Representatives must recommend share cases that are in the best interest of the customer. Typically, if the money will be accessed in 6 years or less, a C share should be considered, and if it is to be accessed in 7 years or more an A share should be considered. Please use the FINRA share class analyzer to determine what share should be recommended.

- Churning: Representatives may not excessively solicit sales from a client in order to produce sales charges or commissions. Solicitations should always be made with the client's best interest and investment objectives as the primary motivations for the sale.

- Rights of Reinstatement (RoR): RoR allows a customer to redeem or sell shares in the fund and reinvest some or all of the proceeds, and receive a waiver of the sales load or a rebate on the CDSC, within a specified period of time (for example, 90 days), in the same share class of that fund or another fund within the same fund family subject to certain terms and conditions. The terms and conditions vary among funds. Funds held direct with the fund family will have this applied by the fund family. If funds are held at the clearing firm, the Representative must make sure client receives the waiver provided by the fund family.

- Selling Dividends: Customers should be advised against buying or selling securities shortly before the ex-dividend date. No advantage is gained by trading securities just prior to dividend distribution dates. Selling dividends creates a tax liability for the customer.

- Risks: The Registered Representative must explain to the customer all the risks associated with the purchase. Investment, interest rate, and reinvestment risks should be discussed with the client.

- Projections and Comparisons: The Registered Representative must disclose the purpose of the comparison. The comparison must be fair, clear, and provide a balanced presentation. The Compliance Department of The Leaders Group, Inc. must approve any product comparison prior to use.

    - Investment projections and predictions are prohibited from being communicated with the public. An illustration on an investment is permitted upon approval by Compliance. An illustration must be hypothetical with the primary objective showing mathematical principles. Any product comparison or illustration must disclose that past performance does not guarantee future results.

- Rates of Return: Representatives may disclose rates of return and performance averages. When disclosing returns and average performance figures the Registered Representative must include the three, five, and ten-year return for comparative purposes. Returns and average performance figures should also be disclosed to clients net of any commissions and fees. **The maximum rate of return that can be illustrated is 8% and 0% must also be illustrated.**

- Conflicts of interest are required to be disclosed to the customer in writing.

Any other material issues not described above also must be disclosed to the customer. A prospectus or link to the electronic prospectus must be delivered to each client.

ESG Recommendations

Recommendations in Environmental, Social or Governance-centered investments (ESG) cannot be made unless the client mandates such investments for their portfolio. In that case, the client must sign an acknowledgment of understanding that the investments may have higher expenses and lower return than other non-ESG investment choices.

Variable Insurance Products

There are three basic instruments that are identified as variable insurance products:

- *Variable annuities* – a hybrid product, incorporating an insurance guarantee into an investment package. The investment portion of the premium is typically invested in sub-accounts, which mimic their mutual fund counterparts.

- *Variable Life insurance* – a product in which the cash surrender value, and even the death benefit, fluctuates with the performance of the underlying investments.

- *Variable Universal Life insurance* – guarantees a death benefit while allowing cash value to fluctuate. Variable Universal Life clearly separates the investment and insurance elements of the arrangement.

Within these three basic structures, there are a multitude of variations and nuances distinguishing one product from another. All three types of variable contracts are considered securities under federal law.

The Firm maintains selling agreements with most of the major insurance companies that offer variable annuities, variable life insurance, and variable universal life insurance.

Licensing
In addition to the required securities registration, an RR who desires to offer variable insurance products is required to be licensed by the appropriate state insurance department and appointed with the appropriate insurance carrier. The Firm requires RRs to be registered and licensed in the client's state of residence.

In addition, appropriately licensed RRs are required to maintain their insurance license status through completion of the state required continuing education courses and firm training as requested.

Approved Products
Prior to soliciting the sale of any variable insurance product, the RR must verify that the product is on the Firm's approved product list. No solicitations for sale of a product can be made without the Firm having a signed selling agreement.

Prior to selecting any variable insurance product, Leaders will review the issuer's reputation; analyze the product's prospectus, sales literature and outside rating reports. Upon completion of a favorable review, the Firm will execute a selling agreement with the issuing company.

Private Placement Variable Insurance
Both variable life and variable annuities may also be available as private placement products. Domestic Private Placement Life Insurance and Annuity products are non-SEC registered U.S. tax compliant (IRC Section 7702) flexible premium variable universal life insurance policies (PPVUL) or variable annuities (PPVA) that are offered exclusively to accredited high net worth individuals. Minimum investment amount will typically be $2,000,000. There are a variety of underlying asset management choices for the sub-accounts, including many hedge funds and insurance designated funds. Each transaction will be reviewed for due diligence by the President or CCO by assessing the PPM, the investment managers, the insurer and re-insurer, and verifying the accreditation of the investor.

Prospectus Requirement
Written offers to sell variable annuities or variable life insurance are made by the insurance company's current prospectus. Because the sub accounts contained in these products are registered under the Investment Company Act of 1940, the sub-accounts have the same characteristics as a mutual fund, and as a new issue are sold by prospectus at the stipulated unit offering price, or formula by which it is computed and designated by the prospectus.

The Firm and its representatives must ensure that a current Prospectus is given or sent to customers, prior to or concurrent with the sale of a variable annuity contract or variable life insurance policy. Whenever a customer (or potential customer) is provided (or sent) sales literature or advertising pertaining to a specific variable insurance product, a current prospectus of that product should accompany the sales literature. An electronic link to the prospectus may be given.

Product Suitability
In recommending a variable insurance product to a customer, the RR must be reasonably certain that the recommendation is suitable for the customer based on information disclosed by the customer as to their other insurance, security holdings, financial situation, age, need for retirement income, and liquidity needs. The RR must have sufficient documentation to support the suitability and best interest determination. Suitability is governed by FINRA Rule 2111, and Best Interest by Regulation Best Interest.

Placement of variable annuities in tax-qualified accounts requires additional determinations to support the suitability of the transaction in such accounts. There must be additional needs on the part of the client to support the placement of a tax-deferred instrument inside a tax-deferred account.

Twisting
Twisting occurs when a Registered Representative induces a client to drop existing coverage without clearly explaining the benefits which will be lost under an old policy. In addition, there is often a failure to reveal the new costs involved in taking out a new policy, or the effect of new policy coverage on the amount of and access to cash values. Twisting is considered a form of misrepresentation and is prohibited.

Clients must be provided with all the information necessary to make an informed decision.

Performance Illustrations

Hypothetical performance illustrations may be used as part of a full disclosure sales presentation. However, projected rates of return must be reasonable and based on current market performance. Illustrations are not to use a return greater than 8% and must show performance based on 0%. All illustration software and presentations must meet NAIC requirements and only complete illustrations, with all required disclosures, are allowed. All communications must comply with FINRA Rule 2320.

Transactions
Variable transactions may be executed on an application directly with the issuer. Direct application transactions require prompt transmission of the application and customer's check, payable to the issuer by noon the next business day. Copies of all documents and checks submitted must be retained in the client file.

In cases of 1035 exchanges, the Firm's Principal reviewing the transaction must ensure that the exchange improves the customer's position before approving the transaction. The supervisor must be on guard for conversions, misappropriations and unsuitable recommendations in the promotion of 1035 exchanges by a Registered Representative.
The Firm shall not participate in any offering or sale of a variable product if the purchase price includes an excessive sales charge.

Additional responsibilities of a Registered Representative for the sale of variable products:

- The RR must collect complete and accurate information to allow for proper suitability determination.

- The RR must be knowledgeable about the product and able to explain the features.

Customers with the following characteristics are not suitable for variable products:

- Short term investment objective
- Are at an old age
- Investment represents a disproportionate share of client's wealth
- If used in a qualified account, the RR must disclose that tax deferred features of the product are unnecessary and should only be recommended if a specific feature is beneficial to the client – lifetime income, family protection, protection from creditors, etc.

A prospectus must be provided.

Upon completion of each variable insurance transaction, the RR is required to deliver the contract or policy to the client and obtain an executed delivery receipt.

