

DUNDEE SECURITIES INC.

SUPERVISORY AND COMPLIANCE POLICIES AND PROCEDURES MANUAL

Revised December 2012

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PART 1 REGISTRATIONS

Supervisory Designation

The CCO, in coordination with the CEO, will designate properly qualified principals to supervise the various aspects of the Firm's business and operations. Designated principals will be identified by the CCO in the Firm's written supervisory procedures. The CCO will ensure that any designations that require disclosure on the Firm's Form BD are reflected properly.

The CCO, in coordination with the CEO, will assign the supervision of each registered person to a properly qualified principal who will have the primary responsibility for supervising that registered person. The CCO will maintain a list of such designations.

On an annual basis, in conjunction with the review and updating of these written supervisory procedures, the CCO will ensure that all principal designations and assignments of registered persons are accurate.

Maintenance of Written Supervisory Procedures

Every associated person will be provided an electronic copy of the Written Supervisory Procedures. During the course of the year, the CCO will be responsible for developing and implementing any updates as required by changes in business or new regulatory requirements. Any amendments will be documented via Exhibit 4. In addition, the CCO may issue Compliance Bulletins that convey information that is important but do not change any policy or procedure set forth in this Manual. Bulletins are kept for reference purposes. A separate file is kept for all FINRA bulletins and Dundee Securities Inc. related memos and bulletins.

All persons required to be registered will be required to sign an acknowledgment of receipt of this Manual. Such acknowledgments will be maintained as part of the Firm's Compliance records.

On an annual basis, the CCO will review the Firm's written supervisory procedures and will make appropriate amendments to them. All associated persons will be required to certify on an annual basis via the Annual Survey that they have reviewed and understand the Firm's Written Supervisory Procedures. In addition, should material updates be made to the manual during the course of a year, certifications will be collected from all associated persons and maintained by the CCO.

Annual Review of Operations

Under the direction of the CCO, the Firm will conduct an annual review of its business and operations in order to assess the adequacy of its supervisory procedures, systems, and controls for detecting and preventing violations of applicable securities laws and regulations. The review will also encompass an evaluation of the Firm's business and attendant practices when there are significant changes in products and services, distribution strategies or supporting organizational structure.

The CCO will ensure that the audit is sufficiently comprehensive to test and verify that the Firm's supervisory systems and procedures are reasonably designed to comply with applicable securities laws and FINRA rules. Based upon the results of the audit, the CCO will ensure that the systems and/or procedures are amended when/where necessary.

A written report summarizing the results of the audit will be prepared and submitted to the CEO. The CEO will use the results of the audit for purposes of preparing the Firm's annual CEO certification. The CCO will retain copies of each annual audit report.

Based upon the Annual Review Report, the CEO will on an annual basis prepare and sign a certification as to the adequacy of the Firm's supervisory controls and supervisory procedures. The Certification will document the report reviewed. The CCO will maintain copies of each annual certification.

Contact Persons

The CFO is designated as the Firm's administrator for purposes of ensuring that all appropriate principals of the Firm are designated to FINRA as having appropriate authorizations to access required electronic filing systems of those organizations. As changes in key personnel occur, the CFO will reflect those changes on the FINRA website. Additionally, the CFO will review the websites within 17 business days of the calendar year end to ensure that the contact persons reflected are accurate.

The CFO will be responsible for updating the Form BD as necessary to reflect changes in information about the firm, executive management and ownership.

The CCO will ensure that the Firm maintains a record that identifies each of its office locations, listing all individuals by name and title at those locations. Additionally, the CCO will ensure that this record also identifies the individual(s) who, without delay, can explain the types of records maintained at that office and the information contained in such records. A record of each branch office and OSJ branch office, along with the identification of the managers designated as responsible for supervising those offices will be maintained.

Continuing Education Program – Policy & Procedures

The Continuing Education Program ("CEP") is comprised of two parts: (1) The Firm Element and (2) the Regulatory Element. Ensuring that Registered Representatives complete the required training will be the responsibility of the Chief Compliance Officer. The training materials will be sourced internally through the CCO, from Dearborn Financial Institute Inc. or some other reputable vendor.

Firm Element

On an annual basis, the Firm, through the CCO, will develop a written Continuing Education Plan which will incorporate a written Needs Analysis and a description of the specific training plan to be delivered to all covered persons. The CCO is responsible for developing and implementing, and maintaining evidence of the Firm Element program. "Covered persons" are registered salespeople and traders who conduct a securities business with public customers. The program will help ensure that covered persons stay current on products, markets and rules to the benefit of the investing customer. Evidence of completion of any Firm Element requirements will be maintained by the CCO.

Regulatory Element

This element of the CEP consists of periodic participation in computer-based training in regulatory matters. Covered persons will participate at computer terminals in a FINRA Proctor Certification Testing Centre where he or she will work through problems related to realistic scenarios.

The Compliance Department receives e-mail notification from CRD reflecting when each registered person's Regulatory Element period opens. The Compliance Department will forward the

notifications to the registered person and his/her manager. Arrangements will be made as required for covered persons to visit the nearest PROCTOR site. This element of the training must be completed 120 days after the second anniversary of a covered person's initial securities registration and every three years thereafter. The testing anniversaries may be subject to change if a covered person takes a principal examination. The Registration Department, which is under the supervision of the Compliance Officer, is responsible for maintaining evidence that all covered persons have completed the Regulatory Element. On an annual basis, the CCO will print off a report from CRD to evidence that all individuals with CE requirements during the year completed the Regulatory Element.

In the event a registered person fails to comply with the CEP requirements on a timely basis, the CCO will enforce the appropriate inactive status by restricting trading, withholding commissions, and possibly terminating the registered representative for non-compliance.

PART 2 GENERAL POLICIES

Business of the Firm

The Firm will be primarily engaged in the business of acting as agent in the purchase and sale of Canadian Equities in the secondary market to U.S. institutional investors and as placement agent and/or underwriter in securities transactions, including Rule 144-A transactions.

Business Conduct/Ethics

The Firm's policy is to adhere to sound supervisory, sales, trading, research and corporate Finance principals and practices including all applicable requirements of Federal and State securities laws and rules, regulations and policies there under, and applicable rules of its self-regulatory organization, FINRA. Any staff found to be in violation of this policy will face disciplinary action, including dismissal.

Designated Supervisory Management

The Firm has designated the persons listed in Exhibit 1 to undertake responsibility for the supervision and management of the Firm's business activities. The designated supervisor is required to enforce compliance with the provisions of the Manual. These provisions reflect a set of procedures and systems at the Firm, which have been designed and established to promote compliance with such applicable laws and rules, regulations and policies there under. The supervisors must take reasonable steps on a regular basis, as the circumstances require, to satisfy himself that each employee under his supervision, as well as the area of business of the Firm, fully meet such applicable requirements.

In addition, Gary Boyd and Louis Cavalaris will be the Designated Principals responsible for an annual review of its business and operations in order to assess the adequacy of its supervisory procedures, systems, and controls for detecting and preventing violations of applicable securities laws and regulations. In addition, these two Designated Principals are also responsible for creating or amending the member's supervisory procedures if the testing and verification demonstrates a need to do so.

A written report summarizing the results of the audit will be prepared and submitted to the Chief Executive Officer. The CEO will use the results of the audit for purposes of preparing the Firm's annual CEO certification. The CCO will retain copies of each annual audit report.

Supervisory and Compliance Policies and Procedures (the Manual)

The Manual is intended to ensure full compliance with the rules and regulations of the many governing bodies to which we are subject, including:

- The Securities Act of 1933, as amended (the “Securities Act”)
- The Securities Exchange Act of 1934, as amended (the "Exchange Act")
- The Regulations of the Securities and Exchange Commission (the "SEC") promulgated there under
- The Rules of Conduct (the "Conduct Rules") of the National Association of Securities Dealers, Inc. (the “NASD”)
- Financial Industry Regulatory Authority (FINRA) Rules and By-Laws and Schedules to the By-Laws
- The various state statutes and federal and state common law

The absence of a reference to an applicable statute, rule or regulation does not imply that a particular policy is less important and may be ignored.

Employees are responsible for following the policies and procedures set forth in the subsequent sections. Therefore, a conscientious and professional attitude on the part of each employee will help to ensure that we comply with the many rules and regulations to which we are subject.

From time to time, questions may arise which cannot be answered fully by quick reference to the Manual. Such questions should be brought immediately to the attention of the CCO or the Alternate before any action is taken, an order is entered or accepted, or a delivery or payment is made or received.

Operating Agreement

The Firm has entered into an Operating Agreement & Broker Service Agreement with Dundee Securities Ltd. (DSL), a Canadian corporation, whereby DSL provides the Firm with necessary accounting, bookkeeping, secretarial, clerical and other administrative services required to keep books and records.

DSL will also provide trade execution, settlement and related record keeping services pursuant to a Broker Service Agreement. This Agreement or any other agreements which may be entered into between DSI and DSL to govern shared expenses will be reviewed on an annual basis by the CFO to ensure that the methodology used to allocate expenses to DSI continues to be reasonable. The CFO will maintain evidence of the methodology used to determine any expense allocation. The FINOP will ensure that the allocation of expenses is recorded on the Firm’s books and records.

Scope of the Firm's Operation under the Net Capital Rule and Customer Protection Rule

The Firm currently intends to operate under the exemption set forth in paragraph (k)(2)(i) of SEC Rule 15c3-3 (the Customer Protection Rule) which requires the Firm will:

- Operate only COD Accounts for customers
- Not otherwise hold funds or securities for, or owe money or securities to, customers
- The Firm will not carry margin or discretionary accounts

The FINOP will formally compute the Firm's net capital on a monthly basis unless proximity to the Firm's minimum net capital requirement dictates a more frequent computation. The computation will be completed by no later than the 17th business day of each month.

In conjunction with each computation, the FINOP will prepare a package that includes the net capital computation, a trial balance and balance sheet, evidence of account reconciliations, and appropriate supporting schedules. The FINOP will evidence review of the net capital computation by initialing and dating the computation. The FINOP will additionally compare the Firm's net capital over a period of time to identify any trends which, in his judgment, should be brought to the attention of the Firm's senior management.

The FINOP will ensure that the Firm completes all required financial reporting on a timely basis, including:

- Quarterly FOCUS IA Reports, which will be filed through FINRA's web-based reporting system by no later than the 17th business day following each quarter-end;
- An Annual Audit Report, prepared by the Firm's independent auditor, will be filed with the SEC, FINRA, and each state(s) in which the Firm is registered within 60 calendar days following the Firm's fiscal year end;
- An annual SIPC Assessment Report will be submitted in conjunction with the Annual Audit Report; and
- A Schedule I, which will be submitted to FINRA in conjunction with the filing of the Annual Audit Report.

The FINOP will maintain hard copies of each of these reports and will maintain evidence of the dates upon which they were filed.

The FINOP will also be responsible for responding on a timely basis to all regulatory inquiries regarding the financial and operational records of the Firm. The FINOP will maintain copies of these communications.

Regulatory Fees & Assessments

The Firm's FINOP will ensure that all fees and assessments imposed on the Firm by FINRA and other regulatory organizations will be paid on a timely basis. To evidence payment, the FINOP will maintain access to a copy of the invoice received from each regulatory organization and a copy of the check reflecting payment of that invoice.

Electronic Notifications

In the event that:

- the Firm's computed net capital drops below its required minimum;
- the Firm's net capital falls below 120% of its required minimum (or its aggregate indebtedness-to-net capital ratio exceeds 12 to 1);
- the Firm fails to comply with its exemptions under SEC Rule 15c3-3;
- the Firm fails to ensure that its books and records are current; or
- the Firm's independent auditor notifies the Firm that a material inadequacy in its internal control structure exists

The FINOP will, after notifying senior management of the Firm, will send an email to the appropriate contact the same day the deficiency is discovered. The FINOP will also verbally notify the FINRA District Office of the deficiency. The notice will explain the nature of the deficiency, how it occurred (to the extent that information is immediately available), and the steps the Firm will take to address the deficiency. The FINOP will ensure that the Firm follows any directions received from a regulatory organization resulting from the filing of such notices.

The FINOP will retain copies of all notices sent, along with evidence of the filing of those notices.

Office of Supervisory Jurisdiction ("OSJ") and Branch Offices

The NASD Rule 3010 sets forth specific requirements that the Firm must observe. The section classifies all offices of the Firm an OSJ, Branch Office or an unregistered location. The Firm currently has its Main Office in Toronto, the OSJ, where the rules are applicable at this time. The Vancouver, Calgary and Montreal locations are registered as non-OSJ branch offices.

An OSJ is any office at which any one or more of the following functions take place:

- Order execution and/or market making;
- Structuring of public offerings or private placements;
- Maintaining custody of customer's funds and/or securities;
- Final acceptance (approval) of new accounts on behalf of the Firm;
- Review of customer orders;
- Final approval of advertising or sales literature for use by persons associated with the Firm; or
- Responsibility for supervising the activities of persons associated with the Firm

The President/CEO is responsible for determining when a location should be deemed a branch office or an OSJ. He is also responsible for designating the supervisor for each branch and OSJ office.

The CCO is responsible for ensuring that all OSJ offices are subject to an annual inspection. All non-OSJ offices, including any non-branch locations, are required to be inspected at least once every three years. The CCO will either conduct the branch and OSJ inspections or designate an appropriate qualified individual. A written report detailing the results of the inspection will be prepared and maintained by the CCO. At a minimum, the report must document the review of the following activities:

1. the safeguarding of customer funds and securities, including the transmission of funds between customers, registered representatives, and third parties;
2. the maintenance of required books and records;
3. the validation of changes in customer account information, including changes in customer addresses; and
4. the supervision of customer accounts serviced by branch managers.

If any of the activities are not conducted at the branch office, the report must specifically state as such.

All activities currently conducted in the branch offices are subject to supervision by the firm's main office and only OSJ.

Identity Theft and Red Flags Rule

The Fair and Accurate Credit Transactions (“FACT”) Act of 2003 requires, among other things, that certain financial institutions have in place a written program to identify, detect and respond to patterns, practices or specific activities that could indicate identity theft. One of the key factors in determining if FACT is applicable is whether or not the financial institution is deemed a creditor. Since the Firm does not open margin accounts either directly or facilitate such accounts through a clearing firm, it is not deemed to be a creditor. The Chief Compliance Officer on an annual basis will review the Firm’s operations to ensure that it continues to be exempt from FACT or if not, will implement appropriate procedures in accordance with regulatory requirements.

PART 3 ACCOUNT OPENING PROCEDURES

Restrictions on Opening New Accounts

The Firm will not carry retail accounts or accounts for individuals of any kind, including employees of the Firm or related persons. In addition, the Firm will not accept any third-party accounts. The Firm's clientele is restricted to institutions resident in the U.S. whose trades are settled on a delivery versus payment basis. A proper Dundee Securities Inc. Institutional Account Application Form must be completed and a copy offered to the client.

Know Your Client Information Required

The RR must know his or her customer so as to be able to determine whether it is appropriate for the Firm to do Business with such customers.

This includes:

- Completing an Institutional Account Application Form ("IAAF") for every new account.
- Using due diligence to learn all the essential facts relative to each new customer and each new account.
- Making inquiries into the customer's investment objectives and financial capabilities for all types of accounts.

FINRA approved a new interpretation of its "suitability" rule to clarify the suitability obligations of broker-dealers conducting business with institutional investors. Under the interpretation, the two most important factors in determining suitability obligations to institutional customers are the customer's ability to evaluate risk independently and the extent to which the customer intends to exercise independent judgment in evaluating a recommendation made by the broker-dealer (See NASD Rule 2310-3 - Suitability Obligations to Institutional Customers.)

Starting July 9, 2012 FINRA Rule 2111(b) replaces the previous rule’s definition of “institutional customer” with the more common definition of “institutional account” in FINRA’s “books and records” rule, Rule 4512(c). In addition to the definition change the new institutional –customer exemption focuses on two factors: (1) whether a broker “has a reasonable basis to believe the institutional customer is capable of evaluating investment risks independently, both in general and with regard to particular transactions and investment strategies involving a security or securities”, and (2) whether “the institutional customer affirmatively indicates that it is exercising independent judgment” (new requirement). If all these conditions are met a broker-dealer fulfills its customer-

specific suitability obligation if all these conditions are satisfied. DSI will only open accounts where these conditions are met.

The RR must make certain that the customer is aware of and understands the nature, significance, and obligations of each account opened and maintained for the customer and the significance of each order placed.

The CCO or his designee is responsible for reviewing and approving all new accounts. The account must be approved prior to any trade being entered for the account. The CCO will evidence his approval of the account by signing the IAAF. The review will include verification that adequate information is obtained in order for the Firm to determine suitability, qualification as an Institutional and/or Accredited Investor and/or QIB as well as any requirements within the Firm's Anti Money Laundering plan. The customer file will be maintained as evidence of the review.

