



**SLINGSHOT  
INSIGHTS**

# Call Leader Compliance Training

# Call Leader Compliance Training

- As a “Call Leader” with Slingshot Insights, please take a moment to familiarize yourself with our Compliance Policies
- **This tutorial will serve as a guide to:**
  - ✓ Our company’s values and business philosophies
  - ✓ Current legislation governing expert networks
  - ✓ Slingshot Insights’ Compliance Policies and Procedures



# Our Values and Philosophy

- Our goal is to level the playing field between well capitalized professional money managers and individual investors
- We believe we can make a positive change to the investment and compliance marketplace
- We take all government regulations seriously and our processes and tools aim to provide transparent fact based information to our members

# Call Leader Responsibilities

**As a Call Leader you will speak directly to the Expert Partner, using the Project questions list to guide the Interview. Only you, the Expert, and Slingshot admins will be able to speak on the call.**

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## **Call Leaders Agree to:**

- Not solicit material nonpublic information from the Expert
- Not solicit confidential information from the Expert

## **Before the Call:**

- Familiarize yourself with the project topic & proposed question list prior to the call
- Notify Slingshot Insights immediately if a scheduling conflict arises

## **During the Call:**

- Follow the group's proposed question list as reasonably closely as possible
- Conduct the call from a quiet, interruption free location
- Conduct the interview in the allotted time

# Regulations


**Today's Enforcement Environment: Understanding Insider Trading**

# Insider Trading

## ELEMENTS OF A VIOLATION

### Insider Trading Occurs When One Purchases or Sells a Security:

- While aware of material, nonpublic information (MNPI)
- In breach of a fiduciary duty or a duty of trust or confidence
- With scienter (intent to defraud, recklessness)



*The SEC defines illegal insider trading as “ buying or selling a security, in breach of a fiduciary duty or other relationship of trust and confidence, while in possession of material, nonpublic information about the security. ”*

*Rule 10b5-1 provides that a person trades on the basis of material nonpublic information if a trader is "aware" of the material nonpublic information when making the purchase or sale.*

**Source:** <https://www.sec.gov/answers/insider.htm>

# Material Information

Information is material if a reasonable investor likely would consider it important in making an investment decision or if the information is reasonably likely to affect the market price.

- Highly fact-specific. No bright line test.
- The information can be positive or negative.
- Uncertain, speculative events can be material.
- Information about one company can be material to the stock price of another company in certain circumstances, or an entire industry.

# Nonpublic Information


Information is nonpublic until it has been publicly disclosed.

- Public disclosure means dissemination in a manner reasonably designed to provide broad distribution to the public and the passage of enough time to allow the market to absorb the information.
- Information available to a group of sophisticated parties is not necessarily “public.”



# Insider Trading: Breach of Duty

Insider Trading can occur in a number of manners



|   |  |
|---|--|
| <b>Classic Insider</b>                        | <p><b>Corporate “insider” trades in violation of fiduciary duty to issuer and its shareholders. Insiders include:</b></p> <ul style="list-style-type: none"><li>• Officers, directors, and other permanent insiders</li><li>• Attorneys, accountants, and others who temporarily become fiduciaries of a corporation</li></ul>   |
| <b>Misappropriation<br/>“Outsider Trades”</b> | <p><b>“Outsider” trades in violation of duty of trust or confidence owed to the source of the information (based on):</b></p> <ul style="list-style-type: none"><li>• <u>Relationships</u>: Employment, Family, History, pattern, or practice of sharing confidences</li><li>• <u>Agreement</u>: Oral or written agreement to keep information confidential or not to trade</li></ul>                              |
| <b>Tipper - Tippee</b>                        | <p><b>If a person has a duty not to trade, he/she also may not tip or cause another person to trade.</b></p> <ul style="list-style-type: none"><li>• Tipper is liable if he/she receives a personal benefit including financial gain, reputational benefit, or feeling of satisfaction from gifting the MNPI</li><li>• Tippee is liable if he/she knows or has reason to know of tipper’s breach of duty</li></ul> |

