

For important information regarding the compensation that we receive in connection with clients' use of certain money market mutual funds as cash sweeps and the firm's related conflicts of interest, see [Section 1.3.2](#) below.

Investment Products Available for Purchase Outside of Our Cash Sweep Program

Regardless of the cash sweep option that we make available for clients' account types, all clients can invest in money market mutual funds and other investment options that we make available for purchase outside of the firm's cash sweep program. Clients should understand that our cash sweep program is not a long-term investment option, and they should not view it as such. If clients desire, as part of an investment strategy or otherwise, to maintain cash positions in their accounts for other than a short period of time and/or are seeking the highest yields available in the market for their cash balances, clients should contact their financial professional to discuss investment options that are available for them to purchase outside of the firm's cash sweep program, including, but not limited to, money market mutual funds, that could potentially be better suited to their needs and goals.

Our Investment Philosophy

We are committed to establishing a long-term relationship with you. We have access to a diverse spectrum of products and specialized support, and we strive to deliver integrated, personalized services and recommendations that are designed to assist you in selecting the investment products that are most aligned with your unique needs, goals, and objectives. In assisting with the selection of investment products, we endeavor to help you evaluate securities across diverse asset classes. Your financial professional will evaluate the performance, risk, style, and other characteristics of every security that is recommended to you. By doing so, your financial professional can make tailored recommendations on specific investments with volatility, risk, and other characteristics that are aligned with your stated needs, goals, and objectives.

We require your financial professional to have a reasonable basis to believe that each recommendation made to you is in your best interest, taking into account the potential risks, rewards, and costs associated with the recommendation, any reasonably available alternatives, and your individual investment profile, among other factors. Factors that your financial professional will consider when reviewing your individual investment profile include your age, investments, financial situation and needs, tax status, investment objectives, investment experience, investment time horizon, liquidity needs, risk tolerance, and other relevant information that you may disclose to us in connection with a recommendation. We also prohibit your financial professional from placing our or his or her interests ahead of your interests at the time a recommendation is made.

Certain of our financial professionals may have their own specific or personal investment philosophies that differ, in some respects, from our investment philosophy. If this is the case for your financial professional, before or at the time your financial professional makes a recommendation to you that is based upon his or her own specific or personal investment philosophy, your financial professional will explain his or her investment philosophy to you, and you should discuss the investment philosophy and address any questions you may have with your financial professional.

1.2.1. Material Limitations on Our Services

Given the breadth of our broker-dealer services and the diverse spectrum of products we make available, we do not have many material limitations on the type and scope of our broker-dealer services. For instance, we do not limit our investment offerings to specific asset classes, a select group of issuers, or investments or products issued, sponsored, managed, or developed by us or our affiliates (collectively, "proprietary products"). Additionally, we do not have any minimum requirements, such as minimum investment amounts, for you to access our broker-dealer accounts or services, though some of the investments we make available to you have minimum investment requirements set by the issuers of those investment products.

Notwithstanding the broad scope of broker-dealer services and investments we make available, there are certain material limitations on the services and investment products that we and your financial professional can make available to you, and these material limitations are set forth below.

- ***Financial Professional Limitations:*** Not all of our financial professionals can offer the full range of investments and services our firm offers.
 - **Non-Advisory Financial Professionals:** Even though our firm offers both broker-dealer services and investment advisory services, some of our financial professionals are licensed to recommend and offer broker-dealer services only, whereas some of our other financial professionals are licensed to recommend and offer both broker-dealer services and investment advisory services. If your financial professional is licensed to recommend and offer broker-dealer services only, he or she will not be able to recommend, offer, or provide you with any of the investment advisory services our firm offers.

- Financial Professionals with Limited Securities Licenses: Even though our firm offers access to a wide range of investments, some of our financial professionals hold securities licenses that permit them to recommend, offer, and sell only certain types of investments, such as mutual funds, variable annuities, or certain other specific investments. As a result, these financial professionals are unable to recommend, offer, and sell the full range of investments our firm makes available. If your financial professional holds securities licenses that permit him or her to recommend, offer, and sell only certain types of investments, he or she will not be able to recommend, offer, or sell you any investments not covered by his or her securities licenses, even if our firm offers access to those investments.
- Financial Professionals without Insurance Licenses: Even though our firm offers access to a wide range of variable annuities and variable life insurance policies (together, “variable products”), some of our financial professionals do not hold the insurance licenses required to recommend, offer, and sell variable products. If your financial professional does not hold the insurance licenses required to recommend, offer, and sell variable products, he or she will not be able to recommend, offer, or sell you any variable products, even though our firm offers access to a wide range of variable products.

Each of the above circumstances is a material limitation on the securities or investment strategies that your financial professional may recommend to you. If your financial professional is subject to any of these material limitations, he or she will communicate such limitations to you before or at the time of making a recommendation to you that is subject to, based upon, or a result of such limitation, and you should discuss these material limitations and address any questions you may have with your financial professional. In addition, you are strongly encouraged to research your financial professional’s experience, securities licenses, and registrations on FINRA’s BrokerCheck website at <https://brokercheck.finra.org/> and the SEC’s website at www.adviserinfo.sec.gov.

- *Investment Limitations*: While we offer access to a wide range of investments, including stocks, bonds, options, mutual funds, closed-end funds, ETFs, UITs, REITs, variable products, alternative investments, and other investment products, there are certain investments we do not offer. For instance, we do not offer all mutual funds or share classes from every single mutual fund company; all types of options; every type of ETF, UIT, or REIT; every type of variable product; every education savings plan; or every security (or securities from every company) in any other category of securities. This means that our financial professionals are limited to recommending only those investments that we are authorized to offer and that we make available through our platform. Moreover, if and when we provide broker-dealer services to you in conjunction with another broker-dealer, our ability to provide access to investments is limited to those common products that both we and the other broker-dealer already make available to our respective customers. Additionally, when providing you with services in a broker-dealer capacity, we only offer variable annuities and alternative investments (e.g., non-traded REITs, limited partnerships, oil and gas programs, managed futures funds, qualified opportunity zone funds, interval funds, private placements, 1031 exchange programs, and funds of hedge funds) from third-party product sponsors who support our marketing and distribution efforts, including by making marketing support payments to us that help to subsidize our marketing and distribution costs. Finally, while we do not restrict retail customers’ access to mutual fund share classes in connection with “unsolicited transactions” (i.e., where our financial professionals have not recommended the transaction to you), our financial professionals may only recommend that you purchase Class A, Class C, and Class R mutual fund shares or certain other mutual fund share classes that we may make available, from time to time, on a limited basis. Each of these are material limitations on the securities or investment strategies that we and our financial professionals may recommend to you. For additional information regarding the marketing and distribution support arrangements we have with investment product sponsors, including a list of the product sponsors with whom we have arrangements, a description of the revenue we receive, and a description of our related conflicts of interest, please see [Section 1.3.2](#) and [Section 2.2](#) below, as well as our Annuity and Insurance Product, Alternative Investment, and Mutual Fund Marketing Support Disclosures, each of which is available at www.lfsecurities.com under My accounts—Disclosures.
- *Account Monitoring*: When providing you with services in a broker-dealer capacity, our financial professionals are available to assist you with your broker-dealer accounts and investments; however, our financial professionals do not monitor your broker-dealer accounts, the investments therein (including, but not limited to, investments that our financial professionals recommend to you), or their performance, on an ongoing basis. This is a material limitation on our services and the services of our financial professionals.
- *No Discretionary Investment Authority*: Our financial professionals do not make investment decisions for you or manage your broker-dealer accounts on a discretionary basis. Because our financial professionals do not have discretionary investment authority over your broker-dealer accounts, your financial professional cannot buy or sell investments in your broker-dealer accounts without first obtaining your consent. Our financial professionals may

recommend investments to you, but you are responsible for making the ultimate decision regarding whether to purchase or sell investments, and our financial professionals will only purchase or sell investments for you when you specifically direct them to do so. This is a material limitation on our services and the services of our financial professionals.