Processing of Institutional Account Application Forms and Supporting Documents

- The general policy of the Firm is to obtain the necessary supporting documents from the client prior to account opening.
- Any account still lacking required supporting documents after four weeks from the opening date will be frozen or closed by the CCO or his designee.
- (See SEC Rule 17a-3; NASD Conduct Rules, Section 3110)

Completion of Institutional Account Application Form

In completing the Institutional Account Application Form, the following information must be obtained and maintained as part of the Firm's records:

- **Full Name of Customer**

Each account must be opened in the full legal name of the customer.

- **Regular Mailing Address**

The mailing address must be a permanent business address. Post Office Box numbers only are not acceptable. All addresses must include a Zip Code.

- **Tax Identification Number**

- **Registered Representative Code**

Each New Account form must show the Code of the RR servicing the account.

- **Account Number**

An account number is required for each new account opened.

- **Required Documentation**

(a) Trading Authorization or Corporate Resolution, Partnership Agreement or Investment Advisory letter.

(b) Latest Annual report or recent Audited Financial Statements.

- **Client Status**
 - (a) Client relationship – any other accounts at DSI need to be noted.
 - (b) The relationship of the company’s shares to the public market.
- **Type of Client**
 - (a) Description of the specific type of organization (e.g. hedge fund, broker-dealer, savings institution, etc.).
- **Client Objectives & Experience**
 - (a) The customer’s investment objectives and the types of securities that will be acquired should be indicated.
 - (b) Note the past trading experience.
- **Suitability Check List**
 - (a) There are reasonable grounds for concluding that the institutional customer is capable of making an independent investment decision;
 - (b) There are reasonable grounds for concluding that the institutional customer is able to evaluate the investment risk in the investment products such as equities and equity options; and in addition
 - (c) The Institutional customer affirmatively indicates that it is exercising independent judgment in evaluating the member’s or associated person’s recommendations.
 - (d) Comment on who provided the affirmation and comments around (a) (b) and (c)
- **Principal Contact for client**
- **Persons authorized to transact business**
- **Settlement instructions**
- **OFAC Review**
 - (a) Account is checked against the current list of specially designated nationals and blocked persons maintained by the Office of Foreign Assets Control (OFAC).
- **Signature Approvals**
 - (a) Trader, Designated Principal and Compliance Officer approval is required.

Penny Stock Risk Disclosure

The Firm intends to rely exclusively on the exemption to the penny stock disclosure provided for in Rule 15g-1 for trades with institutional accredited investors.

An Institutional Accredited Investor is defined in Rule 501 of Regulation D to include:

- Banks
- Insurance Companies
- Other Broker-Dealers
- U.S. registered Investment Companies
- Any corporation, business trust or partnership, not formed for the purpose of making the investment, with assets in excess of \$5,000,000.00

The RR and Compliance must assess whether a customer meets these criteria as part of the account opening process.

Existing Account Changes and Disclosures

- **Notification of Changes**

The RR must notify Compliance of any changes in the customer's situation/circumstances affecting the information set forth in the new account form. If additional documents are required these will be obtained and the account information will be updated accordingly.

- **Address Changes**

Written instructions from the customer are required to change the account address. Care should be taken so that the new address is neither a post office box nor the address of another client or employee of the firm.

For any changes to the customer's address or investment objectives, the CCO will ensure that a letter is sent to the client to verify the accuracy of the requested change. For changes of address, a letter will be sent to both the old and the new address. The letter will indicate that absence a specific response from the customer, the change request will be considered to be acceptable. The CCO will maintain evidence of the verification of the change with the customer.

- **Solicitation and additional Procedures for the Opening of New Accounts and Annual required Disclosures to Clients**

Only properly licensed registered representatives may open new accounts, solicit orders and perform the inquiries necessary to know a customer.

On account opening and annually we will provide clients with the appropriate disclosures to customers regarding FINRA Rule 4370, FINRA Rule 2267, FINRA Rule 2266, FINRA Rule 2261 and the complaint notice as required by SEC Rule 17a-3(a)(18)(ii) at a minimum.

Dundee Securities Inc. will not open accounts for any client who does not have a US resident address. Under AML regulations, no account may be opened for "shell banks". A shell bank is defined as a bank that has no physical presence in the country where it operates. An example is a bank that has a sign over the door of an office but has no operating staff or customers.

- **Holding Client Mail**

The firm will not hold client mail under any circumstances.

PART 4 REGISTERED REPRESENTATIVES CONDUCT

Business Conduct - General Prohibitions

In addition to the conduct required or prohibited pursuant to other sections of this Manual, the persons associated with the Firm will not:

- Have any interest in the profits or losses in a customer's account.
- Deposit their own funds in a customer's account.
- Churn a customer's account by buying and selling securities for a customer for the sole purpose of generating commissions, ignoring the customer's interests and objectives (see Rule 15c 1-7; NASD Conduct Rules, Section 2310).
- Rebate commissions to customers (NASD Conduct Rules, Section 2310).
- Guarantee profits or guarantee against losses.
- Arrange credit for customers.
- Recommend a security solely on the basis of its potential listing.
- Accept any gift or gratuity from any other firm or person associated with any other financial institution unless approved by the CCO.
- Accept gratuities from other FINRA member firms to an employee of this Firm which exceed \$100.00 per year. The CCO shall maintain a separate record of any such payments or securities.
- Maintain outside employment or directorships of public companies without making a written request to the Firm and receiving written approval from the CCO (FINRA Rule 3270).
- Give lectures, public presentations, or interviews intended for public presentation, appear on radio or television, or write books or magazine or newspaper articles without the approval of Compliance.
- Provide tax or legal advice to customers.

Signing Customers' Names to Documents

- Any document requiring a client signature must be signed by that customer personally.
- No RR or other employee of the Firm may sign a customer's name to any document even if the customer gives oral authority to do so.

Commitments on Behalf of The Firm

- All contracts, fee letters, letters of intent or other documents creating an obligation of the Firm to a third party must be reviewed by an executive officer prior to approval.
- Certain of the above transactions may require approval by the Board of Directors.
- Under no circumstances may personnel acting without approval of an executive officer make any commitments on behalf of the Firm with respect to the matters cited above.

Finders Fees/Private Securities Transactions

Employees are prohibited from engaging in private securities transactions.

- No employee may accept a finder's fee from any third party or receive any other form of compensation from a private securities transaction.
- Private securities transactions would include distributions of securities in any form.

All associated persons of the Firm are prohibited from engaging in any private securities transactions.

A private securities transaction occurs when a registered person transacts securities business on behalf of others without the knowledge and permission of the Firm. Typically, the possibility of a private securities transaction occurs when an unregistered security, or an investment that is misrepresented to be exempt from registration, is sold to a DSI client. If the registered person's employing broker-dealer has not reviewed and approved the product or taken appropriate due diligence actions and is not supervising the sale to suitable, and only suitable, customers, a private securities transaction may have occurred. This definition covers all situations regardless of compensation or lack of compensation to the registered person. The term "selling away" generally is used to refer to this activity (NASD Conduct Rules, Section 3040).

Outside Business Activities

An employee must have prior written approval from the CCO in order to:

- Become engaged in any other business
- Be employed or compensated by any other person
- Serve as an officer, director partner or employee of any other organization
- Own any stock or have financial interest in any other organization engaged in any securities, financial or similar or related business
- No employee may accept a position with any other company until he has obtained written authorization to do so. A copy of this Written authorization must be forwarded to the CCO (FINRA Rule 3270).

All associated persons of the Firm are required to disclose, in writing, at the time of association/employment with the Firm and annually thereafter all outside business activities ("OBA") prior to engaging in such activity. No registered person, associated person, or employee will be permitted to be employed by, or accept compensation from, any other person or entity as a result of an OBA without prior written approval from the Compliance Department. (Charitable activities are not included in this requirement unless the individual is being compensated for such activity or has access to or authority over the entity's funds).

Upon hire and/or prior to becoming involved in any OBA, all registered persons, associated persons, and employees are required to disclose any OBA in writing to the CCO. The CCO will inform the associated person, in writing, if the activity is approved. Thereafter, the CCO, will ask all associated persons to certify compliance with the Firm's policy on an annual basis.

The Compliance Department will maintain a record of all registered persons authorized to engage in any OBA.

Cold Calling

Although cold calls are a legitimate method to pursue new leads, RR's must observe the following restrictions:

- Cold calls may not be placed between 9:00 p.m. and 8:00 a.m.
- The Registered Salesperson must have received confirmation that he/she is fully registered
- The Registered Salesperson must obtain complete customer background in compliance with the "know your customer" rule before making any recommendations or accepting an order, and be certain that he/she fully understands the potential customer's investment objectives, investment history, experience, financial status and financial sophistication.
- The Registered Salesperson must ensure that any new client has been approved in accordance with the other provisions of this Manual, and that it fits the criteria for exemption for Institutions contained in the State Blue Sky Laws by checking with compliance (NASD Conduct Rules, Section 3110).

The CCO or his designee is responsible for maintaining the Firm's "Do Not Call" list. Prior to making a cold call, all registered persons should contact the CCO to determine if the entity is on the list.

Annual Interview or Meeting

It is the responsibility of the CCO to prepare for and conduct an annual compliance meeting. Registered Sales Representatives must attend the annual meeting or be interviewed annually for reviewing compliance matters. The compliance meeting or interview will have three main purposes:

- To review the Firm's business and methods of operation and the compliance issues related thereto.
- To provide each representative with an opportunity to ask any questions he or she may have concerning compliance requirements and to receive authoritative guidance on such questions.
- To communicate regulatory developments, firm policies and related information to the representatives. At each of such meetings, the Compliance Professional shall record the date, location, attendees and the subjects discussed. Minutes of these meetings shall be signed off by the CCO and retained with other Firm records at the Firm's Main Office.

The CCO will maintain an evidence of everyone that attended the annual compliance meeting, the date of such meeting and an agenda of the items covered.

PART 5 INQUIRIES, COMPLAINTS AND LEGAL MATTERS

Subpoenas & Requests for Information from Regulatory or Legal Authorities

All subpoenas and requests for information must be forwarded to the CCO for appropriate action.

In no event should any information concerning the Firm a customer or any account be given to any party, without the approval of the CCO.

- Employees are not allowed to provide any information whatsoever to unknown callers, except taking down the person's name, employer and phone number. The number must be verified through a third source (e.g. Directory) by calling that number. In the event that the CCO directs that the information be transmitted, a cover letter must be prepared stating the particular documents which are being turned over.
- Requests for information by Regulatory Agencies, e.g. FINRA, must be forwarded to the CCO. Subpoenas are not required.
- Documents are not to be turned over without the prior approval of the CCO.
- Should a representative of a regulatory agency wish to interview an employee, the CCO must be notified and in appropriate instances, counsel will be engaged.
- The CCO must also be notified immediately whenever a representative of a regulatory agency visits a Firm office for any purpose whatsoever.
- Disciplinary action will be initiated against any violators, including those who instruct others to sign a customer's name.

Customer Complaints

- If the Firm receives a customer complaint or a complaint by the SEC, FINRA or any other regulatory agency, the CCO should promptly notify the employee whose conduct forms the basis of the complaint.
- All persons associated with the Firm are required to assist the Firm to comply with its obligations to furnish information to FINRA concerning complaints and alleged violations of the NASD or FINRA Rules. If possible, requests for information should be provided the same day.
- The Firm will maintain a central file of all written customer complaints received which shall contain each original complaint and all correspondence relating to its disposition (NASD Conduct Rules, Section 3110 Section 17a-3 a & 18).

As a matter of policy, all customer disputes, including grievances, complaints, arbitration claims, and civil litigation will be must be forwarded to the CCO. The CCO will investigate each dispute, determining the appropriate course of action regarding each matter, responding promptly back to the customer in writing, and submitting all applicable regulatory disclosures and reports. The CCO will maintain a record of each dispute, its disposition, and evidence that appropriate regulatory filings have been submitted.

In conjunction with the receipt of each customer dispute, the CCO will ensure that the dispute is reported to FINRA either as part of a quarterly filing or as a ten-day incident report. The CCO will ensure that quarterly reports are filed on a timely basis (by the 15th calendar day following each

calendar quarter) and that the ten-day incident reports are filed within 10 days of notification of those incidents.

As required by FINRA, if the Firm receives any criminal complaint, plea agreements, private civil complaint regarding commodities or securities, arbitration claim in which it or a registered person is named, the CCO will promptly file with FINRA copies of the documents related to such matters and will maintain documentation evidencing the submission of that information.

The CCO will ensure that any regulatory reporting required in conjunction with customer complaints and disputes (including original or amended Forms U-4 or U-5 and Rule 3070 reports) will be completed on a timely basis.

Legal Process Served

- The CCO must be notified immediately whenever legal process is served upon the Firm.
- This requirement includes litigation on any document that would attach or otherwise encumber an account.
- An immediate hold will be placed on the account in accordance with the directions of the legal process.
- The original of the process should be forwarded to the CCO or to any other person designated by the CCO.
- A notation must be made of the document and place of service and the name of the individual effecting service.
- In connection with the service of process, no document should be signed by any employee who would indicate that service was timely or otherwise proper.

Reportable Matters

In addition to the matters discussed above, the following items must be reported to the CCO:

- Any litigation (see above)
- Any judgment obtained against an employee or the Firm
- Any suspension or revocation of license of an employee
- Any employee named in any criminal offense other than a minor traffic violation
- Any bankruptcy or other proceeding which names an employee of the firm, including but not limited to formal orders of investigation by regulatory agencies.
- Any refusal of registration by any self-regulatory organization, government body, etc.
- Any orders based on laws or regulations barring you from association with a regulated entity.
- Any complaints against an employee by a customer or other broker-dealer
- No claim may be settled with a customer without the prior approval of the Compliance Department. This may be a reportable event that requires notification to various agencies. It is also necessary to ensure that the settlement finalizes which will require the execution of legal documents.

PART 6 ORDERS AND TRADING PROCEDURES

Order Entry and Trading

Order tickets must be completely filled out as to all details of the order, particularly the name of the customer for whom the order is being executed, prior to entry of the order.

Each order shall provide the following information:

- Name of security and quantity.
- Long Sales - Unless otherwise indicated all sell orders are Long Sales.
- Short Sales - the ticket must be marked as "short". The RR must write on the ticket the location of the stock, that it is in good delivery form (e.g. no legend etc.), and that it can be delivered on settlement.
- Account name or number.
- Price or instructions with regard to price.
- Whether transaction is unsolicited - must be marked Unsolicited in the trailer field of the order ticket.
- The RR code or the name of the person who accepted the order.

Special Ticket Information

In instances where a trade may appear to be in conflict with Firm research recommendations, or in opposition to any other Firm Policies, the RR must note on the order ticket an explanation therefore and submit a copy to Compliance for review.

Pre-Execution Verification

At the time the order is received, the order ticket shall be time stamped on its face to show the date and time. Before the order is sent to the firm's affiliate broker/dealer for execution, the Firm shall check that:

- When an order from an account is crossed with or filled from any other account, it shall be noted on the order ticket.
- No solicitation of purchases is made in securities of an issuer for which the Firm is engaged in a distribution unless it is permitted to do so (e.g. private placement issuance off exchange).
- In general, the order submitted does not conflict with the Firm's fiduciary obligations to its institutional customers.

In the event there is any question concerning the propriety of the trade, the person taking the order shall refer the order to Compliance for review.

Suitability

All solicited orders must be within the bounds of the client's investment objectives stated on the Institutional Account Application Form. All orders are presumed to be solicited unless marked unsolicited in the trailer field on the order ticket.

Checking of Orders Previously Entered

The Salesperson/CCO is responsible for checking the orders entered the previous business day against his/her daily trade (commission) report for accuracy. It is not adequate to rely solely on the Compliance Department with respect to this matter. A failure to detect an error may be charged to a Salesperson to the extent that the failure to catch the error on a next-day basis has increased the damage to the customer or the Firm.

"When Issued" and "When Distributed" Securities

Orders may be placed for securities which are subject to an ongoing distribution and have not yet been issued or distributed, and for which the issue or distribution date may not have been determined. Such orders are placed pursuant to "when, as and if issued" or "when, as and if distributed" contracts and are settled after the securities are issued or distributed. If the terms of the securities as issued or distributed differ substantially from the terms described in the distribution materials, these contracts may be canceled in accordance with FINRA or exchange policy. Any questions regarding "when, as and if issued" or "when, as and if distributed" should be directed to the CCO or designate.

Errors and Corrections

Errors by RR's and losses resulting from customer actions

Losses may occur in a number of ways:

- A misunderstanding with the customer as to the terms of an order.
- A mistake in entering an order.
- An unscrupulous act on the part of a customer (non-payment, etc.).

