



# Sweep program disclosure document

For accounts introduced to  
National Financial Services LLC

Read the complete Disclosure Document before you decide to participate in the Sweep Program. You should consult your Financial Professional for more information.

## I. Introduction

Osaic, Inc., through its affiliated Broker-Dealers, Ladenburg Thalmann & Co. Inc. and Triad Advisors, LLC (referred to as “Broker-Dealer,” “we,” “our,” or “us”) individually offer a cash sweep program (“Sweep Program”) to you in your brokerage account (“Brokerage Account”) introduced by us to and held by National Financial Services LLC (“NFS”), a New York Stock Exchange and Financial Industry Regulatory Authority (“FINRA”) member that we have engaged to provide custody and clearing services to us. The terms “account owner,” “you” and “your” refer to the account owner(s) indicated on the Account Application to your Brokerage Account(s). For joint accounts, these terms refer to all owners, collectively and individually. For trust accounts, these terms refer both to the trust entity and to all trustees.

This document is meant to provide you with important information related to the Sweep Program and the alternatives made available through the Sweep Program. **You agree that you will read through this Disclosure Document carefully and that you will consult with your Financial Professional if you have any questions or concerns related to the Sweep Program.**

Over time, your Brokerage Account will accumulate cash from interest or dividend payments on investments you own, from the proceeds of sales transactions, or from deposits you make to your account. Maintaining a cash balance pending further investment in your Brokerage Account offers certain benefits, including:

- Having cash in your account to pay for securities transactions reduces the risk of not having “good funds” at settlement
- SIPC protection for cash held as a free credit balance in your Brokerage Account, up to \$250,000 per account, as described below
- FDIC insurance when your cash is swept to a bank in our Sweep Program. Your free credit balance is moved or “swept” to an insured deposit program offering up to \$2.5 million for individual accounts (\$5 million for joint accounts) as described below
- The ability to access your cash via debit card or checks written against your account
- For tax-qualified accounts, you can maintain the tax-qualified status of your cash balance instead of transferring cash to or from a tax-qualified bank account to obtain FDIC coverage or pay for your securities trades or account fees

**Regardless of how you maintain a cash balance in your Brokerage Account, you agree that you will not maintain such balances solely for the purpose of obtaining FDIC or SIPC coverage. Because we make available to you a wide range of investment products, including among others non-sweep money market mutual funds, treasury bills, and brokered certificates of deposit to invest cash in your Brokerage Account, you also agree that receiving interest income is not the primary objective for maintaining a cash balance in your Brokerage Account.**

**The Sweep Program is offered as a convenience to allow you to maintain and accumulate cash pending future investment or withdrawals in your Brokerage Account while earning modest interest income that would not be earned if your cash were to remain as a free credit balance, and to obtain up to \$2.5 million (or \$5 million for joint accounts) in FDIC insurance for such funds. If you are seeking to invest your Brokerage Account cash balances for potential returns or you seek yields greater than those offered by the Sweep Program, do not desire FDIC insurance for such funds, and you do not anticipate the need for immediate availability of your cash balances for future investments or withdrawals, please contact your Financial Professional to discuss investment options. Investment options outside of the Sweep Program will have different characteristics, such as potentially more limited liquidity that would limit your ability to liquidate such investments to pay for investments in your Brokerage Account or to withdraw from your Brokerage Account, potential costs and fees, and in most cases no FDIC insurance.**

By participating in the Sweep Program, your free credit balances will be transferred to an account at a bank whose deposits are insured by the Federal Deposit Insurance Corporation ("FDIC"), subject to deposit capacity limits or, for certain accounts and as described below, to purchase shares in a money market mutual fund.

Unless otherwise indicated, the information in this Disclosure Document applies to each eligible Brokerage Account for which you are an owner, whether as an individual, a joint tenant, a corporation, trustee, executor, or custodian, or in any other capacity.

You should also understand that the Sweep Program balance in any deposit account, or the shares of any money market mutual fund in which you have a beneficial interest, can be liquidated on your order and the proceeds returned to your Brokerage Account or remitted to you.

The term "free credit balance" refers to the credit balance that remains in your Brokerage Account after all purchases are made and are free from withdrawal restrictions. A free credit balance is intended to be used to purchase more securities or pay fees incurred in the account.

In addition to allowing the cash to be held in the Brokerage Account, customers with a free credit balance have the option to either (i) direct us to transfer the money to another financial institution (on a regular schedule or otherwise), or (ii) direct us to deposit or invest the money into eligible sweep products to earn an additional return while the cash awaits further investment. **As stated in the Customer Agreement and unless or until you instruct us otherwise, by signing and returning the Account Application and Customer Agreement (hereafter, "Customer Agreement"), you are consenting to having your Brokerage Account, and all subsequent and future Brokerage Account(s) opened for you by us, be automatically included in the Sweep Program.** Upon executing the Customer Agreement, you appoint our clearing firm NFS as your agent to establish and maintain your sweep accounts.

You can contact your Financial Professional at any time to opt out of the Sweep Program. Once opted out, any cash balances in your non-retirement Brokerage Account will remain as free credit balances in your account and will not earn interest nor be eligible for FDIC insurance, and up to \$250,000 in cash will be covered by SIPC, as described in detail below. **There are other investment products, including non-sweep money market mutual funds, treasury securities and brokered certificates of deposit that are available to you to invest cash in your Brokerage Account.**

Your Brokerage Account has a core account that is used for settling securities transactions and holding credit balances. Depending on your account type, we will provide you with access to at least one cash sweep vehicle, in the form of a Money Fund or Deposit Account (each a "core account investment vehicle"), that will be used to hold a cash balance awaiting investment. The Bank Deposit Sweep Program ("BDSP") is the primary core account investment vehicle we make available to you for available cash balances held in an eligible Brokerage Account. For cash balances held in eligible Advisory IRA Accounts, the Insured Cash Account Program ("ICAP") is the primary core account.

With the exception of the account types listed below, all Brokerage Accounts offered by the Broker-Dealer are eligible for either the BDSP or the ICAP. Brokerage Account types that are NOT eligible for BDSP or ICAP include:

- ERISA Title I accounts
- Section 403(b)(7) accounts
- Keogh Plans

Cash balances in Brokerage Account types not eligible for the BDSP or ICAP that participate in the Sweep Program are instead invested in shares of a Money Fund as described in the section of this Disclosure Document titled *“Money Fund(s) Available for ERISA Title I Account Types, 403(b)(7) Plans and Other Brokerage Account Types Not Eligible for the BDSP”*. We retain the right to revise this list of account types that are not eligible for the BDSP or ICAP, and to otherwise implement changes to our Sweep Program, upon advance notice to you.

As more fully described in this Disclosure Document, cash held in your Brokerage Account pending investment with us is generally protected, up to applicable limits, by the Securities Investor Protection Corporation (“SIPC”). At the time cash is deposited with one or more banks on the then-current list of the banks participating in the Deposit Account component of the Program (“Program Banks,” such list of Program Banks, the “Program Bank List,” and such deposits “Program Deposits”), your deposits in the BDSP and ICAP are eligible, subject to the limitations described in this Disclosure Document, to be insured, up to applicable limits, by the FDIC. **Cash deposited in Deposit Accounts is not eligible for coverage by the SIPC.**

Cash in the Deposit Accounts at each Program Bank is generally eligible for deposit insurance by the FDIC up to a total of \$250,000 in principal and accrued interest per depositor in most insurable capacities (e.g., corporate, individual, joint, etc.) when aggregated with all other deposits, including bank accounts, certificates of deposit (“CDs”) and deposits held through another brokerage firm offering an insured deposit program, held in the same insurable capacity at a Program Bank. For example, cash in the Deposit Accounts at a Program Bank held by a company or an individual is insured up to \$250,000, and cash in the Deposit Accounts at a Program Bank held in joint accounts is insured up to \$500,000.

**The maximum amount of FDIC insurance coverage for your deposits in the BDSP and deposits in the ICAP is \$2.5 million for an individual account and up to \$5 million for a joint account (the “Maximum Applicable FDIC Deposit Insurance Amount”),**

**subject to the total amount of cash you have on deposit in a Deposit Account, applicable FDIC rules, and Program Bank capacity.**

**You are responsible for monitoring the total amount of cash deposits that you have with each Program Bank, including any Excess Deposit Bank (described below), to determine the extent of FDIC deposit insurance coverage available to you. You should review carefully the section of this Disclosure Document titled “FDIC/ SIPC Coverage.” Deposits that exceed the FDIC coverage limits are subject to loss of principal in the event of a Program Bank failure.**

As your agent, NFS will place in any one Program Bank up to \$246,500 of your cash balances for an individual account, an agency account and a trust account (including a transfer upon or payable on death account), up to \$493,000 in any one Program Bank for a joint account (regardless of the number of owners), and up to \$246,500 in any one Program Bank for an individual retirement account, or “IRA” (each such limit referred to hereinafter as the “Maximum Deposit Amount”).