- *Discounted Commissions; Self-Directed Brokerage:* We are a full-service broker-dealer, not a “discount” broker-dealer. Given the wide range of broker-dealer services we and our financial professionals offer you as a full-service broker-dealer, we do not offer discounted brokerage commissions. Additionally, we do not offer a self-directed brokerage account platform through which retail customers can trade in their own accounts. These are material limitations on our services.

1.3. Fees and Costs

This section provides information about the material fees and costs that apply to your broker-dealer account, transactions, and holdings. Because our fees vary depending on the specific transactions that we facilitate for you and the specific services we provide to you, the information below first describes the fees and costs associated with your broker-dealer account, and then the fees and costs associated with transactions and holdings that our financial professionals may recommend to you or that you may otherwise pursue.

1.3.1. Fees and Costs Associated with Your Account

Depending on the type of broker-dealer account you open, you will pay certain fees and costs associated with your account. Unlike the fees related to your transactions and holdings described below, you will pay many of the fees associated with your broker-dealer account annually, although you will pay certain account-related fees on a more frequent recurring basis (e.g., monthly or quarterly) or each time you take certain actions or give us certain instructions with respect to your account.

Because fees and costs vary among accounts, we have provided below an overview of fee and cost information for the types of accounts typically held by our retail customers. While the following overview is intended to provide you with a general understanding of the material fees and costs that you will pay in connection with your accounts, the specific fees and costs you will pay in connection with your accounts will vary as a result of the unique circumstances surrounding your accounts. To determine the specific fees and costs you will pay in connection with your accounts, you should refer to our Fee and Commission Schedule, which is available at www.lfsecurities.com under My accounts—Cost, and the account-opening agreements and other documentation for your particular accounts, and you should discuss those materials and address any questions you may have with your financial professional.

Highlighted below are the material fees and costs associated with our broker-dealer accounts:

- *Inactive Brokerage Account Fee:* If you have a broker-dealer account with us that is custodied by NFS, we charge you an annual inactive account fee to compensate us for services we provide, and reimburse us for expenses we incur, in connection with maintaining your inactive account. This fee is \$35 and you will pay this fee annually when there is no qualifying activity (e.g., securities transactions) in your account during the twelve-month period ending with the fee assessment date, which typically occurs in June of each year.
- *Select Access Cash Management Account Fee:* If you have a Select Access Cash Management Account with us that is custodied by NFS, we charge you an annual account fee for the cash management and other features available with a Select Access Cash Management Account, including, but not limited to, check writing and debit card access, and related services we provide. This fee is \$50 and you will pay this fee annually.
- *Premier Access Cash Management Account Fee:* If you have a Premier Access Cash Management Account with us that is custodied by NFS, we charge you an annual account fee for the cash management and other features available with a Premier Access Cash Management Account, including, but not limited to, check writing and rewards debit card access, and related services we provide. This fee is \$125 and you will pay this fee annually.
- *Retirement Account Annual Maintenance Fee:* If you have a retirement account with us that is custodied by NFS, we charge you an annual account maintenance fee to compensate us for services we provide, and reimburse us for expenses we incur, in connection with maintaining your retirement account. This fee is typically \$35 and you will pay this fee annually.
- *Retirement Account Termination Fee:* If you have a retirement account with us that is custodied by NFS, we charge you a one-time account termination fee to compensate us for services we provide, and reimburse us for expenses we incur, in connection with terminating your account or transferring all assets in your account to another firm. This

cash secured by eligible securities in your account. If you enter into an SBL or SBLOC contract, the third-party lender will charge you interest on all cash you borrow under the SBL or SBLOC. Interest compensates the third-party lender for the cost and risk of lending money to you. Certain third-party lenders share a portion of the interest you pay with us, or otherwise make payments to us based upon the total amount of your outstanding loan balance, to compensate us for services we provide in connection with offering you access to the third-party lender's SBL or SBLOC. Our receipt of these payments increases the interest rate that you would otherwise pay for your SBL or SBLOC. SBL and SBLOC interest rates vary by third-party lender, but typically are comprised of a surcharge above a base rate selected by the third-party lender and set forth in your SBL or SBLOC contract (e.g., the Prime Rate or the Secured Overnight Financing Rate). The interest rate that you will pay will change without notice to you as the applicable base rate selected by your lender changes. Additionally, if certain events specified in your SBL or SBLOC contract occur (e.g., if you default on your repayment obligations), your interest rate typically will be increased, potentially significantly. You typically will pay interest on SBL or SBLOCs monthly. For detailed information on SBL or SBLOCs, including interest rates, interest calculation methodologies, and other important matters, please review the applicable third-party lender's SBL or SBLOC application and contract, including any disclosures regarding credit terms included therewith, as well as our Client Disclosure for Securities-Backed Loans and Lines of Credit, each of which you received or will receive in connection with your application for an SBL or SBLOC with a third-party lender.

As the broker-dealer of record for your accounts with us that are custodied by NFS, we are responsible for and perform a number of broker-dealer functions and services with respect to your account and any securities transactions therein. Our responsibilities include, but are not limited to: collecting, verifying, and maintaining documentation about you and your account; approval and acceptance of your account; reviewing and supervising activities, including trading activities, within your account; reviewing and either accepting or rejecting any transactions within your account; transmission of all orders with respect to your account; supervision of all orders and accounts, including maintaining compliance with best interest standards and other regulatory requirements, as applicable; and ensuring that any mutual fund orders are in compliance with the terms of the applicable prospectus. We maintain substantial operational, compliance, and technology resources in support of our broker-dealer operations that are necessary to provide these and other services in connection with your account and any transactions effected in your account. As a result, we generally set the brokerage service charges and account fees that we assess, and that are described above and in our Fee and Commission Schedule, at amounts and rates that are higher than the related fees, costs, and expenses, if any, that we pay to NFS for related services. For certain charges that we impose (e.g., the Fee for Transfer of Assets Delivery for Non-Retirement Accounts), we pay no related fees, costs, or expenses to NFS. These are sometimes called "markups" and they vary by product, the type of service provided, the nature and amount of transactions involved (if applicable), the type of account, and other factors. This practice generally will result in your payment of higher fees, costs, and expenses than you would otherwise pay to NFS or other available service providers. This practice also creates various conflicts of interest for us, which are described in [Section 2.2](#) below. Please contact your financial professional with any questions you may have regarding the fees and charges applicable to your account.

If there is not enough cash in your account to pay for these or other applicable fees as and when they are charged to your account, your account will go into a debit position. To resolve a debit position in your account, you may work with your financial professional to deposit additional cash into your account or sell securities held in your account to generate cash. If you do not take prompt action to resolve any debit position in your account, we will take action to raise cash in your account to satisfy the total amount of your outstanding debit position (and any fees and expenses associated with the resolution of your outstanding debit position). An outline of the process that we follow to resolve outstanding debit positions in client accounts can be found at www.lfsecurities.com under My accounts—Cost.

The foregoing summary of the material fees and costs associated with your broker-dealer accounts is qualified by reference to the detailed terms of our Fee and Commission Schedule and the account opening agreements and other documentation for your particular accounts, which you received and completed or will receive and complete at account opening and are subject to change in accordance with their terms. Our current Fee and Commission Schedule and other disclosures regarding the material fees and costs associated with your broker-dealer account are available at www.lfsecurities.com under My accounts—Cost.

