

## **Compensation and Reimbursement of Expenses to Ladenburg Thalmann and Representatives**

Ladenburg Thalmann & Co. Inc., Securities America, Inc., Triad Advisors, LLC, Securities Service Network, LLC, Investacorp, Inc. and KMS Financial Services, Inc., (together “Ladenburg Thalmann”), and their representatives receive revenue on the products and services you purchase from several sources.<sup>1</sup> These sources include fees and charges you pay and other arrangements we have in place with affiliated and non-affiliated entities including: sales charges; commissions; periodic fees; periodic expenses paid from product assets such as 12b-1 fees from mutual funds and the funds available in variable annuities; financial planning and advisory service fees; a portion of the organization and offering fees and expenses for REITs, limited partnerships and other nonpublic securities offerings.

Ladenburg Thalmann receives compensation from certain mutual funds and variable product sponsors available to you through our representatives. For commission-based products, these payments include:

- sales charges (sometimes called loads); and
- trailing commissions (including service fees known as 12b-1 payments).

We also receive additional payments called revenue sharing payments and/or marketing allowances from certain product sponsors under special agreements with those partner firms. Additional details concerning the Partners Program and Non-Publicly Traded Products are set forth below. We also maintain revenue and marketing allowance payment programs involving certain Real Estate Investment Trusts (commonly referred to as REITs). Representatives of product sponsors, often referred to as “wholesalers,” work with Ladenburg Thalmann and its representatives to promote their products. These product sponsors are generally granted access to our representatives to promote their products. Consistent with rules set out by the Financial Industry Regulatory Authority, certain of these wholesalers and/or their firms, when consistent with their internal policies, pay Ladenburg Thalmann for training or education of our representatives. Some product sponsors also make payments to Ladenburg Thalmann to promote the marketing of their products to clients which payments include covering in whole or in part the cost of seminars for clients and potential clients. Some product sponsors, when consistent with their internal policies, also invite representatives to due diligence or continuing education meetings regarding their products. From time to time Ladenburg Thalmann allows its representatives to attend off-site training sessions that are sponsored or co-sponsored by these product sponsors. Ladenburg Thalmann prohibits the promotion of any product, including those issued by fund families, insurance carriers, or sponsors, over another based solely on additional payments or other considerations received from the sale or marketing of products. Representatives are required to make recommendations to clients based on the clients’ needs and objectives; however, receipt of such reimbursements also creates a conflict of interest in the form of an incentive by your representative to recommend products that provide such payments. We encourage you to talk with your representative about any fees or compensation they receive from the sale of investment products.

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<sup>1</sup> Certain of the disclosures contained herein apply primarily to the broker-dealer business of the Ladenburg Thalmann affiliated broker-dealers. As set forth herein, certain of the disclosures apply to the Ladenburg Thalmann affiliated registered investment advisory firms, each of which maintains a Form ADV and brochure that discloses certain types of compensation and how such compensation flows from those services. To the extent you seek further information about the fee and compensation structure associated with one or more of those affiliated advisory firms, such information is contained in the appropriate Form ADV and brochure, which will be furnished upon request.

Some representatives also receive incentives to join and remain affiliated with Ladenburg Thalmann through certain Ladenburg Thalmann compensation arrangements that include bonuses, enhanced pay-outs, forgivable loans and/or business transition loans. The receipt of such compensation creates a conflict of interest.

On occasion, in connection with the transfer of assets onto its clearing platforms, Ladenburg Thalmann receives revenue from its clearing firms, which include National Financial Services, LLC (“NFS”) and Pershing LLC (“Pershing”). In some cases, a portion of that revenue is passed on to its representatives who determine whether to share it with clients to reimburse them for applicable transfer-of-asset fees.

Ladenburg Thalmann includes a number of affiliated SEC-registered investment advisory firms: Ladenburg Thalmann Asset Management Inc., Securities America Advisors, Inc., Arbor Point Advisors, LLC, Triad Advisors, LLC, Triad Hybrid Solutions, LLC, SSN Advisory, Inc., Investacorp Advisory Services, Inc., and KMS Financial Services, Inc., (together “Ladenburg Thalmann Advisors”). Ladenburg Thalmann Advisors has created the Partners Program for independent investment advisor firms. Independent investment advisor firms are selected to participate based on several criteria including, investment strategy, investment performance, transaction reporting capabilities and training and wholesaling support. In exchange for certain benefits, such as broader access to our representatives, the independent investment advisors in the Partners Program pay to participate in that program by sharing with Ladenburg Thalmann Advisors<sup>2</sup> a portion of the revenue generated by distributing such Partner’s products and services and/or paying a specified annual dollar amount. In addition, firms that have selling agreements with Ladenburg Thalmann Advisors can pay a fee to attend conferences and other events.