If you maintain more than one account with us that participates in the Sweep Program, you are responsible for monitoring the cash balances for all of your accounts to assure that the balances do not exceed the Maximum Deposit Amount at any one Program Bank.

Once cash balances equal to the Maximum Deposit Amount have been deposited for you through the BDSP and/or through ICAP in each Program Bank on the Program Bank List, any additional cash will be deposited in an “Excess Deposit Bank” that will accept cash without limitation and without regard to the Maximum Applicable FDIC Deposit Insurance Amount.

**Cash deposits in the Excess Deposit Bank that exceed the Maximum Applicable FDIC Deposit Insurance Amount will not be covered by FDIC deposit insurance, nor will such deposits be covered by SIPC.**

Each Deposit Account constitutes a direct obligation of the Program Bank to you and is not directly or indirectly an obligation of us or NFS. You can obtain publicly available financial information concerning each Program Bank at [ffiec.gov/NPW](https://ffiec.gov/NPW) or by contacting the FDIC Public Information Center by mail at L.

William Seidman Center, Virginia Square, 3501 North Fairfax Drive, Arlington, Virginia 22226 or by phone at 703-562-2200. Neither we nor NFS guarantee in any way the financial condition of the Program Banks (including the Excess Deposit Banks) or the accuracy of any publicly available financial information concerning such Program Banks.

Although each Deposit Account constitutes a direct obligation of the Program Bank to you, you will not have a direct account relationship with the Program Banks, and you will not be able to instruct the Program Bank to process deposits or withdrawals from your Deposit Account. Your interest in a Deposit Account is not transferable. NFS, as your agent and custodian, will establish the Deposit Accounts for you at each Program Bank and make cash deposits to and withdrawals from the Deposit Accounts.

To the extent permitted under applicable law and as otherwise discussed below, we, NFS, and the third-party administrator will receive a fee from each Program Bank for the services provided to you under the Sweep Program. The amount of the fee paid to us, NFS, and the third-party administrator will affect the interest paid to you on the Deposit Accounts.

**We determine the rate of interest you receive on your deposit accounts.** Our Cash Review Committee meets periodically to review the interest rates paid to clients in the BDSP and to determine whether and when the rates will change. Factors considered include the rates paid by Program Banks to obtain deposits from the Sweep Program, expected changes in interest rates, interest rates paid by market competitors, and program expenses.

Program Banks generally pay a rate that is higher than the rate received by you. For BDSP, we retain the difference, after the fees due to NFS and the third-party administrator for administering the program and related services are paid. **We will retain a higher percentage of the interest received from Program Banks than what is credited to client accounts.** You should review carefully the section of the Disclosure Document titled *“Information About Your Relationship with Your Broker-Dealer and the Program Banks.”*

#### **A. Core Account Investment Vehicle Interest**

As described in greater detail in the section of this Disclosure Document titled *“Interest,”* there are two methods by which interest is calculated and earned through the Sweep Program.

1. For most account types, we will determine the interest rates you receive on your Deposit Accounts. For the BDSP, interest rates will be tiered (“Tiered Structure”) and will vary based on your assignment to a tier, as determined by us, based upon the balance of your Program Deposits.
2. II. For Advisory IRA Accounts (those in which an advisory fee is charged as per the terms of the contract you executed with us or our affiliated investment adviser), interest earned on cash sweep balances will not be based on the Tiered Structure. Instead, interest on all Advisory IRA Accounts will be calculated and paid based on a level fee structure as further described in the section of this Disclosure Document titled *“Your Relationship With Your Broker-Dealer and the Program Banks.”*

Neither we nor the Program Banks have a duty to offer the highest interest rates available or to offer in our BDSP and/or ICAP interest rates that are comparable to the yield on Money Funds. Banks generally profit from paying depositors lower rates of interest, and by investing or lending those deposits to their borrowers at higher rates. By comparison, Money Funds generally seek to achieve the highest rate of return consistent with their investment objectives, which can be found in their prospectuses. You may contact your Financial Professional to obtain current interest rates for Program Deposits, or visit the website listed in Appendix A.

#### **B. Timing of Sweep**

The cash balance in your Brokerage Account will be automatically swept by NFS from your Brokerage Account to your Deposit Account (BDSP or ICAP) or, if your Brokerage Account is eligible for the Money Fund, to the applicable Money Fund, on the business day following the day your Brokerage Account reflects a cash balance. Withdrawals from your Deposit Accounts will normally be made on the business day following transactions that create a debit in your Brokerage Account. For purposes of this Sweep Program, a business day generally means a day on which the Program Bank is open for business. Available cash balances will not begin to earn interest or be eligible for FDIC insurance until swept into the Deposit Account at the Program Bank.



### **C. Access to Funds in the Deposit Accounts**

As required by federal banking regulations, each as required by federal banking regulations, each Program Bank reserves the right to require seven (7) calendar days' notice before permitting a withdrawal of any Program Deposits. So long as this right is not exercised, or there is not a Program Bank failure that would require FDIC intervention, your ability to access cash deposits, including the ability to write checks against your Brokerage Account, should not be impacted.

Notwithstanding the foregoing, you will remain responsible for all obligations arising from activity in your Brokerage Account, including but not limited to fees charged to your account, margin balances, settlement of transactions, checks, wires, and debit card purchases.

### **D. Money Fund(s) Available for ERISA Title I Account Types, 403(b)(7) Plans and Other Brokerage Account Types Not Eligible for the BDSP or ICAP.**

A Money Fund is available for use as a core account investment vehicle, but only for the following Brokerage Account types: ERISA Title I accounts, 403(b)(7) plans and Keogh Plans. For more complete information about the Money Fund, including all charges and expenses, please contact your Financial Professional for a free prospectus. Read the prospectus carefully before you invest or send money. Please contact your Financial Professional to obtain information with respect to the current yield available on any Money Fund, or visit the website listed in Appendix A.

For Brokerage Accounts that are not eligible for BDSP or ICAP, we offer the ability to sweep to a Money Fund offered by Fidelity Management and Research Company ("FMR Co."), an affiliate of NFS. FMR Co. will receive management and other fees for assets held in the Money Fund, as more fully described in the fund's prospectus. Brokerage Accounts that participate in the Money Fund sweep authorize and direct us to invest eligible Brokerage Account cash balances in the Money Fund specified at the website listed in Appendix A. The Money Fund specified at the website listed in Appendix A is subject to change from time to time. We do not receive any compensation, in the form of distribution assistance or otherwise, from the Money Fund or its Distributor.

Cash swept to the Money Fund will earn dividends based on the interest and income realized by the Money Fund's underlying investments. The dividends earned on the shares in the Money Funds will not be payable in cash but will be reinvested each month in additional shares of the Money Fund at the then current net asset value. The rates of return on the Money Fund will likely be greater than the interest you receive from the BDSP and ICAP.

There is no guarantee that the rate of return or the yields you receive will equal or exceed rates of return or yields available at other financial institutions or if invested in other products similar to the Money Fund. Yields fluctuate, and past performance is no guarantee of future results. For more information about the current yield you are receiving in the Money Fund please visit the website listed in Appendix A.

Under certain circumstances, some Money Funds will impose a fee upon the sale of shares (a liquidity fee) or temporarily suspend your ability to sell shares (a redemption gate) if the Money Fund's liquidity falls below required minimums due to market conditions or other factors. Government Money Funds currently are not required to impose liquidity fees or redemptions gates. Please contact your Financial Professional and request the Money Fund's prospectus to obtain further details about any particular Money Fund.

**Investments in Money Funds are not guaranteed or insured by the FDIC or any other government agency. Although Money Funds seek to preserve a net asset value of \$1.00 per share, there is no guarantee that this will occur; it is possible to lose money by investing in a Money Fund, including loss of principal. Please contact your Financial Professional for further details and additional information, including a prospectus, for any available Money Fund.**

**Please read the prospectus carefully before investing. Investments in Money Funds are not FDIC insured but will be covered by SIPC subject to applicable limits. Please see Section titled "FDIC/ SIPC Coverage" for more information.**

## **II. Details**

This Disclosure Document contains key information about the Sweep Program, which is offered by us in conjunction with NFS. Additional terms, conditions,

and disclosures applicable to your Brokerage Account(s) with us are included in other documents, including but not limited to your account application, account agreement, applicable privacy notice, your applicable Broker-Dealer Customer Agreement for your Brokerage Accounts, the Margin Account Agreement, the Disclosure of Terms on Credit Transactions, the Margin Disclosure Statement, and the retirement account Customer Agreement and any applicable custodial agreement, disclosure statement or the like, (collectively, the “Other Agreements”), all of which are hereby incorporated by reference into this Disclosure Document. In the event of a conflict between the terms of this Disclosure Document and the Other Agreements, solely as it relates to the terms and conditions of this Disclosure Document, the Disclosure Document will control. Please review these Other Agreements for important information governing your Brokerage Account.

