

## **Brown, Lisle/Cummings, Inc. – Regulation Best Interest Disclosure**

### **Introduction**

**About Brown, Lisle/Cummings, Inc.:** Brown, Lisle/Cummings, Inc. (“BLC”) is a broker-dealer registered with the Securities and Exchange Commission (“SEC”) and member of the Financial Industry Regulatory Authority (“FINRA”). BLC is also an SEC-registered investment adviser. BLC boasts a network of individuals, referred to as “financial professionals”, who offer brokerage services, investment advisory services, or both, depending on their licenses.

This disclosure contains information about the business practices, compensation, and conflicts of interest related to the brokerage business of BLC. Additional information about BLC and its financial professionals is available on FINRA’s website at <https://brokercheck.finra.org>. Information related to our advisory practices can be found in our Form ADV at <https://adviserinfo.sec.gov>. On either site, you can search for BLC by name or by using our CRD number: 1331.

### **Capacity and Restrictions on Recommendations**

#### **Capacity: Brokerage and advisory services**

As a BLC client, you receive a broad scope of services whether we serve you as a broker-dealer, investment adviser, or both. While there are similarities between the brokerage and advisory services we provide, there are important differences, including the pricing structures for these services and the provision of ongoing monitoring of accounts.

Some of our financial professionals solely operate as registered representatives of our firm in its capacity as a broker-dealer. Others are dually registered and can render services in their capacities as a registered representative of our broker-dealer, as investment adviser representatives (“IARs”) of our registered investment adviser, or both. All recommendations regarding your brokerage account will be made in a broker-dealer capacity, and all recommendations regarding your advisory account will be made in an advisory capacity. When we make a recommendation to you, we will expressly tell you orally which account we are discussing.

**Brokerage relationships generate transaction-based compensation.** In brokerage relationships, investors pay transaction-based fees in connection with the products and services they receive, such as buying and selling stocks, bonds, mutual funds, and other investment products. These include commissions, transaction fees, mark-ups, mark-downs, loads, and sales charges. Compensation to BLC includes these fees that are embedded in the purchase price as well as compensation from third parties in some cases.

In a brokerage account, your total costs generally increase or decrease as a result of the frequency of transactions in the account and the type of securities you purchase. This presents a conflict in that the more you trade or invest, the more revenue we can generate from your account. When handling your brokerage account, we are obligated to ensure that our recommendations are in your best interest.

**No Ongoing Monitoring in Brokerage Accounts.** In brokerage accounts, our financial professionals do not provide ongoing monitoring of your account after the recommendation. Financial professionals may undertake to perform voluntary account reviews, but are under no obligation to do so. If you desire to have your account monitored on an ongoing basis, ask your financial professional about establishing an advisory account relationship.

**Advisory relationships have fee-based compensation.** In advisory relationships, clients pay a set fee, or a fee based on a percentage of the assets in the account according to an investment advisory program agreement.

**Ongoing Monitoring in Advisory Accounts.** When handling an investment advisory account, your financial professional will act as a fiduciary to you. Advisory services are provided pursuant to a written agreement with you. In an advisory relationship, we do provide ongoing monitoring of your account in accordance with the terms of the written agreement with you.

For more information about BLC and the services financial professionals provide when they act as IARs, please see BLC's Form ADV disclosure brochures available on <https://adviserinfo.sec.gov>.

### **Limitations on Investment Recommendations**

Although many financial professionals offer both brokerage and investment advisory services, some offer only brokerage services and others offer both brokerage and investment advisory services. When you are discussing services with a financial professional, you should ask in what capacity the financial professional is acting or will be acting – as a broker-dealer registered representative and/or an IAR – when providing services to you. You should also ask if there are limitations on the products or services a financial professional may offer by virtue of any of the following:

