

**Anti-Money Laundering Policies and Procedures**  
**Jepsen Enterprises, Inc.**  
**April 24<sup>th</sup>, 2002**

**Anti-Money Laundering Policy**

Jepsen Enterprises, Inc. and its senior management are strongly committed to combating money laundering and the funding of terrorist and other illegal activities. To help ensure that Jepsen Enterprises, Inc. does not engage in and is not used by others to engage in money laundering, Jepsen Enterprises, Inc. has instituted this anti-money laundering program (the "AML Program"). This AML Program is intended to allow Jepsen Enterprises, Inc. to make a reasonable determination that (i) its customers are not money launderers or terrorist financiers; and (ii) its customers' funds are not derived from or intended for use in money laundering, terrorism, or other criminal activities. In accordance with applicable law, Jepsen Enterprises, Inc. may refuse to deal with a customer, close a customer's account, and/or take other steps appropriate under the circumstances if it is discovered that a customer's funds likely are derived from or intended to further money laundering, terrorism, or other criminal activities.

Jepsen Enterprises, Inc. expects all of its employees to recognize the importance of this AML Program and to accept responsibility for protecting Jepsen Enterprises, Inc. from being exploited by money launderers, terrorists, and those engaged in other criminal activities. Employees must understand that the failure to implement adequately this AML Program could result in liability – for Jepsen Enterprises, Inc. and its individual employees – under U.S. civil and criminal money laundering laws and related regulations. Employees also should understand that penalties associated with anti-money laundering violations can be severe and may include criminal penalties of twenty years' imprisonment, large monetary fines, and significant reputational harm.

Employees must report any suspected violations of the AML Program to the AML Compliance Officer (referred to below) or to a member of senior management. Such reports will be confidential and the reporting employee shall not suffer any retaliation for making them.

Four central elements make up Jepsen Enterprises, Inc.'s AML Program:

1. Policies, procedures, and internal controls that can be reasonably expected to detect suspicious activity and to assure compliance with anti-money laundering laws;
2. Naming an anti-money laundering Compliance Officer ("AML Compliance Officer") who is responsible for implementing and monitoring the operation of Jepsen Enterprises, Inc.'s AML Program;
3. An ongoing training program; and
4. Independent testing of the program.

This AML Program has been approved by Jepsen Enterprises, Inc.'s board of directors, who, upon request, will make this AML Program available to the Treasury Department's Financial Crimes Enforcement Network ("FinCEN") or to the Securities and Exchange Commission.

**Understanding Money Laundering and Terrorist Financing**

**1. Definition of Money Laundering.** Money laundering generally involves dealing in the proceeds of criminal activity (e.g., bribery, fraud, drug trafficking, etc.) when you know or should know of the criminal origins of the proceeds, as well as participating in any transaction intended to facilitate criminal activity. In addition, money laundering may include failing to file required anti-money laundering reports or failing to maintain required anti-money laundering records. Money laundering transactions may involve money in forms other than cash and, accordingly, this AML Program applies to all customers and transactions, not just those dealing in cash.

**2. Stages of Money Laundering.** Money laundering generally is thought of as occurring in three stages. First is the "placement" stage, where cash proceeds of illegal activity are placed into the legitimate financial system. Second is the "layering" stage, in which the funds are moved from institution to institution to obfuscate and distance them from their source. Third is the "integration" stage, in which the funds are introduced into the financial system in a way that makes them appear legitimate.

**3. Definition of Terrorist Financing.** Terrorist financing means the direct or indirect provision of financial assistance to those engaged in terrorist activities. The funds used to provide such assistance may derive from criminal activities or from legitimate activities, such as legitimate businesses or charities. Terrorist financing activities often are referred to as "money laundering" even though money laundering activities encompass far more than terrorist financing.

**4. Penalties for Money Laundering.** Violation of U.S. money laundering laws may be punishable by both criminal and civil penalties. These sanctions may be imposed on both Jepsen Enterprises, Inc. and individual employees. The potential penalties for money laundering include imprisonment, fines, and forfeiture of assets and include but are not limited to the following:

- a. An individual convicted of money laundering may be imprisoned for up to twenty (20) years or made to pay a fine of up to \$500,000 or twice the value of the funds laundered, whichever is greater.

b. Civil penalties may result in up to a \$10,000 fine or the value of the funds involved, whichever is greater.