These losses can be controlled primarily by the diligence of the Salesperson because he/she is in direct contact with the customer. Therefore, the responsibility for these losses will be placed partially or wholly on the Salesperson, depending upon the circumstances involved. Losses may be allocated to either the net or gross commission of the Salesperson, as determined by a Supervisor.

Transaction Review

The CCO shall review all transactions on a daily basis. The transaction review will be accomplished by reviewing the Purchase and Sales Blotter and the CCO will initial the blotter as evidence of the review. The blotter shall be reviewed no later than T+3. During the transaction review, the CCO is also responsible for reviewing and approving any order changes, including changes to the account name, terms of the order (stock, size, and price), etc. Any order with a change must be specifically reviewed and approved by the CCO. The CCO will document his approval of the change on the P&S Blotter. As part of the transaction review, the CO will ensure that all fees charged to customers, including any transactions fees or commissions are fair and reasonable.

Post-Settlement Date Corrections

Should any correction be required following settlement date, the CCO must give approval.

Liquidating Errors

Erroneous trades should promptly be put in the error account and closed out. In no event should a trade be placed in the error account if it is intended to pursue the customer for a loss. In that event the trade should be liquidated in the customer's account.

Erroneous Reports

As long as the actual execution of an order is in accordance with the customer's order as to price and size, a corrected report of the transaction is binding on the Firm and the customer, regardless of whether a previously given erroneous report was to the benefit of the customer.

A report shall not be binding if an order was not actually executed but was in error reported to have been executed; an order which was executed, but in error reported as not executed, shall be binding.

Best Execution

The Firm's trading activity falls below the reporting threshold for SEC Rule 11Ac1-6. The CCO is aware of the reporting requirements and monitors the trading activity to ensure compliance. DSI is not a market center and is not subject to reporting under SEC Rule 11Ac1-5.

Generally, the institution will inform the trader or Salesperson the price at which they are willing to buy the security. Since most customers are QIBs, the persons placing the order have a significant amount of information on the stock they are buying and the expertise to evaluate the "best" price. On occasion, the customer may ask the trader to work the order to get the best fill. As part of the daily transaction review, the CCO will review the market on the TSX to ensure that the trade was executed at a fair price.

Monthly Reviews

On a monthly basis, the CCO will review at a minimum the account statements of all client accounts that generated over \$1,000 in commission revenue during the month. If the CCO decides there are reasonable grounds to query any account, the results of the action taken will be noted on a copy of the relevant statement. These copies will be kept by the CCO in a central file. In addition, the CCO will sign off on a summary each month as evidence that the review has been done. The summary will also show the date when the review was completed, and the number of accounts queried, if any.

PART 7 ORDER AUDIT TRAIL SYSTEM (“OATS”)

Scope and Applicability of OATS

The objective of the OATS rules is to develop the means to electronically capture and report daily transaction information to FINRA. The firm started reporting “OATS” trades (OATS Phase III) in September 2007.

Clock Synchronization

The Firm synchronizes its clocks to within 3 seconds of the National Institute of Standards and Technology (NIST) atomic clock. All times recorded relevant to customers’ orders are taken from a synchronized clock. Any time recorded for a NASDAQ equity security (e.g., order receipt time or order execution time) must be taken from a synchronized clock and must reflect seconds.

The Compliance Officer (“CO”) confirms that all the Firm’s clocks are automatically synchronized each day. In each branch office where customer order tickets are written, the branch manager confirms the synchronization of the clocks used to time stamp customer orders.

An electronic log is maintained reflecting that the time each clock is synchronized.

OATS Reportable Trades

Due to the nature of the firm’s business, DSI is able to use the Phase III Reporting Tool provided by FINRA for firms with a limited number of reportable trades. All reportable trades will be entered as per the guidelines outlines under FINRA Rules 7410-7470.

The CCO or his designee will be responsible to review all daily trades by DSI and will ensure that the appropriate trades are entered into FINRA’s Phase III Reporting Tool.

Review of OATS web site

The CCO will review the OATS web site each day to:

- Ensure that all Firm Order Report (FORE) files are accepted;
- Identify and repair rejected Reportable Order Events (ROEs), ensuring repaired ROEs are resubmitted with the appropriate resubmit flags;
- Identify late reports;
- Receive communications from FINRA regarding OATS availability announcements, software releases, etc.; and
- Update and maintain firm contact information.

The CCO shall document steps taken to address rejections or deficiencies.

Review of OATS Data

Daily, the CCO or his designee will review all trading in US accounts. The review shall ensure that all reportable events were made accurately and in a timely manner.

Noted Variances

Upon review of the daily and weekly OATS data, the CCO will take the following actions if variances are noted:

- Determine the cause of the variance;
- Take action to correct the variance;
- Track recurring variances, if any; and
- Resubmit required information.

Maintenance of Books and Records

All records, including any supporting documentation, created in connection with the supervision of OATS reporting will be maintained for a minimum of three years.

PART 8 COMMUNICATIONS WITH THE PUBLIC IN GENERAL

Research Reports

All communications with customers and/or the public shall be based on principals of fair dealing and good faith and provide a sound basis for evaluating the facts presented or services offered. All communications must be truthful and fully discuss the securities described or services offered. Exaggerated, unwarranted or misleading statements or claims are prohibited.

In addition, care must be taken to ensure that the intended recipients of such will fully comprehend the risks associated with certain investments.

Care must be taken to ensure that materials disseminated or posted electronically comply with these rules. Specific requirements apply to research reports, the use and disclosure of the Firm's name, SIPC membership, performance information and past recommendations. Contact the Compliance department for additional information.

Advertisements and Sales Literature

Advertisements includes material published, or designed for use in, a newspaper, magazine or other periodical, radio, television, telephone or tape recording, videotape displays, signs or billboards, movies, telephone directories (other than a mere listing of the Firm name, address and telephone number), electronic or other public media.

Sales literature includes written or electronic communication distributed or made generally available to customers or the public including circulars, research reports, market letters, performance reports or summaries, form letters, telemarketing scripts, seminar texts and reprints or excerpts of advertisements, or any of the foregoing .

Any advertisements or sales literature (including Research Reports prepared by DSL) must be submitted to the CCO for review and approval prior to use. The CCO will evidence his review by initialing a copy of the marketing material or research report and maintain the copy in a designated file. The CCO will review research reports to ensure that they have the disclosures required under

Rule 2711 for Research Reports prepared by a non-member affiliate. The signed and dated copies must be retained for a minimum of 3 years.

For one year, all advertisements must be filed with FINRA 10 days prior to dissemination. The one-year period does not commence until the first item is filed.

Under no circumstances will any registrant or employee of DSI use Social Media web sites (Facebook.com, Myspace.com, etc.) or any websites or blogs in general, to promote or discuss any business that DSI is involved in.

Media Interviews

- No employee may be interviewed by a newspaper or magazine reporter, television newscaster or any other media representative without the permission of the CCO.
- If permission is granted, the employee must review carefully the subject to be covered in the interview with the CCO, and a supervisor should be present during the interview. Violation of this policy could be viewed as a serious breach of conduct.

Speaking Activities

If an employee would like to accept a speaking engagement, he or she must first contact the CCO and provide the following information in writing:

- The name of the sponsoring group;
- The presiding officer or program chairman and mailing address;
- The subject to be discussed and the outline or text to be used;
- The date;
- The approximate attendance; and
- The speaker's name.

Before accepting a speaking engagement, an employee must obtain the written approval of the firm through the CCO. Compliance will keep a record of all speaking engagements of Firm employees.

Correspondence

Since the Firm only has institutional clients, correspondence to and from institutional customers does not require prior principal approval. **Note: Any correspondence that is being sent to more than one customer as a form letter must be reviewed as sales literature.**

On a quarterly basis, the CCO will review the correspondence file. He will initial each piece of correspondence as evidence of his review.

Outgoing Correspondence

- Copies of any outgoing correspondence, including letters, memoranda and hand written notes, should be submitted to the CCO or his designate, for review. All correspondence must be on Dundee Securities Inc. letterhead.
- The sender must file a copy of the correspondence in the customer's file.
- Compliance will also maintain approved copies of all RR correspondence in an appropriate file at the Main Office.

Incoming Correspondence

- All mail received by the Firm is presumed to be business mail and will be treated accordingly.
- Any mail that might be construed as a complaint must be forward to Compliance
- Incoming correspondence will be maintained in the customer's file and will be reviewed during periodic inspections of customer accounts. The CCO or his designee will initial copies of incoming correspondence reviewed.

Corresponding with Clients through Electronic Systems

- Instant messaging with regards to customer communication is only permitted using DSI computers using either Bloomberg or AOL IM.
- Employees' home computers or any third party system(s) must not be used for customer correspondence unless permission is granted on a special needs or temporary basis. All record keeping requirements must be met before permission is given to do so. The CCO must give approval before any such system may be utilized.
- It is expected that only the DSI (DSC) E-Mail system will be used for electronic correspondences with clients.

The CCO is responsible for reviewing electronic correspondence. The CCO is responsible for alerting the FINRA and the SEC prior to any future changes regarding the Firm's deployment of electronic storage media. Copies of all such notices are kept in the DSI Registration File. The CCO is responsible for sending the required notification.

Electronic correspondence will be reviewed at least once a week for all sales persons by the Compliance Officer, Gary Boyd. The system used, CA Message Manager, will record all reviews and follow-up. The CCO will supervise and ensure the reviews are being done and in the Compliance Officers absence, will conduct the reviews himself.

The CA Message Manager system captures instant messaging that is permitted.

PART 9 INSIDER TRADING, FIRM POLICY AND PROCEDURES

The Insider Trading and Securities Fraud Enforcement Act of 1988 (the “Act”) expressly requires every broker/dealer to establish, maintain, and enforce written policies and procedures that are “reasonably designed” to prevent and detect insider trading abuses, including the misuse of inside information by its employees.

Firm policy prohibits employees and registered persons from effecting transactions in the securities of issuers about which they are in possession of material, non-public information and from disclosing such information to others. The prohibition against insider trading applies not only to the security to which the inside information directly relates, but also to related securities, such as options or convertible securities.

If employees or registered persons receive inside information, they are prohibited from trading on that information, whether for an account of the Firm, a customer, their own account, any accounts in which they have direct or indirect beneficial interest (including accounts for family members), or any other account over which they have control, discretionary authority or power of attorney. Any employee or registered person who believes he/she has, or may have, inside information should immediately report that to the CCO.

The CCO will investigate any situation in which there is an alleged or apparent misuse of material, non-public information by any employee of the Firm. The investigation will seek to determine whether evidence exists to demonstrate that, in fact, material, non-public information was used, directly or indirectly by an employee or registered person of the Firm. In situations in which it appears that an employee or a registered or a registered person did in fact use insider information, the CCO, in conjunction with the President, will determine what disciplinary action should be taken. Additionally, the CCO will notify the appropriate regulatory organizations of the results of the Firm’s investigation.

The CCO will prepare a memorandum summarizing the results of each investigation conducted.

Prevention of Insider Trading

To prevent insider trading, the Compliance Department will:

- Provide an ongoing educational program to familiarize each person associated with the Firm with the Firm's policy and procedures. Upon hiring and on an annual basis, each Associated Person will be provided with a copy of the handout “What is Insider Trading” (See Exhibit 2).
- Answer questions regarding the Firm's policy and procedures.
- Resolve issues of whether information received by a person associated with the Firm is material and non-public.
- Review on a regular basis and update as necessary the Firm's policies and procedures. Update employees of any changes to Insider Trading Rules or Firm policy.
- When it has been determined that a person associated with the Firm has material non-public information, implement measures to prevent dissemination of such information, and if necessary, restrict any person associated with the Firm from trading the securities.

- On an annual basis, all Associated Persons will be required to certify in writing that they have received, reviewed and understand the Firm's policy on Insider Trading. The CCO will be responsible for ensuring that a Certification is received from each Associated Person and that the Certification is maintained as evidence.

Chinese Walls

DSI does not issue research reports or act as a lead manager and rarely acts as co-manager in any investment banking activities. However, the Firm's parent is involved in such activities and many of the Associated Persons of DSI are also registered with Dundee Securities Ltd. As such, the Firm has developed Chinese Wall procedures to ensure that applicable Insider Trading rules and regulations are followed.

Corporate Finance

A "Chinese Wall" is not a fail-safe barrier. The Firm's executive management will have supervisory authority over multiple departments, and effective exercise of that authority will mean that on some occasions, such persons will come into possession of confidential information and at the same time may be aware of trading activity in a particular stock.

The SEC has recognized that at some times the expertise of personnel from one department will have to be drawn upon by other personnel for legitimate internal purposes, creating at least the opportunity for information transfer. The responsibilities of such persons must be clearly defined; in some instances it may be appropriate to "sterilize" persons who are permitted to cross the Chinese Wall by prohibiting them from any further comment on the issuer in question until there has been full public disclosure of all material information.

As much as possible, the firm will physically separate Corporate Finance from the sales staff.

Once an employee is in possession of inside information, no more trading can be allowed for that employee and any co-workers who are also "Inside the Wall" with respect to the issuer.

Reports generated by Corporate Finance personnel relating to a particular company can be circulated only within that Department and to the Compliance Department.

The Watch (Grey) List

This is a confidential list of issuers (known only to senior management) where:

- someone at the Firm or an affiliate firm may have inside information.
- the Firm or an affiliate firm is proposing to engage in corporate finance or underwriting activity.
- about which suspicious information may be circulating (regardless of whether the Firm is in possession of confidential information).
- the Firm wishes to specifically monitor the trading in a security for other compliance purposes (credit, suitability, etc.)

Placement on the watch list does not trigger trading restrictions. Compliance will review the daily trading for all stocks placed on the Watch List, seeking to spot any unusual trading activity that might indicate that the Chinese Wall has been breached. When these types of situations arise, the utmost co-operation and discretion is expected from all Firm employees. Any questions relating to this matter should be directed to the CCO or designate. The CCO will evidence his review by initialing the Purchase and Sales Blotter.

The CCO must be advised immediately when:

- Any employee is in possession of inside information with respect to an issuer.
- An invitation or proposal has been canceled, and we no longer have inside information.
- The inside information has either ceased to be material or has been disseminated and is no longer inside information.

The Restricted List

The Restricted List consists of issuers where:

- The Firm or an affiliate firm has been retained by an issuer to act for them in a bought deal merger, acquisition or other corporate finance assignment.
- The transaction in which the Firm or affiliate firm proposes to act has been generally disclosed.
- The Firm is required by Law or Exchange rules to restrict the trading in the securities of that issuer.

When an issuer is on the Restricted List there will be certain transactions that will be prohibited by persons who have inside information. In certain instances it may be necessary to implement the restrictions on a firm-wide basis.

Employees should avoid discussing any issuer on the restricted list with clients. Clients may be informed that a company is on the restricted list.

If a customer raises a question about a security on the Restricted List, all employees should state that legal restriction imposed by the Firm at that time preclude discussing it, but a response will be made as soon as the restriction is lifted.

Trades that will be restricted:

- No solicited client market orders are allowed.
- No new research will be disseminated on the issuer(s).

Compliance must be advised when:

- the new issue has been completed, or
- we are no longer retained by the issuer
- we no longer have inside information in regard to the issuer.

In any of these cases the issuer will be removed from the restricted list, staff will be advised accordingly and all restrictions on activity related to the issuer are lifted.

The CCO will specifically review any trading activity in securities that are on the Firm's Watch or Restricted Lists during his review of daily transactions. He will evidence his review by initialing the P&S Blotter.

Research Reports

Stocks for which the Firm's affiliate broker/dealer is about to initiate research reports will also be placed on the Firm's 24 hour Restricted List. The Firm may continue to trade for customers or with other broker-dealers if the trading arises from unsolicited/non-pro order flow.

Personal Trading

The CCO is responsible for reviewing the personal securities transactions of all associated persons. The CCO will specifically review for securities on the Firm's Watch and Restricted list. The CCO will evidence his review of personal brokerage accounts by initialing the monthly statements or by initialing the daily summary reports.

PART 10 CORPORATE FINANCE

New Issues

Only the Chief Executive Officer, the Chief Financing Officer and/or Officer by the CEO may enter into an underwriting agreement on behalf of the Firm. Sales staff cannot enter into any such agreement or assure any person or company that the Firm enters into an agreement.

Due Diligence

The Firm can be held liable for any incorrect statements or omissions of material facts in a registration statement if the firm acts as an underwriter or as part of the underwriting group. The firm is not liable as a selling group member or for statements made on the authority of an expert. The due diligence defense is available as long as the firm can demonstrate that after reasonable investigation, the Firm had reasonable grounds to believe that the statements in the registration statement were true and there was no omission of any material facts.

In all cases, U.S. counsel should be consulted in addition to the due diligence work undertaken by the Firm's own staff.

