

**Berthel Fisher & Company Financial Services, Inc. ("BFCFS")  
Securities Management and Research, Inc. ("SMR")  
BFC Planning, Inc. ("BFCP")**

## **Regulation Best Interest Disclosure**

**Effective Date: June 30, 2020**

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## Introduction

We believe it is important for you to have the information you need to make decisions about how to save and invest for the future. This Brochure provides details about our brokerage services so that you can better understand the services and investment products we offer to our customers, as well as their costs, our fees and compensation, and the conflicts of interest we have when we make investment recommendations to you.

We also provide certain information about our investment advisory services, insurance services and products, and directly held investment options to help you decide whether brokerage, advisory, or insurance is more appropriate for meeting your needs.

## Our Firm

For the purpose of this Brochure, the “Firm” constitutes three entities:

- **Berthel Fisher & Company Financial Services, Inc. (“BFCFS”)**, an independent broker dealer and investment adviser dually registered with the Securities and Exchange Commission (“SEC”) and a member of the Financial Industry Regulatory Authority (“FINRA”).
- **Securities Management and Research, Inc. (“SMR”)**, an SEC-registered broker dealer and FINRA member.
- **BFC Planning, Inc. (“BFCP”)**, an SEC registered investment adviser.

The Firm is headquartered in Cedar Rapids, IA and is registered to do business in all 50 states and the District of Columbia. The Firm provides a host of investment choices and is compensated for these services in a variety of ways as will be discussed throughout this document.

The Firm maintains a network of independently contracted individuals, referred to as “Financial Professionals” or “FPs”, who, depending on their licensing, offer: brokerage products, investment advisory services, direct investment products, and insurance products. Some of the Firm’s financial professionals are investment adviser representatives (“IARs”) of third-party investment advisers that are not affiliated with the Firm. In other cases, our Financial Professionals may be employees of unaffiliated financial institutions, like banks and credit unions, which offer financial services provided by the Firm. The Firm’s Financial Professionals are located across the United States and do business under different names from the Firm. In some limited circumstances you may receive services from an employee of the Firm.

Many of our FPs offer investment advisory services through BFCFS or BFCP. If you choose to engage your FP in his or her capacity as an investment adviser representative, to the extent you do so, both your financial professional and our Firm will receive additional compensation related to those services including advisory, platform and marketing fees. This compensation creates an incentive for us to recommend that you engage us for advisory services because we generally receive more compensation when you do so. Such recommendations are provided in our investment advisory capacity, and not as a broker-dealer. Please see BFCFS’s and BFCP’s Form ADV, Part 2A brochure for more details.

We value our relationship with you, and we make it our business to help you achieve your financial goals and objectives. Whether you are a new client or a long-time investor, investing for a future retirement

or providing for your children’s education, we can help you to invest and manage your money. We offer a wide variety of services, investment products, and resources to help you meet your individual goals. We hope that the information in this Brochure will help you to make sound decisions when working with your Financial Professional. Please take a moment to read each section carefully and refer to it whenever you are deciding whether to follow a recommendation from your Financial Professional. Our Firm and your Financial Professional are available to answer your questions.

## Our Capacity

While brokerage and advisory services differ in many important ways, there are some similarities that can, at times, make it hard to tell whether a firm or its financial professional is acting in a brokerage or advisory capacity. We, and our Financial Professionals, will act as a broker-dealer unless we have entered into an advisory agreement with you. If you have both brokerage and advisory relationships with us, when we provide recommendations and other services for your brokerage account (including to open a brokerage account), we will be acting as a broker-dealer, and when we provide recommendations and advice for your advisory accounts (including to open an advisory account), we will be acting as an investment adviser. We will also arrange for certain services for you with our clearing broker, National Financial Services LLC (“NFS”), including custody and clearing services.

Unless it is otherwise evident, your Financial Professional will tell you when he or she is providing you with a recommendation for your brokerage account or your advisory account. If you have any questions, please ask your Financial Professional.

### **We Do Not Monitor Your Brokerage Account or Make Investment Decisions for You**

We are here to help, but in a brokerage or directly held account relationship, you take the lead. Unless we state otherwise in writing, ***it is your responsibility to monitor your brokerage or direct account and its investments*** — that means that you need to review your trade confirmations and account statements for inaccuracies, material changes in your portfolio and changes in your investment objectives or expectations and promptly notify us of any concerns or questions that you have by contacting your FP or calling 800.356.5234. We and your FP are not paid to monitor your brokerage accounts or for making regular or on-going recommendations to you.

