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C.L. KING & ASSOCIATES, INC. ORDER HANDLING DISCLOSURES

In order to comply with certain SEC and FINRA Rules, C.L. King & Associates, Inc. ("CLKA") must issue the following disclosures on an annual basis.

Best Execution

CLKA seeks to execute its customer's orders at the most favorable terms reasonably available under prevailing market conditions.

Payment for Order Flow

CLKA routes orders to market centers, including national securities exchanges, alternative trading systems, electronic communications networks, and broker-dealers that may offer credits for orders that provide liquidity and assess fees for orders that remove liquidity from their books, or vice versa. In some cases, the credits offered by a market center may exceed the charges assessed, resulting in a payment to CLKA. Further information about the source and nature of payment for order flow received by the Firm will be provided upon your written request.

Sungard Brokerage Securities – CLKA receives payment from Sungard Brokerage Securities for directing equity order flow to this venue. Payment is in the form of reduced/rebated fees associated with order routing services that are provided to the firm by Sungard.

SEC Regulation NMS Rule 605 & 606

SEC Rule 605 requires market centers to prepare and make available to the public monthly reports in electronic form that categorize their order executions and include statistical measures of execution quality. SEC Rule 606 requires all brokerage firms to make publicly available quarterly reports on their order routing practices. Both of these reports can be accessed via the firm's website at http://www.clking.com. Written copies of these reports will be furnished free of charge upon request.

Additional Regulation NMS

The Order Protection Rule under SEC Regulation NMS prohibits exchanges, market makers and broker-dealers ("Trading Centers") from "trading through" protected quotations for any NMS security. Protected quotations are the best bids and offers on each of the U.S. exchanges, FINRA's Alternative Display Facility ("ADF") and other publicly displayed market venues. A "trade through" occurs when a market participant executes an order at a price that is inferior to the protected quotations displayed in these markets without a valid exemption.

In the event a Trading Center facilitates an order at an inferior price to the NBBO, and absent of any other exceptions, it must simultaneously route Intermarket Sweep Order(s) ("ISO") to execute the full displayed size of any protected quotation with a superior price. In general, CLKA's policy is to provide to its customer the benefits of any better priced ISO executions received within one second after being routed. You may decline to have the ISO executions passed on to you on either a blanket or order by order basis.

"Held" or "Not Held" Orders

When you place an order with your sales representative, you may specify that your order is handled on either a "not held" or "held" basis. A "not held" order means that you have given CLKA discretion to exercise its judgment to obtain the best execution of your order. If given a "held" order, CLKA will not have discretion on handling your order and must execute it at the prevailing market price; or if it's a "held" limit order, any execution will take place at the limit price or better, if available.

As "not held" orders give CLKA the flexibility to work your order to seek and obtain the best execution reasonably available under the prevailing circumstances, your orders will be treated as "not held" unless we

are specifically instructed to treat the order differently. Please note that, under FINRA rules, a "not held" order does not have price protection.

Consequently there is no Limit Order Protection (I.E. no Manning obligation) for these orders and CLKA is not required to match incoming market orders with un-executed better priced limit orders. Nonetheless, any purchase and sale transactions must be consistent with our efforts to provide best execution of your orders.

Please notify your sales representative at the time you place your order if you wish your order to be treated other than "Not Held."

<u>FINRA Rule 5320 – Prohibition Against Trading Ahead of Customer Orders</u>

Rule 5320 generally prohibits a member firm that accepts and holds a customer order from trading a security on the same side of the market for its own account at a price that would satisfy the customer order, unless it immediately executes the customer order up to the size of and at an equal or better price than it traded for its own account. Consistent with existing regulatory guidance, not-held orders are outside the scope of the rule as they do not receive price protection.

CLKA maintains internal controls known as information barriers between its trading units. The information barriers are designed to prevent one trading unit from having knowledge of customer orders held by a different trading unit. With these barriers in place, one trading unit may hold a customer order while another trading unit, including the market making trading unit, executes an order for a Firm account that would satisfy the order.

<u>FINRA Rule 5270 Handling of Block Orders under FINRA's Front Running Rule</u>

FINRA Rule 5270 prohibits FINRA member broker-dealers from executing orders to buy or sell certain securities or related financial instruments when the member has material, non-public information concerning an imminent block transaction in those securities, related financial instruments, or securities underlying the related financial instruments prior to the time information concerning the block transaction has been made publicly available or has otherwise become stale or obsolete. The Rule permits certain exceptions to this prohibition, including transactions that are undertaken to fulfill or facilitate the execution of a client block order.