**5. Reputational Harm.** If a client of Jepsen Enterprises, Inc. is accused of money laundering through accounts maintained with the firm, Jepsen Enterprises, Inc. is likely to be caught up in the investigation. Beyond the criminal and civil sanctions outlined above, the allegation of money laundering carries a potential risk to one of the firm's most valuable assets -- its reputation. Our business depends on honesty and integrity, and harm to the reputation of Jepsen Enterprises, Inc. may severely damage our business.

#### **Designation of Anti-Money Laundering Compliance Officer**

Jepsen Enterprises, Inc. has designated Les Jepsen as the firm's AML Compliance Officer. The AML Compliance Officer shall be principally responsible for:

- This AML Program and ensuring compliance by all Jepsen Enterprises, Inc.'s employees,
- Filing any reports required by this AML Program,
- Responding to AML requests from regulatory and law enforcement personnel,
- Periodically reporting to Jepsen Enterprises, Inc.'s senior management on compliance with the AML Program,
- Keeping abreast of developments in the AML field,
- Providing expertise and oversight in the development and delivery of AML training,
- Making changes to this AML Program as necessary and in consultation with Jepsen Enterprises, Inc.'s senior management, and
- Responding to questions from employees about this AML Program and investigating and addressing AML concerns related to transactions in which the firm has engaged.

#### **Know-Your-Customer Procedures**

Jepsen Enterprises, Inc. applies the know-your-customer ("KYC") procedures below to all of its customers unless the AML Compliance Officer determines otherwise. In such cases, the AML Compliance Officer may waive in writing any of the KYC procedures below.

**A. Collecting and Reviewing New Account Information.** The opening of a new customer relationship represents the best opportunity to develop knowledge of the customer and the types of transactions in which the customer is likely to engage. Accordingly, prior to opening a customer account, Jepsen Enterprises, Inc. will obtain and review the following information from each customer:

##### **Information to be Collected**

- The customer's legal name;
- The customer's date of birth (if the customer is an individual);
- The customer's physical address (not a P.O. Box or email address);
- The customer's telephone number;
- The customer's government identification number (e.g., tax identification number, social security number, or passport number with country of issuance);
- A short description of the customer's primary business (e.g., computer manufacturer, private air carrier, doctor, teacher, etc.), if any;
- A short description of the customer's primary source of funds (e.g., business listed above, inheritance, pension); and
- An estimation of the annual amount the customer will invest.

##### **Information Review**

The information referenced above should be reviewed for logical consistency. Any inconsistencies or oddities in the collected information – e.g., the customer provides a phone number with a New York area code but lists a Texas address, or the customer indicates that he is a college student and wants to invest millions of dollars – as well as any customer inability or unwillingness to provide such information, should be brought to the attention of the AML Compliance Officer. In cases of inconsistencies, the AML Compliance Officer shall determine: (i) whether to try to resolve the problem by contacting the customer or otherwise

obtaining additional information; (ii) whether the customer is a high-risk customer (as explained below); (iii) whether the request to open an account should be refused (or, if the account already has been opened, whether it should be closed); and (iv) whether to file a suspicious activity report, as discussed below.

**B. High-Risk Customers.** With respect to customers who present risks of money laundering, Jepsen Enterprises, Inc. must do more than review the new account information described above. If a customer presents a specific money laundering risk, the level of risk must be assessed and customer information must be verified.

#### **Who Are High-Risk Customers?**

High-risk customers include: (i) a customer with unresolved issues regarding new account information; (ii) a senior foreign political official, a legal entity formed by or for the benefit of such an official, a member of such an official's family, or a person otherwise closely associated with such an official; (iii) a customer whose business is unfamiliar, e.g., a customer from a foreign country with which Jepsen Enterprises, Inc. has had little experience; and (iv) a customer who, after the account is opened, exhibits any suspicious or unusual investment behavior, as discussed below.

#### **Risk Assessment and Risk-Based Verification**

If a customer is deemed high risk, Jepsen Enterprises, Inc. must verify some or all of the new account information, depending on a risk assessment made by the AML Compliance Officer. In some cases, it may be sufficient to verify (using the techniques described below) just a few pieces of information collected, but higher risk customers (e.g., multiple unresolved issues regarding the new account information, unresolved issues coupled with unusual investment behavior, etc.) require broader verification efforts, such as verification of the customer's source of funds. To the extent the verification efforts are unsuccessful or do not make Jepsen Enterprises, Inc. reasonably confident that the customer is engaged in legitimate investment transactions involving legitimately derived funds, the AML Compliance Officer may decide to close the customer's account and/or file a suspicious activity report as described in Part A.