Annuity Guidelines

Variable annuities are issued by insurance companies whose cash value benefits are based on an underlying securities portfolio, maintained in a separate account of the insurance company which is usually an open-end investment company. Equity-indexed annuities are a fixed annuity that earns interest or provides benefits that are linked to an external equity reference or an equity index. The value of any index varies from day to day and is not predictable. The maximum allowable surrender amount for both indexed and variable annuities is not to exceed 5%.
Both variable and indexed annuities must run through The Leaders Group.

A representative must be appointed with the insurance carrier prior to soliciting an annuity. Index annuities must have commissions assigned to The Leaders Group, Inc. Contact the home office for assistance with these.

Each annuity application must be transmitted to the Firm's home office and accompanied by:

1. The Leaders Group New Account Form
2. The Leaders Group Annuity Worksheet (either Variable or Indexed)
3. The insurance carrier's required forms

The Leaders Group has a zero tolerance policy on missing information. Any incomplete forms will be rejected.

The following guidelines must be followed in the sale of annuities:

Customer information

- When recommending an annuity, comprehensive customer information must be obtained as required on The Leaders Group New Account Investment Profile Form and Annuity Worksheet.
- The representative must discuss all relevant facts with the customer, including but not limited to: liquidity issues such as potential surrender charges and IRS penalties for early withdrawal; fees, including mortality and expense charges, administrative charges, charges for benefit riders; and market risk. There must be a reasonable basis to believe the customer would benefit from certain features of a deferred variable annuity and that the particular annuity is in the best interest of the customer. The Annuity Worksheet must be signed and dated by the customer and representative.
- Representatives also are required to make legitimate efforts to ascertain and consider various other factors when recommending the purchase or exchange of a deferred variable annuity, such as: age, annual income, financial situation, existing assets, investment experience, investment objectives, risk tolerance, liquidity needs, tax status, and any other information deemed relevant in making a proper recommendation to a customer.
- The annuity transaction should be reviewed by the representative to determine that the contract as a whole, including the underlying sub-accounts and any riders or product enhancements, properly suits the customer.

Product information

- The representative should have a thorough knowledge of the specifications of each annuity that is recommended, including the death benefit, fees and expenses, sub-account choices, special features, withdrawal privileges, and tax treatment. Product-specific features may not be ignored by reps.
- A current prospectus, or link to the prospectus, must be given to the customer when an annuity is recommended. Prospectus information about important factors, such as fees and expenses and the illiquidity of the product, should be discussed with the customer so the customer has a reasonable understanding of the product.
- Annuities are generally long-term investments, and as such care should be taken when recommending a shorter duration annuity (L-share) to make sure the shorter term is suitable for the customer. Unless the client desires both the liquidity from a short-term product, and the protection from a guaranteed rider, a short-term product should not be sold with a long-term rider.

Liquidity and earnings accrual

- Lack of liquidity caused by surrender charges and penalties for early withdrawal may make an annuity an unsuitable investment for customers who have short-term investment objectives. Although a benefit of an annuity is that earnings accrue on a tax-deferred basis,

a minimum holding period is often necessary before tax benefits are likely to outweigh the higher fees imposed on annuities relative to other investments such as mutual funds. As such, an annuity should typically be recommended only when the customer has a long-term investment objective. The rep should make sure the customer understands the effects of surrender charges on redemptions and that a withdrawal prior to age 59 ½ could result in a tax penalty.
- No annuity surrender periods can exceed 10 years.
- Advanced age makes a long-term investment inappropriate. Certain contract features may make an annuity unsuitable for a customer of advanced age. Further details and policies are detailed below in the Senior Investors section.

Income, net worth, and liquid assets
- Because of the illiquidity of annuities, the customer should have sufficient assets or income for living expenses after the purchase of the annuity. Income, liquid net worth and age may be mitigating factors in the suitability.

Investment in qualified accounts
- When the representative is recommending an annuity in a qualified account, the customer must understand that tax-deferral is provided by the retirement plan and that feature of the annuity is unnecessary. An annuity should be recommended only when its other benefits, such as lifetime income payments, family protection through the death benefit, and guarantees support the recommendation.
- The representative should ensure the customer is aware of the minimum distribution requirements and any possible surrender charges.

Annuity replacements
- The annuity disclosure form needs to accurately explain the benefits of replacing the existing contract with a new contract. Any state specific transfer/exchange forms must also be complete.
- The replacement must be suitable. Considerations include product enhancements, lower cost structures, the suitability of the new surrender period, and any charges incurred therein.
- No surrenders over 5% on the product being surrendered will be accepted without mitigating circumstances.
- Representatives must determine whether the customer has had another deferred variable annuity exchange in the preceding 36 months.

Additional Deposits to Variable Annuities
- Representatives who help to initiate an additional purchase recommendation of more than $25,000 into a client's existing variable annuity should use the Annuity Additional Purchase Suitability Form available at www.leadersgroup.net.
  Representatives must determine that the client is fully aware of the surrender restrictions and the effect on liquidity for the subsequent purchase in order to ensure suitability.

Bonus features
- Some annuities carry a bonus feature that adds a premium to the contract based on a percentage of purchase payments. Bonus annuities must be analyzed to make sure that higher fees and longer surrender periods do not outweigh the benefit of the bonus credit offered.

Tax considerations

- Representatives must recommend the customer consult a tax advisor prior to investing. Withdrawals of earnings will be taxed at the ordinary income rate rather than the lower capital gains rates applied to investments in stocks, bonds, mutual funds and other non-tax-deferred vehicles in which funds are held for more than one year. Also, death benefits do not receive a "step-up" in cost basis when the owner dies. Many other investments do provide a step-up in tax basis upon the owner's death.

Guarantees

- Representatives must explain that any guarantees offered are based upon the insurance company's solvency. In the event of the insurer's insolvency, no guarantees exist.

Rep instructions

- The representative must ensure that the annuity application and all firm forms are complete and accurate. The Leaders Group has a zero tolerance policy on missing information. The representative should then promptly (within one business day of signing) forward all paperwork to the firm or to the carrier if it has been approved in LeadersLink.
- Acceptable methods of forwarding are:
    - Submission through LeadersLink
    - Shipping the paperwork overnight or 2-day mail/courier. Keep tracking information for all submissions. Regular mail should not be used.
    - Fax the paperwork
    - Send the paperwork via a SECURE email

Indexed Annuities

As per FINRA Notice to Members 05-50, all indexed annuities must be run through The Leaders Group for supervision and suitability. Selling indexed annuities outside your relationship with the firm is a violation of our policies and is considered selling away by FINRA. Failure to comply with our annuity guidelines and policies can result in fines, suspensions, and termination of your securities registration.

Guidelines for products:

- No annuitization only (2 tier) products
- No surrender periods over 10 years
- No commissions over 10%

Guidelines for carriers:

- No carriers with less than A- AM Best rating
- Must be on our approved product list
- If you would like us to consider adding additional carriers to our approved list, contact marketing@leadersgroup.net or (303) 797-9080, ext. 164.

Senior Investor

FINRA and the SEC place particular emphasis on protecting customers who are retired or age 65 and older, as does the firm. In addition to the sales guidelines already specified above, representatives should consider the following additional steps when working with these customers:

1. Obtaining a trusted contact person with whom the representative is permitted to discuss account issues and/or concerns about diminished mental capacity.

2. Identifying signs of possible diminished mental capacity, such as:
   - Worsening cognitive problems;
   - Behavior that is out of character (i.e. frugal client becomes a spendthrift, client suddenly wants to alter an established investment strategy, etc.);
   - Difficulty in understanding important aspects of the account.

3. Recommending that customers keep the following information in a safe place in case of emergency:
   - A list of investments (including account numbers, passwords or safe-deposit box locations) and legal documents (will, trust, estate plan, power of attorney, etc.);
   - A list of debts or regular obligations and the institutions to which they are owed, along with account numbers;
   - Contact information for doctors, lawyers, securities professionals, etc.

4. Providing them with senior-specific information (such as website links or printed brochures) from these agencies:
   - SEC Investor Information for Seniors - http://www.sec.gov/investor/seniors.shtml
   - FINRA Investor Alerts - https://www.finra.org/investors/insights
   - NASAA Senior Investor Resource Center - https://www.nasaa.org/category/investor-education/investor-advisories/
   - AARP - http://www.aarp.org/money/investing /

If a representative suspects diminished capacity or financial abuse, contact the Firm's Chief Compliance Officer immediately.