- **Limited Product Selection:** BLC does not limit its investment options to proprietary products or a limited group or type of investment product. However, there are literally thousands of investment products on the market, and BLC does not offer all of them for sale to clients. Moreover, the scope of products and services we offer may be more limited than what is available through other financial service firms. BLC and financial professionals offer and/or recommend investment products only from investment sponsors with whom BLC has entered into selling and distribution agreements. Other firms may offer products and services not available through BLC, which presents a conflict since you are not able to purchase those products or services through BLC. We disclose this conflict to you and mitigate it by maintaining a robust offering of products and services.
- **Restrictions Based on Licensing:** A financial professional's ability to offer individual products and services depends on his/her licensing. A financial professional holding a Series 6 license is limited to providing mutual funds, 529 plans, Unit Investment Trusts ("UITs") and variable annuity contracts. A financial professional holding a Series 7 license can offer all of the investment products a Series 6 representative can offer as well as individual stocks, bonds, exchange traded funds ("ETFs"), and alternative investments (real estate investment trusts (REITs), limited partnerships (LPs), 1031 exchanges, Business Development Companies (BDCs), and private equity. A financial professional may also hold either the Series 65 or 66 licenses, or have attained a certification such as the Certified Financial Professional certificate, which enables them to offer advisory services.

You should ask your financial professional about the investment products or services he/she is licensed or qualified to sell, and his/her ability to service investments that you transfer to BLC from another firm. You should also review the licenses held by your financial professional by visiting the FINRA BrokerCheck system at <https://brokercheck.finra.org>. Licensing presents a conflict in that individuals have an incentive to offer you products or services that correspond to their licensing. We disclose this conflict to you and mitigate it by reviewing recommendations made to you by our financial professionals to ensure these recommendations are in your best interest.

**Minimum Investment Amounts.** Some products may impose minimum investment amounts, which precludes purchases under that amount. Purchase minimums can vary by issuer, but they are common in mutual funds (typically between \$250 - \$1,000), annuities (typically \$5,000 – \$10,000), and alternative

investments (typically between \$2,500 - \$5,000). Ask your financial professional or refer to the official product offering document if there are minimum purchase amounts applicable to the investment product you are considering.

**Distinction Between Holding Products Directly with Sponsor or in a Brokerage Account.** Exchange traded securities (i.e., stocks, bonds, options, ETFs) are only available for purchase in a brokerage account maintained at our custodian, National Financial Services, LLC (“NFS”), which sends you confirmations and account statements. Other securities, including mutual funds, variable annuities, and alternative investments, may be owned in either a brokerage account or directly held with the product sponsor (“directly held”).

With a directly held account, BLC purchases the investment directly with the product sponsor, which is responsible for sending you confirmations and account statements. In a brokerage account, you can hold several different types of securities, which can be more efficient because all the securities are included on one statement and you receive one Form 1099. With a directly held account, you may only hold products issued by that product sponsor. Brokerage accounts typically have annual maintenance fees and fees for transactions and other services while directly held accounts typically do not charge such fees, which makes directly held accounts less expensive.

While there are important differences between brokerage and directly held accounts, we do not require your financial professional to open a particular type nor do we incent the financial professional to open one type over the other. Talk to your financial professional about which type of account is best for you.

### **Firm Revenue: Commissions, Fees, and Third-Party Compensation**

We earn revenue primarily from clients. We can also earn revenue from product sponsors and money managers (“third parties”) who assist us in providing the investments and services that we offer you.

#### **Revenue from Clients**

Our brokerage revenue from clients includes:

1. **Commissions:** We receive commissions you pay when you buy or sell equity or fixed income investments. The amount of any commission depends on a number of factors, including the principal amount of the trade, quantity of shares traded, the product type, and the unit price. Commissions are generally comprised of a flat fee and a percentage of the principal amount of the trade, based on the rates set by our clearing firm, NFS. The commissions we collect generally range from 0% to 5% of the principal amount of the trade, subject to a \$85 minimum. Higher charges may be assessed to stocks and warrants trading below \$1.00 or trades with a principal value of \$5,000 or less. We share a portion of this revenue with your financial professional.
2. **Mark-ups and mark-downs:** We may receive revenue from mark-ups and mark-downs on your price when you buy or sell fixed income investments. The maximum mark-up we may charge is 2.5% of the principal amount of the transaction, subject to a maximum dollar amount set by our clearing firm, NFS. We share a portion of this revenue with your financial professional.
3. **Sales Loads and Redemption Fees:** Sales loads are derived from the offering and sale of various managed investments such as mutual funds, unit investment trusts, insurance and annuities. A sales load is typically paid at the time of purchase and can reduce the amount available to invest. A similar charge may also be assessed on the eventual sale of the investment, which is known as a

redemption fee. For more information about other commissions that apply to a particular transaction, please refer to the applicable product disclosure form, investment prospectus, or offering document. We share this revenue with your financial professional.