Except in limited circumstances, and pursuant to a separate written agreement with you, we do not make decisions about what securities to buy or sell for you in your brokerage accounts. We will only implement investment transactions when you direct us to do so. You make the ultimate decision about your brokerage or direct account investments (including timing). We have no obligation to update statements made, or information provided, with respect to a previous recommendation. Nor are we responsible for your decision to modify, decline or delay the implementation of our recommendation. We do not provide legal or tax advice, so you should also consider engaging the services of a professional estate planner, lawyer, and tax advisor, as needed.

## Purpose of this Disclosure

You should review this Brochure carefully, retain it with your records and refer to it when we provide you with a recommendation of any securities transaction or investment strategy involving securities (including an account-type recommendation) as a broker-dealer. If you appoint someone as your agent,

legal representative or designate a trusted contact person, please be sure that he or she has a copy of this Brochure as well.

This Brochure, along with other disclosures we provide to you from time to time, is intended to satisfy BFCFC's and SMR's disclosure obligations under the SEC's Regulation Best Interest (Rule 151-1 under the Securities Exchange Act of 1934, as amended) when we provide you with securities recommendations and recommendations of investment strategies involving securities.

This Brochure is current as of the date on its cover. The most up-to-date version of this Brochure is available at [www.berthel.com/disclosures](http://www.berthel.com/disclosures). If we make changes that would require us to send you updated disclosures, we will send them to you by mail or electronically, consistent with your delivery elections and the SEC's requirements. We may amend this Brochure from time to time, and if you continue to accept our services after we deliver the amended disclosures to you, the amended disclosures will apply to you.

Statements in this Brochure are subject to the terms and conditions in our Client Agreement and other agreements you have with us (the "Client Agreement"), which define and control our relationship with you. Unless the context clearly indicates another definition, words and phrases used in this Brochure shall have the same meanings as such words and phrases in the Client Agreement and it should be read together with the Client Agreement and the other disclosures and documents we provide or reference.

You will also be subject to additional terms, conditions and disclosures in agreements and other disclosures we send you from time to time, as well as any investment advisory agreements you have with us (including Form ADV Part 2A) when we act as investment adviser.

Please contact us in writing promptly if you do not fully understand or have questions about the disclosures in this Brochure, the essential facts of our customer relationships and conflicts of interest we face or any recommendation we may make to you.

This Brochure does not amend or supersede any of your existing agreements with us, our affiliates, or third parties. Nothing in this Brochure, express or implied, confers upon any other person any rights or remedies of any nature whatsoever. Nothing contained herein, express or implied, other than your understanding or acknowledgement of, or your agreement with, the statements made herein, will be construed to establish, amend, or modify any agreement or arrangement between you and us.

Please note that not all items described in this Brochure apply to every Financial Professional, his/her services, or all the products the Firm offers. The types and amounts of compensation received can change over time. You should ask your FP if you have any questions about their compensation, costs, fees, or conflicts of interest. Additional disclosures can be found in the offering documents related to the Firm's investment product offerings.

## Risks Associated with Investing

There are many types of investment risks that you should be aware of. Please familiarize yourself with these terms and ask your FP how these risks could impact the products or services you are considering. You should understand that all investment strategies and the investments made when implementing those investment strategies involve risk of loss, and you should be prepared to bear that loss. The

investment performance and the success of any investment or investment strategy is never guaranteed, and the value of your investments will fluctuate due to market conditions and other factors.

Our FPs may recommend a wide array of investment strategies and investments. BFCFS, SMR and FPs typically recommend that clients diversify their investments across multiple asset classes, issuers, sectors and industries to reduce the additional investment risk frequently associated with concentrated investments. You should understand that the decreased diversification resulting from holding concentrated positions in a single security, sector or asset class typically results in increased risk and volatility.

The specific type(s) of risks that you will be exposed to will vary depending on investment products and strategies that are chosen. Information about the risks of particular investment products is typically available in the prospectus or other offering document, as discussed in the applicable investment product sections of this Brochure, or you can ask your FP. You should rely only on the information contained in the Prospectus or offering document, and not on any other information or representations from any other person or source.

We do not offer any guarantees that any investment recommendations will be profitable. Moreover, you should note that past performance is not a guarantee of future results. Before making any investment decision, it is your responsibility to fully understand the investment and the associated risks.