1.3.2. Fees and Costs Associated with Your Transactions and Holdings

We and our financial professionals are paid each time you trade in your broker-dealer account or make a new investment. This type of payment is typically called a "commission," but may also be called a "sales charge," "sales load," or "markup." The commission rates and amounts that we and our financial professionals receive vary depending upon the investment category, specific investment, share class, and size or amount of your transaction. Additionally, you will pay us brokerage trading and execution fees as described in our Fee and Commission Schedule. Commissions and brokerage trading and execution fees are a significant source of revenue and profit for us and our financial professionals and we and our financial

professionals have a conflict of interest given our financial incentive to: (1) recommend that you engage us as your broker-dealer (rather than other available broker-dealers), which enables us to receive, and in certain circumstances establish and control, these fees; (2) where possible, exercise our discretion to set the amounts and rates of these fees at levels that generate the highest possible revenue and profit to us, which will result in correspondingly higher expenses for you; (3) recommend specific investment categories, investments, share classes, transactions, and other activities that result in our receipt of the highest rate and amount of these fees, rather than other available investment categories, investments, share classes, transactions, and activities that generate relatively lower or no fees for us and would result in correspondingly lower expenses for you; and (4) recommend that you frequently transact in investment categories, investments, and share classes, and frequently engage in transactions and activities, that generate the highest rate and amount of these fees for us.

In addition, investments that are interests in investment funds, including mutual funds, closed-end funds, ETFs, and UITs, or investment products, including education savings plans and variable products, bear ongoing fees and expenses that are embedded into the cost of the investment. You pay these ongoing fees and expenses indirectly because they are factored into the cost of the investment. More information about ongoing fees and expenses associated with investment funds and products is available in the investment fund's or product's prospectus or other offering document. You can request a copy of a particular investment's prospectus or other offering document from your financial professional at any time, and prospectuses will be delivered to you in connection with your purchases of investments as and when required by law.

Because fees and costs vary among investments, we have provided below a general overview of fee and cost information for the transactions typically conducted and investments typically held by our retail customers. Where applicable, we have included certain hypothetical transactions as examples. These examples assume that the hypothetical transactions are conducted in an account with us that is custodied by NFS. While the following overview and examples are intended to provide you with a general understanding of the material fees and costs that you will pay in connection with your transactions and holdings, the specific fees and costs you will pay in connection with your particular transactions and holdings will vary as a result of the unique circumstances surrounding your particular transactions and holdings. To determine the specific fees and costs you will pay in connection with your particular transactions and holdings, you should refer to our current Fee and Commission Schedule, the account opening agreements and other documentation for your particular accounts, and the current prospectus or other offering document for the particular security involved in your transaction, and you should discuss those materials and address any questions you may have with your financial professional.

For additional information about commission rates and brokerage trading and execution fees, please see our current Fee and Commission Schedule and the other disclosures available at www.lfsecurities.com under My accounts—Cost. As described in [Section 1.3.1](#) above, as the broker-dealer of record for your accounts with us that are custodied by NFS, we are responsible for and perform a number of broker-dealer functions and services with respect to the securities transactions in your accounts and we maintain substantial operational, compliance, and technology resources in support of our broker-dealer operations that are necessary to carry out those functions and provide those services. As a result, we generally set the commissions and brokerage trading and execution fees that we assess, and that are described herein and in our Fee and Commission Schedule, at amounts and rates that are higher than the fees, costs, and expenses, if any, that we pay to NFS for clearance and execution of transactions and related services. These are sometimes called “markups” and they vary by product, the nature and amount of transactions involved, and other factors. This practice generally will result in your payment of higher fees, costs, and expenses than you would otherwise pay to NFS or other available service providers. This practice also creates various conflicts of interest for us, which are summarized above and described in greater detail in [Section 2](#) below. Please contact your financial professional with any questions you may have regarding the commissions and other brokerage trading and execution fees that are applicable to your transactions.

IBDA – Insured Bank Deposit Account

In connection with the IBDA, we, as well as NFS and IntraFi Network LLC, the administrative service provider for the IBDA (the “Administrator”), are paid fees by each Program Bank that participates in the IBDA based on a percentage of clients' average daily Program Deposits through the IBDA. These fees are equal to a percentage of all clients' Program Deposits through the IBDA. Actual amounts will vary, but in no event will the total amount of fees that we receive and retain exceed 600 basis points (6.00%) annually across all clients' deposit accounts with the Program Banks (“Deposit Accounts”) in the IBDA, as determined by the total Program Deposits in the IBDA over a 12-month rolling period. We will, in certain circumstances, earn fees that are higher or lower than that amount from individual Program Banks participating in the IBDA. We reserve the right to reduce all or a portion of the fees we receive in connection with the IBDA, and the amount of any such reductions may vary among clients. The amount of fees paid to us, NFS, and the Administrator will directly affect and reduce the interest rates clients are paid on their Program Deposits in the IBDA, because the fees that we, NFS, and the Administrator receive reduce the amount of interest paid by the Program Banks that is available to be paid to clients on their Program Deposits in the IBDA. For additional information regarding the compensation that we receive in connection with clients' use of the IBDA as their cash sweep, the impact that compensation has on the interest rate clients receive on their Program Deposits in the IBDA, and our related conflicts of interest, see [Section 2.2](#) below.

The fees that we charge in connection with the IBDA will, in certain cases, be higher than the fees charged by other firms that provide similar account-type services regarding cash sweeps. The interest rate clients' Program Deposits in the IBDA earn will, in certain cases, be lower than interest rates available to depositors making deposits directly with the same bank or with other depository institutions. Banks do not have a duty to provide the highest rates available in the market and may instead seek to pay a low rate. Lower rates are more financially beneficial to a bank. There is no necessary linkage between the rates of interest on clients' Program Deposits in the IBDA and other rates available in the market, including, but not limited to, money market mutual fund rates.

IBRAA – Insured Bank Retirement Advisory Account

In connection with the IBRAA, we receive a level monthly fee for each account that participates in the IBRAA. Our monthly per account fee does not vary based on the amount of clients' Program Deposits in the IBRAA. The amount of our monthly per account fee: (i) will be no less than \$0.01 and no more than \$30.00; (ii) varies based on the Federal Funds Target Rate (the "FFT Rate") as of the date that is two business days prior to the end of the preceding month; and (iii) will be calculated by the Administrator based on a fee schedule set by the firm (the "IBRAA Fee Schedule") and disclosed in our Bank Sweep Program Disclosure Document, which is available at www.lfsecurities.com under My accounts–Disclosures. We generally anticipate that the monthly per account fee charged by the firm in connection with the IBRAA will be offset by the amounts paid by the Program Banks in connection with clients' Program Deposits in the IBRAA. However, we reserve the right to withdraw from clients' accounts the firm's full monthly per account fee, or any portion thereof, in the event or to the extent that the amounts received from the Program Banks for the month are less than the firm's monthly per account fee specified in the IBRAA Fee Schedule for the same month. NFS and the Administrator will also each charge a separate monthly fee in connection with the IBRAA, which will be based on a percentage of clients' average daily Program Deposits through the IBRAA and deducted from the amounts paid by the Program Banks in connection with clients' Program Deposits in the IBRAA.

The fees that we charge in connection with the IBRAA will, in certain cases, be higher than the fees charged by other firms that provide similar account-type services regarding cash sweeps. The interest rate clients' Program Deposits in the IBRAA earn will, in certain cases, be lower than interest rates available to depositors making deposits directly with the same bank or with other depository institutions. Banks do not have a duty to provide the highest rates available in the market and may instead seek to pay a low rate. Lower rates are more financially beneficial to a bank. There is no necessary linkage between the rates of interest on clients' Program Deposits in the IBRAA and other rates available in the market, including, but not limited to, money market mutual fund rates.

Equities

Characteristics

We offer you access to a wide range of equity securities, like stocks, which give holders a share of ownership in a company. Equity securities are often one part of an investor's holdings. Before deciding to buy or sell an equity security, such as a publicly traded company's stock, it is important for you to evaluate the risks associated with the company and its equity securities. As part of this evaluation, you should carefully review the company's public disclosure documents, including, but not limited to, its registration statement and prospectus in the case of an initial public offering or follow-on offering, or its periodic and current reports under the Exchange Act (e.g., Forms 10-K, 10-Q, and 8-K and related financial statements) in the case of a secondary market transaction. Stocks in public companies are registered with the SEC and public companies generally are required to file reports with the SEC annually, quarterly, and as material events occur with respect to their businesses. You may access public companies' disclosure documents and reports by searching for the company's name in the SEC's Electronic Data Gathering, Analysis, and Retrieval (EDGAR) database, which can be accessed on the SEC's website at www.sec.gov.