### **A. Deposit Account Program Eligibility**

The BDSP is available to individuals, certain non-profit organizations and to certain fiduciaries and trusts, provided that the beneficiaries are individuals or are otherwise eligible.

Brokerage Accounts in the name of business entities, including corporations, limited liability companies and partnerships, are also eligible for the BDSP. Certain custodial IRAs are also eligible for the BDSP.

As noted above, the BDSP is not available to ERISA Title I accounts, Section 403(b)(7) accounts or Keogh Plans.

Eligibility for the BDSP is subject to the other limitations described herein and as determined by us and NFS. Please check with your Financial Professional if you have questions regarding eligibility of your Brokerage Account.

Eligibility for ICAP is limited to Advisory IRA Accounts (those in which an advisory fee is charged as per the terms of the contract you executed with us or our affiliated investment adviser).

### **B. Changes to the Sweep Program**

**We and NFS retain the right to modify the eligibility for the BDSP and ICAP at any time.** If we or NFS determine that your Brokerage Account is no longer eligible or the Program

eligibility requirements change, we retain the right to change your Brokerage Account's core account investment vehicle from the BDSP or ICAP to an alternative core account investment vehicle, including a Money Fund made available by us and NFS. A Money Fund will not be FDIC insured.

We will provide advance notice to you of any changes to the Sweep Program, including changes to sweep products and vehicles available therein. **When we notify you that we intend to make a change to the Sweep Program, we will describe in detail the change, how and when it will be executed, and your alternatives. You agree that you will carefully read each such notice.**

### **C. How the Deposit Account Program Works**

Through the Deposit Account Program (the BDSP and ICAP), cash balances in your Brokerage Account will be automatically deposited or swept to Deposit Accounts at one or more Program Banks on the Program Bank List, subject to deposit capacity limits at each Program Bank. Once your cash balance has been swept to a Program Bank, it is referred to as your “Program Deposit.” Please note that your ability to access the money held at the Program Bank(s) will be limited under certain circumstances, as more fully described herein. The Deposit Account Program is intended to operate on a nondiscretionary allocation methodology.

Cash will be swept into Deposit Accounts at Program Banks subject to deposit capacity limits up to the Maximum Deposit Amount. Cash in excess of the Maximum Deposit Amount (or cash that cannot otherwise be deposited at a particular Program Bank because that Program Bank is not accepting additional deposits for any reason, including due to capacity constraints or other issues) will be swept into the next successive Program Bank on the Program Bank List, subject to deposit capacity limits. Once the Maximum Deposit Amount has been reached in all Program Banks on the Program Bank List that are accepting additional deposits, additional cash will be swept to the Excess Deposit Bank (as defined below in the section titled “Maximum Deposit Amount”), subject to deposit capacity limits.

You cannot change the Program Banks on the Program Bank List, the order in which cash is deposited at the Program Banks on the Program Bank List, or the Maximum Deposit Amount at any Program Bank.

You can, however, at any time, designate a Program Bank as ineligible to receive your cash (otherwise referred to as “opting out” of a Program Bank) by contacting your Financial Professional. Any such action will result in any current Program Deposit at such Program Bank being withdrawn and such cash (along with any new Program Deposits) being deposited into Deposit Accounts at a different Program Bank on the Program Bank List with deposit capacity on the next business day that a sweep is effected after your “opt out” instructions have been applied. No new cash will be deposited into any Program Bank that you have opted out of (i.e., designated as ineligible to receive your deposits).

If you designate one or more Program Banks as ineligible to receive cash, you increase the likelihood that the total amount of FDIC insurance for which your cash balances will be eligible in the BDSP and/or ICAP will be reduced. Participation in the BDSP and ICAP requires at least one (1) Program Bank remaining eligible to receive your cash deposits. Thus, you cannot opt out of all Program Banks on the Program Bank List.

With the exception of the Excess Deposit Bank, your cash balances will not be swept into a Deposit Account at a Program Bank in an amount that exceeds the Maximum Deposit Amount. **You are responsible for monitoring the total amount and insurable capacity of deposits that you have at each Program Bank both as part of and outside of the BDSP and ICAP, including any CDs or other cash deposits made through us or through any other intermediary, for the purpose of determining the FDIC insurance coverage for those cash deposits.**

#### D. Maximum Deposit Account

NFS, as your agent, will place in one Program Bank, subject to deposit capacity limits, regardless of the maximum potential applicable FDIC insurance coverage available, up to \$246,500 of your cash balances for an individual account, an agency account and a trust account (including a transfer upon or payable on death account), up to \$493,000 for a joint account (regardless of the number of owners), and up to \$246,500 for an IRA. If you maintain in your Brokerage Account or your Advisory IRA Account cash balances that approach \$2.5 million (\$5.0 million in a joint account), the Maximum Deposit Amount is less than the maximum potential amount of FDIC insurance coverage.

If your cash balances and existing Program Deposits at a Program Bank exceed the Maximum Deposit Amount at a Program Bank, cash deposits greater than the Maximum Deposit Amount for each Program Bank will be swept into Deposit Accounts at one or more other Program Banks on your Program Bank List, subject to deposit capacity limits, in the order reflected thereon (subject to removal and replacement as further described below). If the Maximum Deposit Amount has been deposited for you through the BDSP and the ICAP in each Program Bank on the Program Bank List (taking into consideration any Program Bank that you have opted out of or excluded), all excess cash balances will be deposited to one designated Program Bank on the Program Bank List, without regard to FDIC insurance limitations (an “Excess Deposit Bank”), subject to deposit capacity limits.

#### E. Program Limitations

The amount of your cash balances that are swept into Deposit Accounts may need to be limited if one or more Program Banks reach deposit capacity and stop accepting deposits, become ineligible for the BDSP as described in this Disclosure Document, or for other exceptional circumstances. These limitations may affect the total amount of FDIC insurance that is available to you. You will generally receive notification in advance of any Program Bank being removed from the Program Bank List, and if advance notice is not practical due to the circumstances, you will be notified as soon as is reasonably practical. Consult the following sections for further important information, as such action may affect the amount of your cash balances that are covered by FDIC insurance.

#### F. Money Market Mutual Fund Overflow

Certain events will result in the sweeping of Cash Balances into a money market mutual fund instead of Program Banks. The Money

Market Mutual Fund Overflow (“MMKT Overflow”) feature can be activated when the Program does not have sufficient deposit capacity to accept new or maintain existing deposits. At that point, any balance in your Brokerage Account that cannot be placed or maintained at a Program Bank(s), including Excess Deposit Banks, will be swept into the MMKT Overflow.

The enhanced sweep process between your Brokerage Account, the Program Deposit Account and the MMKT Overflow is referred to together as the “Program” and is included in the definition of your “Core Account Investment Vehicle”.

**Summary:** Balances will sweep to the Program Banks as described above in the “How the Program Works” section. If, however, the Program Banks are unwilling or unable to accept deposits, your funds will be swept to the “MMKT Overflow” rather than the Program Bank(s).

Your Program Deposit is also automatically “swept out” of a Program Deposit Account as necessary to satisfy debits in your Brokerage Account. However, in the event you have Cash Balances in the MMKT Overflow, the Cash Balances will first be debited from the MMKT Overflow Fund, then from Program Banks.

Debits in your Brokerage Account associated with certain actual or anticipated transactions during the business day will first be settled using proceeds from the redemption of any shares of the MMKT Overflow Fund first, then withdrawal of Program Deposits that are swept out on such business day. Other debits will be settled using proceeds from redemption of any shares of the MMKT Overflow Fund first, then the withdrawal of Program Deposits that are swept out on the next business day.

In the event that additional capacity becomes available at the Program Banks, any cash balances in the MMKT Overflow Fund will remain in the MMKT Overflow until they are used to satisfy debits or withdrawals in the account as described above.

**Rate of return for Cash Balances held in the MMKT Overflow:** The rate of return for a money market mutual fund is typically shown for a seven-day period, referred to as the “7-day yield”, and is typically expressed as an annual percentage rate. The yield will change over time based on the performance of the investments held by the money market mutual fund. The effective yield on a money market mutual fund reflects the effect of compounding of interest over a one-year period.

In general, a money market mutual fund earns interest, dividends, and other income from its investments, and distributes this income (less

fund expenses) to shareholders as dividends. Each fund may also realize capital gains from its investments, and distributes these gains (less losses), if any, to shareholders as capital gain distributions.

Distributions from a money market mutual fund consist primarily of dividends. A money market mutual fund normally declares dividends daily and pays them monthly. Funds held in the MMKT Overflow begin earning the dividend accruals on the day they are received by the MMKT Overflow Fund and stop accruing dividends on the day they are withdrawn. For additional information on returns of the MMKT Overflow Fund, see the fund’s prospectus.

