Relationship Guide for brokerage services

Osaic Institutions, Inc.

On behalf of Osaic Institutions, Inc. (referred to as "we," "us," or "Osaic Institutions"), this relationship guide for brokerage services ("Relationship Guide") provides information about the business practices, compensation and conflicts of interest related to our brokerage business. This Relationship Guide is intended to satisfy, along with Form CRS, our written disclosure obligations under the Securities and Exchange Commissions's Regulation Best Interest. Additional information about us and our financial professionals, including Form CRS, is available at investor.gov/CRS, on FINRA's website at brokercheck.finra.org and our website at osaic.com/disclosures.

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Item 1 - Introduction

Osaic Institutions is a Connecticut corporation headquartered in Meriden, Connecticut, and is an indirect subsidiary of Osaic Holdings, Inc. We are a broker-dealer registered with the Securities and Exchange Commission ("SEC") and member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investor Protection Corporation ("SIPC"). We are also registered as an investment adviser with the SEC. We are qualified to sell insurance products in all 50 states. As a broker-dealer, we transact business in various types of securities, including mutual funds, exchange-traded funds ("ETFs"), stocks, bonds, options, private and public partnerships, variable annuities, Unit Investment Trusts ("UITs"), real estate investment trusts ("REITs") and other investment products.

We maintain a network of individuals, referred to as "financial professionals", who offer brokerage services, investment advisory services, or both, depending on their registrations. Some of our financial professionals are investment adviser representatives ("IARs") of Osaic Institutions. We sometimes refer to these specific financial professionals as "financial advisors" or "advisors." Many of our financial professionals work on the premises of unaffiliated financial institutions, such as banks and credit unions. Our financial professionals are primarily independent contractors of Osaic Institutions (whether working in a bank or credit union or on their own), though there are some who are employees. Our financial professionals are dispersed throughout the U.S. and often market services under their own business name or in a name related to the financial institution they are affiliated with.

Although most financial professionals offer both brokerage and investment advisory services, some only offer brokerage services and others only offer investment advisory services. When you are discussing services with a financial professional, you should ask what capacity the financial professional is acting or will be acting – as a broker-dealer registered representative and/or an IAR – when providing services to you. In general, all of the recommendations provided to customers by our financial professionals will be made in a broker-dealer capacity unless they expressly tell you otherwise at the time of the recommendation. Any such statement will be made to you orally by your financial professional.

This Relationship Guide discusses important information regarding financial professionals who act as registered representatives of Osaic Institutions in our capacity as a broker-dealer. For more information about us and the services financial professionals provide when they act as IARs, please see our Form ADV disclosure brochures available on osaic.com/disclosures. For additional information on which type of investment account is right for you, please see our Form CRS (Customer Relationship Summary) available on investor.gov/CRS or osaic.com/disclosures.

Like all financial services providers, Osaic Institutions and its financial professionals have conflicts of interest. Osaic Institutions and its financial professionals are compensated directly by customers and indirectly from the investments made by customers. When customers pay us, we typically get paid an upfront commission or sales load at the time of the transaction and in some cases a deferred sales charge. If we are paid an upfront commission, it means we are paid more when the customer engages in more transactions. When we are paid indirectly from the investments made by customers, we receive ongoing compensation, typically called a "trail" payment, for as long as a customer holds an investment. In addition, we receive compensation from the sponsors of some of the investment products that customers purchase through us. The amount we receive varies depending on the particular type of investment a customer makes. The compensation described in this Relationship Guide represents the maximum gain or profit we receive on an investment, before subtraction of our expenses.

Please also note that not all of the conflicts described in this Relationship Guide apply to a particular financial professional, his or her services or all the products we sell. The types and amounts of compensation we receive change over time. You should ask your financial professional if you have any questions about compensation, costs, fees, or conflicts of interest.

Item 2 - Commissions, fees and other types of sales compensation

Commissions and sales charges

We receive upfront commissions when we execute transactions that result in the purchase or sale of a security. A commission, which also may be called a sales load, sales charge, or placement fee, is typically paid at the time of the sale, and can reduce the amount available to invest or can be charged directly against an investment. Commissions are often based on the amount of assets invested. We receive the sales charge or commission and share it with your financial professional. In some cases, a portion of the sales charge or commission is retained by the investment's issuer. Commissions vary from product to product and within product lines, which creates an incentive to sell a higher commission security rather than a lower commission security. The maximum and typical commissions for common investment products are listed below. For more information about commissions that apply to a particular transaction, please refer to the applicable investment's prospectus or other offering document.