Fees and Costs

Buying and selling equity securities, like stocks, entails fees. You will pay us a commission every time you buy or sell an equity security. You will pay this commission in addition to the price you pay for the equity securities you choose to buy, and your payment of this commission will reduce the price you receive for the equity securities you choose to sell. This commission is a one-time fee that varies based upon the dollar amount of your transaction and the number of shares you trade. The total commission you will pay equals a base commission of \$35 plus a percentage of the dollar amount of your transaction, which ranges from 2.5% to 0.30% and decreases with the dollar amount of your transaction (the "commission rate") plus an additional \$0.015 per share traded (the "additional per-share fee") (collectively, the "total equity commission"). The total equity commission you will pay is subject to: (1) a minimum charge of the lesser of \$50 per transaction and \$35 plus \$0.015 per share; and (2) a maximum charge of 5% of the principal amount of the transaction. Commissions on

All of the alternative investment sponsors that we make available to clients that have engaged us to provide broker-dealer services have entered into a direct marketing support arrangement with us. As a result, we limit the alternative investment sponsors available to our broker-dealer clients to only those alternative investment sponsors that make these payments to us.

In addition to the marketing support payments that we receive through formal marketing support arrangements, alternative investment sponsors make flat dollar payments to us from time to time. These payments are made for specific activities, including, but not limited to, exhibit booth space, presentation opportunities at our meetings or similar events, attendance at conferences, educational events for our financial professionals, and participation in other training and educational events. Some alternative investment sponsors also reimburse us and, indirectly, our financial professionals for certain expenses in connection with due diligence meetings, training and educational events, seminars that offer educational opportunities for clients, and similar events. Some alternative investment sponsors also provide us and our financial professionals with nominal gifts and gratuities, including, but not limited to, merchandise bearing the brand or logo of the alternative investment sponsor.

For the most up-to-date information regarding the marketing and distribution support arrangements we have with alternative investment sponsors, including a list of the alternative investment sponsors with whom we have arrangements, a description of the revenue we receive, and a description of our related conflicts of interest, see our Alternative Investment Marketing Support Disclosure, which is available at www.ifscurities.com under My accounts—Disclosures. For information on our conflicts of interest in connection with the marketing and distribution support arrangements we have with alternative investment sponsors, see [Section 2.2](#) below.

More Information

You should carefully consider the investment objectives, risks, costs, and expenses of a specific alternative investment and particular share class before investing. Information regarding a specific alternative investment's features, risks, commissions, surrender charges, and ongoing fees and expenses and other important matters is available in the alternative investment's prospectus, private placement memorandum, or other offering documents, which can be obtained from your financial professional. You should be aware that investing in alternative investments involves substantial risks, including illiquidity and other special risks, and you could lose all or a portion of your investment.

For detailed information regarding fees you will pay in connection with alternative investment transactions in your accounts with us that are custodied by NFS, please speak with your financial professional and see our Fee and Commission Schedule and the account opening agreements and other documentation for your particular accounts, which you received or will receive at account opening and are subject to change in accordance with their terms. Our current Fee and Commission Schedule and other disclosures regarding the fees and costs applicable to your transactions and holdings are available at www.ifscurities.com under My accounts—Cost.

2. Conflicts of Interest

We and our financial professionals have various conflicts of interest (“conflicts”) in connection with the recommendations of securities and investment strategies involving securities (including account recommendations) that we make. A conflict arises when an economic or other benefit incentivizes either us or our financial professional to put our interests and/or the interests of the financial professional ahead of the interests of a retail customer. Some of these conflicts exist between retail customers and both us and our financial professionals, while others exist between retail customers and us alone or between retail customers and our financial professionals alone. This section discloses material facts relating to these conflicts so that you are able to make an informed decision regarding any recommendation your financial professional provides you. You should carefully review these conflict disclosures and address any questions you may have with your financial professional.

2.1. Conflicts for Both Our Firm and Our Financial Professionals

When acting in a broker-dealer capacity, we are committed to ensuring that we and our financial professionals always act in the best interest of our retail customers and do not place our or their financial or other interests ahead of retail customers' interests when making recommendations; however, conflicts between retail customers and both us and our financial professionals are caused by a variety of arrangements, including, but not limited to, the roles we and your financial professional play in a transaction, our and our financial professionals' compensation arrangements, and our financial and other arrangements with custodians, clearing firms, other service providers, our affiliates, third-party product and service providers, and others. The material facts relating to conflicts between retail customers and both us and our financial professionals are as follows:

SBLOCs, not all available lenders pay us compensation and those that do pay us will pay different rates and amounts of compensation. As a result, we and our financial professionals have a conflict of interest given our financial incentive to recommend that you utilize SBLs and SBLOCs from lenders that pay us the highest rate and amount of compensation, rather than SBLs and SBLOCs from lenders that pay us relatively lower or no compensation.

- *We engage in principal transactions with you in certain circumstances.* When we sell a bond or other security to you or purchase a bond or other security from you in a principal capacity, we and our financial professionals mark the price of the bond or other security you intend to purchase or sell up or down. In principal transactions, we and our financial professionals have a financial incentive to mark bond and other security prices up or down in order to generate the highest possible rate and amount of compensation for us, which will cause you to pay more for your purchase or receive less for your sale. We share a portion of these markups and markdowns with your financial professional.

2.2. Conflicts for Our Firm Alone

When acting in a broker-dealer capacity, we are committed to ensuring that we always act in the best interest of our retail customers and do not place our financial or other interests ahead of retail customers' interests when making recommendations; however, conflicts between retail customers and our firm are caused by a variety of arrangements, including, but not limited to, the roles we play in a transaction, our compensation arrangements, our financial and other arrangements with custodians, clearing firms, other service providers, our affiliates, third-party product and service providers, and others, and customer-specific arrangements. The material facts relating to conflicts between retail customers and our firm are as follows:

- *Sponsors of the mutual funds, mutual fund accounts, variable products, and alternative investments our financial professionals recommend make flat annual payments to us, make flat payments to us per sales transaction, periodically pay us based upon the total amount of their investments we sell (or the total premium you pay on insurance products), periodically pay us based upon the total amount of our client assets invested in their products, or make payments to us based on a combination of those methods, and we only offer variable annuities and alternative investments from third-party sponsors who make these types of payments to us.* These payments are sometimes called "marketing support" or "revenue sharing" payments and our receipt of these payments gives us a financial incentive to include these sponsors' products on our investment platform and to recommend that you purchase and hold investments issued by product sponsors that make these payments to us, rather than other available investments issued by product sponsors that do not make these payments to us or that make relatively lower payments to us. Certain sponsors make marketing support payments to us only in connection with certain products, share classes, asset classes, and investment strategies that are available on our investment platform (and not others that are available), and certain sponsors pay us more or less marketing support depending on the particular product, share class, asset class, or investment strategy. As a result, we have a financial incentive to recommend that you purchase and hold the products, share classes, asset classes, and investment strategies that make the highest rate and amount of these payments to us, rather than other available products, share classes, asset classes, and investment strategies that do not make these payments to us or that make relatively lower payments to us. Moreover, not all product sponsors available on our investment platform make these payments to us and, among those that do, some product sponsors pay us more than others. Many product sponsors or their affiliates also make payments to us to cover the costs associated with educational conferences, training seminars, and other events we host for our financial professionals. These payments are flat and are not tied to total sales of, or customer assets invested in, the sponsors' products; however, our receipt of these flat payments gives us a financial incentive to include these sponsors' products on our investment platform and to recommend that you purchase and hold investments issued by product sponsors that make these flat payments to us, rather than other available investments issued by product sponsors that do not make these payments to us or that make relatively lower payments to us. You should be aware that there are products, share classes, asset classes, and investment strategies available through our investment platform that do not generate any marketing support payments to us and therefore are likely to be less expensive for you to purchase and hold than products, share classes, asset classes, and investment strategies that do generate such payments to us. Additionally, because we limit the third-party variable annuities and alternative investments that we make available to clients that have engaged us to provide broker-dealer services to those offered by third-party sponsors that make marketing support payments to us, our financial professionals cannot recommend a variable annuity or alternative investment from a third-party sponsor that does not make these payments to us and that could potentially cost you less overall and otherwise be in your best interest. For the most up-to-date information regarding our marketing and distribution support arrangements, including a list of the product sponsors with whom we have such arrangements, a description of the revenue we receive, and a description of our related conflicts of interest, please see our Annuity and Insurance Product, Alternative Investment, and Mutual Fund Marketing Support Disclosures, each of which is available at