4. **Transaction fees:** For investment vehicles such as mutual funds which do not impose a sales load, we will generally assess a transaction fee of \$85 on purchase and \$35 on redemption. We share a portion of this revenue with your financial professional.

## **Revenue from Third Parties**

Our revenue from third parties includes:

1. **Trail Compensation and/or 12b-1 Fees:** Payments from mutual fund and insurance companies in the form of distribution and/or service fees (12b-1 fees), trail commissions or renewal commissions, which are fully described in the applicable prospectus or offering document. Trails are typically paid from the assets of the investment product and the amount is calculated as an annual percentage of assets invested by BLC customers. The more assets you invest in the product, the more trails we earn. Therefore, we have an incentive to encourage you to increase the size of your investment. The percentage of assets received varies by product, which creates an incentive to recommend products paying higher trails. We share a portion of this revenue with your financial professional. This creates a conflict for your financial professional to recommend funds paying higher trail compensation. We manage this conflict by disclosing it to you and mitigate this conflict by basing our recommendations on your needs, rather than on our own interests. The ongoing 12b-1 trail payment depends on the class of shares but is typically between 0.25% and 1% of assets annually.
2. **Concessions:** We may receive concessions when you buy new issue fixed income products, new issue preferred equity, brokerage CDs, or Class A mutual fund shares (above a certain dollar amount breakpoint). Concessions are sales compensation paid by the security issuer, as opposed to commissions, which are deducted from the client's investment. Concessions can range from 0% to 5% of the principal amount of the client trade. We share a portion of this compensation with your financial professional.

## **Clearing Firm Fees**

**Miscellaneous Fees:** For accounts held at our clearing firm, NFS, customers pay miscellaneous fees directly to NFS for account services, which may include but are not necessarily limited to: transaction fees for purchases of products on the NFS platform, wire transfers, returned checks, transfer on death services, outgoing account transfers, account inactivity, margin extension fees, margin interest fees, IRA annual maintenance fees, and IRA termination fee. These charges are disclosed to the client on NFS account opening documents.

## **Financial Professional Compensation**

Described below are the compensation and other benefits that financial professionals receive from BLC.

### **Cash Compensation**

When you buy or sell certain investments, such as stocks, bonds, exchange-traded funds, and other investment products, you pay to BLC a commission or a sales charge. The amounts differ depending on the investment and the amount of the transaction. BLC pays your financial professional a portion of these charges and payments. The payout level can increase based on the financial professional's overall

production. Some investments provide more compensation to your financial professional than others, which creates a conflict in that it can influence the investment product recommendation. For information on the amount of the sales charge or commission applicable to your investment, please refer to either the product offering document (or prospectus) or the trade confirmation, as applicable. Firm partners are typically compensated on a salary basis and are eligible for bonus compensation based on the overall profitability of BLC.

### **Benefits**

Financial professionals are eligible to receive other benefits based on the revenue he/she generates from sales of products and services. These benefits present a conflict of interest because the financial professional has an incentive to remain a registered representative of BLC in order to maintain these benefits. These benefits include deferred compensation contribution from BLC

### **Trail Compensation and/or 12b-1 Fees**

As discussed above under the Firm Compensation section, the firm receives, and shares with financial professionals, payments from mutual fund and insurance companies in the form of distribution and/or service fees (12b-1 fees), trail commissions or renewal commissions, which are fully described in the applicable prospectus or offering document. Trails are typically paid from the assets of the investment product and the amount is calculated as an annual percentage of assets invested by BLC customers. The more assets you invest in the product, the more trails we earn. Therefore, we have an incentive to encourage you to increase the size of your investment. The dollar amount of trails received varies by product, which creates an incentive to recommend products paying higher trails. This creates a conflict for your financial professional to recommend funds paying higher trail compensation. We manage this conflict by disclosing it to you and mitigate this conflict by basing our recommendations on your needs, rather than on our own interests.