Some Ladenburg Thalmann representatives receive reimbursements, marketing and distribution allowances, due diligence fees, or other revenue based on deposits and/or assets under management directly from third-party asset manager program sponsors for the costs of marketing, distribution, business and client development, educational enhancement, and/or due diligence reviews incurred by Ladenburg Thalmann Advisors and/or Ladenburg Thalmann Advisors’ representatives relating to the promotion or distribution of the program sponsor’s products or services.

Ladenburg Thalmann has partnered with certain mutual fund, variable annuity, retirement plan providers and investment management companies providing them greater access to our representatives to provide training, education presentations and product information. The purpose is to identify creative ways to help these companies increase field visibility, identify meaningful representative networking opportunities and present timely products. In return for these increased services, these sponsor firms compensate Ladenburg Thalmann in the form of revenue sharing payments. In addition to the customary sales commissions paid in connection with sales of mutual funds, variable annuities, third party models and money market funds, these sponsor firms make payments to Ladenburg Thalmann to participate in the Partner program.

Some Ladenburg Thalmann Partners pay a flat annual fee, which may be up to \$1.5MM per year. Some Partners pay basis points on sales, on assets, or a percentage of the Partner’s net advisory fee derived from assets invested through the Partner’s models. The payments consist of amounts up to 30 basis points on a Partner’s sales, and/or up to 18 basis points on assets. It is important to understand that none of the payments made by the Partners participating in the Partner program are paid or directed to any representative who utilizes the services of these Partners.

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<sup>2</sup> Ladenburg Thalmann Asset Management Inc. does not share in the revenue received from the Partner Program.

## **Partners**

*Sponsors participating in the Partners Program currently include:*

### **Asset Managers**

AIG Mutual Funds  
Allianz Global  
American Funds  
AssetMark  
Blackstone  
Deutsche Asset and Wealth Management  
DoubleLine  
Fidelity Advisor  
Franklin Templeton  
Orion (formerly known as FTJ FundChoice)  
Invesco  
Ivy Investments  
Janus Henderson Investors  
John Hancock  
JP Morgan  
Legg Mason  
Lord Abbett  
Loring Ward  
Nationwide Funds  
Nuveen  
Pacific Life Funds  
PGIM (formerly known as Prudential Investments)  
PIMCO  
Princeton Funds  
Principal Global Investors  
SEI  
Sierra Investments and Ocean Park  
State Street Global Advisors  
SWAN  
Thrivent  
Voya Investment Distributors

### **Annuities**

AIG  
Allianz Life  
Athene  
Equitable (formerly known as AXA Distributors)  
Brighthouse Financial (formerly known as MetLife)  
CUNA  
Delaware Life  
Global Atlantic (formerly known as Forethought)  
Highland Capital Brokerage  
Jackson National  
Lincoln Financial  
Midland National

Nationwide  
Pacific Life  
Principal Annuities  
Protective Life  
Prudential Annuities  
Sammons Retirement Solutions  
Security Benefit Life  
Transamerica

***Retirement Plans***

American Funds  
Nationwide  
Principal  
Securian  
The Pacific Financial Group - TPF  
Voya

Certain former partners have continuing obligations to pay us a fee based on sales and/or AUM pursuant to marketing arrangements we had in place to promote their products and services.

Amundi/Pioneer  
Blackstone  
Cedar/Good Harbor  
Iron Horse

**Non-Publicly Traded Products**

Ladenburg Thalmann offers several non-publicly traded products, including, but not limited to, non-listed real estate investment trusts (“REITS”), limited partnerships (“LPs”), 1031 exchange programs, hedge funds, managed futures, tax credit programs, oil and gas programs, venture capital funds, and private equity funds. Ladenburg Thalmann conducts or causes to be conducted a due diligence analysis of these products prior to making them available to the public through its representatives. Such due diligence is not a guarantee or assurance the products will not lose their value and you should read any offering document or prospectus for such products carefully as they describe the risk associated with such investments. In addition to receiving commissions on the sale of these products, Ladenburg Thalmann receives due diligence and/or marketing allowance payments from certain sponsors. While the arrangements with each sponsor vary, each product sponsor, in most cases, pays a due diligence or marketing allowance fee based upon the amount of assets held at the sponsor or on the gross amount of each sale, depending on the product.

Some Ladenburg Thalmann representatives, in some cases, receive reimbursements, marketing and distribution allowances, due diligence fees, or other revenue based on deposits and/or assets under management directly from third-party asset manager program sponsors for the costs of marketing, distribution, business and client development, educational enhancement, and/or due diligence reviews incurred by Ladenburg Thalmann Advisors and/or Ladenburg Thalmann Advisors representatives relating to the promotion or sale of the program sponsor’s products or services.