www.lfsecurities.com under My accounts—Disclosures. Additional information regarding our marketing and distribution support arrangements is also included under the heading “Fees and Costs Associated with Your Transactions and Holdings” above.

- *NFS makes revenue sharing payments to us.* NFS makes periodic asset-based revenue sharing payments to us based upon a percentage of our total customer assets invested in NTF mutual funds participating in NFS’s NTF mutual fund program through commission-based broker-dealer accounts with NFS. NFS also pays us an annual fixed dollar amount for each customer position in a TF mutual fund participating in NFS’s TF mutual fund program that is held in a commission-based broker-dealer account with NFS. Our receipt of these revenue sharing payments from NFS presents a conflict of interest for us given our financial incentive to recommend that you invest through commission-based broker-dealer accounts at NFS where we receive these revenue sharing payments, rather than fee-based investment advisory accounts at NFS where we do not receive these revenue sharing payments. Additionally, our receipt of these revenue sharing payments from NFS presents a conflict of interest for us given our financial incentive to recommend that you purchase and hold investments in NTF mutual funds and TF mutual funds in your commission-based broker-dealer accounts with NFS, which generate these revenue sharing payments to us, rather than other available NTF mutual funds, TF mutual funds, and other securities and investment products that do not generate these revenue sharing payments to us (e.g., Fidelity mutual funds) or that generate comparatively lower revenue sharing payments to us. Further, our receipt of these revenue sharing payments from NFS presents a conflict of interest for us given our financial incentive to utilize NFS as our custodian and clearing firm, rather than other available custodian and clearing firms that would make relatively lower or no revenue sharing payments to us. We address these conflicts of interest by: (i) disclosing them to you; (ii) not sharing any of these revenue sharing payments with the financial professionals that recommend account types, mutual funds, and share classes for your account; and (iii) supervising our financial professionals’ recommendations to evaluate whether they are suitable for you and in your best interest. You should be aware that there are mutual funds and share classes available on our investment platform that do not generate these revenue sharing payments to us and therefore are likely to be less expensive for you to purchase and hold than mutual funds and share classes that do generate such revenue sharing payments to us. For additional information on these revenue sharing arrangements, please see our Mutual Fund Marketing Support Disclosure, which is available at www.lfsecurities.com under My accounts—Disclosures. Additionally, we receive revenue sharing payments from NFS based upon clients’ cash sweep balances held in NFS’s taxable interest-bearing cash option, FCASH. Our receipt of these revenue sharing payments from NFS gives us a financial incentive to recommend that you utilize FCASH as your cash sweep vehicle, rather than other available cash sweep vehicles that do not generate such revenue sharing payments to us or that generate relatively lower payments to us. Further, we receive interest payments from NFS based upon the amount of uninvested cash held in the accounts of our clients who have not elected a cash sweep vehicle.
- *Through our arrangements with NFS, we have the ability to establish, control, and charge you various fees as broker-dealer of record for your commission-based broker-dealer accounts with NFS.* For example, as broker-dealer of record for your commission-based broker-dealer accounts with NFS, we establish, control, and charge you various commissions and transaction, trading, execution, and brokerage services charges as described in our Fee and Commission Schedule. The fees that we establish, control, and charge you include: commissions and transaction, trading, and execution charges; brokerage service charges, including, but not limited to, inactive brokerage account fees, cash management account fees, retirement account annual maintenance fees, retirement account termination fees, fees for transfer of assets delivery for non-retirement accounts, alternative investment custody and valuation fees, electronic fund and wire transfer fees, overnight check fees, returned check fees, stop payment fees, interest on cash debit balances, fees for legal transfers and legal returns of stock certificates, securities safekeeping fees for physical certificates, reorganization fees, fees for direct registration of securities, quarterly paper statement and trade confirmation delivery fees, and tax return filing fees; charges imposed by securities exchanges and regulators, including, but not limited to, transaction fees imposed by the SEC; and other fees and charges customary to securities brokerage accounts. Additionally, through our clearing relationship with NFS, we receive compensation as a result of your use of the Insured Bank Deposit Account (the “IBDA”) and/or the Insured Bank Retirement Advisory Account (the “IBRAA”) as your cash sweep, as described in [Section 1.3.2](#) above. Our receipt of these sources of revenue is a factor that we consider when selecting a custodian and clearing firm, such as NFS, for our programs and client accounts. This presents a conflict of interest for us given our financial incentive to select custodians and clearing firms like NFS through which we will receive the highest rate and amount of revenue, rather than other available custodians and clearing firms through which we will receive relatively lower or no revenue. Additionally, this creates a conflict of interest for us given our financial incentive to recommend ourselves as your broker-dealer of record (rather than other available broker-dealers), which affords us the discretion to set the amounts and rates of many of the charges that result in these sources of revenue in a manner that generates the highest possible revenue to us. For example, when we serve as your broker-dealer of record, we generally exercise our discretion to set these charges at amounts and rates that are higher than the related fees, costs, and expenses, if any, that we pay to NFS for execution and settlement of transactions and related

services. For certain charges imposed by us (e.g., ACAT Exit Fees), we pay no related fees, costs, or expenses to NFS. These are sometimes called “markups” given the difference between the increased cost you incur and the related costs, if any, that we pay to NFS, and they vary by product, the type of service provided, the nature and amount of transactions involved (if applicable), the type of account, and other factors. This practice will result in your payment of higher fees, costs, and expenses than you would otherwise directly pay to NFS or other available service providers (e.g., on margin loans, cash debits, SBLs, and SBLOCs, and for transaction, trading, execution, and brokerage service charges). You will also receive lower interest rates and other payments that you would otherwise directly receive from NFS or other available service providers if you were to enter into arrangements directly with NFS or other available service providers where we did not receive payments from NFS (e.g., on FCASH balances, short positions, and cash balances in accounts not selecting a cash sweep vehicle).