In all cases, representatives are expected to take any necessary time to ensure that their senior customers have a clear understanding of their investments and that those investments are suitable for their individual needs and objectives.

529 College Savings Plans

Section 529 College Savings Plans (529 Plans) are higher education savings plan trusts established under Section 529(b) of the Internal Revenue Code as "qualified tuition programs." Individuals invest through these 529 Plans to save for the qualifying higher education costs of beneficiaries. They have investment features similar to mutual funds or variable annuities. For regulatory purposes, 529 Plans issued by state or local governments are classified as municipal fund securities and are governed by the rules of the Municipal Securities Rulemaking Board (MSRB).

Because 529 plans contain the basic features of investment company shares, all 529 recommendations must meet the same suitability standards as those securities. Similarly, any advertising of these plans must meet the guidelines previously specified in this Manual: fair and balanced content, no exaggerations, misleading claims or omissions of material facts. Compliance must approve any advertising prior to first use.

Share class selections must take into account the beneficiary's age. Typically, if the money will be accessed in 6 years or less, a C share should be considered, and if it is to be accessed in 7 years or

more an A share should be considered. Please use the FINRA share class analyzer to determine what share should be recommended.

Representatives need to be aware of the additional suitability concerns of state and federal tax treatment, which can make the plan of the customer's resident state more favorable. Customers must be informed of the resident state plan of the owner or beneficiary, as well as possible tax consequences of investing in an out-of-state plan. Customers should consult a tax advisor for specific tax advice.

Municipal Securities
Under SEC rule 15c2-12, MSRB Rule G-17 and FINRA Regulatory Notice 09-35, full disclosure must be given to clients about any municipal security they are purchasing. A Municipal Bond Disclosure Checklist must be submitted when any municipal bond is purchased. The disclosure information needed to present to the client is available at http://emma.msrb.org.

UTMA/UGMA Considerations

Uniform Gift/Transfer to Minor Accounts take special consideration in the share classes if in mutual funds. Generally, if the money will be accessed in 6 years or less, a C share should be considered, and if it is to be accessed in 7 years or more an A share should be considered. Please use the FINRA share class analyzer to determine what share should be recommended. As well, the representative should remind the custodian that the account needs to be transferred to the minor at the age of majority. This age varies state to state.

Wealth Events

Investments made as a result of a Wealth Event (i.e. inheritance, 401(k) rollovers, divorce settlements, IRA rollovers, sale of a business, sale of a home, or any event that causes a drastic increase in investable assets) should be given added scrutiny because of the potential consequences of uninformed investment choices. A misunderstanding of fees, liquidity, surrender schedule, RMDs, or potential tax consequences can cause a customer to make an investment that may not fit their future needs and objectives. The Leaders Group, Inc. expects each registered representative to make their customer fully aware of the investment objective and time horizon considerations of investing a significant amount of assets into a few products.

Things they should be aware of:

- The ability of maintaining their current account.
- Fees in the employer sponsored plan.
- Fees in the new investment.
- Possible tax consequences.
- Possible RMD requirements.
- Possible surrender period.
- Surrender charges should the customer have the need to access funds too soon.

Life Settlements

Life settlements involve the sale of existing life insurance policies to third parties in a secondary market transaction. The settlement value depends on a variety of factors, but may often be more than the cash surrender value. The agents involved must be securities registered as well as life licensed if the policy is variable. Many states have additional licensing requirements, which can be found at http://www.lisassociation.org/ Registered reps may only use brokers and companies from our approved product provider lists. To be covered by E & O, a copy of all the settlement paperwork must be sent to the Compliance Department, whether variable or fixed.

Disclosure Obligations:

- Tax consequences
- Disclosure of costs and fees, including commissions
- Detailed analysis of alternatives: cash surrender value, lapse, settlement values and explain consequences of each.

Suitability concerns:

The transaction must be suitable and in the best interest of the customer. To qualify, it usually must be a high net worth client over age 65 with:

- A life insurance policy with face amount of at least $250,000
- A change in insurability since policy was issued
- Life expectancy of 15 years or less
- The need for life insurance has changed, or will be met in other ways

Best execution must be a combination of the best market and the most favorable price for the customer. Several bids should be obtained, either through multiple providers, or through a life settlement broker.

Variable policies:

If the policy being sold is a variable life policy, the transaction is considered a securities transaction. In this case, the paperwork and commissions must flow through The Leaders Group, Inc.

Procedure:

Representatives must get permission from the firm to participate in the transaction, which is recognized as an Outside Business Activity if it involves a non-variable product. Representatives must check with their state insurance department to find if special registration or licensing is required. One of the approved provider companies or settlement brokers must be used. A copy of the paperwork, including a copy of the application, illustration and closing documents must be submitted to the firm with a Life Settlement Disclosure Form. Representatives must have an acknowledgement signed by the seller detailing the appropriate risks and disclosures.

Total amount of compensation paid to all parties cannot exceed 5% of face amount.

Use of Financial Planning Software

Steps of Financial Planning:

1. Gathering client data including goals
2. Analyzing and evaluating the client's current financial status
3. Developing and presenting recommendations and/or alternatives
4. Implementing the recommendations
5. Monitoring the recommendations

These are the minimum requirements to be included in a financial plan.

Minimum Plan Requirements:

- Present Financial Condition: including income and cash flow analysis
- Comprehensive risk management plan: That includes a review of life and disability insurance, and current investments.
- Retirement strategy plan
- Long-term investment plan: A customized plan based on specific investment objectives and needs and a personal risk tolerance profile.

Optional Items to include:

- Educational funding analysis
- Tax reduction strategy
- Business plan analysis
- Charitable tax planning
- Survivor income analysis
- Estate plan

All assumptions must be reasonable (returns may not be illustrated above 8%) and comparisons must be made on an apples-to-apples basis.

National Financial Procedures

The Leaders Group, Inc. uses National Financial Services as our clearing firm. To participate in any general securities business a representative must be approved to trade by the Compliance Department. Approval is based on licensing and experience. There are different levels of approval based on experience. The first requirement is a passing grade on the Series 7 examination. Next is trading experience. Because we are made up of independent contractors with differing practices and no central training program, we do not allow inexperienced representatives to conduct a general securities practice.

Once a representative has been approved to do general securities, they must get set up with a user ID and Streetscape access. Streetscape is the access program for NFS. Its use is mandatory. Fees are charged quarterly for Streetscape access. Contact the Accounts Management Department for information about these fees.

Guidelines

As in all accounts, the account and all trades must be suitable for the client. Mutual fund only accounts probably should not be in a brokerage account because of the costs passed on to the client. They should be in a managed account or held directly at the fund company. If mutual funds are held in a clearing account the representative must check to see if the client has other holdings held in the fund to get correct breakpoints and rights of accumulation.

Representatives cannot churn accounts. Churning is defined as making more trades than are sensible for the client in order to generate commissions.

Margin accounts must be approved by an executive officer of The Leaders Group prior to opening. The margin disclosure form is required to be delivered to any clients using margin accounts. It is the representative's responsibility to deliver the disclosure. Options must be approved in advance on a case-by-case basis. As in all business, the paperwork must be complete and accurate.

All accounts must be funded in advance of any trading. No free riding is allowed. If this is unclear, please contact the Compliance Department or the Accounts Management Department to get applicable rule guidance.

Leveraged and inverse exchange traded products may be more likely to decline when held for long periods of time, so these are not recommended for long-term holdings. We recommend that they are monitored closely.

Representatives do all their own trading through Wealthscape, but cashiering and all NFS contact runs through the Accounts Management Department. Contact the Accounts Management Department for information about pricing and fees associated with trading.

Working in Financial Institutions

Representatives may work with banks and credit unions under networking agreements between the institution and The Leaders Group. Typically, the representative may have a space in the bank or credit union where they may offer investment products, or institution employees may refer customers to the representative for investment products. Under FINRA Rule 3160 the representative must (A) be clearly identified as the person providing broker-dealer services and shall distinguish its broker-dealer services from the services of the financial institution; (B) conduct its broker-dealer services in an area that displays clearly the member's name; and (C) to the extent practicable, maintain its broker-dealer services in a location physically separate from the routine retail deposit-taking activities of the financial institution. At or prior to the time that a customer account is opened by a member that is a party to a networking arrangement, the member shall disclose in writing to each customer that the broker-dealer services are being provided by the member and not by the financial institution, and that the securities products purchased or sold in a transaction are: (i) not insured by the Federal Deposit Insurance Corporation ("FDIC"); (ii) not deposits or other obligations of the financial institution and are not guaranteed by the financial institution; and (iii) subject to investment risks, including possible loss of the principal invested. All retail communications must contain the same disclosures.