*The current sponsors of non-publicly traded products include the following:*

AEI Capital  
Altegris  
Atlas  
Blackstone  
Black Creek  
Bluerock  
Carter Validus  
Central Park Group  
CION  
CIM  
CNL  
Crystal Capital  
FS Investments (formerly known as Franklin Square)  
Griffin  
Guggenheim  
Hamilton Point  
Hines  
Infinity  
Inland  
Jones Lange LaSalle (JLL Income Property Trust)  
Pacific Oak (formerly KBS)  
Mewbourne  
MDS  
Moody  
Northstar  
Owl Rock  
Orchard Securities  
Passco  
Preferred Apartment Communities  
Resource Real Estate  
SC Distributors  
Stira  
Steben  
Smart Stop Asset Management (formerly Strategic Storage)  
TriLinc Global

In addition, in some cases Ladenburg Thalmann will be reimbursed by the Partners for expenses incurred for various promotional activities including, but not limited to, sales meetings, conferences and seminars held in the ordinary course of business. Ladenburg Thalmann receives a flat fee of up to \$300,000 per year, per sponsor, for such reimbursements.

### **Due Diligence and Product Administration Expenses**

Consistent with prudent product approval and due diligence practices Ladenburg Thalmann will, in some cases, require an independent third party to conduct a review of a product sponsor, investment company, investment advisor, or one of their products or services prior to making the product or service available for solicitation to the general public by representatives. Ladenburg

Thalmann will, in some cases, incur costs in connection with the analysis provided by an independent party due diligence analyst. Ladenburg Thalmann, in most cases, requires that the product sponsor investment company or investment advisor reimburse Ladenburg Thalmann for such expenses. In addition, Ladenburg Thalmann, at its discretion, requires product sponsors, investment companies and investment advisors to pay annual fees to reimburse Ladenburg Thalmann for ongoing due diligence and product administration expenses.

### **Revenue Sharing and Referral Arrangements with our Clearing Firms**

Ladenburg Thalmann receives various forms of revenue from NFS and Pershing based upon client activity, as well as the amount of assets custodied with these firms. In general, Ladenburg Thalmann shares with these clearing firms the expenses of trade execution and account servicing. The revenue sources include, but are not limited to, a percentage or portion of fees and transaction charges collected by the clearing firms and shared with Ladenburg Thalmann, which typically include ticket charges, margin interest charges, IRA fees, inactivity fees, and other fees set forth in the Schedule of Client Fees and Charges and money market fund 12b-1 trails.

Ladenburg Thalmann also participates in revenue sharing arrangements based on fees paid by mutual funds to participate in no-transaction-fee (NTF) platforms made available by NFS or Pershing; Ladenburg Thalmann also shares in revenue received relating to client balances swept into money market funds and bank deposits.

Ladenburg Thalmann has referral arrangements with NFS and Pershing (together, "Custodian"), whereby Ladenburg Thalmann receives business credits or other compensation from the Custodian based on the amount of Ladenburg Thalmann client assets custodied by Custodian which are transferred to the advisory platform maintained by Fidelity Institutional Wealth Services Group ("IWS"), a division of NFS' affiliated company Fidelity Brokerage Services, LLC, or Pershing Advisor Solutions ("PAS"), a division of Pershing, by representatives, as well as representatives who terminate their registration with Ladenburg Thalmann and FINRA and conduct business as an investment advisor representative of an independent registered investment advisor ("IRIA"). Ladenburg Thalmann will, in some cases, recommend the IWS or PAS advisory platform and provide ongoing service and support to investment advisor representatives of IRIAs' who are also representatives affiliated with Ladenburg Thalmann. IRIAs are under no obligation to transfer client assets to IWS or PAS and do not receive any additional compensation or remuneration for selecting IWS or PAS. Similarly, clients do not incur any additional fees or expenses as a result of payments of business credits or compensation by the Custodian to Ladenburg Thalmann.

### **Other Revenue Sharing**

Revenue will, in some cases, be shared from transactions in fixed income, structured products and unit investment trusts ("UITs"). Based on the spread of a fixed income transaction both Advisors Asset Management ("AAM") and the Ladenburg Fixed Income desk ("LFI") at Ladenburg Thalmann & Co. Inc. share a dealer concession that can float with the type of bond and maturity. Currently only AAM conducts structured products business and shares revenue based on sales levels reached. Both AAM and LFI provide a revenue share component with UITs.

Goldman Sachs has collateralized loan products which provide a revenue share with Ladenburg Thalmann, none of which is paid to our representatives.

## **Fixed Insurance and Annuities**

Ladenburg Thalmann affiliates include licensed insurance agencies which receive commissions in connection with the sale of fixed insurance and annuity products by Ladenburg Thalmann representatives who are licensed to sell fixed insurance and annuity products. Ladenburg Thalmann, in addition to receiving commissions on the sale of these insurance products, receives payments from certain insurance sponsors for supervision, training, marketing and distribution support. This creates a conflict of interest in that the marketing, educational, and distribution activities paid for with revenue sharing could lead our representatives/insurance agents to consider insurance products that make revenue sharing payments to Ladenburg Thalmann – as compared to insurance sponsors that do not make such payments – when recommending insurance products to their clients.