- *NFS makes business development credit payments to us.* Under our clearing agreement with NFS, we receive annual business development credit payments from NFS during the term of the clearing relationship and, if our clearing agreement with NFS is terminated by us or NFS for specified reasons, we are required to make significant early termination fee payments to NFS. Our receipt of these business development credit payments, as well as our related repayment and termination fee obligations to NFS under the clearing agreement, creates a conflict of interest for us given our financial incentive to: (i) select NFS as the custodian and clearing firm for client accounts, rather than other available custodians and clearing firms through which we would receive relatively lower or no business development credits; (ii) maintain our clearing agreement with NFS; (iii) recommend that you utilize a brokerage account custodied by NFS (as opposed to, for example, accounts held directly with the issuers of the securities you purchase or with another custodian); and (iv) recommend that you transfer assets to, and increase your assets held with, NFS, rather than other available custodians that provide us with relatively lower or no business development credits. We address these conflicts by disclosing them to you and requiring that there be a review of your account and transactions at account opening and periodically to determine whether they are suitable and in your best interest in light of your investment objectives, financial circumstances, and other characteristics.
- *We receive net flows credits from NFS.* Under our clearing agreement with NFS, we receive annual asset-based payments from NFS based upon net new client cash and securities transferred into accounts held at NFS from other accounts not custodied or introduced by NFS or its affiliates (“net flows credits”) and, if our clearing agreement with NFS is terminated by us or NFS for specified reasons, we are required to make significant early termination fee payments to NFS. Our receipt of these net flows credits, as well as our related repayment and termination fee obligations to NFS under the clearing agreement, creates a conflict of interest for us given our financial incentive to: (i) select NFS as the custodian and clearing firm for client accounts, rather than other available custodians and clearing firms through which we would receive relatively lower or no net flows credits; (ii) maintain our clearing agreement with NFS; (iii) recommend that you utilize a brokerage account custodied by NFS (as opposed to, for example, accounts held directly with the issuers of the securities you purchase or with another custodian); and (iv) recommend that you transfer assets to, and increase your assets held with, NFS, rather than other available custodians that provide us with relatively lower or no net flows credits. We address these conflicts by disclosing them to you and requiring that there be a review of your account and transactions at account opening and periodically to determine whether they are suitable and in your best interest in light of your investment objectives, financial circumstances, and other characteristics.
- *We have an incentive to minimize the costs we incur in connection with your accounts and the securities transactions therein.* We incur costs in connection with the maintenance of your accounts and when you engage in securities transactions in your accounts. Some securities transactions and investment strategies are less costly for us than others. As a result, we have a financial incentive to recommend that you purchase and hold securities and pursue investment strategies that result in the least amount of cost for us, rather than other available securities and investment strategies that would cost us more, but that might otherwise be in your best interest.
- *We get paid when you have an outstanding margin loan.* When you have an outstanding margin loan, where NFS extends credit (a loan) to you for the purpose of purchasing, carrying, or trading in securities, NFS charges you interest on all credit it extends to you. We set and retain a portion of any interest you pay, which increases the interest rate that you would otherwise pay for your margin loan. In addition, we receive interest payments from NFS based on a portion of the aggregate short market value of our clients’ accounts. Our retention of a portion of the interest payments that you make gives us a financial incentive to recommend that you purchase or sell-short securities that require the use of margin, apply for margin trading privileges, engage in margin trading, and increase the amount of credit extended to you by NFS because we will receive more compensation when you do so.
- *We get paid when you borrow utilizing securities-backed loans (SBLs) and securities-backed lines of credit (SBLOCs) from certain third-party lenders.* When you borrow cash secured by the securities in your brokerage account utilizing an SBL or SBLOC, you will pay interest on all cash you borrow under the SBL or SBLOC to the

third-party lender with whom you've entered into an SBL or SBLOC contract. Certain third-party lenders share a portion of the interest you pay with us, or otherwise make payments to us based upon the total amount of your outstanding loan balance, to compensate us for services we provide in connection with offering you access to the third-party lender's SBL or SBLOC. Our receipt of a portion of the interest payments you make to certain third-party lenders or other compensation from these third-party lenders gives us a financial incentive to recommend that you apply for an SBL or SBLOC with such lenders, enter into an SBL or SBLOC contract with such lenders, and increase the amount of cash you borrow under your SBL or SBLOC with such lenders because we will receive more compensation when you do so. It also gives us a financial incentive to recommend that you apply for an SBL or SBLOC with a third-party lender that shares a portion of the interest payments you make with us, or otherwise makes payments to us based upon the total amount of your outstanding loan balance, rather than a lender that does not. Since SBL and SBLOC lenders pay us different rates and amounts of compensation, we also have a financial incentive to recommend that you apply for an SBL or SBLOC with the third-party lenders that make the highest rates and amounts of payments to us, rather than other available SBL and SBLOC lenders that pay us relatively lower or no compensation. Our receipt of this compensation from SBL and SBLOC lenders increases the interest rate that you would otherwise pay for your SBL or SBLOC.

- *We and our affiliates collectively receive additional compensation when you purchase or utilize proprietary products.* We offer certain proprietary products developed by our affiliates, and we and our affiliates collectively receive more compensation when you purchase or utilize those proprietary products than if you purchase or utilize a product issued, sponsored, or managed by an unaffiliated third party. Our and our affiliates' receipt of this additional compensation gives us a financial incentive to recommend that you purchase and utilize proprietary products developed by our affiliates because our overall organization will receive more compensation when you do.
- *We get paid when you use our Insured Bank Deposit Account (IBDA) or our Insured Bank Retirement Advisory Account (IBRAA) as your cash sweep vehicle for cash balances awaiting investment.* As summarized herein and described in greater detail in our Bank Sweep Program Disclosure Document, which is available at www.lfsecurities.com under My accounts—Disclosures, clients' use of the IBDA or the IBRAA as their cash sweep creates significant financial benefits for us, as well as for NFS and the Administrator, and conflicts of interest for the firm.
 - In connection with their participation in the IBDA or the IBRAA, the Program Banks pay higher interest rates than the interest rates that clients will receive on their Program Deposits. The amount of the fees paid to us, as well as to NFS and the Administrator, will directly affect and significantly reduce the interest rates clients are paid on their Program Deposits, because the fees that we, as well as NFS and the Administrator, receive significantly reduce the amount of interest paid by the Program Banks that is available to be paid to clients on their Program Deposits. In connection with the IBDA, we retain the difference between the interest paid by the Program Banks and the interest clients receive, after the fees due to NFS and the Administrator are paid. We refer to this differential between the interest paid by the Program Banks and the interest clients receive as the "fees" that we, as well as NFS and the Administrator, receive in connection with the IBDA. In connection with the IBRAA, we receive a level monthly fee for each account that participates in the IBRAA, as described above. We set the fees that the firm charges in connection with the IBDA and the IBRAA (together, the "Programs"). This discretion creates a conflict between our interests and clients' interests because our determination of the firm's share of the interest that it retains as compensation directly affects and significantly reduces the interest clients earn on their Program Deposits. The higher the compensation paid to us, the lower the interest paid to clients; the lower the compensation paid to us, the higher the interest paid to clients. With limited exception, we will retain a substantially greater share of the interest received from the Program Banks as compensation in connection with clients' Program Deposits than what is credited to clients. Additionally, with limited exception, we will retain a substantially greater share of the interest received from the Program Banks as compensation in connection with clients' Program Deposits than what is paid to NFS and the Administrator. The fees paid to us, as well as to NFS and the Administrator, will have a greater impact on the interest rates that clients receive than the amount of interest paid by each Program Bank. The fees that we charge are not based on the firm's costs in connection with maintaining the Programs and are in addition to other compensation that we and our financial professionals receive with respect to clients' accounts. The fees that we receive in connection with the Programs are higher than the compensation that we would receive in connection with other core account investment vehicles that NFS makes available, including money market mutual funds, that we have not selected as the default and only cash sweep for IBDA-eligible and IBRAA-eligible accounts.
 - Clients participating in the IBDA or the IBRAA through accounts enrolled in any of our fee-based investment advisory programs should understand that the firm receives significant fees from the

Program Banks as a result of clients' Program Deposits and that these fees are in addition to the asset-based investment advisory fees that investment advisory clients directly pay to us in connection with their Program Deposits. We charge investment advisory clients an asset-based advisory fee based on the total market value of their assets under management, including, but not limited to, their Program Deposits. As a result, the firm receives two layers of fees on investment advisory clients' Program Deposits when they participate in the IBDA or the IBRAA through accounts enrolled in any of our fee-based investment advisory programs (*i.e.*, asset-based advisory fees and fees from the Program Banks). When the interest rate that investment advisory clients receive on their Program Deposits is lower than the asset-based investment advisory fees that they pay to the firm in connection with their Program Deposits, investment advisory clients will experience net negative overall returns with respect to their Program Deposits. When evaluating the appropriateness of our asset-based investment advisory fees, investment advisory clients should consider the fees that we receive from the Program Banks in connection with the Programs. Additionally, investment advisory clients participating in the IBDA or the IBRAA should understand that many third-party money managers, asset allocation providers, and model portfolio providers whose strategies are available through our fee-based investment advisory programs require clients to hold a minimum cash allocation (*e.g.*, two or more percent of their portfolio in cash) and that these minimum cash allocations will be swept to the IBDA or the IBRAA, as applicable.