**Statements:** The statement for your Account will (i) indicate your balance in your core account investment vehicle including your Program Deposit balance at each Program Bank and MMKT Overflow (if applicable) as of the last business day of each monthly statement period, (ii) detail sweeps to and from your core account during the statement period, and (iii) reflect the rate of return for the MMKT Overflow if applicable. This information is provided in lieu of separate confirmations of each transaction.

**Insurance:** If funds are swept from a Program Deposit Account to the MMKT Overflow, such funds will no longer be eligible for FDIC insurance but will be subject to SIPC protection, up to certain limits as further described in the section titled “FDIC Insurance Coverage/SIPC Protection”. More details about the MMKT Overflow Fund can be found in the MMKT Overflow Fund’s prospectus, which will be made available to you when applicable.

**Rebalance Event:** From time to time, and as part of the management of the Program, if additional deposit capacity becomes available NFS, in collaboration with your Broker-Dealer, may periodically sweep funds out of the MMKT Overflow and back to Program Banks on your Program Bank List to be held as a Program Deposit (a “Rebalance Event”). You will be notified in advance of any MMKT Overflow fund Rebalance Event. Notice will be provided to you in writing, which may be electronic, and the notice will inform you of approximately when such Rebalance Event will occur. Continued use of your Account and/or the Program after notice of a Rebalance Event will constitute your consent to such an event and the changes described therein.



The Fidelity Government Money Market: “S” Class fund is the money market mutual fund that will be utilized for the MMKT Overflow (the “MMKT Overflow Fund”). The MMKT Overflow Fund is offered by Fidelity Management and Research Company (“FMR Co.”), an affiliate of NFS. FMR Co. will receive management and other fees for assets held in the MMKT Overflow Fund, as more fully described in the fund’s prospectus. We do not receive any compensation from NFS or its affiliates for Brokerage Accounts that participate in the MMKT Overflow Fund.

#### **G. Free Credit Balances**

Free credit balances will be used by NFS in the ordinary course of its business, subject to the restrictions of Rule 15c3-3 under the Securities Exchange Act of 1934. The use of customer free credit balances will generate revenue for the clearing firm that holds the account (in this case, NFS) in the forms of interest and income (less amounts paid to the customer on such balances, if any), which NFS retains as additional compensation for its services. Under these arrangements, NFS will generally earn interest, or a return, based on short-term market interest rates prevailing at the time. NFS shares a portion of this compensation with us, but none of this compensation is shared with your Financial Professional. Uninvested cash held in your Brokerage Account is not insured or guaranteed by the FDIC or any other government agency, but is protected by the SIPC up to \$250,000 per account.

If you are acting on behalf of an ERISA Title I account type, such as a 403(b)(7) plan or IRA, the responsible plan fiduciary agrees that it has independently determined that holding cash balances as a free credit balance which will not earn income for the plan or account, instead of pursuant to the Sweep Program is both (i) reasonable and in the best interests of the plan or account and (ii) that the plan or account receives no less nor pays no more than adequate consideration with respect to this arrangement.

#### **H. FDIC Insurance Coverage in General**

The Deposit Accounts (including principal and accrued interest) are insured by the FDIC, an independent agency of the U.S. government. You are responsible for monitoring the total amount of deposits that you

hold with any one Program Bank, directly or through an intermediary (for example through a retirement plan or another brokerage firm offering an insured deposit program), in order to determine the extent of deposit insurance coverage available to you on all of your deposits, including the Deposit Accounts. We and NFS are not responsible for any insured or uninsured portion of the Deposit Accounts or any other deposits. Uninsured funds in the Deposit Accounts are subject to loss of principal in the event of a bank failure.

See the section of this Disclosure Document titled “*FDIC/SIPC Coverage*” for more detailed information on insurance coverage of Deposit Accounts and Brokerage Accounts.

### **III. Program Banks**

#### **A. General Information About Program Banks**

Program Banks are organized into regional bank lists. Your Brokerage Account is assigned to a Program Bank List based upon the state reflected in the mailing address on your Brokerage Account application. Your Brokerage Account mailing address is the address to which correspondence from us is mailed. Please contact your Financial Professional or go to the website listed in Appendix A for the most current Program Bank List applicable to your account. All changes to the Program Bank List will be posted to the website listed in Appendix A, along with the date on which the most recent update was made.

The Program Bank List displays all the Program Banks, including your Excess Deposit Bank which will be utilized for deposits after the Maximum Deposit Amount has been placed in all the Program Banks on your Program Bank List, and the sequence that will be used for cash deposits into these Program Banks.

There will be instances where certain “Priority Bank(s)” offer additional compensation to us and NFS in order to receive preferential ordering ahead of other Program Banks in the allocation sequence. Funds in excess of the Maximum Deposit Amount at any Priority Bank(s) will be swept into an alternate Program Bank. Once the Maximum Deposit Amount has been reached in all Program Banks on the Program Bank List, additional funds will be swept into the Excess Deposit Bank.

You cannot select the Excess Deposit Bank at which such excess cash deposits will be made. If an Excess Deposit Bank is also a Program Bank, the Excess Deposit Bank would receive, in the sequence listed, deposits, subject to deposit capacity limits and up to the Maximum Deposit Amount just as any other Program Bank and, after deposits of the Maximum Deposit Amount have been made at all of the other Program Banks on your Program Bank List, excess deposits would then be placed in your Excess Deposit Bank. If your Excess Deposit Bank has already received Program Deposits up to the deposit capacity limit or the Maximum Deposit Amount, any further deposits in that Program Bank would generally not be eligible for FDIC insurance coverage. **Thus, to the extent that deposits in your Excess Deposit Bank exceed the Maximum Applicable FDIC Deposit Insurance Amount, this excess cash is ineligible for FDIC insurance.**

You should review the Program Bank List carefully and often. You should also regularly check the website listed in Appendix A for changes to the Program Bank List. You are responsible for monitoring the total amount of cash deposits that you have at each Program Bank for purposes of reviewing deposits which are not eligible for insurance by the FDIC. We and NFS do not have any duty to monitor the core account investment vehicle for your Brokerage Account, or to make recommendations about, or changes to, the BDSP that might be beneficial to you.

**The amount of FDIC insurance in all Program Banks will be limited pursuant to the limitations explained in this Disclosure Document. In any event, all deposits in the BDSP and ICAP are subject to all applicable FDIC qualification requirements and to the limitations described in this Disclosure Document.**

## **B. Deposit Accounts**

Your Program Deposits will generally be deposited in two linked bank accounts at one or more Program Banks: (1) an interest-bearing savings deposit account (commonly referred to as a Money Market Deposit Account or “MMDA”) and (2) an interest-bearing transaction account. You will receive the same interest rate on the cash in your MMDA and in your transaction account at each Program Bank. Your Brokerage Account statement will reflect the combined cash balances of the MMDA and the transaction account at each Program Bank.

Your Program Deposits will be deposited at the Program Bank (subject to deposit limits) in a transaction account and an MMDA maintained by NFS for your benefit and the benefit of other customers of the Broker-Dealer and/or NFS that participate in the BDSP and/or ICAP. A portion of your Program Deposit will be allocated to the transaction account, and a portion of your Program Deposit will be allocated to the MMDA as described herein. From time to time, part of such deposits will be transferred to your transaction account to establish and/or maintain a threshold amount, which can differ among customers. All withdrawals will be made from the transaction accounts at the Program Bank. As necessary to satisfy debits in your Brokerage Account (account fees, securities purchases, checking or debit card activity, etc.), cash will automatically be transferred from the MMDA to the related transaction account at the applicable Program Bank.

If there is insufficient cash in the Deposit Accounts to satisfy a debit, NFS will withdraw cash from other available sources as described in this Disclosure Document or in your Customer Agreement.

Federal banking regulations limit the transfers from an MMDA to a total of six (6) during a monthly statement cycle. At any point during a month in which transfers from an MMDA at a Program Bank have reached the applicable limit, all cash will be transferred from that MMDA to the linked transaction account at the Program Bank. For the remainder of the month, all deposits for that Program Bank will be made to the transaction account. At the beginning of the next month, an amount of cash on deposit in the transaction account less any applicable threshold amount will be automatically transferred back to the MMDA. Due to the linking of the transaction account and MMDA as described above, the federal banking limits on MMDA transfers will not effectively limit the number of withdrawals you can make from cash on deposit at a Program Bank.

The cash balances awaiting reinvestment in your Brokerage Account will be automatically swept from your Brokerage Account into your Deposit Accounts, subject to deposit capacity limits, on the business day following the day your Brokerage Account reflects a cash balance. For purposes of this Sweep Program, “business day” generally means a day on which Program Banks are open for business. Available cash balances will not begin to earn interest or be eligible for FDIC insurance until swept into the Deposit

Account(s) at the Program Bank(s). **As stated above, to the extent your deposits outside of the Sweep Program, in combination with your Program Deposits, exceed the Maximum Applicable FDIC Deposit Insurance Amount at any Program Bank, the amounts above such limits will NOT be eligible for FDIC insurance protection. Deposits at Program Banks are NOT eligible for SIPC coverage.**

Please see the section of this Disclosure Document titled “Changes” for options available to you resulting from a change in the Program Bank List. You should also regularly check the website listed in Appendix A for changes to the Program Bank List.