- **Equities and other exchange traded securities.** The maximum commission charged by us in an agency capacity on an exchange traded security transaction, such as an equity, option, ETF, exchange traded note (ETN) or closed-end fund (CEF), is the lesser of $75 plus 0.75% of the transaction value or $0.55 per share. The financial professional can typically discount the commission amount in his or her discretion. The specific commission that you pay will be shown on the trade confirmation that you receive following the transaction. You can find our Standard Brokerage Commission Schedule at osaic.com/disclosures.
- **Mutual funds and 529s.** The maximum commission or sales charge permitted under applicable rules is 8.5%, although the maximum is typically 5.75%. The specific commission that applies can be found in the fund prospectus you receive in connection with the transaction.
- **Annuities.** The maximum upfront commission paid for new sales of annuities is typically 5.5%, but varies depending on the time purchased, and type of annuity, such as fixed, fixed index, traditional and investment-only variable annuities. The specific commission that you pay can be found in the annuity contract that you receive following the transaction.
- **Alternative investments.** For alternative investment products, such as real estate private placements or real estate investment trusts (REITs), the upfront sales load is as high as 6.0%. The specific commission that you pay can typically be found in the offering document for the investment.
- **Unit Investment Trusts (UITs).** The maximum upfront sales charge paid typically ranges from 1.85% to 3.95%, and can depend on the length of the term of the UIT. The specific commission that applies can be found in the prospectus you receive following the transaction.

- **Structured products.** For structured products such as structured notes and market linked certificates of deposit, the maximum upfront commission paid is as high as 4.25%, but varies depending on product, duration and product features. The specific commission that applies can be found in the offering document for the investment.

Markups and markdowns — Principal or dealer transactions

When we buy from, or sell a security to, customers in a principal capacity, we buy or sell the security directly from or to the customer, rather than acting as the customer's agent to buy or sell the security from a third-party. These transactions are also known as "dealer transactions." In these circumstances, if we sell a security at a price higher than what we paid for it, we will earn the difference between the two prices, also called a markup. Conversely, if we buy a security from customer at a price lower than what we sell it for, we will earn the difference between the two prices, also called a markdown. Transactions in corporate and municipal bonds and other fixed-income securities often occur as dealer transactions, and we earn a markup or markdown on each transaction.

The maximum markup/markdown on a transaction with a customer that we receive when acting in a principal capacity typically does not exceed 2.0% of the value of the security. On rare occasions, a markup/markdown may exceed 2.0% on a deeply discounted security or on a very small transaction. In many cases, the actual markup/markdown percentage is lower based on factors such as quantity, price, type of security, rating, and maturity. The specific markup/markdown you pay can be found in the transaction confirmation you receive following the transaction.

Direct fees and charges

If customers hold an account opened through Osaic Institutions with our clearing broker, our clearing broker charges miscellaneous fees directly to the customer's account, such as fees for transaction processing, account transfers, inactivity fees, wire transfer fees, paper statement fees, and retirement account maintenance fees. For direct fees that apply per transaction, our clearing broker receives more fees the more transactions that result from the financial professional's recommendation. These direct fees and charges are set out in our Brokerage Account Fee Schedule located at osaic.com/disclosures. Our clearing broker shares a portion of these types of fees with us. These fees are typically not shared with our financial professionals and are not charged by our clearing broker to the customer if the customer holds an account directly with a product issuer rather than with our clearing broker.

Item 3 - Third-party compensation

Osaic Institutions and our financial professionals receive compensation from investment product issuers and other third parties in connection with investments that our customers make in securities such as mutual funds, annuities, and alternative investments. Some types of third-party compensation are received by Osaic Institutions and shared with our financial professionals, and other types are retained only by us.

Third-party compensation shared by Osaic Institutions with our financial professionals

Trail compensation

Osaic Institutions and our financial professionals receive ongoing compensation from certain investment products such as mutual funds, annuities, and alternative investments. This compensation (commonly known as trails or Rule 12b-1 fees) is typically paid from the invested customer assets of the investment product under a distribution or servicing arrangement with the investment issuer and is calculated as an annual percentage of assets invested by our customers. The more assets you invest in the product, the more we will be paid in these fees. Therefore, we have an incentive to encourage you to increase the size of your investment. The amount we receive varies from product to product. This creates an incentive to recommend a product that pays a higher trail rather than a lower trail. We also have an incentive to recommend a product that pays trails (regardless of amount) rather than products that do not pay trails, and to continue to hold these products after you have purchased them. For more information about trail compensation received with respect to a particular investment, please refer to the prospectus, annuity contract or offering document for the investment.

- **Mutual funds and 529s.** The ongoing payment depends on the class of shares but is between 0.25% and 1% of assets annually.
- **Annuities.** We receive a trail payment from an annuity issuer for the promotion, sale, and servicing of a policy. The amount and timing of trail payments vary depending on the agreement between us and the issuer, and the type of policy purchased by the customer. The maximum trail payment for annuities is typically 1.5% and varies depending on the type of annuity.
- **Alternative investments.** For alternative investment products, such as non-traded REITs, trail payments are as high as 1.5% on an annual basis.

Concessions and mutual fund finder's fee

In certain cases, we and our financial professionals receive compensation from a mutual fund issuer in connection with transactions for which sales charges are waived or under other circumstances and as described in a fund's offering documents. This compensation is generally referred to as a finder's fee or concession and typically ranges between 0.25% and 1% of the transaction amount. We also receive concessions from investment issuers for other types of investments. These concessions vary from product to product and are generally shared between us and the financial professional. Concessions can be as high as 0.25% of the transaction amount for new issues of certificates of deposit, up to 1.25% of the transaction amount for alternative investments such as real estate private placements, and up to 3% of the transaction amount for structured products.