#### **Verification Methods**

Verification methods may consist of one or more of the following, depending on the risks associated with the relationship:

- Contacting the customer;
- Reviewing unexpired government-issued identification (e.g., driver's license or passport);
- Calling references or reviewing written references;
- Reviewing audited financial statement or tax filing; and/or
- Cross-checking customer-provided information with information from a trusted database (e.g., Dunn & Bradstreet or Lexis-Nexis).

**C. Recordkeeping.** Jepsen Enterprises, Inc. shall keep for five years after the closure of a customer's account all information collected during account opening and a record of all verification steps (if any) that have been taken with respect to a customer.

#### **Ongoing Monitoring**

After the initial customer relationship is established, Jepsen Enterprises, Inc. will monitor customer accounts and keep knowledge of the customer up-to-date. Certain "red flags," such as those listed below, may be indicative of money laundering issues. Employees should remain alert for such red flags and notify the AML Compliance Officer if any of these red flags are spotted. The AML Compliance Officer shall follow-up with respect to red flags and determine whether the customer's account should be suspended or closed, and/or whether to file a suspicious activity report, as discussed below.

#### **Red Flags**

- The customer exhibits unusual concern about providing identification or source of funds information or otherwise indicates concern about Jepsen Enterprises, Inc.'s AML Program.
- The information provided by the customer turns out to be false, misleading, or substantially incorrect.
- The customer seeks to engage in transactions that lack business sense or apparent investment strategy, or are inconsistent with the customer's stated business or investment strategy.
- The customer (or a person publicly associated with the customer) has a questionable background, or the Jepsen Enterprises, Inc. becomes aware that the customer is the subject of news reports indicating possible criminal, civil, or regulatory violations.

- The customer exhibits a lack of concern regarding risks, commissions, or other transaction costs.
- The customer appears to be acting as agent for an undisclosed principal, but declines or is reluctant to provide information or is otherwise evasive regarding that person or entity.
- For no apparent reason, the customer has multiple accounts under a single name or multiple names, with a large number of inter-account transactions.
- The customer's account reflects transfers that have no apparent business purpose to or from a foreign country.
- The customer's account indicates large or frequent wire transfers immediately withdrawn by check or debit card without any apparent business purpose.
- The customer makes a funds deposit for the purpose of purchasing a long-term investment followed shortly thereafter by a request to liquidate the position and transfer the proceeds out of the account.
- The customer's account has inflows of funds or other assets well beyond the known income or resources of the customer.

### **Suspicious Activity Reports ("SARs")**

- **Reporting Suspicious Transactions to the AML Compliance Officer.** If any Jepsen Enterprises, Inc. employee learns of any 'red flags' or other signs of money laundering or terrorist financing involving Jepsen Enterprises, Inc., any of its employees, or any of its customers, the employee should promptly alert the AML Compliance Officer (unless the activity involves the AML Compliance Officer, in which case the employee must notify another member of senior management).
- **Determining Whether to File a SAR.** The AML Compliance Officer – in consultation with the General Counsel and Senior Management, as appropriate – will determine whether to file a SAR with law enforcement.
- **Filing Procedures.** If the AML Compliance Officer determines that filing a SAR is warranted, the report generally should be filed within thirty days of the discovery of the suspicious activity. The AML Compliance Officer may file a report using the Form SAR-SF, which is available at [www.fincen.gov/reg\\_bsaforms.html](http://www.fincen.gov/reg_bsaforms.html).
- **Confidentiality.** Jepsen Enterprises, Inc. shall not disclose the information in a SAR or the fact that a SAR has been filed to any entity other than the U.S. government. In particular, such information must in no case be disclosed to the person who is the subject of the report.
- **Recordkeeping.** The AML Compliance Officer shall maintain a copy of the SAR and supporting documents. All such records must be maintained for a minimum of five years from the date of filing.