### **C. Withdrawals—Access to Your Program Deposits**

When cash is needed to cover transactions or other activity in your Brokerage Account, on the same day the debit is applied we will use the following sources, in the order listed, to satisfy the debit: (i) available cash balances, including money added to your Brokerage Account (such as checks, dividends or interest, or transaction proceeds) but not yet moved to a Deposit Account; (ii) if applicable, proceeds from the sales of shares of the MMKT Overflow; (iii) any remaining balance in any previous core account investment vehicle; (iv) Program Deposits; and (v) if you have a margin account, any margin credit available.

If a withdrawal of cash from your Deposit Accounts is necessary to satisfy a debit, cash will be withdrawn from your Deposit Accounts at the Program Banks. Each debit will automatically generate a withdrawal from the FDIC Insured Deposit Program, causing a reduction of your balance in the applicable Deposit Accounts to satisfy the debit in your brokerage account.

Withdrawals from your Deposit Accounts will normally be made on the business day following transactions in your Brokerage Account; however, your Brokerage Account is credited on the day of the debit. This process might result in you having an obligation to make us or NFS whole for the sum of the debits in your Brokerage Account if there is a problem withdrawing cash from your Deposit Account or you otherwise fail to sufficiently fund your Brokerage Account for the full amount of any posted debits.

Please review your Customer Agreement for important information regarding your unsatisfied obligations owed to us and/or NFS.

You are only able to access your Program Deposits through your Brokerage Account. You cannot access or withdraw Program Deposits by contacting a Program Bank directly. NFS will automatically withdraw cash from your Deposit Accounts (up to the amount of your Program Deposit) and move such cash back to your Brokerage Account in order to satisfy any obligation you have to us or NFS or to settle a securities transaction or other debit transaction (account fees, checks, wires, debit card purchases or margin balances) in any account you have with us or NFS. Your interest in a Deposit Account is not transferable. Your Program Deposits remain subject to legal process, such as a levy or a garnishment, delivered to us or NFS to the same extent as if the cash were held in your Brokerage Account.

As noted above, each Program Bank reserves the right to require seven (7) calendar days’ notice before permitting a withdrawal of any Program Deposits. So long as this right is not exercised, your ability to promptly access cash in your account should not be impacted. Notwithstanding the foregoing, you will remain obligated for all activity in your Brokerage Account, including but not limited to margin balances, settlement of transactions, checks, wires, and debit card purchases.

## **IV. Interest**

### **A. Interest Rates**

The interest rate for your Deposit Accounts can be obtained from your Broker-Dealer, your Financial Professional or at the website listed in Appendix A. Interest on your Program Deposit is accrued daily, compounded monthly and is reflected on your Brokerage Account statement as of the last business day of the statement period. Interest on your Program Deposit begins to accrue on the business day cash is received by the Program Bank, which will typically be the business day following the day your Brokerage Account reflects a cash balance.

Generally, interest will accrue to Deposit Account balances through the business day preceding the date of withdrawal from your Deposit Accounts at the Program Bank(s) (which will typically be the day

on which a withdrawal of cash is made from your Brokerage Account). Non-business days occurring between Brokerage Account withdrawal and Deposit Account withdrawal and deposit with a Program Bank will be included in the interest accrual.

Your balances will earn the same rate of interest regardless of the Program Bank at which your cash is deposited. The rate of interest paid is tiered (if applicable) based on the value of your Program Deposits. For the BDSP, customers with Program Deposits of a greater value generally will receive higher interest rates on their Program Deposits than customers with Program Deposits of a lower value.

We will periodically adjust interest rates and the interest rate tiers based on a number of factors, including general economic, market and business conditions. You will receive notification in advance of any changes to the interest rate tiers (if applicable) and if advance notice is not practical, you will be notified as soon as is reasonably practical.

Over any given period, the interest rates on the Program Deposits will generally be lower than the rate of return on other core account investment vehicles which are non-FDIC insured, or on bank account deposits offered outside of the BDSP or ICAP. Program Banks do not have a duty to offer the highest rates available, or rates that are comparable to the yield on Money Funds. By comparison, Money Funds generally seek to achieve the highest rate of return consistent with their investment objectives, which can be found in their prospectuses.

**The Insured Deposit Program is not, and should not be viewed as, a long-term option for cash in your Brokerage Account if you are seeking to maximize the potential return on your investable assets. Note that an overly conservative allocation to lower-yielding options like the Insured Deposit Program will result in long-term underperformance. If you are seeking to invest your Brokerage Account cash balances for potential returns or yields greater than those offered by the Sweep Program, please contact your Financial Professional to discuss available investment options.**

**We determine the rate of interest you receive on the BDSP.** Our Cash Review Committee meets periodically to review the interest rates paid to customers who participate in the BDSP. Factors

considered include the rates paid by Program Banks, expected changes in interest rates, interest rates paid by our competitors who offer similar insured deposit programs, and program expenses. The deposits we make available to Program Banks represent a significant amount of cash (generally in the billions of dollars) that is a relatively stable source of deposits for the Program Banks. The Program Banks in turn use the deposited cash for their investment or lending activities, thus driving revenue for the Program Banks. The Program Banks thus have an incentive to pay a rate for Program Deposits that is higher than the rate received by you, and the difference is the fee we and NFS collect for administering the Sweep Program and related services.

**The income we earn from Program Banks based on your balances in BDSP and ICAP will in almost all circumstances be substantially greater than the amount of interest you earn from the same balances. The amount of Program Fees that we retain will in almost all circumstances be substantially greater than the portion of the Program Fees paid to NFS or our service providers. As such, we receive a substantially higher percentage of the interest generated by deposit balances in the BDSP and ICAP than the interest credited to customer accounts.**

**For your review, we publish at the website listed in Appendix A a quarterly description of the percentage of interest that we retain as our fee for administration of the Sweep Program.**

**This percentage is the amount of interest we retained in the prior quarter and is not the amount we will retain in the current quarter. As such, it should be used for historical reference only. Refer to the interest rate described in the website listed in Appendix A for the applicable rates you will earn on Program Deposits.**

## **B. Interest Credited to Your Deposit Account**

While interest will generally be credited to your Deposit Accounts at month-end, intra-month interest credits to your Deposit Accounts will occur in the following instances: (i) if your Brokerage Account is closed intra-month, (ii) if you make a Program Bank ineligible to receive deposits intra-month or (iii) where there has been a change to the Program Bank List (or a Program Bank becomes otherwise unavailable) intra-month. Intra-month



interest credits will appear on your Brokerage Account statement to reflect interest accrued at that Program Bank through such intra-month event.

## V. Changes

### A. Changes to the Program Bank List

We and NFS reserve the right to make changes to the Program Bank List at any time. This includes the addition or removal of Program Banks. We will notify you that a change will be

forthcoming, generally via a message printed on your account statement and at the website listed in Appendix A, and direct you to your Financial Professional or to the website for specific information on such change. You will have an opportunity to “opt out” of deposits being placed at specific Program Bank(s). As previously stated, “opting out” of a Program Bank will affect the maximum amount of FDIC insurance available for your eligible deposits. Please contact your Financial Professional to “opt out” of any Program Bank.

**It is your obligation to monitor your Brokerage Accounts, your FDIC coverage limits and your FDIC insurance eligibility.** Changes to the Program Bank List and other changes to the Sweep Program will be posted at the website listed in Appendix A, and you should consult this site often for the most up-to-date information about the Sweep Program and Program Bank eligibility for your cash deposits.

### B. Limitations on Deposits

The amount of your cash balances awaiting investment that are swept into a Deposit Account will be limited if a Program Bank cannot accept deposits, either due to exceptional circumstances or if a Program Bank becomes otherwise ineligible for the BDSP and/or the ICAP, as described in this Disclosure Statement, and the Program Bank is not replaced. In such event, cash not swept into a Program Deposit Account will be deposited up to the Maximum Deposit Amount in the next successive eligible Program Bank on the Program Bank List (if possible). Once the Maximum Deposit Amount has been reached in all Program Banks on the Program Bank List, additional cash will be swept to the Excess Deposit Bank or, if not available, the MMKT Overflow Fund, as described.

### C. Changes to Your Core Account Investment Vehicle

From time to time, circumstances such as described in this Disclosure Document or otherwise will require that we or NFS make certain modifications or changes to the Sweep Program, including changing the core account investment vehicle for your Brokerage Account. This includes applying the Money Market Overflow process as described above. If we make any change, there is no guarantee that such change will provide an equal or greater rate of return to you during any given period, or that FDIC insurance will be provided.