Life insurance

We receive compensation from issuers of life insurance, such as universal, variable universal, whole life, and term and other insurance contracts that are available to brokerage customers. The compensation includes commissions and trails and may include payments for administrative services that we provide and/or payments made in connection with our marketing and sales force education and training efforts, including our annual national sales and education conference and other conferences. We receive commissions in the range of 0.25% to 15% of first-year commissionable premiums. Osaic Institutions may also receive a trail payment in the range of 0.25% to 10% of subsequent premiums, if any. The amount of commission varies depending on the issuer, coverage, and the premium amount.

Non-cash compensation

Osaic Institutions, our employees and financial professionals receive non-cash compensation from investment issuers that is not in connection with any customer or investment. Compensation includes such items as gifts valued at less than $100 annually, a dinner or ticket to a sporting event, or reimbursement in connection with educational meetings, customer workshops or events, or marketing or advertising initiatives, including services for identifying prospective customers. Investment issuers also pay, or reimburse us and/or our financial professionals, for the costs associated with education or training events that may be attended by our employees and financial professionals and for Osaic Institutions conferences and events.

Certain collateralized loan arrangements

Our clearing broker, Pershing LLC ("Pershing"), offers a collateralized loan program referred to as the LoanAdvance program. Under the LoanAdvance program, customers can collateralize certain investment accounts to obtain a secured loan through Pershing. Your financial professional has the ability to markup the interest rate charged by Pershing in connection with secured loans obtained through the LoanAdvance program. In addition, Pershing shares revenue with us and our financial professional based on the interest rate and the amount of the outstanding loan. The LoanAdvance program creates a conflict because we have an incentive to recommend that you utilize the LoanAdvance program and to increase the interest rate that you pay. You are not required to use the LoanAdvance program to obtain a collateralized loan. You should be aware that the LoanAdvance program is only one of many ways to obtain a secured loan.

Many of our financial professionals are located in branches of unaffiliated financial institutions, such as banks and credit unions. Many of these financial institutions offer loans that can be collateralized by your securities account with us. Because the financial professionals are often employees of the financial institutions, they have a conflict because they can be incented to encourage you to utilize the lending services of the financial institution.

Third-party compensation retained by Osaic Institutions

Some types of third-party compensation are received by Osaic Institutions and not shared with our financial professionals. The following types of compensation are retained only by us.

Cash sweep accounts

If a customer holds a brokerage account with Osaic Institutions which is custodied at Pershing, then Osaic Institutions offers a service to sweep cash held within the account into a money market sweep fund or an interest-bearing FDIC insured cash account. For non-qualified accounts, uninvested cash balances are automatically invested in the Federated Cash Reserves money market sweep fund. Osaic Institutions receives compensation from Pershing in an amount up to 0.6% of the assets invested in the fund. For qualified accounts (e.g., IRAs), Osaic Institutions offers a cash sweep option into either the Dreyfus Insured Deposit Program ("DID Program") or the Pershing Government Account Fund money market fund. Customers typically select the sweep option at the time of account opening. The DID Program is a bank deposit sweep program that can provide daily interest income and FDIC insurance on balances up to $2.5 million. The Pershing Government Account Fund is a money market sweep account. We receive compensation from Pershing of up to 0.3% on assets invested through the DID Program and up to 0.6% on assets invested through the Pershing Government Account Fund.

Depending on interest rates and other market factors, the yields on the DID Program accounts and money market sweep funds have been, and may continue in the future to be, lower than the aggregate fees and expenses received by us for a customer's participation in the cash sweep programs. This may result in a customer experiencing a negative overall investment return with respect to cash balances in the cash sweep programs. Interest rates under the DID Program and money market sweep funds may be lower than the interest rates available if you make deposits directly with a bank or other depository institution outside of our brokerage platform or you invest in a money market fund or other cash equivalent. You should compare the terms, interest rates, required minimum amounts and other features of the sweep program with other types of accounts and investments for cash.

Non-sweep money market mutual funds

Customers can invest cash balances in a limited number of money market mutual funds other than as part of a sweep arrangement ("Non-Sweep Money Market Funds"). Depending on interest rates and other market factors, investment returns of money market mutual funds have been, and may continue in the future to be, lower than the aggregate fees and expenses charged by us in connection with the transaction. This may result in a customer experiencing a negative overall investment return with respect to cash reserves invested in the Non-Sweep Money Market Funds. You should understand that the share class offered for a particular Non-Sweep Money Market Fund charges higher fees and expenses than other share classes that are offered by the same Non-Sweep Money Market Fund but are not available on our platform. We receive compensation for Osaic Institutions customer assets invested in the Non-Sweep Money Market Funds for distribution and shareholder servicing services we provide for the funds and in connection with marketing support services we provide to the fund issuers.

Unlike other types of mutual funds available on our platform, we make available Non-Sweep Money Market Funds from only a limited number of mutual fund issuers. By making available a limited number of Non-Sweep Money Market Funds, we can negotiate greater compensation from the fund companies for services we provide to the funds. Because of the limited number of Non-Sweep Money Market Funds available on the platform and the fees paid by those funds, other money market mutual funds not available through our brokerage platform are likely to have higher returns than the Non-Sweep Money Market Funds.