- The fees that we receive from the Program Banks in connection with clients' Program Deposits are a significant source of revenue and profit for us and present conflicts of interest for the firm. In particular, we have conflicts of interest in connection with the Programs given our financial incentive to: (i) exercise our discretion to set the fees that we charge in connection with clients' Program Deposits (and therefore, the revenue that we receive) at high levels, which will directly affect and significantly reduce the interest rate payable to clients (*i.e.*, the higher the fees set, imposed, and received by the firm, the lower the interest rate payable to clients on their Program Deposits); (ii) exercise our discretion to select the IBDA and the IBRAA as the default and only core account investment vehicles, or "cash sweeps," that are available for use by IBDA-eligible accounts and IBRAA-eligible accounts, respectively, rather than other cash sweeps made available by NFS that would generate relatively lower or no revenue for the firm and provide higher yields or returns to clients; (iii) recommend or advise that all IBDA-eligible and IBRAA-eligible account holders use the IBDA and the IBRAA, respectively, as their cash sweep, rather than closing their accounts, transferring their assets to other account types that do not use the IBDA or the IBRAA as their default and only cash sweep option, if possible, or transferring their assets to other financial institutions; (iv) recommend or advise that all IBDA-eligible and IBRAA-eligible account holders increase their Program Deposits, including by recommending or advising that they make cash deposits, sell securities, and take other actions that generate cash balances in their accounts that will be swept to the IBDA or the IBRAA, as applicable; (v) recommend or advise that all IBDA-eligible and IBRAA-eligible account holders hold high levels of Program Deposits for extended periods of time, rather than taking other available actions such as withdrawing cash from their accounts or purchasing money market mutual funds or other investment options that are available for clients to purchase outside of the Programs (which would generate relatively lower or no revenue for the firm and provide higher yields or returns to clients); (vi) recommend or advise that all IBDA-eligible and IBRAA-eligible investment advisory clients use the IBDA and the IBRAA, respectively, as their core account investment vehicle (rather than closing their accounts, transferring their assets to other account types that do not use the IBDA or the IBRAA as their default and only cash sweep option, if possible, or transferring their assets to other financial institutions), increase their Program Deposits, and hold high levels of Program Deposits for extended periods of time, which allows the firm to receive fees from the Program Banks in addition to asset-based investment advisory fees on investment advisory clients' Program Deposits; (vii) include Program Banks that pay the highest interest rates on the Program Bank list, rather than other Program Banks that pay relatively lower interest rates, which will increase the firm's fees in connection with the IBDA and support our monthly per account fee in connection with the IBRAA; (viii) position Program Banks that pay fixed rates of interest on clients' cash deposits through the IBDA ("Fixed-Rate Banks") at or near the top of the Program Bank list for the IBDA, since we must maintain specified levels of client deposits with Fixed-Rate Banks and will incur penalties if we fail to do so; (ix) recommend or advise that clients invest through IBDA-eligible and IBRAA-eligible accounts, rather than through other account types that we make available but that do not participate in the Programs (including, but not limited to, accounts for which we do not serve as broker-dealer of record, accounts held directly with third-party product sponsors, accounts in the third-party asset management programs that we make available to clients, and accounts that are not eligible to participate in the Programs, as described above and in our Bank Sweep Program Disclosure Document); (x) recommend or advise that clients invest through IBDA-eligible and IBRAA-eligible accounts that can hold the highest amount

- of cash, rather than other available accounts that limit the amount of cash that can be held (*i.e.*, commission-based brokerage accounts can generally hold an unlimited amount of cash, while accounts enrolled in our fee-based investment advisory programs are generally subject to cash concentration limits and will, in certain circumstances, have defined cash allocations set by third-party money managers, asset allocation providers, or model providers as described above); (xi) recommend or advise that clients invest through account types that will cause the firm to receive the highest compensation on their Program Deposits (*i.e.*, recommend or advise that clients invest through either IBDA-eligible accounts or IBRAA-eligible accounts based on which Program will cause the firm to receive the highest compensation in connection with clients' Program Deposits); and (xii) recommend the firm as the broker-dealer of record and NFS as the custodian for clients' accounts, rather than other available broker-dealers and custodians, which allows us to access the Programs and receive fees in connection with clients' use of the Programs as their cash sweep.
- Program Deposits will pay a significantly lower interest rate to clients than other available cash equivalent products, including, but not limited to, money market mutual funds, that financial professionals can recommend to clients. This presents a conflict of interest for the firm because we will receive significantly greater compensation on clients' Program Deposits than we would on equivalent amounts of clients' cash invested in other available investments that can be purchased and held in other portions of clients' accounts. This conflict of interest influences us to make the IBDA and the IBRAA the default and only cash sweeps available for use by IBDA-eligible accounts and IBRAA-eligible accounts, respectively.
 - The revenue that we receive from the Program Banks in connection with the Programs is significantly greater than the revenues that we would receive from (i) certain sweep options (*e.g.*, money market mutual funds) that are available at other brokerage firms and (ii) other cash sweeps that NFS makes available and that we have used in the past or may consider using in the future.

For additional information regarding the IBDA and the IBRAA, clients should carefully review our Bank Sweep Program Disclosure Document, which is available at www.lfsecurities.com under My accounts–Disclosures. Our Bank Sweep Disclosure Document provides detailed information regarding the Programs, including how and when clients' cash is swept to the Program Banks, clients' options if they do not wish to consent to the IBDA or the IBRAA as their cash sweep, FDIC insurance coverage and applicable limitations, the compensation that we receive from the Program Banks as a result of clients' use of the Programs as their cash sweeps, the firm's conflicts of interest in connection with the Programs, and other important matters. Additionally, for important information regarding the current interest rates that clients will receive on their cash deposits in the Programs, the Program Banks participating in the Programs, account eligibility for the Programs, the firm's compensation and conflicts of interest in connection with the Programs, the "money market mutual fund overflow" feature of the Programs, and frequently asked questions regarding the Programs, clients should carefully review the other Program-related disclosures available at www.lfsecurities.com under My accounts–Disclosures or request copies of such disclosures from their financial professional. After reviewing the important Program-related disclosures herein and on our website, clients should address any questions they may have with their financial professional before consenting to the IBDA or the IBRAA as the cash sweep for their accounts.

2.3. Conflicts for Our Financial Professionals Alone

When acting in a broker-dealer capacity, we are committed to ensuring that our financial professionals always act in the best interest of our retail customers and do not place our or their financial or other interests ahead of retail customers' interests; however, conflicts between retail customers and our financial professionals are caused by a variety of arrangements, including, but not limited to, financial professionals' compensation arrangements, retail customer-specific arrangements, and our financial professionals' outside business activities. The material facts relating to conflicts between retail customers and our financial professionals are as follows:

- *Your financial professional's compensation is dependent upon their sales.* Your financial professional's cash and non-cash compensation (including, but not limited to, nominal gifts, entertainment, marketing expense reimbursements, business expense reimbursements or discounts, firm-sponsored benefits, and other benefits) are tied to factors including asset accumulation, total sales, total compensation, or proprietary product sales. Further, some financial professionals receive annual recognition trips for them and, in certain cases, their family members and/or other guests based on their sales as compared to their peers at our firm. You are not charged any additional fees as a result of your financial professional's receipt of additional compensation and benefits from us. However, their receipt of additional compensation and benefits presents a conflict of interest for financial professionals that has the potential to affect your financial professional's judgment, recommendations, and selections made for you

and your account. In particular, these forms of additional compensation and benefits give your financial professional a financial incentive to recommend that you trade more frequently, purchase additional investments, engage in larger transactions, purchase products that generate the highest rate and amount of compensation for them, and purchase proprietary products offered by our affiliates so that he or she will make progress toward or meet the thresholds required to receive these various benefits. This conflict is heightened as your financial professional approaches the deadlines for meeting the qualification targets for these various benefits, many of which are typically at the end of the calendar year.