Since DSI will only participate as a selling group member in offerings in which an affiliate broker/dealer is participating as a lead or co-manager, it will be the responsibility of the President to review the due diligence package prepared by the affiliate to determine if the offering is suitable for at least some of the Firm's clients. He will evidence his review of the package by preparing a brief memo to outline the terms of the offering and to specifically certify that he has reviewed the due diligence package.

Sales of IPOs to Restricted Accounts

Since the Firm does not carry any retail accounts, restricted accounts are not an issue. However, prior to a sale of a new issue to a broker/dealer, bank, trust company or other conduit, the Firm must obtain an affirmative representation that the purchases of the new issue are in compliance with FINRA Rule 5130. The CCO is responsible for maintaining such representation for three years from the date of the last sale of the issue. The CCO must pre-approve trades of all new issues to any restricted accounts. Evidence of the approval will be the CCO's initials on the order ticket.

The Restrictions on Sales applies to any sales directed to accounts by the issuer.

Private Placements – Reg. D

Reg. D private placements involve sales of restricted shares to Accredited Investors and small numbers of regular clients. Since the Firm only has institutional clients, all of its clients are considered to be accredited investors. Only tombstone advertisements are permitted. No free seminars, sales promotions, or other advertising is allowed.

The Firm may sell shares of a private offering to its clients but will not act as the lead underwriter. The Firm will only participate in offerings in which its affiliate broker/dealer is the lead or co-lead underwriter of the offering. The President will evidence his review and approval of any private placement offerings by preparing a brief memo documenting his review of the offering documents and any supporting information prepared by the affiliate broker/dealer.

It is possible to sell securities under Reg. S concurrently with a Reg. D offering. Sales made to non-U.S. persons under Reg. S would not be counted when determining the size and number of purchases under Reg. D.

Any stock eligible for sale under Reg. D must carry a legend restricting the transferability of the stock for a minimum of two years.

All purchasers must sign a letter acknowledging that the stock:

- is for long-term investment
- has not been registered
- cannot be sold for at least 2 years

The CCO is responsible for reviewing and approving all transaction in private placement securities. The CCO will sign the subscription or Offering Memorandum document as evidence of his review.

Sales of Restricted Shares - SEC Rules 144 & 144A

These Rules apply to securities that were acquired privately, directly or indirectly, from an issuer or for securities that were held by affiliates of the issuer (Sec. Act 4(4), 5, & Rules 144 and 144A).

- if a customer has directly or indirectly acquired "restricted securities", as defined below or has bought stock in the open market but is an affiliate of the issuing company, no sell orders may be entered until approval is received from the CCO.
- Approval by the CCO or designate, is required for any trade which falls under Rules 144 or 144A.

Commissions on any sale not approved by the CCO or designate will be withheld at the discretion of Compliance. Securities sold improperly will be bought in. Any resulting losses may be charged to the Salesperson (net or gross) as determined by the CCO or Designate.

The Rules are complicated and their requirements have been the subject of numerous SEC interpretations and judicial opinions. Therefore, guidance from legal counsel may be necessary when specific issues arise under the Rules

Rule 144 defines conditions under which "restricted" securities may be sold and the circumstances under which affiliates of the issuer can sell securities of the issuer. All of the provisions of the Rule must be complied with in order to receive protection. The problems of control stock and non-registered stock are not to be dealt with lightly because violations may be criminal as well as civil and may result in both prison terms and monetary judgments.

The CCO shall review all sales under Rule 144 to determine that any required attestations has been submitted and all required documents have been obtained prior to executing the trade. The CCO shall maintain a file of Rule 144 sales. No client order to sell “control” or “restricted” securities may be entered without PRIOR approval from the CCO. Evidence of the approval will be his initials on the blotter. It is the CCO’s responsibility to be familiar with the requirements of and applicable exceptions available under Rule 144 and Rule 144A.

Cash & Non-Cash Compensation

In connection with the sale and distribution of any offering of securities, neither the Firm nor any person associated with the Firm shall directly or indirectly make payments or offers of payments of cash, cash equivalents, or non-cash compensation.

PART 11 REGISTRATION REQUIREMENTS AND PROCEDURES

The Firm investigates the qualifications, experience, and previous record of a registered representative prior to his employment by and registration with the Firm. Prior to hiring, all prospective registered persons will be subject to a due diligence review conducted by the CCO or the Human Resources Department (DSC) to verify their prior employment and, to the extent possible, obtain information regarding their business repute. In conjunction with that review, the CCO will obtain, if applicable, a copy of the Form U-5 filed on behalf of the prospective registered person by his/her most recent former employer.

Upon the successful completion of the foregoing pre-hire review process, the CFO will obtain from the prospective registered person all required employment documents. This documentation will include a signed acknowledgement from the prospective Registered Person that the information contained on his/her Form U-4 is complete and accurate. The CFO will review the registered person’s Form U-4 to ensure that it is complete and then authorize the completion of the registration process through FINRA’s Central Registration Depository (“CRD”) system. The CCO will provide the prospective registered person with an *Arbitration Disclosure* required under FINRA Rule 2263 and a copy of the Firm’s written supervisory procedures and will obtain from the prospective registered person a list of all securities accounts maintained at an outside brokerage firm and a list of all outside business activities in which the registered person is engaged. Once the CFO receives a report from CRD indicating that the registered person’s registration is approved with FINRA and the regulatory authority in the state where that person will be working, the registration file will be completed. This Registration file will be kept in the DSI Registrations Department or the Human Resources Department (DSL).

The Chief Compliance Officer is required to ensure that each Form U-4 amendment is submitted to FINRA within 30 days of the event requiring the filing of that amendment. In conjunction with this requirement, the Chief Compliance Officer is required to ensure that the Registered Person submits a written or electronic acknowledgement of each amendment to his/her Form U-4 (other than those that are administrative in nature, such as requests for examinations, requests for state registrations, or changes in the Registered Person’s personal information). Copies of such acknowledgements will be maintained in the Registered Person’s personnel file with each amended Form U-4.

If a Registered Person fails to submit an acknowledgement of a Form U-4 amendment within the filing time frame, the Chief Compliance Officer may submit the amendment to FINRA without the

written acknowledgement of the Registered Person. The Chief Compliance Officer will reflect on the Form U-4 amendment (in the space specified for the Registered Person's signature) that no acknowledgement was obtained and describes the reason why. Following the submission of the amended Form U-4, the Chief Compliance Officer will provide the Registered Person with a copy of the amended Form U-4 that was filed and will maintain with each such amended Form U-4, evidence of attempts to obtain the Registered Person's acknowledgement of the amendment and evidence that a copy of the amendment was provided to the Registered Person after it was filed.

In conjunction with the filing of the initial Form U4 and with each non-administrative Form U-4 amendment, the Chief Compliance Officer will provide the Registered Person with a copy of the Arbitration Disclosure required under FINRA Rule 2263. The Chief Compliance Officer will maintain a record in the Registered Person's personnel file evidencing delivery of the Disclosure.

The registration file will contain:

- All prehire background check information.
- Copies of any contracts or agreements setting forth the registered person's compensation arrangement.
- A copy of the registered person's manually signed Form U-4 and evidence of delivery of an Arbitration Disclosure.
- Acknowledgements regarding amendments to the Form U4 (excluding amendments that are administrative in nature, such as requests for examinations, requests for state registrations, or changes in the Registered Person's personal information) and evidence of delivery of an Arbitration Disclosure with such amendments. If acknowledgment is not received, then evidence of attempts to obtain acknowledgement and evidence of providing Registered Person with filed copy of Form U4.
- A copy of the Form U-5 filed on behalf of the registered person by his/her most recent former employer (if applicable).
- A copy of a fingerprint card or evidence of CRD's receipt of fingerprints.
- An employment attestation indicating the registered person's understanding of the Firm's written supervisory procedures, a list of the registered person's securities accounts at other brokerage firms (if any), and a list of the individual's outside business activities (if any).
- Copies of any other agreements or contracts pertaining to the registered person.

Under no circumstances can an applicant for a position as a Registered Salesperson solicit the sale of or sell securities or otherwise transact business in series for or in the name of the Firm until his/her registration with the FINRA is effective and he/she is duly licensed with all applicable state regulatory agencies.

Heightened Supervision

The registration of any prospective registered person who discloses one or more “YES” answers on his/her Form U-4 will be reviewed and approved by the CCO and the CEO prior to hiring that individual.

Based upon their analysis of the matters underlying the “YES” answers on a registered person’s Form U-4, the CCO and CEO may determine that the individual should be subject to heightened supervisory review. The CCO will prepare a memorandum setting forth the basis upon which it was determined that heightened supervision should or should not be imposed. This memorandum will be retained by the CCO, a copy will be provided to the principal responsible for directly supervising the individual and a copy will be placed in the individual’s personnel file. The memorandum will identify the specific supervisory steps that will be taken, the principal responsible for carrying out that supervision, how that supervision will be documented, and the period of time the special supervision will be in effect.

The CCO will determine whether the nature and/or scope of the supervision should be changed in any manner and will further determine when, or if, it is appropriate to terminate that heightened supervision. When the CCO determines that it is appropriate to terminate the heightened supervision of a registered person, he will prepare a memorandum setting forth the basis for that determination. The CCO will maintain a copy of that memorandum and will provide copies to the principal responsible for supervising the registered person.

Each registered person who is placed on heightened supervision will be required to sign a document setting forth that individual’s agreement to comply with any specific requirements imposed on that individual in conjunction with the heightened supervision imposed. The agreement will also be signed by the representative’s principal and the CCO.

The Firm will not hire any individuals, in any position, that have been statutorily disqualified from the industry. In addition, the Firm will not hire any individuals from a disciplined firm.

Dual Registration

No registered person will be permitted to maintain dual registration with any broker/dealer except for registration with the Firm’s affiliate broker/dealer. If it is determined that a representative is registered with another non-affiliated firm, the individual will be terminated.

Fingerprints

The CFO will ensure that fingerprint cards are obtained from and transmitted to FINRA for all registered persons and all associated persons having access to the Firm’s original books and records. Copies of the submitted cards, along with evidence of transmittal will be maintained in the personnel file for each registered and associated person.

If the Firm is notified that the fingerprints of a registered person or associated person are illegible, the CFO will promptly ensure that replacement fingerprints are obtained and submitted. The CFO will retain copies of these documents in the appropriate person’s personnel file.

Maintaining Active Registration

DSI does not permit individuals to “park” their licenses at the Firm. Anyone registered through DSI must be actively engaged in the Firm’s business. Annually, the CFO will review the list of registered persons and will confirm that each registered person either has effected securities trades or is functioning in a capacity that warrants continued registration. The CFO will note any exceptions

on the report and maintain copies of both as evidence of his review. Any persons that are not actively engaged in the securities business will have the registration terminated.

Termination of Registered Persons

The CFO is responsible for submitting a Form U-5 to CRD on behalf of any registered person who has requested termination of his/her registration with the Firm. The Form U-5 will be submitted within 30 days of the date of receipt of the individual's resignation notice. The CFO will ensure that the Form U-5 is filed on a timely basis and that a copy is provided to the individual when it is filed with CRD. Evidence of providing a copy of the Form U-5 to the registered person will be retained with the Firm's copy of the Form.

When a registered person is terminated due to a customer complaint, arbitration claim or violation of Firm policy, industry regulations or unethical business practices, the CFO will ensure that a Form U-5 is filed on behalf of that individual on a timely basis and that it contains the appropriate disclosures of the incidents which resulted in the termination of the registered person.

Registered persons who are terminated for a particular reason (i.e., "terminated for cause") are required to immediately cease transacting business through the Firm. Upon notification that a registered person has been terminated, the CFO will electronically restrict that individual's ability to process transactions and also restrict the payment of commissions to that individual.

The CCO is responsible for investigating those matters that result in the termination of a registered person. Within 30 days of the completion of that investigation, the CCO will submit an amendment to the Form U-5 disclosing the results of the investigation. The CCO will maintain records obtained during the course of the investigation and documentation evidencing the basis for the conclusions reached as a result of the investigation.

PART 12 BOOKS AND RECORDS RETENTION

Requirements

Pursuant to SEC Rule 17a-3 and a-4, the Firm is required to make, keep current and preserve for specified periods the records and reports described below. The CCO and CFO shall be generally responsible for coordinating the Firm's compliance with these requirements. The following records are kept at head office.

	Type of Records	Retain # Yrs
1.	Blotters or other records of original entry showing purchases/sales of securities, trade dates, receipts/deliveries of securities and cash, other debits/ credits, accounts for which transactions effected, customers names, and purchase/sale prices	6
2.	Ledgers reflecting assets/liabilities, income, expense and capital accounts; individual ledgers should be kept for each customer, showing each customer's purchases/sales, receipts/deliveries of securities, and all other debits/credits to the account	6
3.	Ledgers reflecting securities in transfer, dividends and interest received, securities and monies borrowed/loaned, failed to receives/deliveries and long/short stock record differences	3
4.	Records indicating long/short positions for each security	6
5.	Memoranda containing information with respect to each order given/received for the purchase/sale of securities; including information with respect to the execution/cancellation of orders	3
6.	Copies of all confirmations regarding purchases/sales of securities	3
7.	Records as to each account maintained by the Firm indicating ownership of the account	6 after closing
8.	Records indicating proofs of money balances of all ledger accounts in the form of a trial balance, and a record of the computation of the Firm's aggregate indebtedness and net capital computations; and net capital as of the trial balance date	3
9.	Associated person applications and questionnaires including basic personal information, employment history, "lead boy" activities, terminated information, fingerprint records and CRD number	3 After Terminated
10.	Checks, bills receivable, communications, internal accounting records and computations, guarantees, powers of attorney, written agreements and records indicating compliance with the control/custody requirements of Rule SEC 15c3-3	3
11.	Corporate Documents (articles of incorporation, by-laws, and related amendments)	Forever
12.	Institutional Account Application Form ("IAAF")	6 after closing
13.	All written agreements	Forever
14.	Certain supporting information to the Firm's annual audited financial statements under the Securities Exchange Act Rule 17.5	Forever
15.	Associated Persons compensation records which are derived from commissions for sales and purchases by customers	3
16.	Written client complaints with full details in a separate file	3
17.	Approval of sales literature, advertising and communications with staff or the public	3

The following books and records are required to be maintained at each location.

- Blotters (i.e. Purchase & Sales);
- Order tickets;
- Customer account records;
- Associated person records;
- Customer complaints;
- Evidence of compliance with SRO rules regarding communications with the public;
- Records of persons who can explain the information in the broker/dealer's records; and
- Each principal responsible for establishing recordkeeping compliance procedures.

PART 13 ANTI-MONEY LAUNDERING (AML) PROGRAM COMPLIANCE AND SUPERVISORY PROCEDURES

Firm 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 by complying with all applicable requirements under the Bank Secrecy Act (BSA) and its implementing regulations.

Money laundering is generally defined as engaging in acts designed to conceal or disguise the true origins of criminally derived proceeds so that the proceeds appear to have derived from legitimate origins or constitute legitimate assets. Generally, money laundering occurs in three stages. 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. At the "layering" stage, the funds are transferred or moved into other accounts or other financial institutions to further separate the money from its criminal origin. At the "integration" stage, the funds are reintroduced into the economy and used to purchase legitimate assets or to fund other criminal activities or legitimate businesses.

Terrorist financing may not involve the proceeds of criminal conduct, but rather an attempt to conceal either the origin of the funds or their intended use, which could be for criminal purposes. Legitimate sources of funds are a key difference between terrorist financiers and traditional criminal organizations. In addition to charitable donations, legitimate sources include foreign government sponsors, business ownership and personal employment. Although the motivation differs between traditional money launderers and terrorist financiers, the actual methods used to fund terrorist operations can be the same as or similar to methods used by other criminals to launder funds. Funding for terrorist attacks does not always require large sums of money and the associated transactions may not be complex.

Our AML policies, procedures and internal controls are designed to ensure compliance with all applicable BSA regulations and FINRA rules and will be reviewed and updated on a regular basis to ensure appropriate policies, procedures and internal controls are in place to account for both changes in regulations and changes in our business.

AML Compliance Person Designation and Duties

The firm has designated Louis Cavalaris as its Anti-Money Laundering Program Compliance Person (AML Compliance Person), with full responsibility for the firm's AML program. Louis Cavalaris has a working knowledge of the BSA and its implementing regulations and is qualified by experience, knowledge and training. The duties of the AML Compliance Person will include monitoring the firm's compliance with AML obligations, overseeing communication and training for employees. The AML Compliance Person will also ensure that the firm keeps and maintains all of the required AML records and will ensure that Suspicious Activity Reports (SAR-SFs) are filed with the Financial Crimes Enforcement Network (FinCEN) when appropriate. The AML Compliance Person is vested with full responsibility and authority to enforce the firm's AML program.