Revenue-sharing payments

We receive revenue-sharing payments from product sponsors who participate in our sponsorship programs. Product sponsors make these payments to incentivize us to promote their products, and the sponsors receive preferential treatment as a result of the payment. These preferences include supporting our product marketing, education and training efforts for financial professionals so that product sponsors can communicate with financial professionals and employees and promote their products. These payments are typically calculated as a percentage of annual new sales, a fixed fee, or as a combination of both. These payments are not shared with our financial professionals.

Mutual funds

Osaic Institutions receives flat annual payments at the discretion of certain fund issuers as support for Osaic Institutions' product marketing and the education and training efforts for financial professionals in connection with the sale of their products. Product sponsors that participate in the program are as follows:

- Invesco

Variable annuities

- AIG
- Allianz
- Brighthouse
- Delaware Life
- Jackson National
- Cuna Mutual Group
- Midland National
- Principal
- Prudential
- Voya
- Great American
- Nationwide
- Pacific Life
- Sammons
- Transamerica
- AXA Equitable
- Global Atlantic
- Lincoln National
- Protective
- Symetra
- Western National

Fixed annuities and fixed indexed annuities

We receive payments of up to 0.60% annually on sales of such products. We also receive flat annual payments at the discretion of certain insurance carriers as support for our product marketing and the education and training efforts for financial professionals in connection with the sale of their products. Product sponsors that participate in the program include the following:

- AIG
- Allianz
- American General Life
- American National
- Athene
- Benefit Bank Distributors
- CUNA Mutual Group
- Delaware Life
- Eagle Life
- Global Atlantic (Forethought)
- Great American
- Jackson National
- Lincoln National
- Minnesota Life & Securian Life
- Prudential
- Prosperity
- Western National
- Oceanview
- New York Life
- Pacific Life
- Security Benefit
- Symetra

- The Standard
- Sammons
- Transamerica
- Western Southern
- Lincoln National
- Principal
- Protective
- Mass Mutual
- Midland National
- SBLI
- USA Life
- Reliance Standard
- United Life Insurance

Alternative investments

For certain alternative investments, we receive payments of up to 1.50% annually on sales of such products. These products include real estate investment trusts and other ’40 Act funds. We also receive flat annual payments at the discretion of certain product issuers as support for our product marketing and the education and training efforts for financial professionals in connection with the sale of their products. Product sponsors that participate in the program include the following:

- Black Creek Capital Partners
- CIM Group (formerly Cole)
- Griffin Capital
- Inland
- Bluerock Capital
- Sammons

UITs

We receive flat annual payments at the discretion of certain issuers of UITs as support for our product marketing and the education and training efforts for financial professionals in connection with the sale of their products. Product sponsors that participate in the program are as follows:

- First Trust Portfolios

Life insurance

Osaic Institutions receives payments of up to 1.5% for sales and retention of insurance products. Product sponsors that participate in the program include the following:

- Independent Order of Foresters
- Gerber Life
- MassMutual
- Midland National
- Mutual of Omaha
- National Life
- Nationwide
- Benefit Bank (formerly National Western)
- OneAmerica
- Minnesota Life
- Vive
- Western Southern
- United Life
- Equitable

Structured products

We receive payments of up to 0.25% annually on sales of certain structured notes and market linked certificates of deposit from the wholesaler of such products. The wholesaler also pays us an annual fixed fee as support for our product marketing and the education and training efforts for financial professionals in connection with the sale of their products. Products included in the program include the following issuers:

- Bank of the West
- Bank of Oklahoma
- Barclays
- BMO Harris
- Citigroup
- Citibank
- Credit Suisse
- HSBC Bank
- JP Morgan Chase
- Morgan Stanley
- Certain Other Proprietary Bank MLCDs

We receive compensation that is based on sales of such products (up to 0.50% annually). We also receive flat annual payments at the discretion of certain insurance carriers as support for our product marketing and the education and training efforts for financial professionals in connection with the sale of their products. Product sponsors that participate in the program include the following:

Insurance marketing organizations

We receive compensation from certain Insurance Marketing Organizations ("IMOs") based on sales of insurance products from product providers represented by the IMOs that assist our financial professionals with life insurance and fixed annuity products. This compensation is used by us to offset a variety of expenses, including marketing, training, educational presentations and other support.

The product sponsors described above pay us different amounts of revenue sharing and receive different levels of benefits for such payments. Because these fees can vary by product issuer, we have a conflict because we have an incentive to recommend a product that pays more in revenue sharing than a product that pays a lower amount. We do not share these revenue sharing payments with financial professionals.

Pershing relationship

Pershing LLC ("Pershing") is the clearing firm for our brokerage and investment advisory business. Due to this business relationship, Pershing provides us significant compensation in our capacity as introducing broker/dealer to offset our general operating expenses. Compensation received consists of a fixed dollar amount per account and a percentage of net new assets and total assets held in accounts introduced by Osaic Institutions to Pershing. Due to the significant penalties Osaic Institutions would incur if we terminated our contract with Pershing within the first several years of contract implementation and made other arrangements to obtain similar services from a different clearing firm, Osaic Institutions has an incentive to continue with the long-term contracts we have in place with Pershing.