Customer Complaints

Any inquiry, written or verbal, received by any representative from any regulatory agency or investor must be immediately referred to the Chief Compliance Officer of The Leaders Group, Inc. Representatives will maintain a written record of any complaints in an appropriate file separate from any other client files.

The Firm's Chief Compliance Officer will prepare and forward an appropriate response to the customer. Representatives should direct any further contact with the investor or regulatory agency to the Chief Compliance Officer. The Firm will also maintain a separate file for each complaint.

The Firm must handle all settlements of errors involving corrections of statements, confirmations, and adjustments of money. Under no circumstances may a representative make any offers to settle errors or complaints directly with customers. Failure to observe this rule could result in being terminated for cause.

After proper investigation and disposition of the matter, a copy of the disposition will be attached to the original complaint and filed appropriately.

Branch Offices/Non-Registered Locations

Branch offices may need to become registered with FINRA and all relevant state or local agencies.

Each branch office is required to maintain proper identification on building directories, office windows or doors. Proper identification includes disclosing The Leaders Group, Inc., Member FINRA and SIPC.

As stated under Compliance Policies, all branch offices are subject to periodic inspection by the Firm (or an appropriate contractor), plus the SEC, and any self-regulatory agency. Branch Office Inspections conducted by the FINRA, SEC, or self-regulatory agencies must be reported immediately to the firm. If possible, The Leaders Group, Inc. should be notified prior to inspection.

Representatives who work out of their homes are not to publish, imply, or state that they are operating from a branch office, unless such location is registered as a branch office.

Professional Conduct

Anti-Money Laundering Policy

It is the policy of the firm to prohibit and actively prevent money laundering and any activity that facilitates money laundering or the funding of terrorist or criminal activities. Money laundering is generally defined as engaging in acts designed to conceal or disguise the true origins of criminally derived proceeds so that the unlawful proceeds appear to have derived from legitimate origins or constitute legitimate assets. Generally, money laundering occurs in three stages:

1. Cash first enters the financial system at the "**placement**" stage, where the cash generated from criminal activities is converted into monetary instruments, such as money orders or traveler's checks, or deposited into accounts at financial institutions.
2. At the "**layering**" stage, the funds are transferred or moved into other accounts or financial institutions to further separate the money from its criminal origin.
3. At the "**integration**" stage, the funds are reintroduced into the economy and used to purchase legitimate businesses.

Terrorist financing may not involve the proceeds of criminal conduct, but rather an attempt to conceal the origin or intended use of the funds, which will be later used for criminal purposes.

Representatives must report any red flags to the Compliance Department immediately. Please refer to the red flag section of the appendix.

Insider Trading Prohibition

All representatives and associated persons are strictly prohibited from transactions in securities in which the representative or associated person possesses material non-public information. Associated persons include staff, independent contractors, and consultants.

Representatives and associated persons are strictly prohibited from communicating any non-public information to anyone. Notification of the non-public information must be communicated directly to the Chief Compliance Officer. The Firm may request the non-public information to be disclosed to outside advisors. In such instances, the representative or associated person must comply with the request.

Due diligence personnel are the most likely to come in contact with confidential information. Such personnel are reminded that this information should be treated as non-public. However, in the normal course of our business, it would be unlikely that representatives and associated persons of the Firm would have access to non-public information on publicly traded corporations. Therefore, it is not feasible for the nature of our operations to develop specific procedures to prevent insider trading. The Firm must rely on its broad policy, which is in force at all times to hinder insider trading.

Personal brokerage accounts

Representatives are allowed to maintain personal brokerage accounts; however, the firm must receive duplicate statements. All self-directed trading accounts need to be moved to TD Ameritrade under our designated brokerage relationship with them https://www.tdameritrade.com/dbs/leadersgroup.html. Please contact the Compliance Department for details.

Prohibited Practices

Please read this section carefully. The following are prohibited practices for all representatives. Violations will result in registration being terminated and possible regulatory disciplinary action if a representative is found to be involved with any of these practices.

Gifts and Gratuities

FINRA Conduct Rule 3220 prohibits persons associated with a member from directly or indirectly giving or permitting anything to be given of value (a gift of any kind is considered a gratuity) in excess of one hundred dollars ($100.00) per year to any person, principal, proprietor, employee, agent or representative of another member where such payment or gratuity is in relation to the business of the employer of the recipient. All gifts must be logged and the log must be maintained for at least 3 years.

Designations

Designations may not be used unless the representative is in good standing with the certifying organization and the designation has been approved for use by the firm. The representative must uphold all guidelines of that governing body as well as those of The Leaders Group.

Commingling funds

Investor assets, whether in the form of cash, cash equivalents, or securities, must **never** be deposited in a representative's personal or business account. Under no circumstances is the commingling of assets allowed, even for the purpose of enabling the representative to draw their own check to cover payment made by the investor.

Safekeeping of assets

Representatives or employees may not hold certificates of security ownership for an investor. Certificates of ownership include, but are not limited to: evidence supporting the ownership of stock, limited partnerships, mutual funds, annuities, insurance contracts, and stock powers.

Powers of Attorney

Power of attorney is established to authorize a third person to execute transactions for an investor's account. Creation of the fiduciary relationship requires a signed and notarized power of attorney to be delivered to the Firm. The document must specify the authorized third person and the rights granted to such party, including any limitations. **Under no circumstances may transactions be**

accepted from the authorized third party until the power of attorney is delivered to the Firm. A power of attorney is required even if a spouse or other close relative of the investor is executing a transaction.

A representative may not have a full power of attorney over an investor account and be listed as the representative, unless the client is a relative of the representative.

Discretionary Accounts

Representatives are not permitted to use limited powers of attorney or discretionary authority over an investor account and be listed as the representative. An exception will be made if the client is a relative of the representative or if the representative is acting in the capacity as a representative of a Registered Investment Advisor. Regulations allow discretion only to price and time, and then only until the end of the business day on which the customer granted the discretion.

Guarantees

Representatives must not guarantee a security or an account. Guarantees include promises or statements of a security's or account's performance. Guarantees against losses are also prohibited.

Representatives must not imply that any illustration stated in a prospectus or other approved sales literature is anything other than a hypothetical illustration. Disclosure must be made to the customer stating there are no assurances that the scenario in the illustration can or will be obtained. Representatives must not make any illustrations of performance of a specific security that is not disclosed in the prospectus or other approved sales literature.

Representatives are forbidden from repurchasing a security from a customer for the representative's own account, for the account of the company, or for the account of any other party. Representatives may not reimburse clients who incurred a loss from investment securities.

Sharing in Accounts

Representatives are not allowed to share in any profits or losses of any customer account (with the exception of accounts of the representative's immediate family).

Borrowing From or Loaning Money to Customers

Representatives and associated persons may not make or accept personal loans from customers. This does not prohibit the representative or associated person from borrowing directly from banks or other financial institutions engaged in commercial banking activities. Representatives or associated persons may borrow for personal reasons from financial institutions even if the financial institution is a customer of The Leaders Group, Inc. or the representative.

Consolidated Statements

Representatives and associated persons may not generate consolidated statements. See page 26 for additional guidelines.

Settling Errors

As stated in Customer Complaints, representatives must never settle errors with a customer by making payment to cover any losses. Losses may include, but are not limited to: commissions or fees, market fluctuations, and trading errors.

Under no circumstances should a representative make trade corrections with a customer. Any and all trade errors must be reported to the Chief Compliance Officer of the Firm. Upon notification of a trade error, the Chief Compliance Officer will contact the representative to

disclose any appropriate actions. Correction of trade errors must be approved and processed through the Firm. Payments to a customer to cover a mistake made by a representative or the Firm must be conducted through the Firm.