The firm will provide FINRA with contact information for the AML Compliance Person through the FINRA Contact System (FCS). The information in FCS will be reviewed and updated in accordance with our Written Supervisory Procedures.

Giving AML Information to Federal Law Enforcement Agencies and Other Financial Institutions

FinCEN Requests under USA PATRIOT Act Section 314(a)

As a Canadian entity, the Firm is not subject to FinCEN jurisdiction and does not receive periodic requests for information. If at any time, the Firm should begin to receive such requests, the AML Compliance Officer will develop appropriate procedures to comply with such requests.

Other Requests

We understand that the receipt of a grand jury subpoena concerning a customer does not in itself require that we file a Suspicious Activity Report (SAR-SF). When we receive a grand jury subpoena, we will conduct a risk assessment of the customer subject to the subpoena as well as review the customer's account activity. If we uncover suspicious activity during our risk assessment and review, we will elevate that customer's risk assessment and file a SAR-SF in accordance with the SAR-SF filing requirements. We understand that none of our officers, employees or agents may directly or indirectly disclose to the person who is the subject of the subpoena its existence, its contents or the information we used to respond to it. To maintain the confidentiality of any grand jury subpoena we receive, the AML Compliance Person will process and maintain the subpoena by conducting a confidential review of account documentation and maintaining the results of the review in a secure manner. If filed, the SAR-SF will not contain any reference to the receipt or existence of the subpoena. The SAR-SF will only contain detailed information about the facts and circumstances of the detected suspicious activity.

The AML Compliance Person will follow the same process should any other confidential requests for information be received, such as a National Security Letter.

Voluntary Information Sharing With Other Financial Institutions Under USA PATRIOT Act Section 314(b)

We will share information with other financial institutions regarding individuals, entities, organizations and countries for purposes of identifying and, where appropriate, reporting activities that we suspect may involve possible terrorist activity or money laundering. Louis Cavalaris will ensure that the firm files with FinCEN an initial notice before any sharing occurs and annual notices thereafter. We will use the notice form found at [FinCEN's Web site](#). Before we share information with another financial institution, we will take reasonable steps to verify that the other financial institution has submitted the requisite notice to FinCEN, either by obtaining confirmation from the financial institution or by consulting a list of such financial institutions that FinCEN will make available.

We will employ strict procedures both to ensure that only relevant information is shared and to protect the security and confidentiality of this information, for example, by segregating it from the firm's other books and records. We also will employ procedures to ensure that any information received from another financial institution shall not be used for any purpose other than:

- identifying and, where appropriate, reporting on money laundering or terrorist activities;
- determining whether to establish or maintain an account, or to engage in a transaction; or
- assisting the financial institution in complying with performing such activities.

Joint Filing of SARs by Broker-Dealers and Other Financial Institutions

If we determine it is appropriate to jointly file a SAR-SF, we understand that we cannot disclose that we have filed a SAR-SF to any financial institution except the financial institution that is filing jointly. If we determine it is not appropriate to file jointly (*e.g.*, because the SAR-SF concerns the other broker-dealer or one of its employees), we understand that we cannot disclose that we have filed a SAR-SF to any other financial institution or insurance company.

Sharing SAR-SFs with Parent Companies

Because we are a subsidiary, we may share SAR-SFs with our parent or its affiliated entities. Before we share SAR-SFs with our parent or any affiliated companies, we will have in place written confidentiality agreements or written arrangements that all entities will protect the confidentiality of the SAR-SFs through appropriate internal controls.

The confidentiality agreement will state that the recipient foreign entity (or entities) may not disclose further any SAR-SF, or the fact that such report has been filed. The agreement will allow for the foreign entity (or entities) to disclose without permission underlying information (that is, information about the customers and transaction(s) reported) that forms the basis for the SAR-SF and that does not explicitly reveal that a SAR-SF was filed and that is not otherwise subject to disclosure restrictions.

Checking the Office of Foreign Assets Control Listings

Before opening an account, and on an ongoing basis, the AML Compliance Officer or a designee will check to ensure that a customer does not appear on the SDN list or is not engaging in transactions that are prohibited by the economic sanctions and embargoes administered and enforced by OFAC. (*See* the [OFAC Web site](#) for the SDN list and listings of current sanctions and embargoes). Because the SDN list and listings of economic sanctions and embargoes are updated frequently, we will consult them on a regular basis and subscribe to receive any available updates when they occur. With respect to the SDN list, we will access that list through the FINRA OFAC search. The AML Compliance Person or designee will also review existing accounts against the SDN list and listings of current sanctions and embargoes when they are updated and will document the review by printing out and initialing a copy of the updates to the list.

If we determine that a customer is on the SDN list or is engaging in transactions that are prohibited by the economic sanctions and embargoes administered and enforced by OFAC, we will reject the transaction and/or block the customer's assets and file a blocked assets and/or rejected transaction form with OFAC within 10 days. We will also call the OFAC Hotline at (800) 540-6322 immediately.

Customer Identification Program

In addition to the information we must collect under various FINRA, NASD and SEC Rules and Regulations, we have established, documented and maintained a written Customer Identification Program (CIP). We will collect certain minimum customer identification information from each customer who opens an account; utilize risk-based measures to verify the identity of each customer who opens an account; record customer identification information and the verification methods and results; provide the required adequate CIP notice to customers that we will seek identification information to verify their identities; and compare customer identification information with government-provided lists of suspected terrorists, once such lists have been issued by the government.

Entities that are not “Customers”

Certain entities, described below, are not considered “customers” under the CIP regulations and are therefore the Firm is not required to obtain identifying documents. The AML Compliance Officer will ensure that each account opened for a non-customer has adequate information to document the exemption as described below.

- Broker/Dealer, Registered Investment Adviser or Registered Hedge Funds– Evidence that the entity is a registered broker/dealer or investment adviser. Evidence will be a printout of current registration status. Note: State registered investment advisers are NOT exempt from the definition of “Customer” and are subject to the customer identification procedures detailed below.
- Other institutional entities that do not meet the definition of “Customer” – Evidence that the entity is regulated by a federal functional regulator. Any evidence of such registration must reflect current information. For example, evidence of registration as an investment company must reflect filings to the SEC that are not more than three months old.
- Evidence of trading authority over each customer’s account. If a customer refuses to provide such evidence, a memo explaining the rationale for opening the account will be maintained in the customer account file.

Note – the entity actually opening the account must be regulated by a Federal functional regulator. An unregulated affiliate is not exempt from the customer definition.

Required Customer Information

Prior to opening an account, the Operations Department will collect the following information for all accounts, if applicable, for any entity or organization that is opening a new account and whose name is on the account:

- (1) the name;
- (2) an address, which will be a principal place of business, local office, or other physical location; and
- (3) an identification number, which will be an employer identification number.

When opening an account for a foreign business or enterprise that does not have an identification number, we will request alternative government-issued documentation certifying the existence of the business or enterprise.

If a potential or existing customer either refuses to provide the information described above when requested, or appears to have intentionally provided misleading information, our firm will not open a new account and, after considering the risks involved, consider closing any existing account. In either case, our AML Compliance Person will be notified so that we can determine whether we should report the situation to FinCEN on a SAR-SF.

Verifying Information

Based on the risk, and to the extent reasonable and practicable, we will ensure that we have a reasonable belief that we know the true identity of our customers by using risk-based procedures to verify and document the accuracy of the information we get about our customers. The AML Compliance Officer will analyze the information we obtain to determine whether the information is sufficient to form a reasonable belief that we know the true identity of the customer.

We will verify customer identity through both documentary and non-documentary means. We will use documents to verify customer identity when appropriate documents are available. In light of the increased instances of identity fraud, we will supplement the use of documentary evidence by using the non-documentary means described below whenever necessary. We may also use non-documentary means, if we are still uncertain about whether we know the true identity of the customer. In verifying the information, we will consider whether the identifying information that we receive allows us to determine that we have a reasonable belief that we know the true identity of the customer.

Appropriate documents for verifying the identity of customers include the following:

- State Registered Investment Advisers - Evidence that the entity is a registered investment adviser. Evidence will be a printout of current registration status. In addition, the file must contain a copy of the entities organizational documents (Articles of Incorporation, Partnership Agreement, etc.) and evidence of the authority of the business representative to act on its behalf.
- Institutional Accounts - The file must contain a copy of the entities organizational documents (Articles of Incorporation, Partnership Agreement, etc.) and evidence of the authority of the business representative to act on its behalf.

We understand that we are not required to take steps to determine whether the document that the customer has provided to us for identity verification has been validly issued and that we may rely on a government-issued identification as verification of a customer's identity. If, however, we note that the document shows some obvious form of fraud, we must consider that factor in determining whether we can form a reasonable belief that we know the customer's true identity.

We will use the following non-documentary methods of verifying identity:

- Independently verifying the customer's identity through the comparison of information provided by the customer with information obtained from a public database or other source; or
- Obtaining a financial statement.

We will use non-documentary methods of verification when:

- (1) the firm is unfamiliar with the documents the customer presents for identification verification; and
- (2) there are other circumstances that increase the risk that the firm will be unable to verify the true identity of the customer through documentary means.

We will verify the information within a reasonable time before or after the account is opened. Depending on the nature of the account and requested transactions, we may refuse to complete a transaction before we have verified the information, or in some instances when we need more time, we may, pending verification, restrict the types of transactions or dollar amount of transactions. If we find suspicious information that indicates possible money laundering, terrorist financing activity, or other suspicious activity, we will, after internal consultation with the firm's AML Compliance Person, file a SAR-SF in accordance with applicable laws and regulations.

We recognize that the risk that we may not know the customer's true identity may be heightened for certain types of accounts, such as an account opened in the name of a corporation, partnership or trust that is created or conducts substantial business in a jurisdiction that has been designated by the U.S. as a primary money laundering jurisdiction, a terrorist concern, or has been designated as a non-cooperative country or territory. We will identify customers that pose a heightened risk of not being properly identified. Further procedures to determine the customer's identity will be developed on a case-by-case basis.

When we cannot form a reasonable belief that we know the true identity of a customer, we will: (1) not open an account; (2) impose terms under which a customer may conduct transactions while we attempt to verify the customer's identity; (3) close an account after attempts to verify customer's identity fail; and (4) determine whether it is necessary to file a SAR-SF in accordance with applicable laws and regulations.

Accounts Opened by Financial Intermediaries

The Firm may open accounts for institutional entities that are acting as a financial intermediary for a sub-account. The account is opened in the name of the financial intermediary and all trading instructions on behalf of the sub-account are received from the financial intermediary and the beneficiary owner of the sub-account has no control over the account held at our firm. Based upon guidance provided by the SEC dated October 1, 2003 (*"Guidance from the Staffs of the Department of the Treasury and the U.S. Securities and Exchange Commission"*), the financial intermediary is deemed to be the accountholder, and thus the customer, and we will implement procedures defined above to properly identify the accountholder.

Recordkeeping

We will document our verification, including all identifying information provided by a customer, the methods used and results of verification, and the resolution of any discrepancies identified in the verification process. We will keep records containing a description of any document that we relied on to verify a customer's identity, noting the type of document, any identification number contained in the document, the place of issuance, and if any, the date of issuance and expiration date. With respect to non-documentary verification, we will retain documents that describe the methods and the results of any

measures we took to verify the identity of a customer. We will also keep records containing a description of the resolution of each substantive discrepancy discovered when verifying the identifying information obtained. We will retain records of all identification information for five years after the account has been closed; we will retain records made about verification of the customer's identity for five years after the record is made.

Comparison with Government-Provided Lists of Terrorists

At such time as we receive notice that a federal government agency has issued a list of known or suspected terrorists and identified the list as a list for CIP purposes, we will, within a reasonable period of time after an account is opened (or earlier, if required by another federal law or regulation or federal directive issued in connection with an applicable list), determine whether a customer appears on any such list of known or suspected terrorists or terrorist organizations issued by any federal government agency and designated as such by Treasury in consultation with the federal functional regulators. We will follow all federal directives issued in connection with such lists. We will continue to comply separately with OFAC rules prohibiting transactions with certain foreign countries or their nationals.

Notice to Customers

We will provide notice to customers that the firm is requesting information from them to verify their identities, as required by federal law. We will to clients verbally when opening the account and indicate such notice on the new account form.

Important Information About Procedures for Opening a New Account

To help the government fight the funding of terrorism and money laundering activities, federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account.

What this means for you: When you open an account, we will ask for your name, address, date of birth and other information that will allow us to identify you. We may also ask to see your driver's license or other identifying documents.

Reliance on another Financial Institution for Identity Verification

We may rely on the performance by another financial institution (including an affiliate) of some or all of the elements of our CIP with respect to any customer that is opening an account or has established an account or similar business relationship with the other financial institution to provide or engage in services, dealings or other financial transactions:

- when such reliance is reasonable under the circumstances;
- when the other financial institution is subject to a rule implementing the anti-money laundering compliance program requirements of 31 U.S.C. § 5318(h), and is regulated by a federal functional regulator; and
- when the other financial institution has entered into a contract with our firm requiring it to certify annually to us that it has implemented its anti-money laundering program and that it will perform (or its agent will perform) specified requirements of the customer identification program.

General Customer Due Diligence

It is important to our AML and SAR-SF reporting program that we obtain sufficient information about each customer to allow us to evaluate the risk presented by that customer and to detect and report suspicious activity. When we open an account for a customer, the due diligence we perform may be in addition to customer information obtained for purposes of our CIP.

The AML Compliance Person is responsible for reviewing and approving all accounts. For any account determined to be a higher risk, the AML Compliance Officer may require the following prior to account opening (or additional information as deemed appropriate):

- the customer's business;
- the customer's anticipated account activity (both volume and type);
- the source of the customer's funds.
- the beneficial owners of the accounts;
- financial statements;
- banking references;

We will also ensure that the customer information remains accurate by reviewing the account on an annual basis.

Correspondent Accounts for Foreign Shell Banks Detecting and Closing Correspondent Accounts of Foreign Shell Banks

We will identify foreign bank accounts and any such account that is a correspondent account (any account that is established for a foreign bank to receive deposits from, or to make payments or other disbursements on behalf of, the foreign bank, or to handle other financial transactions related to such foreign bank) for foreign shell banks through the new account review process. Upon finding or suspecting such accounts, the AML Compliance Person will terminate any verified correspondent account in the United States for a foreign shell bank. We will also terminate any correspondent account that we have determined is not maintained by a foreign shell bank but is being used to provide services to such a shell bank. We will terminate any correspondent account for which we have not obtained the information described in Appendix A of the regulations regarding shell banks within the time periods specified in those regulations.

Certifications

We will require our foreign bank account holders to identify the owners of the foreign bank if it is not publicly traded, the name and street address of a person who resides in the United States and is authorized and has agreed to act as agent for acceptance of legal process, and an assurance that the foreign bank is not a shell bank nor is it facilitating activity of a shell bank. In lieu of this information the foreign bank may submit the Certification Regarding Correspondent Accounts for Foreign Banks provided in the BSA regulations. We will re-certify when we believe that the information is no longer accurate or at least once every three years.

We will keep records identifying the owners of foreign banks with U.S. correspondent accounts and the name and address of the U.S. agent for service of legal process for those banks.

Summons or Subpoena of Foreign Bank Records; Termination of Correspondent Relationships with Foreign Bank

When we receive a written request from a federal law enforcement officer for information identifying the non-publicly traded owners of any foreign bank for which we maintain a correspondent account in the United States and/or the name and address of a person residing in the United States who is an agent to accept service of legal process for a foreign bank's correspondent account, we will provide that information to the requesting officer not later than seven days after receipt of the request. We will close, within 10 days, any correspondent account for a foreign bank that we learn from FinCEN or the Department of Justice has failed to comply with a summons or subpoena issued by the Secretary of the Treasury or the Attorney General of the United States or has failed to contest such a summons or subpoena. We will scrutinize any correspondent account activity during that 10-day period to ensure that any suspicious activity is appropriately reported and to ensure that no new positions are established in these correspondent accounts.

Due Diligence and Enhanced Due Diligence Requirements for Correspondent Accounts of Foreign Financial Institutions

We have reviewed our accounts and we do not have, nor do we intend to open or maintain, correspondent accounts for foreign financial institutions. Any attempt to open such an account will be noted during the new account review and approval process.

Private Banking Accounts/Senior Foreign Political Figures

We do not open or maintain private banking accounts or accounts for individuals.