# Real Consequences for Individuals

- **Real consequences for individuals**
  - ★ Significant Jail time
  - ★ Monetary penalties
  - ★ Disgorgement of profits gained or losses avoided
- **Investigations can be as damaging as a proven violation**
  - Reputational risk
  - Costs and burdens
  - Stress and career consequences for individuals

| Significant Jail Time for Insider Trading |                       |
|---|-----------------------|
| Matthew Kluger                            | 144 months (12 years) |
| Raj Rajaratnam                            | 132 months (11 years) |
| Matthew Martoma                           | 108 months (9 years)  |
| Michael Steinberg                         | 42 months (3 ½ years) |



# Situation

**Background:** *The Expert's close friend Jake is the VP of Finance at Gold Star Pharmaceuticals. At a cocktail party the Expert attended last week, he mentioned that work was going very well, and that he was due a large bonus this year pending the completion of a merger with ABC Drug Company.*

On a call between you (Call Leader) and the Expert, the following conversation occurs:



**Call Leader:** Right now there is a lot of talk on social media about the possibility of a merger between ABC Drug Company and Gold Star Pharmaceuticals in relation to their new epilepsy drug, Alpha. Do you think this is a likely occurrence?

**Expert:** ABC Drug Company has recently released Phase II trial data showing positive results for Alpha showing a 40% reduction in seizures for patients who were given the drug. I have a close source that recently told me that a merger is very likely, so I would expect it to occur within the next quarter.

# Situation Review

## How should this situation be handled?

The Expert has disclosed **material nonpublic information**. Trading on this information could affect the price of the stock. At this point, the call leader should stop the call and flag the project in the Slingshot Insights' system. Participants are systematically alerted that the call has been flagged.

### OTHER POSSIBLE EXAMPLES OF MATERIAL, NONPUBLIC (MNPI) INFORMATION INCLUDE:

- Pending mergers, acquisitions, reorganizations, dispositions of assets, or joint ventures
- Significant litigation developments
- Clinical Trial results that have not yet been publicly released
- Significant increases or decreases in the amount of outstanding securities or indebtedness
- Significant changes in financial results and/or financial condition and financial projections
- Dividends or stock splits
- News of new contracts or possible loss of business
- Changes in management or control
- Earnings estimates and other sensitive financial information

# Compliance Measures

**Slingshot Insights' Compliance Policies & System Features**

# Our Expectations for Experts

## Expert Partners are asked to:

- **Participate on calls and/or projects with our members relating to their area of expertise only**
  - These calls will be recorded and stored on our site by our proprietary system for use by members at a later date
- **Join our community in their individual capacity and not as a representative of any organization**
  - Experts may decline participation at any time due to scheduling issues, conflicts of interest, or any other additional concerns
- **Act in good faith, in a professional manner, to the best of their ability, and in accordance with SI's Terms & Conditions and applicable law**

# Expert Compliance Measures

## Expert Partners will NOT be asked to:

- Disclose any *material nonpublic information*
- Give members directed investment guidance or advice
- Answer any questions which are not in compliance with any state or federal regulations
- Provide any information which breaks any existing confidentiality agreements they may have with clients, companies, or governments



# Our Expectations for Call Leaders



## As a Call Leader you are prohibited from:

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- Asking or encouraging the Expert to disclose material nonpublic information (MNPI)
- Asking the Expert for personal contact information or conducting a personal relationship with the Expert outside of the Slingshot Insights' call environment

## If MNPI is disclosed by an Expert, you are required to:

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- “Flag” the call in the Slingshot Insights' system which will generate an alert to all project participants and will be visible to the Slingshot community members via the project page



# Member Compliance Measures

**Slingshot Insights takes all government regulations seriously, and our processes and tools aim to provide transparent fact based information to our members.**

- ✓ All project participants must attest that they will not engage in lines of questions that seek to extract material nonpublic information from an expert or anyone on a research project
- ✓ All calls are systematically recorded & transcribed on our site
- ✓ Our platform provides the ability for all members and external compliance officers to flag any project in which confidential information is suspected to be shared. These flags are visible to all users who are advised to trade at their discretion.
- ✓ Call Leader Compliance Training is available on our website available for reference at any time



# Welcome to Our Community

Thank you for taking the time to become  
a Slingshot Insights Call Leader

WE LOOK FORWARD TO WORKING WITH YOU!

Questions? Email us: [compliance@slingshotinsights.com](mailto:compliance@slingshotinsights.com)