Appendices

1. Explanations and Instructions for Leaders Group Forms
2. Business Continuity Disclosure
3. AML/Identity Theft - Red Flags
4. Encryption Instructions
5. Template for an Account Summary Report
6. ERISA Considerations

Explanations and Instructions for Leaders Group Forms

The Leaders Group has a zero-tolerance policy on missing information. Any paperwork that is Not in Good Order (NIGO) will be rejected.

Investment Profile – SEA rules 17a-3 and 17a-4, and FINRA rules 2111 and 2360 cover the records that must be maintained by every broker-dealer. The Leaders Group has reduced the new account form to only the information required by these agencies. **Every field must be filled out**; all information is required as part of the books and records of the Firm, which must be accurate.

Annuity Worksheets – Annuities have an investment component and an insurance component. Customers must be aware of the fees and expenses involved with annuities prior to purchasing them. This form protects you by having the customer acknowledge that you have disclosed the surrender fees involved.

Mutual Funds Worksheet – Switching funds from one investment to another must be justified. This form discloses the reasons and the cost involved and gives full disclosure to and acknowledgement from the customer.

Authorization to Change Dealer – Accounts that are held at a mutual fund or insurance carrier may have the broker-dealer and representative changed with the customers' authorization. This form spells out the product sponsor, the product, the account number, the account registration and the new broker-dealer and representative.

Business Continuity Disclosure

The Leaders Group, Inc. is responsible for creating and maintaining business continuity plans for all of its businesses. In the event of a business disruption, we have plans designed to allow us to continue operations of critical business functions, such as entering of client orders, completing securities transactions and providing clients access to their cash and securities. We accomplish this in part by: Relocating impacted businesses to designated recovery locations; Using redundant processing capacity; Designing our technology and systems to support the recovery processes for critical business functions; Using business and technology teams that are responsible for activating and managing the recovery process; Adopting a communication plan to ensure Leaders Group employees receive emergency notifications and instructions via a variety of sources; Rehearsing our recovery procedures and testing

those procedures on a regular basis. As part of our plans, The Leaders Group, Inc. has identified the applications that are critical to each of our departments.

With regard to client assets, nearly all market-traded securities are held in central depositories (such as the Depositary Trust Co.) or with custodian banks, rather than in physical certificates. Ownership of the securities is reflected on a book-entry, record-keeping basis with our custodian banks or depositories' participants, maintaining on their records the beneficial ownership positions of their customers. This structure is recognized worldwide as providing investors with an unsurpassed level of liquidity and security for the assets they choose to custody with major financial institutions.

Although we have taken significant steps to develop and implement sound business recovery plans, we cannot guarantee that systems will always be available or recoverable after a disaster or significant business disruption. However, we believe that our planning for such events is robust and consistent with many of the best practices established within the industry. Any material changes to the above information will be available upon request.

AML/Identity Theft - Red Flags

A. Notifications and Warnings from Credit Reporting Agencies

1. Report of fraud accompanying a credit report;
2. Notice or report from a credit agency of a credit freeze on an applicant;
3. Notice or report from a credit agency of an active duty alert for an applicant;
4. Receipt of a notice of address discrepancy in response to a credit report request; Indication from a credit report of activity that is inconsistent with an applicant's usual pattern or activity.

B. Suspicious Documents

1. Identification document or card that appears to be forged, altered or inauthentic;
2. Identification document or card on which a person's photograph or physical description is not consistent with the person presenting the document;
3. Other document with information that is not consistent with existing information;
4. Application that appears to have been altered or forged.

C. Suspicious Personal Identifying Information

1. Identifying information presented that is inconsistent with other information the customer provides (example: inconsistent birth dates);
2. Identifying information presented that is inconsistent with other sources of information (for instance, an address not matching an address application);
3. Identifying information presented that is the same as information shown on other applications that were found to be fraudulent;
4. Identifying information presented that is consistent with fraudulent activity (such as an invalid phone number or fictitious billing address);
5. Social security number presented that is the same as one given by another customer;
6. An address or phone number presented that is the same as that of another person;
7. A person fails to provide complete personal identifying information on an application when reminded to do so;
8. A person's identifying information is not consistent with the information that is on file for the person.

D. Suspicious Covered Account Activity or Unusual Use of Account

1. Change of address request for an account followed by a request to change the account name;
2. Payments stop on an otherwise consistently up-to-date account;
3. Account used in a way that is not consistent with prior use;
4. Mail sent to the customer is repeatedly returned as undeliverable;
5. Notice to the Firm that a customer is not receiving mail sent by the Firm;
6. Notice to the Firm that an account has unauthorized activity;
7. Breach in the Firm's computer system security;
8. Unauthorized access to or use of account information.

E. Alerts from Others

1. Notice to the Firm from a customer, Identity Theft victim, law enforcement or other person that the Firm has opened or is maintaining a fraudulent account for a person engaged in Identity Theft;
2. Notice to the Firm that unauthorized access to a customer's personal information took place or became likely due to data loss (e.g., loss of wallet containing ID, laptop, Social Security card, birth certificate).

Encryption Instructions

Leadersgoup.net Email Encryption Instructions

- Log into your archived email address and compose your secure email.
- Add the word Secure or Confidential in the subject line.
- Send the email.

Encryption with Adobe Acrobat Version 9

- Create a pdf file by printing to Adobe PDF or saving as pdf file.
- Open pdf file
- Go the Advanced tab on the menu bar and then to Security, or the Secure Icon on the toolbar
- Click on Encrypt with password
- Click Yes if it asks "Are you sure you want to change the security on this document?"
- Click on Require a password to open the document
- Type in your password
- Click on OK
- Re type the password when prompted
- Save the document

Encryption using WinZip

- Go to www.winzip.com if you don't have WinZip on your computer
- Click on download WinZip
- Click on Get WinZip Free
- Download 45-day trial (aka "Evaluation Version") on your computer

To zip a file:

- Right click on the file name
- Click on WinZip
- Click on Add to Zip file
- Name the Zip file and save to desired location on your computer
- Open the zip file after it is created
- Click on Tools icon in toolbar, then click Encrypt icon
- Enter password and click OK

Password-protecting a document via Microsoft XP or Windows 7

- Click on the Windows logo in the upper left corner of the document
- Scroll down to the Prepare icon
- Click on Encrypt Document
- Enter password and click OK

Attach encrypted file to your email and CALL the recipient with the password, or send the password in a separate email.

Template for an Account Summary Report

Account Summary Report

THE LEADERS GROUP Member FINRA/SIPC	Client Name:				
Asset Type (Annuity, Mutual Fund, Equity, Etc.)	Product Sponsor	Account Number	Product Customer Service Number	Account Value as of:	*Insert Today's Date*
Total Portfolio Estimated Value:	$				

This summary report is provided for informational purposes as a courtesy, and may include assets that the firm does not hold and which are not included on the firm's books and records.

The information on this page is from sources considered to be reliable; it is not intended as tax or legal advice and should not be used for tax purposes. Your representative and The Leaders Group are not responsible for the accuracy or completeness of the information you, or third parties supply.

Retirement Accounts and Policies

A. Introduction

As a financial institution, The Leaders Group has special and additional fiduciary responsibilities under the Employee Retirement Income Security Act of 1974 ("ERISA") and the Internal Revenue Code Section 4975 ("IRC 4975"). In this Section of the manual references to ERISA will include IRC 4975.

ERISA is the comprehensive federal statute that governs the operation and administration of private pension and welfare benefits plans. The Department of Labor ("DOL"), and the Pension Benefit Guaranty Corporation ("PBGC") are responsible for the interpretation and enforcement of ERISA. For solo-participant plans (such as Individual Retirement Accounts) the DOL has rulemaking authority, however, enforcement jurisdiction resides with the Internal Revenue Service.

B. Definitions

Direct or Indirect Compensation: Compensation, direct or indirect, means any explicit fee or compensation for the advice received by the person (or by an affiliate) from any source, and any other fee or compensation received from any source in connection with, or as a result of, the recommended purchase or sale of a security or the provision of investment advice services including, though not limited to, such things as commissions, loads, finder's fees, and revenue sharing payments. A fee or compensation is paid "in connection with or as a result of " such transaction or service if the fee or compensation would not have been paid but for the transaction or service or if eligibility for or the amount of the fee or compensation is based in whole or in part on the transaction or service.