Compliance with FinCEN's Issuance of Special Measures Against Foreign Jurisdictions, Financial Institutions or International Transactions of Primary Money Laundering Concern

If FinCEN issues a final rule imposing a special measure against one or more foreign jurisdictions or financial institutions, classes of international transactions or types of accounts deeming them to be of primary money laundering concern, we understand that we must read FinCEN's final rule and follow any prescriptions or prohibitions contained in that rule. For example, if the final rule deems a certain bank and its subsidiaries (Specified Bank) to be of primary money laundering concerns, a special measure may be a prohibition from opening or maintaining a correspondent account in the United States for, or on behalf of, the Specified Banks. In that case, we will take the following steps:

- (1) We will review our account records, including correspondent account records, to ensure that our accountholders and correspondent accountholders maintain no accounts directly for, or on behalf of, the Specified Banks; and
- (2) We will apply due diligence procedures to our correspondent accounts that are reasonably designed to guard against indirect use of those accounts by the Specified Banks. Such due diligence may include:
 - Notification to Correspondent Accountholders

We will notify our correspondent accountholders that the account may not be used to provide the Specified Banks with access to us. We will transmit the notice to our correspondent accounts via email and we shall retain documentation of such notice.

- Identification of Indirect Use

We will take reasonable steps in order to identify any indirect use of our correspondent accounts by the Specified Banks. We will determine if such indirect use is occurring from transactional records that we maintain in the normal course of business. We will take a risk-based approach when deciding what, if any, additional due diligence measures we should adopt to guard against the indirect use of correspondent accounts by the Specified Banks, based on risk factors such as the type of services offered by, and geographic locations of, their correspondents.

We understand that we have an ongoing obligation to take reasonable steps to identify all correspondent account services our correspondent account holders may directly or indirectly provide to the Specified Banks.

Monitoring Accounts for Suspicious Activity

We will monitor account activity for unusual size, volume, pattern or type of transactions, taking into account risk factors and red flags that are appropriate to our business. All transactions are reviewed on a daily basis. The reviewing principal will initial and date the transaction blotter as evidence of the review. The AML Compliance Person or his designee will conduct an appropriate investigation and review relevant information from internal or third-party sources before a SAR-SF is filed.

Emergency Notification to Law Enforcement by Telephone

In situations involving violations that require immediate attention, such as terrorist financing or ongoing money laundering schemes, we will immediately call an appropriate law enforcement authority. If a customer or company appears on OFAC's SDN list, we will call the OFAC Hotline at (800) 540-6322. Other contact numbers we will use are: FinCEN's Financial Institutions Hotline ((866) 556-3974) (especially to report transactions relating to terrorist activity), local U.S. Attorney's Office (718-254-7000), local FBI Office (212-384-1000), and local SEC Office (212-428-1500). If we notify the appropriate law enforcement authority of any such activity, we must still file a timely SAR-SF.

Although we are not required to, in cases where we have filed a SAR-SF that may require immediate attention by the SEC, we may contact the SEC via the SEC SAR Alert Message Line at (202) 551-SARS (7277) to alert the SEC about the filing. We understand that calling the SEC SAR Alert Message Line does not alleviate our obligations to file a SAR-SF or notify an appropriate law enforcement authority.

Red Flags

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

Customers – Insufficient or Suspicious Information

- Provides unusual or suspicious identification documents that cannot be readily verified.

- Reluctant to provide complete information about nature and purpose of business, prior banking relationships, anticipated account activity, officers and directors or business location.
- Refuses to identify a legitimate source for funds or information is false, misleading or substantially incorrect.
- Background is questionable or differs from expectations based on business activities.
- Customer with no discernable reason for using the firm's service.

Efforts to Avoid Reporting and Recordkeeping

- Reluctant to provide information needed to file reports or fails to proceed with transaction.
- Tries to persuade an employee not to file required reports or not to maintain required records.
- Unusual concern with the firm's compliance with government reporting requirements and firm's AML policies.

Certain Deposits or Dispositions of Physical Certificates

- Physical certificate is titled differently than the account.
- Physical certificate does not bear a restrictive legend, but based on history of the stock and/or volume of shares trading, it should have such a legend.
- Customer's explanation of how he or she acquired the certificate does not make sense or changes.

Certain Securities Transactions

- Two or more accounts trade an illiquid stock suddenly and simultaneously.
- Customer has opened multiple accounts with the same beneficial owners or controlling parties for no apparent business reason.
- Customer's trading patterns suggest that he or she may have inside information.

Transactions Involving Penny Stock Companies

- Company has no business, no revenues and no product.
- Company has experienced frequent or continuous changes in its business structure.
- Officers or insiders of the issuer are associated with multiple penny stock issuers.
- Company undergoes frequent material changes in business strategy or its line of business.
- Officers or insiders of the issuer have a history of securities violations.
- Company has not made disclosures in regulatory filings.

- Company has been the subject of a prior trading suspension.

Activity Inconsistent With Business

- Transactions patterns show a sudden change inconsistent with normal activities.
- Appears to be acting as an agent for an undisclosed principal, but is reluctant to provide information.

Other Suspicious Customer Activity

- Law enforcement subpoenas.
- Large numbers of securities transactions across a number of jurisdictions.

Responding to Red Flags and Suspicious Activity

When an employee of the firm detects any red flag, or other activity that may be suspicious, he or she will notify the AML Compliance Person. Under the direction of the AML Compliance Person, the firm will determine whether or not and how to further investigate the matter. This may include gathering additional information internally or from third-party sources, contacting the government, freezing the account and/or filing a SAR-SF.

Suspicious Transactions and BSA Reporting

Filing a SAR-SF

We will file SAR-SFs with FinCEN for any transactions conducted or attempted by, at or through our firm involving \$5,000 or more of funds or assets (either individually or in the aggregate) where we know, suspect or have reason to suspect:

- (1) the transaction involves funds derived from illegal activity or is intended or conducted in order to hide or disguise funds or assets derived from illegal activity as part of a plan to violate or evade federal law or regulation or to avoid any transaction reporting requirement under federal law or regulation;
- (2) the transaction is designed, whether through structuring or otherwise, to evade any requirements of the BSA regulations;
- (3) the transaction has no business or apparent lawful purpose or is not the sort in which the customer would normally be expected to engage, and after examining the background, possible purpose of the transaction and other facts, we know of no reasonable explanation for the transaction; or
- (4) the transaction involves the use of the firm to facilitate criminal activity.

We will also file a SAR-SF and notify the appropriate law enforcement authority in situations involving violations that require immediate attention, such as terrorist financing or ongoing money laundering schemes. In addition, although we are not required to, we may contact that SEC in cases where a SAR-SF we have filed may require immediate attention by the SEC. We also understand that, even if we notify a regulator of a violation, unless it is specifically covered by one of the exceptions in the SAR rule, we must file a SAR-SF reporting the violation.

We may file a voluntary SAR-SF for any suspicious transaction that we believe is relevant to the possible violation of any law or regulation but that is not required to be reported by us under the SAR rule. It is our policy that all SAR-SFs will be reported regularly to the Board of Directors and appropriate senior management, with a clear reminder of the need to maintain the confidentiality of the SAR-SF.

We will report suspicious transactions by completing a SAR-SF, and we will collect and maintain supporting documentation as required by the BSA regulations. We will file a SAR-SF no later than 30 calendar days after the date of the initial detection of the facts that constitute a basis for filing a SAR-SF. If no suspect is identified on the date of initial detection, we may delay filing the SAR-SF for an additional 30 calendar days pending identification of a suspect, but in no case will the reporting be delayed more than 60 calendar days after the date of initial detection. The phrase “initial detection” does not mean the moment a transaction is highlighted for review. The 30-day (or 60-day) period begins when an appropriate review is conducted and a determination is made that the transaction under review is “suspicious” within the meaning of the SAR requirements. A review must be initiated promptly upon identification of unusual activity that warrants investigation.

We will retain copies of any SAR-SF filed and the original or business record equivalent of any supporting documentation for five years from the date of filing the SAR-SF. We will identify and maintain supporting documentation and make such information available to FinCEN, any other appropriate law enforcement agencies, federal or state securities regulators or SROs upon request.

We will not notify any person involved in the transaction that the transaction has been reported, except as permitted by the BSA regulations. We understand that anyone who is subpoenaed or required to disclose a SAR-SF or the information contained in the SAR-SF will, except where disclosure is requested by FinCEN, the SEC, or another appropriate law enforcement or regulatory agency, or an SRO registered with the SEC, decline to produce the SAR-SF or to provide any information that would disclose that a SAR-SF was prepared or filed. We will notify FinCEN of any such request and our response.

BSA Reports

- Currency Transaction Reports
Our firm prohibits transactions involving currency. All transactions are handled on a RVP/DVP basis and the Firm has not mechanism to receive currency.
- Currency and Monetary Instrument Transportation Reports
Our firm prohibits both the receipt of currency or other monetary instruments that have been transported, mailed or shipped to us from outside of the United States, and the physical transportation, mailing or shipment of currency or other monetary instruments by any means other than through the postal service or by common carrier. All transactions are handled on a RVP/DVP basis and the Firm has not mechanism to receive currency or monetary instruments.

- Foreign Bank and Financial Accounts Reports
We will file a FBAR with the IRS for any financial accounts of more than \$10,000 that we hold, or for which we have signature or other authority over, in a foreign country. We will use the [FBAR Form](#) provided on the IRS's Web site.
- Monetary Instrument Purchases
We do not issue bank checks or drafts, cashier's checks, money orders or traveler's checks in the amount of \$3,000 or more.
- Funds Transmittals of \$3,000 or More Under the Travel Rule
All transactions are handled on a RVP/DVP basis and the Firm does not open customer cash accounts which are necessary to wire funds.

AML Recordkeeping

Responsibility for Required AML Records and SAR-SF Filing

Our AML Compliance Person and his or her designee will be responsible for ensuring that AML records are maintained properly and that SAR-SFs are filed as required. In addition, as part of our AML program, our firm will create and maintain SAR-SFs, CTRs, CMIRs, FBARs, and relevant documentation on customer identity and verification (*See* Section 5 above) and funds transmittals. We will maintain SAR-SFs and their accompanying documentation for at least five years. We will keep other documents according to existing BSA and other recordkeeping requirements, including certain SEC rules that require six-year retention periods (*e.g.*, Exchange Act Rule 17a-4(a) requiring firms to preserve for a period of not less than six years, all records required to be retained by Exchange Act Rule 17a-3(a)(1)-(3), (a)(5), and (a)(21)-(22) and Exchange Act Rule 17a-4(e)(5) requiring firms to retain for six years account record information required pursuant to Exchange Act Rule 17a-3(a)(17)).

SAR-SF Maintenance and Confidentiality

We will hold SAR-SFs and any supporting documentation confidential. We will not inform anyone outside of FinCEN, the SEC, an SRO registered with the SEC or other appropriate law enforcement or regulatory agency about a SAR-SF. We will refuse any subpoena requests for SAR-SFs or for information that would disclose that a SAR-SF has been prepared or filed and immediately notify FinCEN of any such subpoena requests that we receive. *See* Section 11 for contact numbers. We will segregate SAR-SF filings and copies of supporting documentation from other firm books and records to avoid disclosing SAR-SF filings. Our AML Compliance Person will handle all subpoenas or other requests for SAR-SFs. We may share information with another financial institution about suspicious transactions in order to determine whether we will jointly file a SAR according to the provisions of Section 3.d. In cases in which we file a joint SAR for a transaction that has been handled both by us and another financial institution, both financial institutions will maintain a copy of the filed SAR.

Additional Records

We shall retain either the original or a microfilm or other copy or reproduction of each of the following:

- Each document granting signature or trading authority over each customer's account;
- Each record described in Exchange Act Rule 17a-3(a): (1) (blotters), (2) (ledgers for assets and liabilities, income, and expense and capital accounts), (3) (ledgers for cash and margin accounts), (4) (securities log), (5) (ledgers for securities in transfer, dividends and interest received, and securities borrowed and loaned), (6) (order tickets), (7) (purchase and sale tickets), (8) (confirms), and (9) (identity of owners of cash and margin accounts);

Training Programs

We have developed ongoing employee training under the leadership of the AML Compliance Person and senior management. Training occurs on a periodic basis and is based upon our firm's size, its customer base, and its resources and be updated as necessary to reflect any new developments in the law.

Our training includes, at a minimum:

- (1) how to identify red flags and signs of money laundering that arise during the course of the employees' duties;
- (2) what to do once the risk is identified (including how, when and to whom to escalate unusual customer activity or other red flags for analysis and, where appropriate, the filing of SAR-SFs);
- (3) what employees' roles are in the firm's compliance efforts and how to perform them;
- (4) the firm's record retention policy; and
- (5) the disciplinary consequences (including civil and criminal penalties) for non-compliance with the BSA.

Training requirements are documented in our Continuing Education Plan.

We will review our operations to see if certain employees, such as those in compliance, margin and corporate security, require specialized additional training. Our written procedures will be updated to reflect any such changes.

Program to Independently Test AML Program

The testing of our AML program will be performed at least annually by an independent third party. We will evaluate the qualifications of the independent third party to ensure they have a working knowledge of applicable requirements under the BSA and its implementing regulations. Independent testing will be performed more frequently if circumstances warrant.

After we have completed the independent testing, staff will report its findings to senior management. We will promptly address each of the resulting recommendations and keep a record of how each noted deficiency was resolved.

Monitoring Employee Conduct and Accounts

We subject employee accounts to the same AML procedures as customer accounts, under the supervision of the AML Compliance Person. We also review the AML performance of supervisors, as part of their annual performance review. The AML Compliance Person's accounts are reviewed by Gary Boyd.

Confidential Reporting of AML Non-Compliance

Employees will promptly report any potential violations of the firm's AML compliance program to the AML Compliance Person, unless the violations implicate the AML Compliance Person, in which case the employee shall report to the president. Such reports will be confidential, and the employee will suffer no retaliation for making them.

Senior Manager Approval

The firm has reviewed all areas of its business and has not identified any potential money laundering risks that are not covered in the procedures described above.

Senior management has approved this AML compliance program in writing as reasonably designed to achieve and monitor ongoing compliance with the requirements of the BSA and the implementing regulations under it.

Signed: _____
Title: _____
Date: _____

PART 14 BUSINESS CONTINUITY PLAN

Emergency Contact Persons

Our firm's two emergency contact people are:

1. Robert (Bob) Sellars
Phone: (416) 350-3475
E-Mail: bsellars@dundeesecurities.com
2. Louis Cavalaris
Phone: (416) 350-3057
E-Mail: lcavalaris@dundeesecurities.com

These names will be updated in the event of a material change and our Executive Representative will review them within the 17 business days of the end of the quarter.

Firm Policy

Our firm's policy is to respond to a Significant Business Disruption (SBD) by safeguarding employees' lives and firm property, making a financial and operational assessment, quickly recovering and resuming operations, protecting all of the firm's books and records, and allowing our customers to transact business. In the event that we determine we are unable to continue our business, we will assure customers prompt access to their funds and securities.

Significant Business Disruptions (SBDs)

Our Plan anticipates two kinds of SBDs, internal and external. Internal SBDs affect only our firm's ability to communicate and do business, such as a fire in our building. External SBDs prevent the operation of the securities markets or a number of firms, such as a terrorist attack, a city flood, or a wide-scale, regional disruption. Our response to an external SBD relies more heavily on other organizations and systems, especially on the capabilities of our clearing firm.

Approval and Execution Authority

Robert Sellars, a registered principal, is responsible for approving the plan. Louis Cavalaris, AML/Compliance Officer has the authority to execute this BCP. In addition, Louis Cavalaris will ensure that an annual audit of the plan is conducted to test the effective implementation of the Business Continuity Plan and ensure that any changes are implemented accordingly.

Plan Location and Access

Our firm will maintain copies of its BCP plan and the annual reviews, and the changes that have been made to it for inspection. An electronic copy of our plan is located at www.dundecapitalmarkets.com.

Business Description

Our firm conducts business in equities only, primarily engaged in the business of acting as agent in the purchase and sale of Canadian Equities in the secondary market to U.S. institutional investors. In addition, the firm will from time to time act as a placement agent and/or underwriter in securities transactions, including Rule 144-A transactions.

Our firm does not perform any type of clearing function for itself or others. Furthermore we do not hold customer funds or securities. We accept and enter orders. All transactions are sent to an affiliate broker/dealer, which executes our orders. All orders are effected on a DAP/DVP basis. Our firm services only institutional customers.

Our affiliate firm is Dundee Securities Limited (DSL), 1 Adelaide St. E., Suite 2100, Toronto, Ontario M5C 2V9. DSL is not a FINRA member. This firm's phone number is (416) 337-2100. The DSL website can be accessed at www.dundeecapitalmarkets.com. Our contact person at DSL is Paul Stapleton, Senior V.P. Information Technology PH (416) 350-3215, E-Mail pstapleton@dundeesecurities.com. The alternative contact is, Robert (Bob) Sellars, E.V.P. & CFO, PH: (416) 350-3475, E-Mail: bsellars@dundeesecurities.com. The website address is www.dundeecapitalmarkets.com and the address for this alternate contact is Dundee Securities Ltd., 1 Adelaide St. E. Suite 2100, Toronto Ontario, M5C 2V9.

