

*Feltl and Company*  
SECURITIES BROKERAGE AND INVESTMENT BANKING

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**COMPLIANCE ALERT**

**2012-05**

**To:** All Securities Licensed Personnel  
**From:** Mitchell Edwards, CCO  
**RE:** Penny Stock Procedures  
**Date:** **October 10, 2012**

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**REMEMBER – YOU MAY NOT SOLICIT THE PURCHASE OF “PENNY STOCKS”** (i.e., Bulletin Board or Pink Sheets), unless Compliance has approved a specific exception for that stock. Typically, Compliance will only approve exceptions if there is Corporate Finance relationship with the company that allows us to satisfy our due diligence obligations AND/OR the security qualifies for an exemption from the Penny Stock rules due to Revenue or Assets. Attached is a form to request such an exception.

Compliance approval in no way limits the Registered Representative’s responsibility to maintain the proper due diligence file as required by Rule 2111 for all solicited investments.

If you have a customer who desires to make an Unsolicited Purchase of a Penny Stock, he/she may only do so by filling out and signing a copy of our “Unsolicited Letter” in advance of the trade. A copy of the Unsolicited Letter is attached and also can be found on F&C’s website.

The Unsolicited Letter must be received by Compliance prior to purchase. Do NOT ask if you can have a few days to obtain the letter after the trade. Violations of this policy will result in immediate cancellation of the trade. **There are NO exceptions.**

Thanks for your attention and anticipated cooperation.



Mitchell Edwards

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## PENNY STOCK EXEMPTION REQUEST

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Any stock priced under \$5 per share and trades on the OTCBB or Pink Sheets is considered a Penny Stock, unless it qualifies for an exemption. \_\_\_\_\_ (Stock Symbol) is exempt by one of the following requirements:

- \_\_\_\_\_ The company has an average annual revenue of \$6,000,000 or more for the past three years; or
- \_\_\_\_\_ Current net tangible assets of \$2,000,000 or more if the company has been in operation for more than 3 years; or
- \_\_\_\_\_ Current net tangible assets of \$5,000,000 or more if the company has been in operation for less than 3 years.

**Attached to this request is a recent (within the last 12 months) audited copy of the company's financials that verifies this exception.**

\_\_\_\_\_  
Registered Representative's Signature (R.R. No.)

Date: \_\_\_\_\_

**APPROVED:**

Sales Manager: \_\_\_\_\_

Date: \_\_\_\_\_

Compliance: \_\_\_\_\_

Date: \_\_\_\_\_