In addition, certain custodian fees apply to your brokerage accounts, and the fees are assessed directly to your account. These fees include account transfer fees, IRA custodial and termination fees, confirmation fees, paper confirm statement fees, margin interest, interest on free credit balances, and inactive (custodial) account fees. Depending on the custodial fee, it is applied annually, per transaction, per month, or per CUSIP. In other instances, Osaic Institutions pays a portion of the fee charged. In other instances, Osaic Institutions applies an additional amount to the fees charged by the custodian (a "markup"). Please see the Brokerage Account Fee Schedule at osaic.com/disclosures for details on all of these fees, and footnote 1, which identifies each specific item which Osaic Institutions marks up. The above forms of compensation are in addition to commissions you pay to us. Our financial professionals typically do not receive any part of the revenue generated by these fees.

Our relationship with Pershing creates a conflict because we have an incentive to recommend transactions in securities that utilize the services of Pershing, However, as noted above, our financial professionals do not typically share in the payments that we receive.

Item 4 - Product costs and related conflicts

Our financial professionals provide recommendations with respect to a broad range of investment products, including stocks, bonds, ETFs, mutual funds, annuities, and alternative investments. Each type of investment product carries unique risks, and many investment products charge fees and costs that are separate from, and in addition to, the commissions and fees that we and our financial professionals receive. You can learn more about these risks and the fees and costs charged by an investment product by reviewing the investment product's prospectus, offering memorandum, annuity contract, or other disclosure documents.

Set out below is the typical range of expenses of the various investment products we sell. In most cases, these expenses are in addition to the commissions and fees that we receive for our brokerage services.

ETFs

The expense ratios range from 0.05% to 1.0%, with an average expense ratio of around 0.45%.

Mutual funds

Expense ratios can vary based on the type of mutual fund purchased. The average expense ratio for actively managed funds is 0.5% to 1.0%. The average expense ratio for passive index mutual funds is 0.2%.

Annuities

The typical range of annual expenses associated with annuities is 0.6% to 5.0% dependent upon the combination of options selected by the investor, including type of annuity (variable annuities have a mortality and expense fee whereas fixed index annuities do not), optional riders elected (living and/or death benefits) and investment options where applicable (subaccounts or models for variable annuities).

Alternative investments

The typical range of annual expenses, excluding any commissions or dealer manager fees, is 2.0% to 3.5% which may include management fees, acquisition fees, disposition fees, performance participation fees, organization and offering fees, or interest payments on borrowed funds.

UITs

Typical annual operating expenses for UITs range from 0.2% to 4.0%. Equity UITs usually comprise the low end of the range while UITs whose trust consist of a basket of CEFs typically comprise the high end of the range.

Share class and fund selection

We offer various share classes of mutual funds and 529s. As an example, certain mutual fund share classes, often referred to as Class A shares, charge an upfront sales charge and an ongoing trail. For other mutual fund share classes, often titled Class C shares, there is no upfront sale charge paid. However, there is an ongoing trail payment and a contingent deferred sales charge to the investor if there is a redemption within a certain period of time after purchase. Depending on the length of the holding period for the mutual fund or 529, and other factors, one share class may be less expensive to the investor than another. Osaic Institutions and our financial professionals earn more or less in compensation for one share class than another. We and our financial professionals have a conflict because we have an incentive to recommend that you purchase an investment in a share class that pays us more compensation.

Because of their characteristics and sales load structure, mutual funds generally are longer term investments. Frequent purchases and sales of mutual funds can result in significant sales charges unless the transactions are limited to exchanges among mutual funds offered by an issuer that permits exchanges without additional sales charges. We and our financial professionals have a conflict because we have an incentive to recommend exchanges to mutual funds that assess new or additional sales charges. We maintain policies and procedures that are designed to detect and prevent excessive mutual fund switching, but you should monitor your account and discuss with your financial professional any frequent mutual fund purchases and sales.

Some share classes or funds we offer do not charge or pay to us an upfront sales charge and pay us ongoing trails of 0.25% or less annually ("no-load funds"). Osaic Institutions makes no-load funds available only to certain customers or through certain of our programs. We may be compensated in other ways by issuers of no-load funds, such as through revenue sharing payments. Because of the limited compensation from no-load funds, we have an incentive to limit the availability of no-load funds we offer and to recommend you invest in funds that impose sales charges and trails.

We also offer various mutual funds and ETFs, some of which have similar or identical investment strategies but differing fee structures. For example, a mutual fund that is designed to track an index of securities, such as the S&P 500 Index, may have higher or different types of fees than an ETF that is designed to track the same index. Whether a fund or ETF is more expensive than another fund or ETF with a similar or identical investment strategy may depend on factors such as length of holding, size of the initial investment and other factors. Osaic Institutions and our financial professionals may earn more compensation for one fund or ETF than another, giving us and our financial professionals an incentive to recommend the product that pays more compensation to us.