Office Locations

Our Firm has offices located in Location #1, Location # 2, Location #3 & Location #4.

Office Location #1

Our Location # 1 Office is located at 1 Adelaide St. E., Suite 2100, Toronto, Ontario M5C 2V9. Its main telephone number is (416) 337-2100. Our employees may travel to that office by means of foot, car, subway, train, and bus. We engage in order taking and entry at this location.

Office Location # 2

Our Location # 2 Office is located at 4 Bentall Center, Suite 3424, Vancouver, British Columbia V7X 1K8. Its main telephone number is (604) 647-2888. Our employees may travel to that office by means of foot, car, train and bus. We engage in order taking and entry at this location.

Office Location #3

Our Location #3 Office is located at 1000 De La Gauchetiere Street West, Suite 1100, Montreal, Quebec H3B 4W5. Its main telephone number is (514) 396 0333. Our employees may travel to that office by means of foot, car, train and bus. We engage in order taking and entry at this location.

Office Location #4

Our Location #4 Office is located at 350 7th Ave. SW, First Canadian Centre, Suite 3600 Calgary, Alberta T2P 3N9. Its main telephone number is (403) 232-0900. Our employee(s) may travel to that office by means of foot, car, train and bus. We engage in order taking at this location, however any orders are executed through our Toronto location.

Alternative Physical Location(s) of Employees

In the event of an SBD in Toronto we will move our disaster recovery staff from the affected office(s) to our Business Continuity Planning site located at 1000 De La Gauchetiere Street West, Suite 1100, Montreal, Quebec H3B 4W5. Other staff will be moved to the closest of our unaffected office locations. If none of our other office locations are available to receive those staff, we will move them to DSL's office in Montreal. The address of this location is 1000 De La Gauchetiere Street West, Suite 1100, Montreal, Quebec H3B 4W5. Its main telephone number is (514) 396-0333.

Customers' Access to Funds and Securities

All trades are done on a DAP basis. As such, the firm does not maintain retail customer accounts, funds or securities

If SIPC determines that we are unable to meet our obligations to our customers or if our liabilities exceed our assets in violation of securities Exchange Act Rule 15c3-1, SIPC may seek to appoint a trustee to disburse our assets to customers. We will assist SIPC and the trustee by providing our books and records identifying customer accounts subject to SIPC regulation.

Data Back-Up and Recovery (Hard Copy and Electronic)

Our firm maintains its primary hard copy books and records and its electronic records at Dundee Securities Ltd., 1 Adelaide Street E, Suite 2100, Toronto Ontario M5C 2V9. Douglas Glover, CFO of Dundee Securities Inc. PH: (416) 350-3400 is responsible for the maintenance of these books and records.

Our firm maintains its back-up hard copy books and records on the 22nd floor at Dundee Securities Ltd., 1 Adelaide Street E, Toronto Ontario M5C 2V9. Louis Cavalaris, AML/Compliance Officer of the firm PH: (416) 350-3057 is responsible for the maintenance of these back-up books and records. Our firm backs up its paper records by taking them to our back-up site. We back up our electronic records every quarter end.

Our firm backs up its electronic records daily. The Dataphile (ADP) records are backed up daily by Fidelity Clearing Canada ULC. The back-up servers used by Fidelity Clearing Canada ULC are located at Sungard Availability Services, 2330 Argenta Road, Mississauga Ontario L5N 5Z7

In the event of an internal or external SBD that causes the loss of our paper records, we will physically recover them from our back-up site (electronic records will produce back up paper records). If our primary site is inoperable, we will continue operations from our back-up site or an alternate location. For the loss of electronic records, we will either physically recover the storage media or electronically recover data from our back-up site, or, if our primary site is inoperable, continue operations from our back-up site or an alternate location.

Financial and Operational Assessments

Operational Risk

In the event of an SBD, we will immediately identify what means will permit us to communicate with our customers, employees, critical business constituents, critical banks, critical counter-parties, and regulators. Although the effects of an SBD will determine the means of alternative communication, the communications options we will employ will

include our web site, telephone voice-mail, secure e-mail and any other methods deemed necessary. In addition, we will retrieve our key activity records as described in the section above, Data Back-Up and Recovery.

Financial and Credit Risk

In the event of an SBD, we will determine the value and liquidity of our investments and other assets to evaluate our ability to continue to fund our operations and remain in capital compliance. We will contact our critical banks and investors to apprise them of our financial status. If we determine that we may be unable to meet our obligations to those counterparties or otherwise continue to fund our operations, we will request additional financing from our bank or other credit sources to fulfill our obligations to our customers and clients. If we cannot remedy a capital deficiency, we will file appropriate notices with our regulators and immediately take appropriate steps, including settling all outstanding customer accounts and trades as the regulators instruct. In addition, we will follow the procedures outlined by the regulators in order to continue to operate our business and remedy the capital deficiency.

Mission Critical Systems

Our firm's "mission critical systems" are those that ensure prompt and accurate processing of securities transactions, including order taking, entry, execution, comparison, allocation, clearance and settlement of securities transactions, the maintenance of customer accounts, access to customer accounts, and the delivery of funds and securities. More specifically, these systems include: (a) Dataphile (ADP) order entry and account maintenance (b) the following trading terminals (i) Fidessa Group PLC (ii) IRESS.

We have primary responsibility for establishing and maintaining our business relationships with our customers and have sole responsibility for our mission critical functions of order taking and entry. Our clearing firm provides, through contract, the execution, comparison, allocation, clearance and settlement of securities transactions, the maintenance of customer accounts, access to customer accounts, and the delivery of funds and securities.

DSL will maintain a business continuity plan and the capacity to execute that plan. DSL represents that it will advise us of any material changes to its plan that might affect our ability to maintain our business. In the event DSL executes its plan, it represents that it will notify us of such execution and provides us with equal access to services as its other customers. If we reasonably determine that DSL has not or cannot put its plan in place quickly enough to meet our needs, or is otherwise unable to provide access to such services, DSL represents that it will assist us in seeking services from an alternative source.

DSL represents that it backs up our records at a remote site. DSL represents that it operates a back-up operating facility in a geographically separate area with the capability to conduct the same volume of business as its primary site. DSL has also confirmed the effectiveness of its back-up arrangements to recover from a wide scale disruption by testing.

Recovery-time objectives provide concrete goals to plan for and test against. They are not, however, hard and fast deadlines that must be met in every emergency situation, and various external factors surrounding a disruption, such as time of day, scope of disruption, and status of critical infrastructure (particularly telecommunications) can affect actual recovery times. Recovery refers to the restoration of clearing and settlement activities after a wide-scale disruption; resumption refers to the capacity to accept and process new transactions and payments after a wide-scale disruption. Our

clearing firm has the following proposed SBD recovery time and resumption objectives: recovery time period of 6 hours; and resumption time of 8 hours.

Our Firm's Mission Critical Systems

Order Taking

Currently, our firm receives orders from customers via the telephone, electronically and occasionally in person visits by the customer. During an SBD, either internal or external, we will continue to take orders through any of these methods that are available and reliable, and in addition, as communications permit, we will inform our customers when communications become available to tell them what alternatives they have to send their orders to us. Customers will be informed of alternatives by telephone, e-mail or fax. If necessary, we will advise our customers to place orders directly with DSL at (416) 350-3300 or alternatively by e-mail at jimola@dundeesecurities.com.

Order Entry

Currently, our firm enters orders by recording them on paper or electronically and sending them to DSL electronically or by telephone.

In the event of an internal SBD, we will enter and send records to DSL by the fastest alternative means available, which includes the hand/electronic delivery of orders through any available channel. In the event of an external SBD, we will maintain the order in electronic or paper format, and deliver the order to DSL by the fastest means available when it resumes operations. In addition, during an internal SBD, we may need to refer our customers to deal directly with DSL for order entry.

Order Execution

Our firm does not execute orders, and therefore order execution is referred to below as one of the mission critical systems that DSL provides.

Mission Critical Systems Provided by Our Clearing Firm

Our firm relies, by contract, on DSL to provide order execution.

Alternate Communications between the Firm and Customers, Employees, and Regulators

Customers

We now communicate with our customers using the telephone, e-mail, fax, U.S. mail, and in person visits at our firm or at the other's location. In the event of an SBD, we will assess which means of communication are still available to us, and use the means closest in speed and form (written or oral) to the means that we have used in the past to communicate with the other party. For example, if we have communicated with a party by e-mail but the Internet is unavailable, we will call them on the telephone and follow up where a record is needed with a paper copy in the U.S. mail.

Employees and Regulators

We now communicate with our employees using the telephone, e-mail and in person. In the event of an SBD, we will assess which means of communication are still available to us, and use the means closest in speed and form (written or oral) to the means that we have used in the past to communicate with the other party. We will also employ a call tree so that senior management can reach all employees quickly during an SBD. The call tree includes all staff home and office phone numbers. We have identified persons, noted below, who live near each other and may reach each other in person: ***The person to invoke the call tree is: Louis Cavalaris***

<u>Caller</u>	<u>Call Recipients</u>
A) Louis Cavalaris	
	A) Bruce Latimer
	A) Alex Motherwell
	A) Sebastian Benoit
	A) Jason Imola
	A) Lindsay Weiss
	A) Drew Smith
	A) Cameron Baker
	A) Marco Ottoni
	A) Rachel Goldman
	A) Jean-Francois Lemonde
	A) Marc Lustig
	A) Myles Wesetvik
	A) Joseph Khoubbieh
	A) Rayna Schnapp
	A) Steven Buytels
	A) Chris Naprawa
	A) Donato Sferra
	A) Heather Brown
	A) Jamie Robb
	A) Adam Deffett
B) Robert Sellars	
	B) Gary Boyd
	B) Armando Cassin
	B) David Talbott
	B) Douglas Glover
C) Chris Hunt	
	C) Chris Dabbs
	C) Gina-Lee Gatto

Critical Business Constituents, Banks, and Counter-Parties

Business Constituents

We have contacted our critical business constituents and determined the extent to which we can continue our business relationship with them in light of an internal or external SBD. We will quickly establish alternative arrangements if a business constituent can no longer provide the needed goods or services when we need them because of a SBD. Our major supplier is Dundee Securities Ltd., 1 Adelaide Street E, Suite 2100, Toronto Ontario M5C 2V9, Phone # (416) 350-3388.

Banks

We have contacted our banks and lenders to determine if they can continue to provide the financing that we will need in light of an internal or external SBD. The bank maintaining our operating account is: The Royal Bank of Canada, Main Branch, 200 Bay Street, Toronto Ontario, M5J 2J5 – Contact- Michael Rowles /Phone - (416) 974-7417

If our banks and other lenders are unable to provide the financing, we will seek alternative financing immediately from Dundee Corp., 1 Adelaide St. E. Suite 2100, Toronto Ontario, M5C 2V9, Phone # (416) 863-6990.

Counter-Parties

We have contacted our critical counter-parties to determine if we will be able to carry out our transactions with them in light of an internal or external SBD. Where the transactions cannot be completed, we will work with our clearing firm or contact those counter-parties directly to make alternative arrangements to complete those transactions as soon as possible.

Regulatory Reporting

Our firm is subject to regulation by the U.S. Securities and Exchange Commission (SEC) and FINRA. We now file reports with our regulators using paper copies in the U.S. mail, and electronically using fax, e-mail, and the Internet. In the event of an SBD, we will check with the SEC, FINRA, and other regulators to determine which means of filing are still available to us, and use the means closest in speed and form (written or oral) to our previous filing method. In the event that we cannot contact our regulators, we will continue to file required reports using the communication means available to us. Our regulator contact information is through FINRA Inc., Boston District Office, Suite 900, 99 High Street, Boston MA 02110/ Phone (617) 532-5400/ Fax (617) 451-3524.

Disclosure of Business Continuity Plan

We disclose in writing or provide an internet address (see Part 14, Section 2 - Plan Location and Access) for a summary of our BCP to customers at account opening. We also mail it to customers upon request. Our summary addresses the possibility of a future SBD and how we plan to respond to events of varying scope. In addressing the events of varying scope, our summary (1) provides specific scenarios of varying severity (e.g., a firm-only business disruption, a disruption to a single building, a disruption to a business district, a city-wide business disruption, and a regional

disruption); (2) states whether we plan to continue business during that scenario and, if so, our planned recovery time; and (3) provides general information on our intended response. Our summary discloses the existence of back-up facilities and arrangements. The Summary Disclosure Statement is identical to the Business Continuity Plan.

Update and Annual Review

Our firm will update this plan whenever we have a material change to our operations, structure, business or location or to those of our clearing firm. In addition, our firm will review this BCP annually on or before May 1, to modify it for any changes in our operations, structure, business, or location or those of our clearing firm.

Senior Manager Approval

I have approved this Business Continuity Plan as reasonably designed to enable to enable our firm to meet its obligations to customers in the event of an SBD.

Signed: _____

Title: _____

Date: _____

PART 15 SUPERVISORY CONTROLS

Designated Persons

The CCO is appropriately designated on the Firm Form BD and through FINRA's Contact system. If a change in personnel occurs, the CEO will ensure that the change is reflected on the appropriate documents. Additionally, the CCO will review the websites within 17 business days of the calendar year end to ensure that the contact persons reflected are accurate.

The CCO is the designated principal responsible for the Firm's supervisory controls.

Written Supervisory Procedures

As part of FINRA's standards for admission under NASD Rule 1014(a)(9), the Company must have a supervisory system, including written supervisory procedures and compliance procedures designed to prevent and detect to the extent practicable, violations of the federal securities laws, the rules and regulations there under, and FINRA rules.

This Manual is intended to satisfy the requirement that the Company has written procedures in effect. The procedures set forth in this Manual cover the supervision of registered representatives and other employees and are reasonably designed to effectuate compliance with applicable rules.

All persons will be required to sign an acknowledgment of receipt of this Manual. Such acknowledgments will be maintained as part of the Company's records. Conduct Rule 3010(b)(3) requires that a copy of this Manual must be physically available in the Company's main office. **This Manual must be given to each employee each time it is updated, and must be readily available to all employees and be updated on a continuing basis.** The Company is required to specifically identify to FINRA the principals who are in charge of reviewing the supervisory systems, procedures and inspections. These supervisors must recommend to the Company's senior management whatever action and/or procedures that are necessary for the Company to comply with the rules of FINRA.

During the course of a year, the Compliance Department, under the direction of the Chief Compliance Officer, will be responsible for issuing new and revised policies and procedures to the Firm's registered persons in the form of *Compliance Notices*. The Chief Compliance Officer will issue a bi-weekly report to the CEO/President. This report will update the CEO/President of Dundee Securities Inc. to any new developments. The CCO will maintain evidence of these reviews with comments from the CEO. On an annual basis, the Compliance Department, under the direction of the Chief Compliance Officer, will review the Firm's written supervisory procedures and will make appropriate amendments to them, including, where appropriate, incorporating the procedures identified in the previous year's *Compliance Notices*. The Chief Compliance Officer will be responsible for drafting a report to document the annual review of the supervisory procedures. Copies of previous written supervisory procedures will be maintained for three years from termination of use of that manual.

Annual Review of Operations and Supervisory Policies and Procedures

The Compliance Department, under the direction of the Chief Compliance Officer, will conduct an annual review of the Company's businesses in order to assess the adequacy of its supervisory procedures, systems, and controls for detecting and preventing violations of applicable securities laws and regulations. The review will also encompass an evaluation of the Firm's business and attendant practices when there are significant changes in products and services, distribution strategies or supporting organizational structure. Such annual review will include a review of the procedures/documentation maintained on a daily basis at the Company. The Chief Compliance Officer will ensure that the audit is sufficiently comprehensive to test and verify that the Firm's supervisory systems and procedures are reasonably designed to comply with applicable securities laws and FINRA rules. Based upon the results of the audit, the Chief Compliance Officer will ensure that the systems and/or procedures are amended when/where necessary.

A written report summarizing the scope and the results of the audit will be prepared and submitted to the CEO. The CEO will use the results of the audit for purposes of preparing the Firm's annual CEO certification. The CCO will retain copies of each annual audit report.

In addition, the CCO must conduct a review of the Firm's supervisory controls, as outlined in FINRA Rule 3130. The CCO must prepare a report detailing the Firm's system of supervisory controls, the summary of the test results and significant identified exceptions, and any additional or amended supervisory procedures created in response to the test results. The Supervisory Controls report may be combined with the compliance report described above, but must be presented as a separately identifiable report. The Supervisory Controls Report is presented to other senior management.

The CCO will maintain a copy of the report for six years.

CEO Annual Certification

The CEO will on an annual basis prepare and sign a certification as to the adequacy of the Firm's supervisory controls and supervisory procedures (see Part 1, Registrations – Annual Review Report). The Certification will document the report reviewed as well as the fact that the CEO and CCO have held one or more meetings to discuss the review process, the firm's compliance efforts during the review period and significant compliance problems and plans for emerging business areas. The report will be reviewed by all senior officers prior to or within 45 days of execution of the Certification. The CCO will maintain a copy of the Certification for six years.

