

Introduction

The Firm recognizes that most of its associated persons working in OSJ, branch or unregistered offices may be involved in other business enterprises, such as insurance, real estate sales, accounting, tax planning, or investment advisory services, and consequently may be classified for compensation purposes as part-time employees or independent contractors. As such, the Firm is authorized to employ the services of “independent contractors” to engage in specific business activities for the Firm. In the event that certain individuals are affiliated with the Firm as independent contractors or under an independent contractor status, such individuals are not to be considered “employees” of the Firm in terms of compensation or other relevant matters as stipulated within Internal Revenue Service (IRS) guidelines.

16.01 Supervision of Independent Contractors

All independent contractors are responsible for adhering to, and maintaining compliance with, all internal Firm policies and procedures as they apply to associated or affiliated persons. The Firm’s designated supervisor shall be responsible for monitoring and supervising activities relating to the organizational structure, employment and status of independent contractors. ►►

Implementation Strategy

The designated principal will review all business activities of independent contractors in relation to their affiliation status with the Firm. All independent contractors will be responsible for reading and abiding by any/all internal policies and procedures as specified in the Compliance and Supervisory Procedure Manual.

16.02 Outside Business Activities and Accounts

As previously stated, all independent contractors are responsible for complying with all of the Firm’s policies and procedures. In the event that an independent contractor wishes to conduct outside business activities, or hold securities accounts outside of the Firm, all necessary procedures must take place in accordance with Firm’s *General Supervision* policies and procedures section of this document.

Outside Business Activities

As stated in *Section 2.02 of the Manual*, in accordance with *NASD Rule 3030*, all associated persons are required to complete a *Request for Approval to Engage in Outside Business Activities Form* prior to conducting any business activities outside of the Firm. Upon receipt of a written notification for outside business activities, the Firm will review all available information and determine the feasibility and/or position on conducting such activities to include any rationale for rendering a final decision.

Some of the general outside business activities conducted by registered representatives may include insurance sales, tax preparation, mortgage brokerage, acting as a finder, which may include the acceptance and receipt of a “finder’s fee,” or serving as an active or passive partner, officer or board member of another organization.

Notification Requirements

At a minimum, all written notifications provided to the Firm by an associated person that involve outside business activities shall include the name of potential outside employer; type of business to be performed; method of compensation; and amount of time involved

in such outside activity. Upon receipt of a written notification by a registered representative or associated person that involves outside business activities, the Firm will issue a written response clearly stating its position by issuing an approval or disapproval of the requested activities. All records of correspondence shall be placed in the respective employee file and/or separate outside business activity file for the purpose of documenting and tracking such activities.

Note: Please see the Firm's Annual Compliance Questionnaire and Request for Approval to Engage in Outside Business Activity Form for further details. ►►

Implementation Strategy

The designated principal will review all outside business activities of independent contractors in relation to their affiliation status with the Firm. Independent contractors will be responsible for reading and complying with the firm's internal policies and procedures in addition to certain information as specified in the Annual Compliance Questionnaire (relating to outside business activities and outside account disclosures).

Private Securities Transactions

All independent contractors affiliated with the Firm are strictly prohibited from conducting private securities transactions except in accordance with *NASD Rule 3040*.

Note: Please see Section 2.02 in this manual for further details.

Written Notification Requirements

Prior to participating in any private securities transaction, an independent contractor shall provide written notice to the Firm describing in detail the proposed transaction and the person's proposed role therein and stating whether he or she may receive selling compensation in connection with the transaction. Upon receipt of a written notification by an associated person that involves private securities transactions, the Firm will issue a written response clearly stating its position on the proposed transaction. All records of correspondence shall be placed in the respective employee file and/or private securities transaction file for the purpose of documenting and tracking such transactions.

Note: Please see the Firm's Annual Compliance Questionnaire for further details. ►►

Implementation Strategy

The designated principal will collect and review all Annual Compliance Questionnaires (relating to private securities transactions) from each registered person on an as needed or at least an annual basis. All reviewed Annual Compliance Questionnaires (relating to private securities transactions) will be initialed and dated as evidence of review and maintained in a central file.

Outside Brokerage Account Activity

An outside account may be defined as any account involving the possession and/or control of general securities or commodities maintained at another firm or other financial institution to include foreign or domestic broker/dealers. Outside accounts may include accounts directly relating to associated persons (or independent contractors) and immediate relatives of such persons. The Firm requires that all associated and non-associated persons (relatives) maintain

copies of their personal brokerage account statements at the Firm. Upon employment with the Firm, each independent contractor is required to notify the Firm of any existing outside accounts.