Disqualified Person: (This term is unique to the Internal Revenue Code. For the equivalent under ERISA, see "party-in-interest" below.) A "disqualified person" is a person who is:

- A fiduciary
- A person providing services to the Retirement Investor
- An employee organization of whose employees are covered by the retirement plan
- An owner, direct or indirect, of 50 percent or more of
    1. The combined voting power of all classes of stock entitled to vote or the total value of shares of all classes of stock of a corporation
    2. The capital interest or the profit interest of a partnership
    3. The beneficial interest of a trust or unincorporated enterprise, which is an employer or an employee organization described above
- A member of the family of any individual described above
- A corporation, partnership, trust or estate of which 50 percent or more of
    1. The combined voting power of all classes of stock entitled to vote or the total value of shares of all classes of stock of such corporation
    2. The capital interest or profits interest of such partnership
    3. The beneficial interest of such trust or estate is owned directly or indirectly or held by persons described above
- An officer, director, a 10 percent or more shareholder, or a highly compensated employee of a person described above
- A 10 percent or more partner or joint venture of a person described above

Employee Pension Benefit Plan: Governed by Title I, an employee pension benefit plan is any plan, fund or program maintained by an employer, an employee organization or both that provides eligible employees with additional retirement accumulations through pre-tax and tax- deferred retirement income.

Employee Welfare Benefit Plan: Governed by Title I, an employee welfare benefit plan is any plan, fund or program maintained by an employer, an employee organization or both which is established to provide participants or their beneficiaries with medical, surgical or hospital care benefits, benefits in the event of sickness, accident, disability, death or unemployment, vacation benefits, apprenticeships or other training programs or daycare centers, scholarship funds, pre- paid legal services, or any other benefit as described in Section 302(c) of the Labor Management Relations Act of 1947.

Fiduciary: On December 15, 2020 the DOL issued its "final interpretation" of the five-part test under its 1975 regulation defining who is a fiduciary under ERISA, and they withdrew the Deseret Advisory Opinion (2005-23A). The final interpretation broadens the scope of who is an ERISA fiduciary such that recommendations to rollover qualified plans trigger the functional definition of an ERISA fiduciary. By virtue of Presidential Order Reorganization Plan No. 4 in 1978, the change to ERISA is mirrored in the IRC and thus also impacts IRAs. The final interpretation became effective on February 24, 2021 with an enforcement date of December 10, 2021.

Individual Retirement Account ("IRA"): An IRA is an individual retirement plan that provides tax advantages under IRC Section 408. There are various types of IRAs including traditional, Roth, rollover, inherited, SEP and SIMPLE.

Party-in-Interest: (This term is unique to ERISA. For the equivalent under the Internal Revenue Code see "disqualified person" above.) A person affiliated with the plan that is:

- Any fiduciary to a plan;
- Any person providing services to the plan;
- The employer whose Associated Persons are covered by the plan;
- An employee organization whose members are covered by the plan;
- A 50%, or more, owner of such employer;
- A spouse, ancestor, lineal descendent, or spouse of a lineal descendent of any of the persons above except an employee organization;
- A corporation, partnership, trust or estate of which 50% is owned directly or indirectly by persons above other than relations;
- An employee, officer, director or 10% or more, shareholder of any persons mentioned above, except a fiduciary or relative; and/or
- A 10% or more, partner or joint venture of any person above except a fiduciary or relative.

Retirement Investor: The definition of a "retirement investor" includes participants and beneficiaries of an ERISA plan, owners of solo-participant plans such as IRAs, and fiduciaries to a solo-participant or ERISA plan such as plan fiduciaries. The definition also includes Health Savings Accounts ("HSAs"), Medical Savings Accounts ("MSAs") and Coverdell Education Savings Accounts ("Educational IRAs").

C. Identification of Retirement Accounts

It is important to identify retirement accounts properly and to maintain the appropriate operational structures around such classification. The failure to properly identify a retirement account may create problems in terms of applying the appropriate fiduciary standard of care, accepting certain forms of direct or indirect compensation, improperly engaging in a nonexempt prohibited transaction, or failing to make proper disclosures.

1. POLICY

It is The Leaders Group's policy to identify retirement accounts based on the definition provided for in Section B. and additional guidelines set forth by the Department of Labor.

2. PROCEDURE

The compliance principals are responsible for reviewing the source of funds for all new clients and ensuring proper procedures are followed with regard to retirement accounts.

D. THE LEADERS GROUP'S Fiduciary Duty to Retirement Investors

As a fiduciary and party-in-interest to a Retirement Investor, The Leaders Group must conform to certain standards of conduct, including compliance with any applicable prohibited transaction rules governing its relationship to the Retirement Investor.

The Leaders Group must:

- Manage the retirement assets solely in the interests of participants and beneficiaries;
- Provide benefits to participants and their beneficiaries, defraying reasonable expenses for administering the retirement plan;
- Manage the retirement assets "with the utmost care, skill, prudence, integrity, honesty, loyalty, duty of good faith and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims;" and
- Diversify investments so as to minimize the risk of large losses, unless under circumstances where it is clearly prudent not to do so.

ERISA generally requires The Leaders Group, as fiduciary to the retirement assets, to maintain the indicia of ownership of retirement assets within the United States ("U.S."). However, retirement assets invested in securities of a non-U.S. person or foreign currency may, under limited circumstances, be maintained outside the U.S., provided the investment meets specified assets under management and net worth requirements pursuant to 29 CFR 2550.404B-1: Maintenance of the Indicia of Ownership of Plan Assets Outside the Jurisdiction of the District Courts of the U.S.[1] Retirement assets that are in the custody of an entity designated by the SEC or that are in the physical possession of or in transit to certain investment advisers or broker-dealers meeting regulatory requirements may be acceptable under certain circumstances.

E. Prohibited Transactions

ERISA and IRC 4975 include a number of specific prohibitions applicable to certain transactions involving Retirement Investors. As a fiduciary, The Leaders Group may not enter into a prohibited transaction with a Retirement Investor or cause a Retirement Investor to enter into a prohibited transaction unless there is a statutory or administrative exemption covering that transaction.

Prohibited transactions are defined as specific transactions that may not be entered into (directly or indirectly) by a party which is not in the best interests of the Retirement Investor.

Under Section 406(a) of ERISA, The Leaders Group cannot cause the plan to engage in a transaction if he/she knows or should know that such transaction, directly or indirectly, involves:

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1. See http://www.law.cornell.edu/cfr/text/29/2550.404b-1.

- Sale, exchange or lease of any property between the plan and a party-in-interest;
- Lending of money or other extension of credit between the plan and a party-in-interest;
- Furnishing of goods, services or facilities between the plan and a party-in-interest;
- Transfer to or use by or for the benefit of, a party-in-interest, of any asset of the plan;
- Acquisition, on behalf of the plan, of any employer security or employer real property in violation of Section 407(a); or
- Holding of employer securities or employer real property by the plan if the fiduciary has authority or discretion to control or manage the assets of a plan and knows or should know that holding such securities or real property violates Section 407(a).

In addition, ERISA Section 406(b) prohibits transactions deemed to constitute self-dealing. Specifically, The Leaders Group May Not:

- Deal with the assets of the plan in his/her own interest or for his/her personal account;
- Act, in his/her individual or any other capacity in any transaction involving the plan on behalf of a party, or represent any party whose interests are adverse to the interests of the plan or the interests of its participants or beneficiaries; or
- Receive any consideration for his/her personal account from any party dealing with such plan in connection with a transaction involving the assets of the plan.

Under IRC 4975 a "prohibited transaction" is any direct or indirect:

- Sale, exchange or lease of any property between the plan and a disqualified person;
- Lending of money or other extension of credit between the plan and a disqualified person;
- Furnishing of goods, services or facilities between the plan and a disqualified person;
- Transfer to or use by or for the benefit of, a disqualified person, of any asset of the plan;
- Act by a disqualified person who is a fiduciary whereby he/she deals with the income or assets of the plan in his/her own interests or for his/her own account
- Receipt of any consideration for his/her personal account by any disqualified person who is a fiduciary from any party dealing with the plan in connection with a transaction involving the income or assets of the plan

Because making a recommendation to a Retirement Investor that would entail compensation constitutes a prohibited transaction between a fiduciary and a party in interest, The Leaders Group must qualify for an exemption to 406(a).