### **Mandatory Reporting for Certain Currency Transactions and Foreign Financial Accounts**

Anti-money laundering regulations require Jepsen Enterprises, Inc. to file three different types of reports if circumstances warrant it. The three types of reports are: (i) reports on the receipt of currency in excess of \$10,000, also called "Form 8300s"; (ii) reports on the international transportation of currency and monetary instruments in excess of \$10,000, also called "CMIRs"; and (iii) reports on foreign financial accounts, also called "FBARs."

**Form 8300s** – Jepsen Enterprises, Inc. must report to the U.S. government any receipt of currency in excess of \$10,000, including two or more related transactions that aggregate more than \$10,000. The report must be filed within fifteen days of the receipt of the \$10,000. For this requirement, it is important to note that the definition of "currency" includes not only cash but also generally includes cashier's checks, bank drafts, traveler's checks, and money orders if the individual instruments have a face amount of \$10,000 or less. Employees with questions about whether a transaction is subject to the Form 8300 requirement should confer with the AML Compliance Officer. The reporting form and detailed filing instructions for completing and filing the form are available at [www.fincen.gov/form8300dec2001.pdf](http://www.fincen.gov/form8300dec2001.pdf).

**CMIRs** – Jepsen Enterprises, Inc. must report to the U.S. government any involvement in the transportation of more than \$10,000 of cash or monetary instruments to or from outside the United States. The report must be filed within fifteen days of the receipt of the cash or monetary instruments. For this requirement, a "monetary instrument" includes (i) traveler's checks, (ii) negotiable instruments in bearer form, and (iii) securities in bearer form. The reporting form and detailed filing instructions for completing and filing the form are available at [www.fincen.gov/fin105\\_cmir.pdf](http://www.fincen.gov/fin105_cmir.pdf).

**FBARs** – Jepsen Enterprises, Inc. must report on an annual basis any interest in or signature authority over any foreign financial account. The report must be filed on or before June 30 of each calendar year following the year in which Jepsen Enterprises,

Inc. had the interest in or signature authority over the foreign financial account. The reporting form and detailed filing instructions for completing and filing the form are available at <http://www.fincen.gov/f9022-1.pdf>.

## **Information Sharing under the PATRIOT Act**

### **A. Information Sharing with the U.S. Government – Section 314(a)**

Pursuant to section 314(a) of the Patriot Act, the Treasury Department’s Financial Crimes Enforcement Network (“FinCEN”) may, on behalf of any U.S. law enforcement agency, make requests to Jepsen Enterprises, Inc. for anti-money laundering information. FinCEN may require Jepsen Enterprises, Inc. to search its records regarding a particular individual, organization, or entity suspected of engaging in terrorism or money laundering to determine whether it has account or transaction information regarding the subject of FinCEN’s inquiry.

The AML Compliance Officer will be responsible for handling any such “314(a) request” and will coordinate any search to determine whether Jepsen Enterprises, Inc. maintains or has maintained an account for, or has engaged in any transaction with, the subject of the FinCEN request. The AML Compliance Officer will report any results that “match” the FinCEN in the manner and time period specified in the FinCEN request. Jepsen Enterprises, Inc. must treat any request from FinCEN as confidential and may not disclose any information regarding the request or the fact that FinCEN made the request to any other party, including the party that is the subject of the request.

### **B. Sharing Information with Other Financial Institutions – Section 314(b)**

Pursuant to section 314(b) of the Patriot Act, Jepsen Enterprises, Inc. may, under the specific direction of the AML Compliance Officer, share information regarding possible money laundering with other financial institutions and associations of financial institutions. Jepsen Enterprises, Inc. may engage in such information sharing only for the following purposes:

1. To identify possible money laundering and to report such activity in accordance with applicable law;
2. To determine whether to establish or maintain an account or to engage in a transaction; and
3. To assist Jepsen Enterprises, Inc. in complying with other anti-money laundering requirements.

All such information sharing will be handled by the AML Compliance Officer, who shall ensure that:

1. Jepsen Enterprises, Inc. has filed with the Treasury Department a notice of its intent to share information;
2. The other institution or association with which Jepsen Enterprises, Inc. intends to share information is eligible for such sharing; and
3. Procedures have been implemented to ensure the security and confidentiality of such shared information.

## **Prohibited Customers and Transactions**

Jepsen Enterprises, Inc. generally does not do business with OFAC sanctioned entities, shell banks, persons from or involved with countries identified as presenting substantial money laundering risk, and persons on terrorist suspect lists provided by the U.S. government.