Generally, you will receive notification in advance of any such change. We will also direct you to your Financial Professional or to the website listed in Appendix A for additional information on such change. If advance notice of a Sweep Program modification is not practicable due to the circumstances, you will be notified as soon as is reasonably practicable of any change in the Sweep Program that results in changing the core account investment vehicle for your Brokerage Account. **If you do not agree to any changes, you should contact your Financial Professional to discuss alternatives available to you, including transferring your Brokerage Account to another provider.** If you do not take any action in response to a notice of a change, you are deemed to consent to the change to the Sweep Program.

The Money Market Fund Overflow process as described above is part of the Sweep Program.

### D. Notices

All notices described in this Disclosure Document will be made by one or more of the following methods: (i) by means of a letter sent to your address of record, (ii) an entry on or insert with your Brokerage Account statement, (iii) an entry on a trade confirmation, or (iv) by electronic or other form of notification if available to you by us, including by electronic alerts or e-mail. Each notice will provide information regarding the nature of the change, identify where and how you can access or obtain free of charge a full description of the change, and your alternatives to accepting the change. You agree to read all such notices that we provide to you.

## VI. Account Information

### A. Statements and Confirmations

The statement for your Brokerage Account will:

- (i) list your beginning and ending Program Deposit at each Program Bank as of the last business day of each statement period (if your Brokerage Account was established on the last business day of a month, your statement will not include a Sweep Program Detail section);
- (ii) detail sweeps to and from the Deposit Accounts during the statement period;
- and (iii) reflect interest credited to your Brokerage Account. This information is provided in lieu of a separate acknowledgement for each sweep to and from a Program Deposit Account during the statement period. Transfers between your MMDA and transaction accounts will not be reflected in your Brokerage Account statements.

Because you are responsible for monitoring the total amount of your cash deposits at each Program Bank (including any Program Deposit held at such Program Bank and all deposits you make at a Program Bank outside the Program), in order to determine the extent of FDIC insurance coverage available, **you should carefully review your statements to determine if any change in Program Banks has an impact on your deposit insurance coverage.**

If your Brokerage Account sweeps to a Money Fund, including the MMKT Overflow as described above, your balances and sweep activity will be displayed on your account statement. You will not receive separate confirmations for each transaction.

### B. Tax Information

For most customers with non-retirement account types, interest earned on deposits in the Deposit Accounts will be taxed as ordinary income in the year it is received. In those cases, a Form 1099-INT (or, if your Brokerage Account participates in the Money Fund sweep, including the MMKT Overflow, a Form 1099-DIV) will be sent to you by NFS each year showing the amount of aggregate interest (or dividend) income you have received. You should consult with your tax professional about how the Sweep Program affects you. Neither we nor NFS provide tax or legal advice.

## VII. Your Relationship with your Broker-Dealer and the Program Banks

### A. Relationship with your Broker-Dealer and the Program Banks

As your agent, and subject to the Sweep Program limitations set forth here, NFS is establishing the Deposit Accounts at each Program Bank, depositing cash into the Deposit Accounts, withdrawing cash from Deposit Accounts, and transferring cash between Deposit Accounts. Deposit Account ownership will be evidenced by a book entry on the account records of each Program Bank showing the Deposit Account as an agency account held by NFS for the benefit of you and other customers, and by other records maintained by NFS as your agent and custodian. No evidence of ownership, such as a passbook or certificate, will be issued to you. Your Brokerage Account statements will reflect the balances in your Deposit Accounts at the Program Banks. You should retain each Brokerage Account statement for your records. Once established on your behalf, the Deposit Accounts are obligations solely of the Program Banks and not your Broker-Dealer, NFS or any other entity. You can at any time obtain information about your Deposit Accounts by contacting your Financial Professional.

If either you, we, or NFS terminate your use of the BDSP or ICAP as a core account investment vehicle, or if one or more Program Banks with which you have Program Deposits cease to participate in the BDSP or ICAP, you have the option to establish a direct depository relationship with each such Program Bank, subject to its rules with respect to maintaining Deposit Accounts.

ESTABLISHING A DIRECT DEPOSITORY RELATIONSHIP IN YOUR NAME AT A PROGRAM BANK WILL SEPARATE THE DEPOSIT ACCOUNTS FROM YOUR BROKERAGE ACCOUNT. IF YOU ESTABLISH A DIRECT DEPOSITORY RELATIONSHIP WITH A PROGRAM BANK, THE DEPOSIT ACCOUNTS WILL NO LONGER BE PART OF YOUR BROKERAGE ACCOUNT AND WE WILL HAVE NO FURTHER RESPONSIBILITY CONCERNING THE DEPOSIT ACCOUNTS.

## **B. Benefits of the BDSP to your Broker-Dealer and Others**

The BDSP and ICAP generate significant income for the Broker-Dealer, NFS, the Program Banks, and the third-party administrator. In addition, any Program Banks that are affiliated with us will receive financial benefits under the BDSP in the form of additional “spread” revenue. If an affiliate bank serves as a Program Bank, the affiliate bank’s use of the deposits from the BDSP in its lending or investment programs will generate revenue for the bank based on the difference between what it pays to obtain the deposits and the income it generates by investing or lending the deposits, which would generally be more profitable to our parent company. We will disclose on our list of Program Banks maintained at the website listed in Appendix A any Program Banks with which we are or become affiliated.

We and NFS are paid a fee by each Program Bank to provide the Program Banks with a significant source of steady deposits via the Sweep Program. The payment is equal to a percentage of all participants’ average daily deposits at all Program Banks. Amounts will vary, but in no event will the total amount we receive be more than 600 basis points (6.00%) annually across all Deposit Accounts. We reserve the right to modify the fees we receive from Program Banks. In our discretion, we retain the right to reduce all or a portion of the payment we receive. If the fee increases, you will receive notification of any such change.

The fees paid to us, NFS and the third-party administrator will affect the interest income you receive on your Deposit Accounts because the amounts received by us, NFS and the third-party administrator reduce the amount of interest available to be paid to you on your cash deposits. The fee paid by the Program Banks to NFS and the third-party administrator (collectively, “Program Fees”) is for record keeping and other services, including providing a significant source (in the billions of dollars) of steady deposits with respect to amounts deposited in the BDSP and ICAP. At no time will fees associated with the BDSP, or any alternative products made available to you within the Sweep Program (i.e., Money Funds), be paid to your Financial Professional.

**Both we and NFS will generally receive more revenue with respect to cash in the BDSP and ICAP than if your cash was invested in other sweep products, including Money Funds.** Therefore, we have an incentive for you to place and maintain your assets in the BDSP and ICAP to earn more income. We use this revenue to defray the cost of operating the Sweep Program and the expense of providing other services to our clients, as well as for general operating expenses and to provide net earnings to the Broker-Dealer. In the absence of this revenue, we or NFS would likely charge higher fees or impose other charges to clients for the services NFS and the Broker-Dealer provide.

**We retain as our fee a substantially higher percentage of the interest generated by your deposits than what is credited to your brokerage account. Additionally, the income we earn from Program Banks based on your deposit balance in Deposit Account(s) will in almost all circumstances be substantially greater than the amount of interest you earn from the same balances. The amount of Program Fees that we retain will in almost all circumstances be substantially greater than the portion of the Program Fees paid to NFS or our service providers.**

**For your review, we publish at the website listed in Appendix A a quarterly description of the percentage of interest that we retain as our fee for administration of the Sweep Program. This percentage is the amount of interest we retained in the prior quarter and is not the amount we will retain in the current quarter. As such, it should be used for historical reference only. Refer to the interest rate described in the website listed in Appendix A for the applicable rates you will earn on Program Deposits.**

## **C. Insured Cash Account Program - ICAP (applicable to Advisory IRA Accounts only)**

We charge a level monthly fee for each Advisory IRA Account that participates in the ICAP. The amount of this fee is determined based on a fee schedule indexed to the Federal Fund Target Rate (“FFT”), as provided in the table in Appendix A. Under the fee schedule, increases in the FFT Rate will result in increased

compensation for us. We can change the applicable fee schedule upon 30 days' advance notice to you. It is generally anticipated that the fee we charge will be offset by the total amounts paid to us by the Program Banks. If we do not receive sufficient payments each month from the Program Banks, we reserve the right to debit your Advisory IRA Account for the amount of any shortfall.

For its services, the third-party administrator of the ICAP ("Administrator") will charge a monthly fee. This fee will be paid from the amounts the Program Banks pay to NFS in respect of the aggregate program deposits, and will vary from month to month. The Administrator's fee consists of a fee, expressed in basis points, on the average daily ICAP cash balances at the Program Banks. The Administrator's actual fee will be subject to adjustment as described below:

- For each month, the Administrator's actual fee will be the amount that remains after deducting the interest paid to participating IRA Advisory Accounts and the aggregate amount of our per account fee (discussed below) from the amounts paid by the Program Banks on Program Deposits (the "Administrator Actual Fee"). Thus, the Administrator Actual Fee will vary from time-to-time due to changes in the amounts paid by the Program Banks, the interest paid on deposits, and the aggregate amount of our per account fee.
- The Administrator Actual Fee will be compared to or measured against the Administrator's annual targeted fee, which will be an asset-based fee expressed as a fixed number of basis points on the average daily ICAP cash deposits ("Administrator Target Fee"). If after the end of any month the cumulative net difference (positive or negative), on a rolling basis, between the amount actually received by the Administrator versus the Administrator Target Fee ("Cumulative Administrator Fee Difference") reaches or exceeds a predetermined amount, the interest rates to be paid to participating IRA Advisory Accounts will be appropriately adjusted by the Administrator, effective the next month, for the purpose of bringing the amounts actually

received by the Administrator back in line with the Administrator Target Fee. The adjustment is determined by a formula and is intended to result in the Administrator's compensation over time to closely approximate or equal the Administrator Target Fee; though you should understand that the Administrator's actual fees will vary from month to month.