1. *STATUTORY EXEMPTIONS – SECTION 408*

The exemptions under Section 408 are designed to avoid disruption of normal business practices which might otherwise be prohibited transactions under ERISA, while imposing certain safeguards upon the conduct of parties-in-interest. Therefore, prohibitions under Section 406(a) generally will not apply to the following transactions:

- Making certain loans to parties-in-interest who are participants and beneficiaries of the retirement plan, if such loans: (a) are available to all such participants or beneficiaries on a reasonably equivalent basis; (b) are not made available to highly compensated Associated Persons; (c) are made in accordance with specific provisions regarding such loans; (d) bear a reasonable note of interest; and (e) are adequately secured;
- Contracting for or making reasonable arrangements with a Party-In-Interest (disqualified person) for office space or legal, accounting or other services necessary for the establishment or operation of the retirement plan, if no more than reasonable compensation is paid;
- Making loans to an employee stock ownership plan pursuant to specified conditions;

- Investing all or part of a retirement plan's assets in deposits of a bank or similar financial institution which have a reasonable rate of return and meet other specified conditions;
- Purchasing life or health insurance or annuity contracts at no more than adequate consideration from an insurer in which the employer maintains the retirement plan or a Party- In-Interest (disqualified person) which is wholly owned by the employer maintains the retirement plan;
- The providing of any ancillary services under specified conditions provided by bank or similar institution if that bank or institution is a fiduciary to the retirement plan;
- Exercising a privilege to convert securities, provided the retirement plan receives no less than adequate consideration; and
- Purchasing or selling an interest in a bank or insurance company pooled fund pursuant to specified conditions.

2. *ADMINISTRATIVE EXEMPTIONS - CLASS EXEMPTIONS*

A class exemption may provide relief from the prohibited transaction provisions in ERISA or the Code or both to an identified class of entities or individuals who engage in the transaction(s) described in the exemption and who also satisfy the conditions contained in the exemption.
Some examples of transactions covered by a class exemption include:

- The purchase or sale by an employee benefit plan of shares of a mutual fund when an investment adviser for the fund, other than the plan sponsor, also is the fiduciary for the plan (PTE) 77-4;
- Transfers of individual life insurance contracts between retirement plans and their participants (PTEs 92-5 and 92-6);
- Interest-free loans made to retirement plans by their sponsoring employers (PTE 80-26); and
- The receipt of certain services at reduced or no cost by an IRA/Keogh Plan beneficiary from a bank (PTE 93-33).

On February 15, 2020 the DOL created a new class exemption, Prohibited Transaction Exemption ("PTE") 2020-02..

3. *3. PTE 2020-02*

The PTE 2020-02 is a class exemption that mandates that recommendations be in the best interest of Retirement Investors and that conflicts of interest be eliminated or mitigated. There are two main requirements of the PTE 2020-02:

- Impartial conduct standards:
    - Give advice that is in the Retirement Investor's best interest
    - Charge reasonable compensation for services
    - Seek to obtain best execution of investment transactions
    - Refrain from making misleading statements about investment transactions, compensation, and conflicts of interest
- Written disclosure:
    - Acknowledge fiduciary status under ERISA with respect to investment advice rendered to Retirement Investors
    - Provide a description of the services provided and disclosure material conflicts of interest
    - With respect to rollovers only, provide an explanation of the rationale as to why the recommendation is in the best interest of the Retirement Investor.
        - Include a consideration of alternatives
        - Address fees associated with both the plan and the IRA
        - Consider whether the employer pays some or all of the plan fees
        - Analysis of the services and investment options available under the plan and IRA

a. *POLICY*

It is The Leaders Group's policy to rely on PTE 2020-02 and comply with the spirit of the exemption in acting in the best interest of retirement investors.

b. *PROCEDURE*

The Leaders Group has created product worksheets that must be completed and submitted with account opening documents or within 10 days of making a recommendation to an existing client. The Worksheet contains information supporting the recommendation being in the best interest of the retirement investor and that the compensation is reasonable.

Note: The remainder of this section is applicable only to ERISA plans.

4. EXEMPTIONS UNDER 408(B)(2) FOR ADVISORY FEES

Section 408(b)(2) provides an exemption to 406(a) for investment advisers, such as The Leaders Group, who provide services subject to a "reasonable" service arrangement. Arrangements are "reasonable" if the compensation provided is reasonable in terms of the services provided by that adviser.
In order to be reasonable, proper disclosures must be made to the Responsible Plan Fiduciary ("RPF") of the ERISA plan and its participants, prior to engaging in the service arrangement. These disclosures, which must be delivered prior to initiating the service arrangement, and annually thereafter, should include the following:

- A detailed description of the exact services that The Leaders Group will provide the client;
- Acknowledgment by The Leaders Group of their specific fiduciary duty to the ERISA plan; and
- A detailed and accurate description of all direct and indirect forms of compensation.

a. *POLICY*

It is The Leaders Group's policy to evaluate prior to making a recommendation to a plan whether the Firm qualifies for a statutory or administrative exemption, such as those set forth above. In addition, The Leaders Group will satisfy the requirements set forth by Section 408(b)(2) by making required disclosures in its Client Agreements, the Form ADV Part 2A, and other written material provided to clients. The CCO is responsible for ensuring that proper disclosures are timely made to retirement investors.

b. *PROCEDURE*

The [insert individual/department] or designee is responsible for overseeing that statutory and administrative exemptions are being evaluated, and that proper disclosures are timely made to Retirement Investors.

5. *QUALIFIED PROFESSIONAL ASSET MANAGER ("QPAM") EXEMPTION*

Section 406 of ERISA prohibits certain transactions between plans and certain Parties in Interest.
Due to the broad definition of "Party in Interest," many routine transactions that would in fact be beneficial to a plan are prohibited. In response to this, the Department of Labor approved
Prohibited Transaction Class Exemption 84-14 ("PTCE 84-14), also known as the QPAM Exemption, which broadly exempts transactions that are entered into by a plan at the direction of a QPAM. The QPAM exemption provides a practical way for pension plans and their trustees to avoid liability for engaging in certain party-in-interest prohibited transactions. QPAMs primarily enable

pension plans to transact with private placement offerings. These placements constitute the sale of equities not registered with the SEC.

A "QPAM" must be independent of the party in interest, acknowledge in writing that it is a fiduciary, meet specified financial standards and adhere to specific requirements[2]. Additionally, the QPAM exemption is not available where the QPAM is retained solely to approve a specific transaction (i.e., "QPAM for a day"). Four types of entities can be a QPAM: a bank, a savings and loan association, an insurance company and a registered investment adviser with at least (i) $85 million under management and shareholders' or partners' equity of $1,000,000 (supportable by a balance sheet).

a. *POLICY*

It is The Leaders Group's policy to evaluate prior to making a recommendation to a plan whether the Firm qualifies for a statutory or administrative exemption, such as those set forth above.

b. *PROCEDURE*

The CCO or designee is responsible for overseeing that statutory and administrative exemptions are being evaluated, and that proper disclosures are timely made to Retirement Investors. Finally, The Leaders Group currently [does/does not] qualify as a QPAM. [insert individual/ department] or designee is responsible for ensuring this status is maintained, and to notify clients if this is no longer accurate.

6. *GIFTING TO ERISA CLIENTS*

The Leaders Group does not allow its Associated Persons to provide or make available gifts to ERISA clients. The Leaders Group as part of its Code of Ethics, requires that all gifts given and received be reported to the CCO or designee.

F. ERISA BOND

ERISA requires that every fiduciary of an employee benefit plan, as well as those who handle funds or other plan property, obtain an ERISA bond. Although an investment adviser who renders plan investment advice for a fee may not be required to obtain a bond, an adviser must obtain
a bond if he/she exercises discretionary authority or has custody of plan assets. An investment adviser is required by ERISA to have this bond, of at least 10% of assets held, up to a maximum of $500,000[3], for each qualifying plan, unless the ERISA plan agrees to add the adviser to its existing ERISA Bond and/or obtain an ERISA bond covering the adviser as a fiduciary of the plan.