Item 5 - Client referrals, other compensation and other conflicts

Payment for referrals

Many of our financial professionals offer brokerage and advisory services on the premises of unaffiliated financial institutions, like banks and credit unions. In many of these cases, the financial institution pays an employee (e.g., a teller) a "nominal" fee for referrals to the financial professional in accordance with applicable banking laws and regulations.

Osaic Institutions and our financial professionals may at times enter lead generation, marketing and/or referral arrangements with third parties and other financial intermediaries, including for the purpose of introducing new customers. The fees paid for these services can be structured in various ways, including an ongoing flat fee.

Margin

We offer customers the ability to purchase securities on credit, also known as margin purchases. When a customer purchases securities on margin, Pershing extends a line of credit to the customer and charges interest on the margin balance. We have a financial incentive to encourage margin borrowing because Pershing shares with Osaic Institutions the revenues it earns on customer margin accounts. That financial incentive creates a conflict of interest because we benefit from a customer's decision to borrow and incur the various fees and interest described above. We share margin revenue with a small number of our financial professionals. These financial professionals have a conflict because they have an incentive to recommend that you purchase securities on margin. If contemplating use of margin, please consult the Pershing Margin Agreement and related disclosures for additional details.

Error correction

If a customer holds an account with us and a trade error caused by us occurs in the account, we will cancel the trade and remove the resulting monetary loss to a customer from the account. If a trade correction is required as a result of a customer action (e.g., if a customer does not make full payment for purchases or fails to deliver negotiable securities for liquidations before trade settlement), we will cancel the trade and any resulting monetary loss will be borne by the customer. In the case of a trade that requires a correction and that resulted in a monetary gain to the customer, such gain may be removed from the account and may result in a financial benefit to us.

Rollovers and exchanges

If you decide to move assets out of a retirement plan, such as a 401(k) plan, and into an individual retirement account ("IRA"), called a "rollover," we have a financial incentive to recommend that you invest those assets with us. This is because we will be paid on those assets, for example, through commissions, fees and/or third party payments. You should be aware that such fees and commissions likely will be higher than those you pay through the plan, and there can be custodial and other maintenance fees. As securities held in a retirement plan are generally not transferred to an IRA, commissions and sales charges may be charged when liquidating such securities prior to the transfer, in addition to commissions and sales charges previously paid on transactions in the plan.

Some investment products, such as fixed and variable annuities, carry surrender charges that are incurred if the investment is sold prior to the end of the surrender period. Our financial professionals sometimes recommend new investments upon the expiration of the applicable surrender period. Our financial professionals have a conflict because they have an incentive to sell a new investment product and generate a new commission or sales charge when the surrender charge on an existing product is no longer applicable.

Limitations on investment recommendations

Osaic Institutions and our financial professionals offer and recommend investment products only from investment issuers with which we have entered selling and distribution agreements. Other firms may offer products and services not available through us, or the same or similar investment products and services at lower cost. In addition, we may only offer certain products in a brokerage account, even though there is a version of the product that may be offered at a lower cost through an advisory account, and vice versa.

The scope of products and services offered by certain of our financial professionals may also be more limited than what is available through other financial professionals. A financial professional's ability to offer individual products and services depends on his or her licensing, registrations, training, or branch office policy restrictions. For example, a financial professional maintaining a Series 6, Series 63 and Life Insurance Agent license is limited to providing investment company securities, such as mutual funds and UITs and variable annuity contracts. A financial professional maintaining a Series 7, Series 63 and Life Insurance Agent license can provide recommendations, including all securities available for sale by a Series 6 representative as well as individual stocks, bonds, and alternative investments, among others. As another example, a financial professional may only be licensed to provide brokerage services, and not advisory services, or vice versa. To provide investment advisory services, a financial professional is often required to be registered as an IAR with the state in which he/she has a place of business.

Customers should ask their financial professional about the securities or services he/she is licensed or qualified to sell, and his or her ability to service investments that you transfer to us from another firm. You should also review the licenses held by your financial professional by visiting the FINRA BrokerCheck system at brokercheck.finra.org.

Compensation of certain Osaic Institutions employees

Certain of our employees provide sales support resources to financial professionals who offer various types of brokerage and advisory products, programs, platforms, and services. The compensation that we pay to these employees varies based on several factors, including assets in the program and compensation earned by us from the sales of these products and services. These sales employees have an incentive to promote certain Osaic Institutions programs and platforms over others or those available through third parties.

Participation or interest in client transactions

Financial professionals can invest in the same securities that they recommend to customers or in related securities, such as options or other derivatives. This creates a conflict because there is a possibility that financial professionals might benefit from market activity by a customer in a security held by such person. In addition, a financial professional may trade in the recommended securities at or around the same time as the customer to the customer's disadvantage.

Item 6 - Financial professional compensation, fees and related conflicts

Many of our financial professionals offer brokerage and advisory services on the premises of unaffiliated financial institutions, like banks and credit unions. In most of these arrangements, the financial professional is an employee of the financial institution and an independent contractor of Osaic Institutions. In a small number of arrangements, the financial professional is an independent contractor of both the financial institution and Osaic Institutions. In very limited cases, the financial professional is our employee. Lastly, we have a number of financial professionals who are independent contractors of ours and who are not affiliated with a financial institution. Described below are the compensation and other benefits that financial professionals receive either directly or indirectly through us.