Accordingly, the Administrator generally will from month to month temporarily collect more, or less, than the Administrator Target Fee during certain periods, such as when necessary to help ensure that the amounts paid by the Program Banks during the period are sufficient to cover the applicable disclosed customer rates and the aggregate amount of our per Account fee (as described below) and other fees for the period. For example, under such circumstances, the Administrator will be entitled to increased fees in future periods to recover the difference with the goal of aligning its actual compensation with the Administrator Target Fee on the deposits. By participating in the ICAP you authorize and direct the Administrator to deduct its fees for its services from the amounts paid by the Program Banks.

Using the ICAP account fee schedule set forth below, the Administrator will determine the average monthly fee due to us. For our services under the ICAP, including making the platform available, we receive a per account fee each month. Our compensation under the ICAP does not vary and is not affected by the actual amounts you hold as Program Deposits.

The ICAP account fee schedule will be indexed to the current FFT Rate. Although it is generally anticipated that our fees under the ICAP will be offset by the amounts paid by the Program Banks, as discussed above, and you hereby direct the Administrator to collect such fees from the Program Banks and remit such amounts over to us, we reserve the right to withdraw the monthly account fee or portion thereof in the event or to the extent that the amount received from the Program Banks and paid over to us by the Administrator for the period is less than our fee for the same period.

The current FFT Rate can be found at the website listed in Appendix A.



The monthly per account fee will only be seen on your Brokerage Account statement if we debit your Advisory IRA Account for the amount of any shortfall in the monthly per account fee from the Program Bank payments, as discussed above. Your Financial Professional does not receive any of the fees received by us from the Program Banks. The fees we receive from the BDSP and the ICAP will generally be greater than the fees we receive from other sweep investment options.

The amounts paid to us, NFS and the Administrator reduce the interest income you receive on your cash deposits. You should understand that, depending on interest rates and other market factors, the yields on the BDSP and the ICAP have been, and will continue in the future to be, lower than the aggregate fees and expenses received by us for your participation in the Sweep Program. If you are participating in the Sweep Program through an Advisory IRA Account, the fees that we receive from the Program Banks are in addition to the advisory fee that you pay to our investment adviser and to your Financial Professional. This means that we earn two layers of fees on the same cash balances in your IRA Advisory Account. Therefore, we have an incentive to encourage you to participate in the ICAP.

Because the per account fee that we receive each month under the ICAP is a fixed dollar amount and does not vary based on the actual amount of cash in a particular account, a conflict of interest exists between clients with larger cash balances and clients with smaller cash balances.

The monthly per account fee will only be seen on The types of fees and expenses of the BDSP and ICAP are different from the fees and expenses that are incurred in Money Funds. Yields payable on Money Funds will generally exceed the interest customers receive from the BDSP and ICAP. Further, although balances in the BDSP and ICAP do not pay management fees, distribution/service (12b-1) fees, or other expenses typically incurred by Money Funds, the balances in the BDSP and ICAP bear other expenses: the interest paid on customer balances in the BDSP and ICAP is net of, and reduced by, amounts paid to the Broker-Dealer, the custodian, and service providers.

#### **D. Questions/Comments Regarding the BDSP and ICAP**

Please contact your Financial Professional or access the website listed in Appendix A to determine the current interest rate on the Deposit Accounts for both BDSP and ICAP, as well as to see prior month representations of the allocation of Program Bank interest in the BDSP between our fee and interest paid to you.

#### **E. Sharing of Your Information with Banks**

To the extent permitted under applicable law and pursuant to agreement between NFS and the Program Banks, NFS retains the right to provide the Program Banks and their regulators (including but not limited to the FDIC) with information related to the Customers and any individual authorized by a Customer to trade in his/her Brokerage Account used in the Bank Deposit Sweep Program ("Authorized Individual"). If provided, the information could consist of the name, address (including city, state, postal code, and, if applicable, foreign country), date of birth, either Social Security number or taxpayer identification number, and any other information as necessary or requested by the Program Banks and/or their regulators.

### **VIII. FDIC/SIPC Coverage**

#### **A. Deposit Insurance**

The Deposit Accounts are eligible for insurance by the FDIC, an independent agency of the U.S. government, up to a maximum amount of \$250,000 (including principal and accrued interest) when aggregated with all other cash deposits held by you in the same insurable capacity at a Program Bank (e.g., individual, joint, etc.) and \$250,000 for certain individual retirement accounts. Your cash becomes eligible for deposit insurance immediately when a Program Bank accepts your deposits into Deposit Accounts.

To the extent that your cash deposits at a Program Bank in one ownership capacity, either through the Sweep Program or otherwise, exceed the FDIC insurance limits applicable to that ownership capacity, any cash deposits in excess of the limits will not be

insured. **You are responsible for monitoring your balances at each Program Bank to assure that you do not exceed applicable FDIC coverage limits.**

**In the event a Program Bank fails, the Deposit Accounts at that Program Bank are insured up to the \$250,000 limit, or such other limit, as applicable, for principal and interest accrued to the day the Program Bank is closed. Neither we nor NFS is responsible for any insured or uninsured portion of a Deposit Account. Uninsured balances are subject to loss of principal in the event of a bank failure.**

**You are responsible for monitoring the total amount of deposits that you have with each Program Bank in order to determine the extent of deposit insurance coverage available to you. If you maintain deposits at a Program Bank apart from the Deposit Accounts, you should direct us to exclude that the Program Bank from the Program Bank List applicable to your Brokerage Account. Contact your Financial Professional to exclude a Program Bank from the Program Bank List. Note that excluding a Program Bank from the Program Bank List will potentially reduce the amount of FDIC insurance available to you in the BDSP if multiple Program Banks are excluded or unable to accept deposits.**

If a Program Bank fails and FDIC insurance payments become necessary, payments of principal plus unpaid and accrued interest will be made to you through NFS. There is no specific time period during which the FDIC must make insurance payments available and therefore you will not have access to your cash deposited at that Program Bank until such payments are made available by the FDIC. Furthermore, under certain circumstances, you will be required to provide certain documentation to the FDIC and NFS before insurance payments are made. For example, if you hold cash deposits as trustee or in other fiduciary capacities for beneficiaries, you will be required to furnish additional documentation or representations, including, but not limited to, affidavits and indemnities regarding an insurance payment.

If your Deposit Accounts or other cash deposits at any failed Program Bank, including bank accounts, CDs, and deposits held through other brokers that offer similar insured deposit programs, are assumed by

another depository institution pursuant to a merger or consolidation ("assumed deposits"), such assumed deposits will continue to be separately insured from the deposits that you might have established with the acquiror until (i) the maturity date of the certificates of deposit or other time deposits which were assumed, or (ii) with respect to deposits which are not time deposits, the expiration of a six-month period from the date of the acquisition. Thereafter, any assumed deposits will be aggregated with your existing deposits, including bank accounts, CDs, and deposits held through other brokers, with the acquiror held in the same capacity for purposes of FDIC insurance. Any deposit opened at the acquiror after the acquisition will be aggregated with deposits established with the acquiror for purposes of FDIC insurance.

The application of a \$250,000 FDIC insurance limitation is illustrated by several common factual situations discussed below.

## **B. Information on FDIC Insurance for Specific Types of Accounts**

### **Individual Customer and Agency Accounts.**

Cash owned by an individual and held in an account in the name of the individual or an agent or nominee of such individual (such as the Deposit Accounts held through NFS) are not treated as owned by the agent or nominee, but are added to other deposits of such individual held in the same capacity (including cash held in a sole proprietorship) and are insured up to \$250,000 in the aggregate.

**Custodial Accounts.** Cash in accounts held by a custodian (for example, under the Uniform Gifts to Minors Act or the Uniform Transfers to Minors Act) are not treated as owned by the custodian, but are added to other deposits of the minor or other beneficiary held in the same insurable capacity and are insured up to \$250,000 in the aggregate.