CLKA may rely on the Rule's exceptions while effecting block orders for its clients. In connection with the handling of your block orders, CLKA may engage in hedging, offsetting, liquidating, facilitating, or positioning transactions ("risk-mitigating transactions") that may occur at the same time or in advance of your order, and these activities may have an impact on market prices. Beyond these risk-mitigating transactions, CLKA and/or its affiliates will refrain from any conduct that could disadvantage or harm the execution of your orders or that would place CLKA's financial interests ahead of yours.

Unless you inform CLKA otherwise in writing ("opt out"), we will conclude that you understand that CLKA may engage in risk-mitigating transactions in connection with your orders and we will conclude that you have given your consent to CLKA to handle your block transactions as described above. You may choose to opt out by providing written notice to C.L. King & Associates, Inc. at 9 Elk Street, Albany, NY, Attn: Compliance. If you opt out, please be advised that CLKA may be limited in the range of execution alternatives. If you have any questions regarding the Rule, please contact our Compliance Department at (518)431-3555.

<u>"Net" Trading</u>

CLKA is a market maker in a number of NASDAQ, OTCBB and Pink Sheet securities; as such we have the capability to execute orders on a "net" basis. A "net" transaction is defined as a principal transaction in which a market maker, after having received an order to buy (sell) an equity security, purchases (sells) the equity security at one price (to/from another broker-dealer or another customer) and then sells (buys from) the customer at a different price.

For our institutional customers, unless instructed otherwise at the time the order has been placed, CLKA may treat your order as a "net" transaction. **Please notify your sales representative at the time you place your order if you do not wish your order to be transacted on a "net" basis.**

For our Non-Institutional Customers, such as those with retail accounts, if you would like to effect a transaction on a "net" basis you must provide written consent to CLKA on an order by order basis prior to CLKA. executing any portion of said order. All orders that are not transacted on a "net" basis may be imposed a commission.

<u>Short Selling and “Locates” of Borrowable Securities</u>

Subject to certain limited exemptions, before executing a short sale, CLKA is required to borrow, arrange to borrow, or otherwise have reasonable grounds to believe that the security sold short can be borrowed for delivery by settlement date. This process is commonly referred to as “obtaining a locate.” A locate is not a guarantee that securities will actually be available for lending and delivery on the settlement date or that the lender will not thereafter require the return of the borrowed securities. If a sufficient quantity of securities is not available from in the firm’s inventory, CLKA, may, among other things, contact third party lenders to ascertain whether they have securities available for lending. If CLKA determines that there are reasonable grounds to believe that a sufficient quantity of securities is borrowable, CLKA may proceed to execute the short sale on behalf of your account. **If CLKA is unable to determine that the shares can be borrowed, the order will not proceed at that time.**

If the order is executed and the securities are not available for borrowing for any reason by the settlement date, you as the seller will “Fail to deliver” to the purchaser. A purchaser or securities lender may, at any time after the giving of any required notice, buy-in the securities that were not timely delivered and you will be responsible for all losses and costs of the buy-in. **You agree to be responsible for any cost or loss CLKA may incur in sourcing and maintaining the borrow, or the cost that CLKA may incur in obtaining the securities if the firm is unable to borrow such securities.**

You are ultimately responsible for the delivery of securities on the settlement date, the consequences of a failure to deliver and the timely return of securities borrowed on your behalf and all costs associated with such borrowings, including costs related to any corporate actions.

<u>FINRA Rule 4340 Callable Securities</u>

When an issuer partially redeems or calls a security, CLKA is notified by a central industry depository. CLKA will first determine whether the call or redemption is made under favorable or unfavorable terms based on a comparison between the call price and market price. If a call is deemed to be favorable CLKA does not include any firm or employee related accounts in the allocation process. When the redemption in unfavorable, CLKA does not exclude firm or employee related accounts from the allocation process.

Once the terms of the call have been determined systematic random lottery processes will occur to select eligible accounts and called quantity for the partial redemption. The random lottery processes are performed to ensure that the partial call redemptions are impartial, fair and consistent with the call allocation. If a favorable call cannot be satisfied it’s only then will the system include firm and inventory accounts to complete the call. An account may not be called or can be called in full or in part depending on the allocation from the repository.

If you have any questions or need additional information regarding any of these disclosures, please contact your sales representative or the Compliance Department at (518)431-3555.