Although a separate bond is not required for each plan, the bond must allow each plan to recover an amount equal to the minimum requirements if bonded separately.

1. POLICY

The Leaders Group's policy is for the firm to maintain an ERISA bond satisfying the requirements of Section 412 of ERISA, when required.

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2. Such requirements include: (i) Party in Interest cannot have the power to appoint or terminate the QPAM, (ii) QPAM (as opposed to plan sponsor) must make the decision to enter into the contract (i.e., no "veto rights" of plan sponsor), (iii) Party in Interest must not be the QPAM or related to it (.e., 10% or more controlling interest in QPAM, owned by QPAM, etc.), (iv) the plan's assets managed by the QPAM cannot make up more than 20% of QPAM's total client assets, (v) the transaction must be on an arm's length basis, and (vi) QPAM (or QPAM affiliates) must not have engaged in certain disqualifying conduct within the past 10 years.
3. Effective for plan years beginning on or after January 1, 2008, however, the maximum required bond amount is $1,000,000 for plan officials of plans that hold employer securities.

NOTE: An ERISA bond is NOT the same as having E&O Insurance. An ERISA bond is intended to protect the plan, while E&O Insurance is designed to protect the Firm.

2. PROCEDURES

The CCO or designee is responsible for obtaining and maintaining the ERISA bond and shall periodically review the list of ERISA accounts for completeness and ensuring of bonding.
The CCO or designee will also ensure that the ERISA Bond is updated and renewed prior to expiration and in accordance with the ERISA Bond policy requirements.

G. THE LEADERS GROUP DISCLOSURE REQUIREMENTS

Beginning July 1, 2012, under Section 408(b)(2) of ERISA, certain service providers to ERISA employee pension benefit plans ("Covered Plans") are required to provide detailed disclosures to the plan's RPF describing the services to be provided and all direct and indirect compensation to be received by the service provider, its affiliates, or subcontractors. These disclosure requirements do not apply to ERISA welfare benefit plans.

The Section 408(b)(2) requirements apply to "covered service providers" who expect at least $1,000 in compensation to be received for services to a Covered Plan. Covered Service Providers are defined as the following:

- ERISA fiduciary service providers to a Covered Plan or to a "plan asset" vehicle (e.g., private funds) in which such plan invests;
- Investment advisers registered under federal or state law;
- Record-keepers or brokers who make designated investment alternatives available to the covered plan (*e.g.*, a "platform provider");
- Providers of one or more of the following services to the Covered Plan who also receive "indirect compensation" in connection with such services; and
- Accounting, auditing, actuarial, banking, consulting, custodial, insurance, investment advisory, legal, recordkeeping, securities brokerage, third party administration, or valuation services.

The disclosures provided by the Covered Service Provider must be in writing and must include information the RPF needs in order to:

- Assess reasonableness of total compensation, both direct and indirect, received by the Covered Service Provider, its affiliates, and/or subcontractors;
- Identify potential conflicts of interest; and
- Satisfy reporting and disclosure requirements under Title I of ERISA.

Specifically, disclosure information should include, but not be limited to (as applicable):

- The services to be provided and all direct and indirect compensation (see, definitions below) to be received by a Covered Service Provider, its affiliates, or subcontractors, and, as applicable a statement that the services will be provided as an investment adviser registered under either the Investment Advisers Act of 1940 or any State law;

> NOTE: "*Direct compensation*" generally is compensation received directly from the covered plan. "*Indirect compensation*" generally is compensation received from any source. For example, indirect compensation may include: commissions, 12b-1 fees, revenue sharing arrangements, soft dollar arrangements, gifts and entertainment.

- A description of any indirect compensation arrangement(s), including identifying the sources for the indirect compensation and the services to which such compensation relates;
- Allocations of compensation made among related parties (i.e., among the Covered Service Provider's affiliates or subcontractors) when such allocations occur as a result of charges made against a plan's investment or are set on a transaction basis;
- Whether the Covered Service Provider is providing recordkeeping services and the compensation attributable to such services, even when no explicit charge for recordkeeping is identified as part of the service "package" or contract;
- Annual operating expenses (e.g., expense ratio) and any ongoing operating expenses in addition to annual operating expenses for certain types of investments; and
- A description of any compensation that will be charged directly against an investment, such as commissions, sales loads, sales charges, deferred sales charges, redemption fees, surrender charges, exchange fees, account fees and purchase fees, that is not included in the annual operating expenses of the "plan asset" vehicle.

The Covered Service Provider should perform a detailed analysis of arrangements and investments pertaining to the Covered Plan and, if applicable, the "plan asset" vehicle(s) to ensure that all indirect compensation has been identified.

The required disclosures must be made "reasonably in advance" of the date on which the contract or arrangement is first entered into, extended or renewed. Additionally, if there is a change in any of the services or compensation information required to be disclosed, the Covered Service Provider must report such change to the RPF as soon as practicable, but generally not later than 60 days after the Covered Service Provider is informed of the change. Changes to any investment related information in a "plan asset" vehicle, must be disclosed annually. Lastly, upon written request by the RPF or the plan administrator, the Covered Service Provider must provide in a timely manner, any other information relating to the compensation received that is required for the Covered Plan to comply with reporting and disclosure requirements of Title I of ERISA.

A Covered Service Provider has discretion as to the method of delivery, so long as the disclosures are made in writing. A Covered Service Provider may use electronic means to disclose the required information to the RPFs, provided that the disclosures on the website or other electronic medium are readily accessible to the RPF, and the RPF has clear notification on how to access the information.

1. POLICY

The Leaders Group provides investment advice to Covered Plans and falls under the definition of "Covered Service Provider," Therefore, THE LEADERS GROUP will make all required disclosures in accordance with Section 408(b)(2) and maintain documentation of such disclosures as part of the Firm's required books and records.

2. PROCEDURE

The **[insert responsible party]** or designee is responsible for:

- Making the required disclosures "reasonably in advance" of the date on which the contract or arrangement is first entered into, extended or renewed;
- If there is a chance in any of the services or compensation information required to be disclosed, reporting such change to the RPF as soon as practicable, but not later than 60 days after THE LEADERS GROUP is informed of the change;
- Disclosing annually any changes to any investment related information in a "plan asset" vehicle; and

- Upon written request by the RPF or the plan administrator, providing in a timely manner, any other information relating to the compensation received that is required for the Covered Plan to comply with reporting and disclosure requirements of Title I of ERISA.

H. PERFORMANCE FEE ARRANGEMENTS UNDER ERISA

Following the SEC staff's adoption of Rule 205-3 under the Advisers Act, the DOL issued two advisory opinions permitting payment by plans of performance-based compensation to investment managers. Thereafter, Pension and Welfare Benefits Administration ("PWBA," renamed Employee Benefits Security Administration in February 2003) issued a third advisory opinion permitting the same. Under these advisory opinions, an adviser may have a fee structure for ERISA clients based upon a percentage of the assets under management, a fulcrum fee or a "base plus" fee provided:

- Performance-based compensation arrangements would be limited to plans having aggregate assets of at least $50 million (unless there are other clear indicators that the trustees of the plan are sophisticated);
- Investments generally are limited to securities for which market quotations are readily available;
- The compensation formula takes into consideration both realized and unrealized gains and losses and income during a pre-established valuation period; and
- The incentive fee arrangements will comply with the terms and conditions of Rule 205-3 under the Advisers Act governing performance compensation arrangements.

Other general requirements include acting prudently, disclosing all material information and negotiating the specific fee arrangement prior to entering into such an arrangement.

I. COMPLIANCE WITH ERISA REQUIREMENTS

All The Leaders Group Associated Persons have an ongoing responsibility to help ensure that The Leaders Group adheres to ERISA requirements. Any potential violation must be reported promptly to the CCO. The CCO will perform internal reviews to determine if a violation has occurred, promptly correct any violation that has occurred and implement any additional procedures and/or controls to help ensure the same violation does not occur again.

The ***Chief Compliance Officer*** is responsible for general oversight of all activities undertaken by The Leaders Group in dealing with retirement investors. The CCO also will periodically monitor The Leaders Group activities that may impact retirement investors to help ensure that the protocols set forth above are being adhered to.