Supervision of Producing Managers

The Company does not have any producing managers. The Chief Compliance Officer is responsible for determining if any manager falls under the definition of producing manager. If at any time the CCO should determine that a manager is a producing manager, the CCO will ensure that appropriate procedures are developed to supervise that individual's activities and to determine if heightened supervision is required.

Heightened Supervision of Producing Managers

If at any time the Chief Compliance Officer identifies any producing managers, on a monthly basis, the Chief Financial Officer will provide to the Chief Compliance Officer a report identifying the total revenue generated by all persons supervised by each producing manager over the most recent 12 months. The Chief Compliance Officer will determine whether the total revenue generated by all persons supervised by a producing manager comprises 20% or more of the total revenue of the Firm. If at any time the revenue stream exceeds the 20% threshold, the Chief Compliance Officer will coordinate develop a plan for heightened supervision. The supervisory plan will vary depending on the type of activities conducted by the producing manager. The Chief Compliance Officer will document the plan in writing and will maintain evidence of the supervision.

Branch Examinations

All branch examinations are conducted by the Compliance Department under the direction of the Chief Compliance Officer. The CCO is independent of the branch office managers and is not located within the same office. As such, heightened supervision of branch examinations is not required.

Customer Funds and Securities

The Firm conducts all transactions on a DVP/RVP basis. The Firm only deals with institutional accounts and does not open or carry traditional brokerage accounts. The Firm does not receive customer funds or securities. If for some reason the Firm receives funds or securities from a customer, the funds or securities will be promptly forwarded to the Chief Compliance Officer who will promptly return them to the customer with instructions to refrain from sending such items to the Firm in the future. A copy of the items received and the notice to the customer will be maintained by the CCO.

Changes in Customer Account Information

The registered representative must notify the Chief Compliance Officer of any changes in the customer's situation affecting the information set forth in the new account form. For any changes to the customer's address or investment objectives, the CCO will verify the accuracy of the requested change. The accuracy of the information will be verified either through printing out a copy of updated information from the company's website or through IARD or CRD or through a phone call to the customer. The CCO will maintain evidence of the verification of the change with the customer.

Exhibit 1 Schedule of Designated Responsibilities

Name: **Robert Sellars:** Chief Executive Officer; President

Principal License: 7, 24, 27, 63

Address: Main Office

Effective Date: December 2002

Responsibilities:

- Executive Representative
- Annual Certification (CEO)
- Registration of branch offices and Offices of Supervisory Jurisdiction
- Determination of Supervisory Personnel Qualifications
- Supervisory Personnel Record
- Review Public Underwriting and Private Offerings Due Diligence

Name: **Louis Cavalaris:** Chief Compliance Officer

Principal License: 4, 24, 38, 63, 79, 99

Address: Main Office

Effective Date: March 2004

Responsibilities:

- Chief Compliance Officer
- AML Compliance Officer
- Distribution, Collection and Review of Annual Survey
- Regulatory Requests for Information
- FINRA Contact System
- Planning and Conduct of Annual Compliance Meeting
- Conduct of Annual Review of Business and Supervisory System
- Prepare annual report to CEO (CCO)
- Registration of branch offices and Offices of Supervisory Jurisdiction
- Heightened Supervision
- Distribution and Updating of Written Supervisory Procedures
- Maintenance of Form BD
- Maintain Gifts & Gratuities Log
- Review of Personal Securities Accounts of Associated Persons
- Review of Private Securities Transaction and Outside Business Activities
- Investigating & Reporting Customer Complaints
- Providing Education Regarding Insider Trading
- Administering the Hiring, Registration Processes, and Employment Termination of Associated Persons
- Administering the Firm Element and Regulatory Element of the Continuing Education Program
- Records Relating to Firm Personnel
- Reviewing Advertisements and Sales Material including research reports issued by DSC
- Maintaining the Centralized DO-NOT-CALL List
- Review of Correspondence
- Change of Address & Investment Objectives
- Administer Branch Office, OSJ and Non-registered Location Inspection Program
- Rule 144 Transactions
- Review Public Underwriting Transactions

Review Private Placement/DPP Transactions
Review Pricing of Transactions
Trade Reporting, including OATS, when applicable
Supervise Sales Practice for all Products
Review format for order tickets and confirmations
Review and Approve Accounts

Name: **Gary Boyd:** Compliance Officer

Principal License: 24, 38, 63, 79

Address: Main Office

Effective Date: March 2003

Responsibilities:

Review Electronic Correspondence
Clock synchronization
Reviewing Sales Material including research reports issued by DSC

Name: **Douglas Glover:** Chief Financial Officer; FINOP

Principal License: 27, 99

Address: Main Office

Effective Date: June 2011

Responsibilities:

Financial & Operations Principal
Preparation and Filing Financial Reports
Supervise back office operations
Supervise technology used by the firm
Reviewing Fidelity Bond Coverage
Preparation and reconciliation when needed of books and records
Administering the Hiring, Registration Processes, and Employment Termination of Associated Persons
Maintenance of Expense Sharing agreement and supporting documentation for expense allocation

Exhibit 2 “What is Insider Trading”

Insider Trading

Insider Trading is the use of material nonpublic information to trade in securities or the communication of material non-public information to others. The Firm forbids anyone associated with the Firm from trading, either personally or on behalf of others, on material non-public information or communicating material nonpublic information to others in violation of law. Any questions regarding the Firm's policy and procedures should be referred to the CCO or designate.

The Law Prohibits:

- Trading by an insider, while in possession of material non-public information.
- Trading by a non-insider, while in possession of material non-public information, where the information either was disclosed to the non-insider in violation of an insider's duty to keep it confidential or was appropriated.
- Communicating material non-public information to others.

The elements of insider trading and the penalties for such unlawful conduct are discussed below. If you have any questions you should consult the CCO or designate.

Who is an Insider?

The concept of “insider” is broad. It includes:

- Officers, directors and employees of an issuer.
- “Temporary Insider” includes persons who enter into a special confidential relationship in the conduct of a company's affairs and as a result are given access to information solely for the company's purposes. This can include a company's attorneys, accountants, consultants, bank lending officers, and the employees of such organizations, etc.
- The Firm may become a temporary insider of a company it advises or for which it performs other services.
- The issuer must expect the outsider to keep the disclosed non-public information confidential and the relationship must at least imply such a duty before the outsider will be considered an insider. (U.S. Supreme Court)

What is Material Information?

This is information which a reasonable investor would consider important in making his or her investment decisions, or information that is reasonably certain to have a substantial effect on the price of a company's securities.

Information that should be considered material includes, but is not limited to:

- dividend changes
- earnings estimates
- changes in previously released earnings estimates
- significant merger or acquisition proposals or agreements

- major litigation
- liquidation problems
- extraordinary management developments

Material information does not have to relate strictly to a company's business. It can be knowledge of relevant contents in upcoming publications, research recommendations etc.

What is Non-public Information?

Information is non-public until it has been effectively communicated to the marketplace. Information would be considered public if it were in one of:

- Reports filed with the SEC or Canadian Provincial Securities Commission
- Dow Jones News Wire
- Reuters Economic Services
- The Wall Street journal
- Any other publication of general circulation

Unless you are absolutely sure that the information has been communicated by one of these methods, talk to Compliance.

Penalties for Insider Trading

Penalties for trading on or communicating material non-public information are severe, both for individuals and their employers. A person can be subject to some or all of the penalties below even if he or she does not personally benefit from the violation. Penalties include:

- Civil injunctions
- Treble damages
- Disgorgement of profits
- Jail sentences
- Fines for the person who committed the violation of up to three times the profit gained or loss avoided, whether or not the person actually benefited
- Fines for the employer or other controlling person of up to the greater of 1,000,000 or three times the amount of the profit gained or loss avoided
- Possible sanctions by the Firm, including dismissal of the persons involved

If you receive Inside Information

If you obtain information, which you believe might be inside information, ask yourself these questions:

1. Is the information material?
 - Would an investor consider it important in making an investment decision?
 - Would it substantially affect the price of the securities if generally disclosed?
2. Is the information non-public?
 - To whom has this information been provided?
 - Has the information been communicated to the marketplace via Reuters, The Wall Street Journal or other publications of general circulation?

If the answer is "Yes" to both questions, or there is any doubt at all, then:

- Report the matter immediately to the CCO
- Do not trade in the securities of the issuer on behalf of yourself or others.
- Do not communicate the information inside or outside the Firm, other than to the CCO.
- Compliance will review the issue and determine whether or not you or others must stop trading and/or not communicate the information to anyone.

Containing Inside Information

There are a number of steps that can be taken to reduce the likelihood of inside information being accidentally communicated to persons who should not receive it. These are:

- Inside Information may not be communicated to anyone, including persons within the Firm, except as strictly required in the normal course of their duties (and yours).

Inside Information must only be communicated on a strict "Need to Know" basis.

When undertaking a project Corporate Finance must determine who is "within the wall" and there should be no communication of any inside information to anyone outside the wall, except on a "Need to Know" basis.

- Restrict access to computer files containing inside information.
- Lock overnight any active corporate finance or other files that may contain inside information.
- Non-Corporate Finance Staff should not have access to fax machines, computers, etc. in the Corporate Finance areas of the Firm.
- Confidential Information must never be discussed in public (elevators, etc.).
- The use of code names should be used where applicable to identify a particular project.

Rumors

Employees are prohibited from circulating rumors in any manner whatsoever. If a significant rumor or other information that might possibly be considered inside information or that concerns another member organization comes to the attention of any person associated with the Firm, that person is expected to bring this matter immediately to the attention of the CCO.

A decision will then be made whether to contact the company or the appropriate regulatory body to request public clarification. Under no circumstances may this information be conveyed to customers or other personnel of the Firm, except for the CCO, until permission to do so has been obtained from the CCO.

Sanctions for Insider Trading

Trading on the basis of material non-public information, received directly or indirectly from the issuing company, is a crime that can result in imprisonment and other penalties against the employee and the Firm.

Violators face censure by the SEC, FINRA or the exchanges, suspension and fines. In addition, they may be barred from the securities business.

Under the Insider Trading and Securities Fraud Enforcement Act of 1988, individual violators face:

- jail terms of up to 10 years
- criminal fines of up to \$1 million
- civil penalties of three times the profit gained or loss avoided.

The Firm faces:

- criminal fines of up to \$2.5 million
- civil liability if it is found to have engaged in insider trading in its own accounts or if it has inadequately supervised an employee who has traded on inside information.

The Act provides an express private right of action against insider traders and persons (“tippers”) who provide inside information to others (“tippees”) for persons who traded the same securities contemporaneously with the insider trader or tippee.

Any persons associated with their firm who engage in such practices, fail to supervise other employees who are engaging in such practices or fail to inform a compliance officer of suspected practices by firm employees will be subject to swift and forceful action by the Firm, including immediate dismissal.

Exhibit 3 Summary of Updates to Manual

Date	Page Number	Replacement(s)	Topic
March 2004	Throughout & formalized Anti-Money Laundering (AML) program	Added and formalized AML policy in manual	AML Policy Compliance officer appointments & changes
Sept 2004	Section 16	New section	Contingency Plan
April 2005	Revisions throughout the Anti-Money Laundering (AML) program.	Added to and formalized the following Sections 3,4,5,6 & 7 in the firm's AML program as per recommendations of the AML Annual Review.	AML Policy
April 2005	Page Number 95	Deleted previous DSI employees no longer at the firm from Section 10 of Part 16 of the manual and corrected the Alphabetical Listing of Registrants in Part 1	Updated Contact List and Listing of Registrants at DSI.
April 2005	Page Number 10	Added the names of the Designated Principals responsible for the implementation of Rule 3012	NASD Rule 3012
April 2005	Page Numbers 2,3	Updated Job Category – Add Title Chief Compliance Officer	NASD Rule 3013
March 2006	Throughout	Corrected Registrant & BCP list(s) and provided schedule of designated responsibilities and updated written supervisory procedures for AML Policy	NASD 3010, 3011, 3013, 3012 AML Policy updated Updated BCP/Registrant List NASD Rule 1120(b)(2) SEC Rule 17a-4(g) NASD Rule 6950-57
November 2006	Section 15 Page 48	New section Business Continuity Plan	Supervisory Controls Updated Call Tree List & Address of OSJ
	Page 61	Exhibit 4	Updated Advisor List
March 2007	Page 8		Updated FINOP notification procedure
	Page 19	Part 7	Updated OATS exemptive date
April 2007	Page 48 Page 8	Business Continuity Plan Branch Offices	Updated Call Tree List Added Montreal
	Page 10	Completion of Institutional Account Application Form	Updated required information required
	Page 29	Registration requirements and procedures	Updated HR to review of prior employment

	Page 44	Office Locations	Added Montreal
	Page 48	Business Continuity Plan	Updated Call Tree List
June 2007	Page 62	Exhibit 4	Updated Advisor List
	Page 45	BCP Contact person at DSC	New contact Michael Givens
	Page 46	BCP-Maintenance of Books and Records	New responsible person Robert Sellars
	Page 49	BCP- Call Tree	Paul Burchell/Doug Glover off list – Ian Kirk on
	Page 63	Exhibit 4	Paul Burchell/Doug Glover off list – Ian Kirk on
July 2007	Page 49	Business Continuity Plan	Updated Call Tree List
Aug 2007	Page 49	Business Continuity Plan	Updated Call Tree List
Oct 2007	Page 63	Exhibit 4	Updated Advisor List
	Page 12	Section 3 - Account Opening Procedures	Hold Mail
Nov 2007	Various	Various	Clean up general language of the manual
Mar 2008	Various	Business Continuity Plan	Updated Call Tree List
		Exhibit 4	Updated Registrant List
Feb. 2009	Various	Section 7	Updated OATS/AML Procedures
		Business Continuity Plan	Updated Call Tree List
July 2009	Various	Exhibit 4	Updated Registrant List
		Business Continuity Plan	Updated Call Tree List
August/Sept. 2009	Various	Exhibit 4	Updated Registrant List
		Part 2 & 14 Part 11	Updated Office Locations/List Registration U4 update
		Exhibit 4	Update Registrant List
October 2009 November 2009 February/March /April/Nov./Dec 2010/Feb/April/ Jul/Sept./Nov/11/ Jan./Mar./June/ July/ Aug/Sept/Nov/ Dec 2012 Jan2013	Various Update Registrant List Various see above see above see above see above see above see above see above	Part 14	Update Call Tree List
		Part 4/14	Updated Registrant/Call Tree
		Exhibit 4	Update Registrant List
		Exhibit 4 /Exhibit 1	Update Registrant/Call Tree Lists /Schedule Desig. Resp.
		Business Continuity Plan	Update to AML Template
		Part 14	Mar/2012 – Specific Update
		Revise AML Program	Account Disclosure Policy/July/2012 Suitability Update
		See above	AML Program/Tree /BCP

Exhibit 4

Alphabetical Listing of Registrants

Name	Job Function	Series Courses Passed
Baker, Cameron	Salesperson	38, 63
Benoit, Sebastian	Salesperson	37, 63
Boyd, Gary	Compliance Officer	24, 38, 63, 79
Brown, Heather	Compliance Officer	38, 63
Buytels, Steven	Salesperson	7, 63
Cassin, Armando	Salesperson	38, 79
Cavalaris, Louis	AML /Compliance Officer Chief Compliance Officer	4, 24, 38, 63,79, 99
Dabbs, Chris	Salesperson	37, 63,79
Deffett, Adam	Salesperson	7, 55, 63
Gatto, Gina-Lee	Salesperson	37,63
Glover, Douglas	Chief Financial Officer	27, 99
Goldman, Rachel	Salesperson	37, 63
Hunt, Chris	Salesperson	37, 63,79
Imola, Jason	Salesperson	37, 63,79
Khoubbieh, Joseph	Salesperson	37, 63
Latimer, Bruce	Salesperson	38, 63,79
Lemonde, Jean-Francois	Salesperson	7, 63
Lustig, Marc	Salesperson	37, 63
Motherwell, Alex	Salesperson	37, 63
Naprawa, Chris	Salesperson	37, 63
Ottoni, Marco	Salesperson	7, 63
Robb, Jamie	Salesperson	37,63
Schnapp, Rayna Carrie	Salesperson	37,63,79
Sellers, Robert	President, Secretary, Principal	7, 24, 27, 63,79
Sferra, Donato	Salesperson	37, 63
Smith, Drew	Salesperson	37, 63,79
Talbott, David	Salesperson	37, 63,79
Weiss, Lindsay	Salesperson	37, 63,79
Wesetvik, Myles	Salesperson	37, 63, 55