- *The amount of compensation we share with your financial professional depends on the investment category (and, in some cases, the particular investment) recommended to you and your financial professional's sales volume.* The amount of commissions, sales charges, sales loads, markups, ongoing payments, and certain other forms of compensation we share with our financial professionals is dictated by compensation grids that are set at the discretion of our financial professionals' Office of Supervisory Jurisdiction managers ("OSJ Managers"). The compensation grids set for our financial professionals by their OSJ Managers vary based upon the investment category in which your financial professional's recommended transaction falls. Because our financial professionals' compensation grids generally are not investment category neutral, your financial professional has a financial incentive to recommend that you invest in investment categories that result in the highest percentage payout for your financial professional. For example, if your financial professional receives a lower percentage of the compensation generated by publicly-traded stock and other general securities transactions than he or she does for transactions in other investment categories (e.g., variable product transactions) under his or her compensation grid, he or she will have a financial incentive to recommend that you invest in investment categories other than publicly-traded stocks and general securities. Additionally, we do not subject the compensation paid to our financial professionals for transactions involving variable life insurance policies issued by our affiliates to the compensation grid applicable to all other securities. Therefore, our financial professionals have a financial incentive to recommend that you invest in variable life insurance policies issued by our affiliates, rather than other securities, including variable life insurance policies issued by unaffiliated third-parties, which are paid at your financial professional's standard, lower grid rate percentage. Furthermore, our financial professionals' compensation grids generally have thresholds or bands that enable your financial professional to increase his or her compensation through an incremental increase in sales. Moreover, your financial professional's payout percentage can be adjusted periodically depending on your financial professional's total sales and overall performance. These thresholds, bands, and payout percentage adjustments give your financial professional a financial incentive to recommend that you trade more frequently, purchase additional investments, engage in larger transactions, and purchase and hold investments that generate the highest rate and amount of compensation so that he or she will make progress toward or meet the thresholds required to receive additional compensation. This conflict is heightened as your financial professional approaches the thresholds for meeting the qualification targets for these benefits.
- *Our OSJ Managers' compensation is based, in part, on the revenue generation levels of the financial professionals within the branch offices the OSJ Managers supervise.* Certain of our financial professionals are designated as OSJ Managers and are responsible for supervising the business activities conducted by the branch offices they have been appointed to oversee. The compensation of these OSJ Managers is tied, in part, to the revenue generation levels of the financial professionals within the branch offices the OSJ Managers supervise. The fact that OSJ Managers' compensation is tied to the revenue generation levels of the financial professionals within the branch offices the OSJ Managers supervise gives your financial professional's OSJ Manager a financial incentive to spend more time on increasing the revenue generation levels of your financial professional than on their supervisory and oversight responsibilities as an OSJ Manager.
- *Some financial professionals receive significant forgivable loans from us to help facilitate their transition when they join our firm and have outstanding loan balances forgiven over time as they meet total production targets each year during the term of their forgivable loan.* These loans are based on a percentage of the revenue earned, compensation received, or assets serviced or managed by the financial professional at his or her prior firm. We make these loans to financial professionals at interest rates and on other terms that are more favorable than financial professionals would be able to obtain from other lenders. Depending on the arrangement between us and the financial professional, the repayment of these loans is fully or partly forgiven or waived by us when the financial professional reaches specified sales or revenue generation levels or when the financial professional has been affiliated with us for a specified length of time. With respect to loans that are forgiven or waived by us based on sales or revenue generation, certain loans are forgiven or waived based on the financial professional's total sales and revenue generation across all products and services offered through us, including both proprietary and non-proprietary products and services, while other loans are forgiven or waived by us based solely upon the financial professional's accumulation of assets in our investment advisory programs or sale of other proprietary products. In certain circumstances, loan forgiveness and waivers are also funded by additional compensation for sales and revenue generation. These forgivable loan arrangements create conflicts of interest for the financial professional

because he or she has an additional financial incentive to: remain affiliated with us until his or her outstanding loan balance is forgiven or waived by us; encourage clients to purchase products and services through us and, in particular, those products and services that result in the forgiveness or waiver of his or her outstanding loan balance, rather than other available products and services; and otherwise achieve specific levels of sales or revenue generation that will result in the forgiveness or waiver of his or her outstanding loan balance, which has the potential to impact the account-type, product, and service recommendations and selections the financial professional makes for you and your account. If your financial professional received a forgivable loan and has an outstanding loan balance, your financial professional has a financial incentive to recommend that you trade often, purchase additional investments, engage in larger transactions, purchase and hold investments that result in the highest rate and amount of compensation, and engage in other fee-generating activities that will assist your financial professional in meeting the total production targets that will cause all or a portion of his or her outstanding loan balance to be forgiven by us. This conflict is heightened as your financial professional approaches the deadline for meeting the qualification targets for loan forgiveness, which are typically at the anniversary of the issuance date of their forgivable loan.

- *Some of our financial professionals receive additional training and support from certain issuers.* Certain issuers and their affiliates provide some of our financial professionals with more training and administrative support services than others. If your financial professional receives this additional training and support, his or her use of these issuers' higher level of training and administrative support services gives them a financial incentive to recommend investments issued by issuers that provide such training and services over other available issuers that do not or other available issuers that provide lesser training and services.
- *Some of our financial professionals' marketing efforts are subsidized by marketing representatives of product sponsors or their affiliated distributors, who are often referred to as "wholesalers."* Some of our financial professionals receive reimbursements or direct payments from the wholesalers of certain investments for marketing and distribution expenses they incur in connection with the distribution of wholesalers' investments. If your financial professional receives these wholesaler reimbursements or direct payments, these payments give your financial professional a financial incentive to recommend investments that entail these wholesaler reimbursements or payments, rather than other available investments that do not or that provide lesser reimbursements and payments.
- *Some of our financial professionals conduct business activities outside of the scope of their relationship with us ("outside business activities") that compete for their time and could potentially influence the recommendations they make to you.* If your financial professional engages in any outside business activities, these outside business activities can give your financial professional a financial incentive to spend more time on the outside business activity rather than on his or her broker-dealer relationship with you. Additionally, depending on the nature of your financial professional's outside business activities, your financial professional's outside business activities and related professional and personal interests can have the potential to influence the recommendations that he or she makes to you. You may research any outside business activities your financial professional may have on FINRA's BrokerCheck website at <https://brokercheck.finra.org/>.
- *Some of our financial professionals working with workplace retirement plans get paid when you deposit assets into your workplace retirement plan.* Some of our financial professionals who work with workplace retirement plan sponsors receive compensation based on the amount of assets you deposit into your workplace retirement plan. Our financial professionals' receipt of this deposit-based compensation gives them a financial incentive to recommend that you deposit assets into your workplace retirement plan, rather than other available account options that would not generate this compensation to them or that would generate relatively lower compensation to them.
- *Some of our financial professionals are subject to material limitations.* As described in [Section 1.2.1](#) above, some of our financial professionals are limited in the investments, services, and account types they can recommend to you as a result of their not being licensed to provide investment advisory services, the securities and insurance licenses they hold. If your financial professional is subject to a material limitation on the investments, services, or account types he or she can recommend to you, your financial professional has a financial incentive to recommend that you invest in and utilize the investments, services, and account types that he or she is authorized to recommend because he or she will only be compensated if you do so.