Personal Trading Accounts of Independent Contractors

Accounts belonging to independent contractors may include any brokerage account that an independent contractor maintains a personal or financial interest. The independent contractor will typically have possession and/or control over the account to include the ability to effect transactions within the account. Other accounts of interest may include any account relating to a relative or other immediate family member residing with an independent contractor, or such person who may be directly or indirectly supported by an independent contractor.

Note: Please see the Firm's Annual Compliance Questionnaire for further details. ►►

Implementation Strategy

The designated principal will require all employees to complete and sign a disclosure form listing any accounts held at other firms on an as needed basis, or at least annually. The Firm shall require each associated person who has a securities account at another firm to instruct the broker/dealer to forward any/all duplicates of account statements to the firm's designated principal. All Annual Compliance Questionnaire as well as employee account statements will be reviewed for indications of inappropriate activity, and initialed and dated as evidence of review and maintained in an outside securities account file for accessibility and filing purposes.

16.03 Independent Contractors as Investment Advisers

The Firm recognizes that some independent contractors may be independently registered (under federal or state registration requirements) as investment advisers. However, all registered investment advisers who are affiliated with the Firm must comply with all of the Firm's policies and procedures. Additionally, investment advisers who wish to engage in investment adviser activities must receive prior approval from the Firm. The following requests for approval shall be submitted to the Firm's designated supervisor:

- Name of the investment adviser business or other entity (d.b.a., etc.);
- A copy of investment adviser's Part I (IARD electronic filing or hardcopy version);
- A copy of investment adviser's Part II of Form ADV;
- Other disclosure documentation or forms issued to customers (e.g. Schedule F, etc.);

The Firm's designated supervisor is responsible for reviewing all requests for conducting investment adviser services, and will retain all documentation of requests at the Firm's location. Additional information may be requested from the investment adviser as necessary. In the event that the Firm approves of such investment adviser activities, the independent contractor is responsible for providing the following additional documentation to the Firm:

- All management fee statements sent to clients;
- All transactional information for managed accounts (Firm may receive downloads from the custodian to satisfy this requirement);

Fees for account management services must be made payable to the Firm.

Independent contractors are to maintain all copies of trading activities, such as confirmations and statements, involving investment adviser accounts for the Firm's review. The Firm may examine the independent contractor's books and records pertaining to such activities on an "as needed" basis. ►►

Implementation Strategy

On a periodic basis, the designated principal will review all relevant documentation such as disclosure documents and other reports used by independent contractors who are also independently registered as investment advisers in relation to their affiliation status with the Firm. All such independent contractors/independent investment advisers will be responsible for reading and abiding by any/all internal policies and procedures as specified in the Compliance and Supervisory Procedure Manual.

Additionally, the designated supervisor will review trade blotters and management fee statements for customers of the independent investment advisor. All fees for continuous account management services must be paid through the Firm.

Note: Guidelines for Advisory Affiliates of the Firm can be found in the IA Policies and Supervisory Procedures Manual

16.04 Independent Contractor Agreements

If select persons are to be affiliated with the Firm in the capacity of an independent contractor, the Firm will require that all such persons read and sign the Firm's Independent Contractor Agreement which shall act as a binding contract between the Firm and independent contractor until such time as the agreement is cancelled. This document details all necessary terms and conditions for providing independent contractor services to and/or for the Firm.

16.05 Use of Business Name and Organizational Structure

The Firm recognizes that in order for independent contractors to conduct business, they may establish and structure their business in the form of a sole proprietorship, partnership, corporation, or other entity. In the event that an independent contractor wishes to establish such a business entity, the Firm prior to use must approve the use of a business name. The Firm's designated supervisor is responsible for reviewing all requests for conducting business through another business entity and will retain all documentation of requests at the Firm's location. The following information will be required for requesting approval:

- Name of the proposed business;
- Description of the type(s) of business products and/or services to be offered to the customer;
- Organizational structure (sole proprietor, partnership, corporation, etc.). ►►

Implementation Strategy

On an as needed basis, the designated principal will review all relevant documentation for approving the use of a business name and/or entity. For example, the designated supervisor shall review the name of the proposed business; description and/or type of products and services to be offered; and the organizational structure of the entity. All such documentation will be reviewed and approved or denied for use. Each review will be documented by the initials of the designated supervisor and the date of review.

Use and Display of Firm Name

All independent contractors who are affiliated with the Firm may only use the Firm's name in connection with authorized products and/or services of the Firm. The use of letterhead, business cards, or other similar materials are to be used only in a manner that is approved by the Firm in connection with authorized portions of the Firm's core product focus.