Cash compensation

In financial institutions where our financial professional is an employee of the institution, we typically share compensation directly with the financial institution, including a portion of the brokerage commissions and fees the financial professional generates. In this case, the financial institution pays a portion of the compensation to the financial professional. This compensation can vary depending on the investment product or service recommended. The financial institution can limit the types of products that can be sold by a financial professional.

We typically share with the financial institution between 80% to 100% of the commissions and ongoing trail payments that we receive in connection with the investment. In this case, the financial professional, as an employee of the financial institution, will be compensated by the financial institution in accordance with the terms agreed upon between the financial institution and the financial professional and approved by us (which varies depending on each financial institution and financial professional). This compensation is usually in the form of salary, bonus, a percentage of commissions and fees, or a combination of these factors. Financial institutions sometimes compensate financial professionals based upon sales goals or targets. Financial professionals have a conflict because they have an incentive to meet these sales goals or targets. In addition, some financial institutions are affiliated with investment product issuers, such as issuers of market linked certificates of deposit. These arrangements present a conflict of interest for the financial professional to encourage customers to invest in that financial institution's proprietary investment products.

If the financial professional is not an employee of the financial institution where he or she provides services to a customer, we typically share between 25% to 75% of the revenues generated with the financial professional and between 15% to 35% with the financial institution. We directly employ a limited population of financial professionals located in financial institutions. Such financial professionals are compensated in a manner consistent with financial professionals employed by financial institutions and described above.

For our independent financial professionals, we typically pay a percentage of the revenue the financial professional generates from sales of products and services. The percentage received can vary (typically between 80% to 100%) depending on his or her agreements with us and the investment product or service recommended, and can be more, or less, than what he or she would receive at another brokerage firm.

As described above, compensation for financial professionals is typically based upon a percentage of the revenue they produce for us. The payments can include a bonus that is based on the amount of assets serviced or revenue generated by the financial professional. In addition, many financial professionals are paid on a "grid" with escalating tiers as their revenue increases. This creates a conflict because our financial professionals have an incentive to generate more revenue by encouraging you to trade more, purchase higher compensation investments, or increase your assets under management in order to generate more income, be eligible for more incentive awards or to increase the tier in their compensation grid.

In addition, we pay compensation to branch managers based on sales of products and services in the branch or related to the branch. In some cases, financial professionals pay a portion of their compensation to their branch manager or another financial professional for supervision and/or administrative or sales support. There is a conflict of interest because the compensation affects the branch manager's ability to provide objective supervision of the financial professional. Osaic Institutions and the branch managers have an obligation to supervise the financial professionals and may decide to terminate a financial professional's association with us based on performance, a disciplinary event, or other factors. The amount of revenue a financial professional generates creates a conflict of interest when considering whether to terminate a financial professional.

Other benefits

Financial professionals are eligible to receive other benefits based on the revenue they generate from sales of products and services. These benefits present a conflict of interest because the financial professional has an incentive to remain a registered representative of Osaic Institutions to maintain these benefits. These benefits include eligibility for special recognition programs, awards, practice management support and enhanced service support levels that confer a variety of benefits, and conferences (e.g., for education, networking, training, and personal and professional development). Such benefits also include payments that can be in the form of repayable or forgivable loans (e.g., for retention purposes or to assist a financial professional grow his or her securities practice). If we make a loan to a new or existing financial professional, there is also a conflict of interest because our interest in collecting on the loan affects our ability to objectively supervise the financial professional.

Our financial professionals also receive non-cash compensation from some of our product issuers, including mutual funds and insurance companies. This compensation includes business entertainment, expense reimbursement for travel associated with educational or similar business meetings, financial assistance in covering the cost of marketing and sales events, and small gifts. This non-cash compensation creates a conflict because our financial professionals have an incentive to recommend those investments whose issuers offer these forms of compensation.

Fees charged to financial professionals

We charge financial professionals or the unaffiliated financial institution, if applicable, various fees for, among other things, trade execution, administrative services, insurance, certain outside business activity related supervision, technology, and licensing. Depending on the situation, these fees make it more, or less, profitable for financial professional to offer and recommend certain services or products over others. In certain cases, these fees are reduced based on the financial professional's overall business production or the amount of assets serviced by the financial professional, which gives the financial professional an incentive to recommend that customers invest more in their account or engage in more frequent transactions. Transaction fees charged to a customer's financial professional can also vary depending on the specific security that the financial professional recommends. As an example, the transaction fees a financial professional must pay to us to purchase or sell a mutual fund for a customer's account may differ between funds, which creates an incentive for the financial professional to recommend the fund that carries the lowest transaction charge.