### **Non-cash Compensation**

Third-party providers may also give financial professionals gifts up to a total value of \$100 per provider per year, consistent with industry regulations. Third parties may occasionally provide financial professionals with meals and entertainment of reasonable value. We want you to understand that this creates a conflict of interest to the extent that this may cause financial professionals to prefer those third parties that provide these non-cash incentives. We address these conflicts of interest by maintaining policies and procedures regarding the sale and supervision of the products and services we offer to you, and by disclosing our practices to ensure you make a fully informed decision.

### **Recognition and Awards**

We strive to recognize the success of our financial professionals and may present them with awards and recognitions, which may be interpreted as a type of incentive. We may also receive payments from product sponsors to offset expenses for financial professional meetings and allow product sponsors to sponsor events or meals at these meetings. These payments create a conflict of interest in that financial professionals could have an incentive to recommend investment products offered by these product sponsors.

### **Revenue from a Financial Professional's Outside Business Activities (OBAs)**

Financial professionals are permitted to engage in certain BLC-approved business activities other than the provision of brokerage and advisory services through BLC. Financial professionals may receive compensation and benefits from these activities and in certain cases they may earn more compensation from their OBAs than they earn through BLC. Examples of common OBAs in which our financial professionals participate:

- Insurance product sales (e.g., fixed life insurance, property & casualty, health/dental)
- Serving as trustee to certain trusts

A financial professional's OBAs are separate and distinct from their BLC activities. Your financial professional may own the company through which the OBA is conducted. By engaging in OBAs, your financial professional may have an incentive to recommend you purchase products or services through the OBA and away from BLC. If you engage with a financial professional for services separate from BLC, you may wish to discuss with him/her any questions you have about the compensation he/she receives from the engagement. Additional information about your financial professionals outside business activities is available on FINRA's website at <https://brokercheck.finra.org>.

## **Products: Fees, Costs, and Compensation**

### **Mutual Funds, Closed-end Funds, and Exchange Traded Funds**

#### *Mutual Funds*

Mutual funds are professionally managed portfolios of securities that pool the assets of individuals and organizations to invest toward a common objective, such as current income or long-term growth. All mutual funds are offered for sale through a prospectus, which you should read prior to investing in a fund. The prospectus describes the sales charges and expenses applicable to the fund and it describes the fund's investment objective.

The mutual fund company pays BLC a commission at the time you make your investment, with the amount varying depending on the share class purchased and any applicable breakpoint discounts. BLC pays a portion of this commission to your financial professional.

The product sponsor may also pay us an ongoing distribution and/or service fees (12b-1 fees) that are paid out of fund assets for as long as you own your shares and we are the broker of record. Your financial professional receives a portion of these trail payments. Please ask your financial professional how he or she is paid for mutual fund transactions.

All mutual funds charge investment management fees and ongoing expenses for operating the fund and these expenses can vary by the share class purchased. The most common types of mutual funds are Class A and Class C shares, while some funds offer no-load share classes. Funds may also offer special share classes for qualified retirement plans. The key distinctions between share classes relate to costs: the sales charge and ongoing operating expenses. Your financial professional's compensation is determined by the type of share class purchased.

#### **Class A Shares**

For Class A share mutual funds, you typically pay a front-end sales charge, called a sales load, which is deducted from the initial investment. Mutual funds with front-end loads generally reduce the sales charge as the amount of your investment increases above certain levels, according to a breakpoint schedule. Sales charges for mutual funds investing predominantly in equities generally are higher than those of mutual funds investing primarily in bonds. Your front-end charges may be reduced or eliminated as the amount of your investment with the mutual fund company increases above certain levels. Such reduced charges are known as breakpoint discounts. At a certain level, typically \$1 million, you may stop paying sales charges. Even if you do not pay a sales charge, we may be eligible to receive a concession from the product sponsor in connection with your transaction (see discussion above regarding concession compensation for more information). Annual operating expenses for Class A shares are generally lower than for Class C shares. Please refer to the prospectus for the specific sales charges and expenses.