**Joint Accounts.** An individual's interest in cash in all qualified accounts held under any form of joint ownership valid under applicable state law may be insured up to \$250,000 in the aggregate, separately and in addition to the \$250,000 allowed on other deposits individually owned by any of the co-owners of such accounts (hereinafter referred to as a "Joint Account"). For example, a Joint Account owned by

two persons would be eligible for FDIC insurance coverage of up to \$500,000 (\$250,000 for each person), subject to aggregation with each owner's interest

in cash balances in other Joint Accounts at the same depository institution. Joint Accounts will be "qualified" and insured separately from individually owned accounts only if each of the co-owners is an individual person and has a right of withdrawal on the same basis as the other co-owners. Nonqualified joint accounts are not insured separately and are added to individual accounts for the purposes of the individual maximum coverage of \$250,000 in the aggregate per bank.

**Irrevocable Trust Accounts.** Cash in an account established pursuant to one or more irrevocable trust agreements created by the same grantor (as determined under applicable state law) will be insured for up to \$250,000 for the interest of each beneficiary provided that the beneficiary's interest in the account is non-contingent (i.e., capable of determination without evaluation of contingencies). The FDIC insurance of each beneficiary's interest is separate from the coverage provided for other accounts maintained by the beneficiary, the grantor, the trustee or other beneficiaries. The interest of a beneficiary in irrevocable trust accounts at a depository institution created by the same grantor will be aggregated and insured up to \$250,000.

**Revocable Trust Accounts.** Revocable trusts include informal revocable trust accounts where the owner has designated the names of beneficiaries to whom the cash in the account will pass upon the owner's death (referred to as transfer upon or payable on death accounts and formal revocable trusts usually established for estate planning purposes (referred to as living or family trusts). Revocable trusts will be insured as to each named beneficiary separately from another account of the owner or the beneficiary provided (i) the beneficiaries are natural persons and (ii) NFS' account records disclose the names of all trust beneficiaries. For each trust owner with combined revocable trust account deposits of \$1.25 million or less at a bank the maximum coverage will be determined by multiplying the number of different beneficiaries by \$250,000. If an owner has in excess of combined revocable trust account deposits of \$1.25 million at a bank and has named more than five beneficiaries there is a limitation on the maximum coverage.

**Entities/Corporations.** Such deposits are insured separately from the personal deposits of the organization's owners, stockholders, partners or members. To qualify for FDIC insurance coverage under this ownership category, a corporation, partnership or unincorporated association must be engaged in an "independent activity," meaning that the entity is operated primarily for some purpose other than to increase FDIC insurance coverage. All deposits owned by a corporation, partnership, or unincorporated association at the same bank are combined and insured up to \$250,000.

Multiple accounts owned by the same corporation, partnership, or unincorporated association (including accounts owned by operating divisions or business units that are not separately incorporated) but designated for different purposes are not separately insured. For example, if a corporation has both an operating account and a reserve account at the same bank, the FDIC would add both accounts together and insure the aggregated deposits up to \$250,000.

**Individual Retirement Accounts.** Individual retirement accounts as described in the Internal Revenue Code Sections 408(a) and 408A are insured up to \$250,000 per depositor. Each person's deposits in self-directed retirement accounts at the same bank are added together and insured up to \$250,000, separately from any retirement accounts that are not self-directed and any non-retirement accounts.

### C. Questions about FDIC Deposit Insurance Coverage

If you have questions about basic FDIC insurance coverage, please contact your Financial Professional. You should also seek advice from your own attorney concerning FDIC insurance coverage of deposits held in more than one capacity. You can also obtain information by contacting the FDIC, Deposit Insurance Outreach, Division of Supervision and Consumer Affairs, by letter (550 17th Street, N.W., Washington, D.C. 20429), by phone (877-275-3342 or 800-925-4618 (TDD)), by visiting the FDIC website at [fdic.gov/deposit/index.html](https://www.fdic.gov/deposit/index.html), or by e-mail using the FDIC's On-line Customer Assistance Form available on its website.

#### D. SIPC Coverage

Your cash balance awaiting reinvestment is only eligible for FDIC insurance once it becomes a Program Deposit held by a Program Bank. Your cash balance while held by NFS and/or us is not FDIC insured, but is covered by SIPC. This includes cash balances in your Brokerage Account that have not yet been received by the Program Bank or which have been swept from the Program Bank back to your Brokerage Account. Any balance held in the MMKT Overflow also is covered by SIPC, up to the applicable SIPC limits.

SIPC currently protects cash and securities in your Brokerage Account up to \$500,000, including \$250,000 for claims for cash. NFS also has arranged for coverage above these limits. Within NFS's "excess of SIPC" coverage, there is no per-account dollar limit on coverage of securities, but there is a per-account limit of \$1.9 million on coverage of cash awaiting investment. This is the maximum "excess of SIPC" protection currently available in the brokerage industry. SIPC coverage does not cover fluctuations in the market value of your investments. Any securities held in your Brokerage Account (as opposed to the Program Deposit held by a Program Bank) are investment products, and as such: (i) are not insured by the FDIC; (ii) carry no bank or government guarantees; and (iii) are subject to investment risk, including loss of principal amount invested.

If due to Sweep Program limitations your cash balance is placed into a Money Fund, your cash balance will not be eligible for FDIC insurance, but will be protected by SIPC subject to applicable limits (as described herein).

SIPC is a non-profit membership corporation created by the Securities Investor Protection Act of 1970, funded primarily by its member securities brokerage firms registered with the U.S.

Securities and Exchange Commission. SIPC provides protection against custodial risk to customers of securities brokerage firms like NFS that hold customer funds and securities in the event such firms become insolvent. Unlike FDIC insurance, SIPC does not insure against the loss of your investment. Nor does SIPC protection ensure the quality of investments or protect against a decline or fluctuations in the value of your investment. SIPC protects the securities and cash held in each customer's Brokerage Account at an insolvent brokerage firm. SIPC protects against the loss of customer securities and cash up to a total of \$500,000 (which includes up to \$250,000 protection for cash held as a free credit balance) per customer in each separate capacity under SIPC rules. Money Fund Shares are considered to be securities for purposes of SIPC coverage. The Deposit Accounts are not eligible for SIPC coverage.

If you have questions about SIPC coverage, please contact your Financial Professional. You can also obtain information about SIPC coverage, including a brochure that describes SIPC and SIPC insurance, by accessing the SIPC website at [sipc.org](http://sipc.org).

Securities and investment advisory services are offered through the firms: Osaic Wealth, Inc., Triad Advisors, LLC, and Osaic Institutions, Inc., broker-dealers, registered investment advisers, and members of FINRA and SIPC. Securities are offered through American Portfolios Financial Services, Inc., and Ladenburg Thalmann & Co., broker-dealers and member of FINRA and SIPC. Advisory services are offered through Arbor Point Advisors, LLC, American Portfolios Advisors, Inc., Ladenburg Thalmann Asset Management, Inc., and Osaic Advisory Services, LLC., registered investment advisers. Advisory programs offered by Osaic Wealth, Inc., and Triad Advisors, LLC., are sponsored by VISION2020 Wealth Management Corp., an affiliated registered investment adviser.



# Sweep program disclosure document

## Appendix A

You can always obtain information on the current Program Bank List, interest rates offered, and the **quarterly description of the percentage of interest that we retain as our fee for administration of the Sweep Program**, as well as information, including the most current yield offered on the Money Fund made available within the Sweep Program, by visiting the website of your respective Broker-Dealer:

[osaic.com/disclosures](https://osaic.com/disclosures)

### BDSP Interest Rate Tiers:

Interest Rate Tier	Deposit Level
Tier 1	\$0 – 24,999
Tier 2	\$25,000 – 49,999
Tier 3	\$50,000 – 99,999
Tier 4	\$100,000 – 249,999
Tier 5	\$250,000 – 499,999
Tier 6	\$500,000 – 749,999
Tier 7	\$750,000 – 999,999
Tier 8	\$1M – 1,499,999
Tier 9	\$1.5M – 4,999,999
Tier 10	\$5M +

### ICAP Monthly Per-Account Fee Schedule

Our per account monthly fee will be no less than \$16.25 and no more than \$25.50.

The current Federal Funds Target (FFT) Rate can be found at:

[federalreserve.gov/monetarypolicy/openmarket.htm](https://federalreserve.gov/monetarypolicy/openmarket.htm)

FFT Rate (basis points)	Monthly Per Account Fee
0 to 25	\$16.25
25 to 50	\$16.25
50 to 75	\$16.35
75 to 100	\$16.35
100 to 125	\$16.75
125 to 150	\$17.15
150 to 175	\$17.55
175 to 200	\$17.95
200 to 225	\$18.35
225 to 250	\$18.75
250 to 275	\$19.15
275 to 300	\$19.55
300 to 325	\$20.00
325 to 350	\$20.30
350 to 375	\$20.60
375 to 400	\$20.95
400 to 425	\$21.35
425 to 450	\$21.75
450 to 475	\$22.15
475 to 500	\$22.55
500 to 525	\$22.95
525 to 550	\$23.35
550 to 575	\$23.55
575 to 600	\$24.75
600+	\$25.50