Recruitment compensation and operational assistance

If a financial professional or related financial institution recently became associated with us after working with another financial services firm, he or she may have received recruitment compensation from us in connection with the transition. In many cases, this transition assistance includes payments from us that are commonly intended to assist a financial professional with costs associated with the transition; however, we do not verify that any payments made are used for transition costs. These payments can be in the form of repayable or forgivable loans. The loans are generally subject to repayment if the financial professional leaves us before a specified period or other conditions are not met. In addition, for certain situations involving the transfer of customer accounts from a third-party platform to our platform, existing financial professionals are eligible to receive a payment of up to 0.10% of the total customer assets transferred to us to assist with offsetting the estimated time and expense he or she incurs to complete the account transfer process.

The amount of recruitment compensation is often significant in relation to the overall revenue earned or compensation received by the financial professional at his or her prior firm. Such payments are generally based on the size of the financial professional's business established at his or her prior firm, for example, a percentage of the revenue earned or assets serviced at the prior firm, or on the size of the assets that transition to us. The receipt of this compensation creates a conflict of interest in that the financial professional has a financial incentive to recommend that a customer open and maintain an account with us for advisory and/or brokerage services, and to recommend switching investment products or services where a customer's current investment options are not available through us, in order to receive the this type of benefit or payment. In addition, as the financial professional can have a reduction in income during the transition from a prior firm to us, there is a conflict in that the financial professional may try to make up the shortfall by having customers engage in excessive or unnecessary trading.

Should a financial professional recommendation be for a customer to move assets from another brokerage firm to us, customers can incur fees from the prior firm including liquidation fees, account termination, or transfer fees. Our fee structures will be different than from the prior firm and fees for services such as wire transfers, courier fees, postage costs could be more expensive at Osaic Institutions than at the prior firm.

Outside business activities of financial professionals

Financial professionals are permitted to engage in certain Osaic Institutions-approved business activities other than the provision of brokerage and advisory services through us, and in certain cases, a financial professional receives more compensation, benefits and non-cash compensation through the outside business than through us. Some financial professionals are accountants, real estate agents, insurance agents, or tax preparers, and some financial professionals refer customers to other service providers and receive referral fees. As an example, a financial professional could sell insurance through a separate insurance agency. In these circumstances, the financial professional would be subject to the policies and procedures of the third-party insurance agency related to the sale of insurance products and would have different conflicts of interest than when acting on behalf of us. In addition, the financial professional may earn compensation, benefits and non-cash compensation through the third-party insurance agency and may have an incentive to recommend the customer purchase insurance products away from us. If you engage with a financial professional for services separate from us, you may wish to discuss with him or her any questions you have about the compensation he or she receives from the engagement.

Customers sometimes desire to enter into other outside business arrangements with our financial professionals, including making joint investments with them or lending them money. We have policies and procedures that severely restrict the ability of our financial professionals to enter into these kinds of business relationships with our customers. In the event that you enter into this type of arrangement with a financial professional away from us, the financial professional has a conflict because they have an incentive to place their personal interest ahead of yours.

In summary, a financial professional that is involved in outside activities as described above, as well as being involved in businesses with customers, can create a conflict where the financial professional is putting the interests of these other outside activities ahead of those of their customers.

Additional information about your financial professional's outside business activities is available on FINRA's website at brokercheck.finra.org.

Compensation for other services

Osaic Institutions and our financial professionals can offer various types of advisory and brokerage programs, platforms, and services, and earn differing types and amounts of compensation depending on the type of service, program or platform in which you participate. This variation in compensation can incentivize a financial professional to recommend services, programs or platforms that generate more compensation for us and the financial professional than others.

Conflict between advisory and brokerage accounts

A conflict exists in recommending advisory versus brokerage accounts. If you expect to trade securities frequently in your account, a brokerage account in which you pay a commission for each transaction may generate more compensation for the financial professional than an advisory account that generates compensation in the form of investment advisory fees. The conflict here is that a customer in an advisory account that trades frequently may incentivize the financial professional to recommend the customer move to a brokerage account. Conversely, a customer that does not trade frequently in a brokerage account does not generate income for the financial professional. If the customer moves from a brokerage account to an advisory account, the financial professional can earn the advisory fee regardless of whether there is trading.

Political and charitable contributions/gifts

A financial professional making political and charitable contributions, as well as giving or receiving gifts, can create a conflict in that contributions and providing gifts may lead to the financial professional either being influenced by, or attempting to influence, customers.

Financial professional as trustee/executor

Customers sometimes ask our financial professionals to act as trustee or executor in connection with their estate planning. We generally limit the circumstances when your financial professional can act in these roles. You should be aware, however, that financial professionals who act in these capacities have a conflict because they have an incentive to place their personal interest ahead of yours.

Item 7 - Other financial industry affiliations

We are affiliated with other financial services companies. We are a solicitor for other securities firms where we receive a fee from those firms. The potential conflict exists where we can recommend a certain advisor based upon compensation received rather than appropriateness for the customer.

Please consult the Disclosures page on our website for the current information about our brokerage compensation and related conflicts of interest. We post changes to this disclosure on our website osaic.com/disclosures from time to time. We may not notify customers when these changes are made, so customers should consult the website to learn about any changes that have been made. If customers are unable to access the website or require paper copies of any documents referenced here, please contact your financial professional.