#### **Class C Shares**

For class C share mutual funds, you are normally not charged a front-end sales charge or a contingent deferred sales charge (CDSC) unless you sell shares within a short period of time, usually one year. The operating expenses are usually higher than those of Class A shares. Class C shares do not offer breakpoint discounts. Class C shares typically are more appropriate for investors with a shorter investment time frame.

#### *Exchange Traded Funds (ETFs)*

An ETF is an exchange-traded security combining attributes of conventional stocks with mutual funds. ETFs are pooled investment funds that offer investors an interest in a professionally managed portfolio of securities that track an index, a commodity or a basket of assets. ETFs may be actively managed or passively-managed and they trade on stock exchanges where they may experience price changes throughout the day as they are bought and sold. Certain types of ETFs, namely leveraged ETFs and inverse ETFs are significantly riskier than basic ETFs. For this reason, BLC typically does not allow financial professionals to solicit the purchase of these types of ETFs, except with the prior approval from BLC.

We act as an agent for your ETF transactions, which means we send your order to an external venue to buy or sell shares of the ETF. You pay a commission based on the amount of the transaction, which we share with your financial professional. ETFs also carry built-in operating expenses that affect the ETF's return. For more information, please refer to the applicable offering document.

#### *Closed-end Funds*

A closed-end fund is a type of investment company that is typically actively managed in an effort to outperform market indexes. Closed-end funds have a fixed number of shares that are publicly traded on an exchange. The share prices fluctuate based on investor supply and demand and there is no requirement that the share price match the Net Asset Value (NAV). Many closed-end funds trade at a discount to NAV. Open end mutual funds, on the other hand, are priced each day at NAV. Closed-end funds are not required to redeem shares.

We act as an agent for your closed-end fund transactions. This means we send your order to an exchange to buy or sell shares of the closed-end fund. You pay a commission based on the amount of the transaction. Closed-end funds also carry built-in operating expenses that affect the fund's return. Your financial advisor receives a percentage of the commissions from closed-end fund trades.

#### *Unit Investment Trusts (UITs)*

A UIT is an SEC-registered investment company that invests in a fixed, diversified group of professionally selected securities according to a specific investment strategy. Unlike open end mutual funds, the securities within the UITs portfolio generally are not actively traded and instead maintains more of a buy and hold approach to investing. As a holder of a UIT you own a portion of the securities in the trust.

UITs have a set termination date where the portfolio securities are sold and the proceeds are paid to investors. Prior to the UIT's termination, a holder may redeem shares by tendering back to the sponsor. The amount received will be based on the current value at the date of redemption, which may be less than the original amount invested. UIT sponsors continuously offer new series of UITs, which makes it possible for investors to purchase a new series of the UIT upon expiration of the current UIT.

In brokerage accounts, you typically pay either a front-end sales charge or a combination of front-end and deferred sales charges. The deferred sales charge may be deducted from your account in periodic installments. You should review the UIT prospectus or equivalent offering document for specific details. We receive a portion of that sales charge from the provider sponsoring the UIT. The trust sponsor may also charge a "creation and development" fee (C&D) to compensate for the costs of organizing and offering the portfolio.

UITs have built-in operating expenses that affect their return. Details on the operating expenses and organizational fees are included in each UIT's prospectus. We may receive additional compensation based on our overall sales, or volume concessions, which are received from the unit trust sponsor. The potential volume concession amounts are detailed in each UIT's prospectus. For information about volume concession, please see the corresponding prospectus.

Your financial professional receives a percentage of the overall dealer concessions the product sponsor pays to BLC as outlined in the prospectus. For fixed-income trusts, the dealer concession may vary based on the number of units underwritten. For information about underwriting concession, please see the corresponding prospectus. Your financial professional does not receive commissions from the sale or liquidation of UITs. Also, your financial professional does not receive direct compensation or any portion of volume concession payments we may receive from UIT sponsor.