**A. OFAC.** The U.S. Treasury Department’s Office of Foreign Assets Control, or “OFAC,” administers certain foreign policy regulations that prohibit transactions with specified countries, such as Cuba, Libya, and Iran, specified persons associated with such countries (“specially designated nationals,” or “SDNs”), and other specified persons. Jepsen Enterprises, Inc. has incorporated its OFAC compliance procedures into this AML Program, and these OFAC compliance procedures are discussed in further detail below.

**B. Shell Banks.** In addition to OFAC prohibitions, Jepsen Enterprises, Inc. does not conduct transactions involving foreign “shell banks.” A foreign shell bank is defined as a bank that does not maintain a physical presence in any jurisdiction. This prohibition does not apply, however, to a shell bank that is an affiliate of a bank that does have a physical presence as long as the shell bank is subject to regulation by the governmental authority that regulates the non-shell bank affiliate.

**C. Countries Identified as Posing a Money Laundering Risk.** If a potential customer’s residence or principal location is in a country that has been deemed non-cooperative in the fight against money laundering by the Financial Action Task Force<sup>6</sup> or designated by the U.S. Treasury Department as a country of “primary money laundering concern,”<sup>7</sup> as a general rule, Jepsen Enterprises, Inc. shall not open an account for the customer. Any exceptions to the general rule shall be made only with the written approval of the AML Compliance Officer, who shall ensure that: (i) transactions involving the country of concern are not strictly prohibited; (ii) Jepsen Enterprises, Inc. has complied with all requirements for engaging in transactions involving the country of concern; and (iii) there has been sufficient verification of the customer’s identification and source of funds information such that Jepsen Enterprises, Inc. is reasonably confident that the customer will engage only in legitimate transactions with legitimately derived funds. The written approval from the AML Compliance Officer must note that these steps have been taken, and the approval must be maintained for five years after the customer’s account has been closed.

## **Persons on Suspected Terrorist List**

The Patriot Act provides that the U.S. government may designate suspected terrorists and require financial institutions to cross-check their customers against a suspected terrorist list. The U.S. government has not yet formulated such a list, but if and when it does, any persons on that list may not be accepted as customers of Jepsen Enterprises, Inc..

#### **OFAC Requirements**

To effect U.S. foreign policies and combat transnational crime, the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC") issues regulations that limit or prohibit certain types of transactions. Jepsen Enterprises, Inc. must strictly comply with all OFAC requirements, and the failure to do so may result in severe penalties for Jepsen Enterprises, Inc. and the individual employees involved. Civil penalties for violations of certain OFAC regulations may amount to up to \$1,000,000, and criminal penalties may result in fines of up to \$10,000,000 and imprisonment of up to thirty years. OFAC regulations change frequently to reflect new foreign policy considerations and threats of transnational crime. Because of the frequency of the changes, it is important to consult current OFAC regulations, detailed summaries of which are available at [www.treas.gov/ofac/](http://www.treas.gov/ofac/). As of February 2004, OFAC regulations restrict or prohibit certain types of transactions with the following countries (generally including the governments of these countries and sometimes including nationals of these countries): Burma; Cuba; Iran; Iraq; Libya; North Korea; Sudan; Syria; Zimbabwe. OFAC regulations also restrict and/or prohibit transactions with certain named persons (including persons designated by the government as terrorists).

#### **AML Training**

Employees of Jepsen Enterprises, Inc. who solicit customers or are involved in customer transactional activities should receive AML training when they begin employment with Jepsen Enterprises, Inc. and annually thereafter.

The training shall be coordinated by the AML Compliance Officer, who shall ensure that the information in this AML Program is conveyed to the appropriate employees. The AML Compliance Officer also shall record the names of the employees who have received AML training and the date the training was provided to the employee. Jepsen Enterprises, Inc. shall maintain these records for five years.

#### **Independent Testing**

Jepsen Enterprises, Inc. shall conduct periodic testing to ensure compliance with all aspects of this AML Program. A person other than the AML Compliance Officer shall be in charge of the testing and shall provide a resulting report to the AML Compliance Officer and senior management. The report shall note any area in which Jepsen Enterprises, Inc. is not complying with the AML Program and shall make suggestions to address any area of noncompliance or to otherwise improve Jepsen Enterprises, Inc.'s AML Program. Testing results must be maintained for five years.