### *Variable Annuities*

Variable annuities are contracts issued by insurance companies into which the buyer makes a lump-sum payment or series of payments. In return, the insurer agrees to provide either a regular stream of payments beginning immediately (or at some future date) or a lump sum payout at a future time. The client pays premiums to the issuing insurance company. At the client's direction, the insurer allocates the client's premium payments to investment options, or sub-accounts (which are similar to mutual funds) comprised of stocks, bonds, or other investments. When you invest in a variable annuity, any growth credited to your account is credited to your account but is not taxed until you take distributions, at which point you pay taxes on any gains. Withdrawals before the age of 59 ½ may also incur a federal tax penalty. Please refer to the prospectus for information specific to the variable annuity you purchase.

**Fees and charges:** Because variable annuities possess insurance features, they have fees and/or expenses that are not found in other investment products. The fees or expenses that you pay vary depending on the terms and share class of the annuity purchased. The most common fees are as follows:

- **Surrender charge.** Most variable annuities do not have an initial sales charge. However, insurance companies usually assess a surrender charge — often called a contingent deferred sales charge (CDSC) — to an annuity owner who liquidates a contract or makes a withdrawal in excess of the free withdrawal provision (typically 10%) during the surrender charge period specified in the prospectus. The CDSC typically decreases over several years. Please read the prospectus carefully with regard to the applicable surrender charges.
- **Mortality & Expense Risk charge (M&E).** The insurance company charges you this fee for the insurance risks it assumes by providing you guaranteed future payments and basic death benefits.
- **Administrative fees.** These fees cover administrative costs associated with servicing the annuity, including the cost of transferring funds, tracking purchase payments, issuing confirmations and statements, recordkeeping, and customer service.
- **Contract maintenance fee.** This is an annual flat fee — approximately \$25 or \$30 a year — to keep the contract active. This fee may be waived on variable annuity contracts with account values over a certain dollar amount (for example, \$50,000). See the prospectus for details.
- **Underlying fund expenses on subaccounts.** These fees cover the cost of managing the investments within the subaccounts.
- **Optional Rider costs.** Additional riders that provide protection for death and/or provide income may cost extra.

**Commissions and Compensation:** In brokerage accounts, we can offer B-share variable annuities, which are characterized by deferred sales charges that typically range from 5% - 7% in the first year and subsequently decline to zero after five to seven years. The commission payable to BLC, which we share with your Financial Professional, ranges from between 3-6% of your initial investment, with an annual trail



commission of up to 1% of the total value of the annuity. Your financial professional has the option to choose from a higher upfront commission with a lower trail payment or, conversely, a lower upfront commission with a higher trail payment. The total compensation paid with each of these options is generally comparable over time.

#### *Fixed Indexed Annuities and Buffered Annuities*

Fixed indexed annuities are contracts issued by insurance companies where the returns are based upon the performance of a market index, such as the S&P 500. The index annuity provides a guaranteed minimum accumulation value, subject to the solvency of the issuer. The performance is subject to predetermined rate caps and floors, meaning the performance of your fixed indexed annuity will not exceed or fall below the specified return levels as described in the prospectus, regardless of market conditions.

A buffered annuity is similar to a fixed indexed annuity except that there is a potential to lose principal if the index falls farther than the level of protection offered by the annuity. For example, a buffered annuity might offer protection against the first 10% of a market decline; if the market declines beyond 10%, you would be responsible for any loss beyond 10%.

Typically, index annuities do not have a front-end sales charge when you purchase them but you may pay a CDSC to the insurance company if you liquidate the contract before the end of a certain period of time. The percentage amount of the CDSC usually declines over time. Typically, you do not pay any sales charges or annual operating expenses when you purchase a fixed indexed or buffered annuity. The insurance company considers all its costs, including commissions, when determining the interest rate, caps, participation rates, and CDSC.

The insurance company pays BLC a commission at the time you pay your premium and, for some contracts, at the time of any subsequent renewal. The commission is not deducted from your initial premium or renewal amount. We share this commission with your financial professional. We also receive a revenue sharing payment from the insurance company, which we do not share with the financial professional.

#### *General Securities (Stocks and Bonds and Certificates of Deposit)*

##### **Common and preferred stocks**

When you buy or sell stock, we will act as your agent and our custodian, NFS, will route your order to an exchange to buy or sell shares. You pay a commission based on the amount of the transaction, which we share with your financial professional. In the event of trade errors and corrections, we can either earn a profit or loss.

##### **Bonds (Corporate, Municipal, Government)**

When you purchase bonds, we act as either riskless principal or agent. If we act as agent, we will charge you a commission, expressed as a percentage of the dollar amount you buy and sell. If we act in a riskless principal capacity, we will either markup the price (for a purchase) or markdown the price (for a sale). The amount of the commission or markup or markdown will be reflected on the trade confirmation. We share this compensation with your financial professional.

##### **Certificates of Deposit (CDs) and Structured CDs:**

CDs issued by banks or S&Ls have fixed interest rates and set maturity dates. We also offer market-linked CDs, which are CDs with a return based on a collection of stocks or a market index, such as the Dow Jones Index or a basket of equities. CDs and market linked CDs are FDIC insured. Structured CDs are offered by private issuers, are usually senior unsecured obligations of the issuer, and are not FDIC insured. While not FDIC insured, these CDs are principal protected if held to maturity, subject to the creditworthiness of the issuer. Some structured CDs may be callable, which gives the issuer the right to or obligation to call the

security away from the owner at preset dates and index levels. Please read the prospectus to information relating to investment objectives, risks, charges, and expenses of structured CDs before investing.

For new issues, clients pay the initial offering price, which is set by the issuer. The offering price includes costs and fees associated with purchasing the security and includes selling concessions paid to BLC. Clients are not charged additional sales charges or commissions. The offering price and a description of the costs and fees associated with a security can be found in the prospectus. BLC may impose limits on the amount of structured CDs an investor may purchase. We share the selling commission received with your financial professional. For CDs purchased in the secondary market, clients pay a markup (in the case of a purchase) or a markdown (in the case of a sale), which generally consists of (1) the sales credit (effectively a commission) that varies based on the time to maturity and (2) the markup or markdown that the trading desk has included as part of the transaction. We share the markup/markdown with your financial professional.

### **Alternative Investments**

In rare instances, BLC offers alternative investment solutions that can include non-traded real estate investment trusts (non-traded REITs), non-traded business development companies (non-traded BDCs), non-traded closed-end funds, hedge fund offerings, private equity offerings, real estate private placement funds, oil and gas programs, interval funds, and 1031 exchanges and exchange funds. More commonly, clients may transfer existing alternative investment positions into their BLC brokerage account.

These products are classified as "alternative" because they are unlike traditional brokerage securities, such as stocks and bonds, and are generally not traded on an exchange. In some cases, alternative investments have a negative correlation to traditional investments and are used to further diversify portfolios beyond the traditional asset classes to help manage risk.

Alternative investments are generally illiquid long-term investments (7-10+ years) and there typically does not exist a secondary trading market. For this reason, converting an alternative investment to cash prior to liquidation is extremely difficult and may not be possible. In some cases, it may be difficult to determine the current value of the asset. Units or shares of these types of investments may fluctuate in value. Therefore, at the time of redemption, they may be worth more or less in value than the original amount invested. Most of these offerings are sold by prospectus or offering memorandum, which contains more complete information including risks, costs and expenses. Investors should read these carefully before investing.

Additionally, these investments contain fees and expenses that are higher than those of other investment types. These products are complex, risky, and not appropriate for everyone. For this reason, there are heightened investor qualification requirements for purchases. There also could be a less expensive or less complicated product that is similarly appropriate for you.

When you invest in an alternative investment, the product sponsor pays us a sales charge or commission, which we share with your financial professional. In addition to this sales charge you will also be responsible for paying additional expenses relating to the organization and operation of the investment. As much as 12-15% of your investment can go to pay for these expenses (which includes the sales charge). A complete description of these expenses can be found in the product prospectus. We share the sales charge received with your financial professional.