Our Financial Professionals may recommend certain products that are considered complex or higher risk, which have unique risk considerations. Information about the risks of particular investment products is typically available in the prospectus or other offering documents. Those documents are generally available online or you can ask your FP to provide you with a copy. You can also talk to your FP about the recommended product or transaction and associated risks. You may also wish to consult with other professionals such as a tax professional (CPA), attorney, and /or other financial consultants.

General investment risks include the following:

*Market risk* - The risk of investments declining in value because of economic developments or other events that affect the entire market.

*Equity risk* – This applies to an investment in shares of stock in a corporation or other legal entity. The market price of shares varies all the time depending on demand and supply and perceived valuation of the issuer. Equity risk is the risk of loss because of a drop in the market price of the shares.

*Interest rate risk* – This applies to debt investments such as bonds. It is the risk of losing money because of a change in the interest rate.

*Currency risk* – This applies when you own foreign investments. It is the risk of losing money because of a movement in the exchange rate of the investment's currency versus the US dollar.

*Liquidity risk* - The risk of being unable to sell your investments at a fair price and get your money out when you want to. To sell the investment at any given time, you may need to accept a lower price. In some cases, such as exempt market investments, it may not be possible to sell the investment at all.

*Concentration risk* - The risk of loss because your money is concentrated in one investment, type of investment or market segment. When you diversify your investments, you spread the risk over different types of investments, industries and geographic locations.

*Credit risk* - The risk that the government entity or company that issued the bond will run into financial difficulties and won't be able to pay the interest or repay the principal at maturity.

*Reinvestment risk* - The risk of loss from reinvesting principal or income at a lower interest rate. For example: If you buy a bond paying 5%, the reinvestment risk will affect you if interest rates drop and you have to reinvest the interest received at 4%. Reinvestment risk will also apply if the bond matures and you have to reinvest the principal at less than 5%.

*Inflation risk* - The risk of a loss in your purchasing power because the value of your investments does not keep up with inflation. Inflation erodes the purchasing power of money over time – the same amount of money will buy fewer goods and services.

*Horizon risk* - The risk that your investment horizon may be shortened because of an unforeseen event, for example, the loss of your job. This may force you to sell investments that you were expecting to hold for the long term. If you must sell at a time when the markets are down, you may lose money.

*Longevity risk* - The risk of outliving your savings. This risk is particularly relevant for people who are retired or are nearing retirement.

*Foreign investment risk* - The risk of loss when investing in foreign countries. When you buy foreign investments, you face risks that do not exist in the U.S.

### **Risk Tolerance Classifications**

We use the following risk tolerance definitions. These definitions are provided for informational purposes and do not imply that any investment will achieve its objective. Please discuss these classifications with your FP to make sure you are choosing appropriate investments based on your risk tolerance.

*Conservative* - Generally reflects an investor who has a low tolerance for risk. Preservation of capital is often a major consideration. Such an investor is willing to limit or forego capital appreciation opportunities or higher income returns in order to protect his/her investment capital.

*Moderately Conservative* - Generally reflects an investor who has a moderate to low tolerance for risk. Preservation of capital is balanced with a somewhat modest amount of risk in order to achieve preservation of capital and a modest amount of capital appreciation.

*Moderate* - Generally reflects an investor who has the financial resources and investment experience to accept a modest amount of risk in order to achieve capital appreciation or higher income returns. Such an investor can accept some loss of capital in seeking to meet his/her investment goal.

*Moderately Aggressive* - Generally reflects an investor who has a moderate to high tolerance for risk. Such an investor can accept a moderate amount of capital loss in order to achieve his/her investment goals.

*Aggressive* - Generally reflects an investor who seeks the most capital appreciation, or a higher income return and who is financially able and willing to risk losing a substantial portion of investment capital to achieve his/her objectives. The aggressive investor will seek to maximize his/her total return through a

broad range of investments and strategies that may include purchasing low-priced, low rated or volatile securities, using a high degree of leverage or engaging in a high level of activity.

Knowledge of investment strategies and investment experience are important considerations.

### **Basis for Recommendation**

Our FPs make recommendations to you based on relevant information we know about your investment profile and our assessment of a product's or investment strategy's potential risks, rewards, and costs as applicable to the given recommendation. Your investment profile can include, as applicable: your age, other investments, financial situation and needs, tax status, investment objectives, investment experience, investment time horizon, liquidity needs, risk tolerance, and any other information you disclose to us. It is your responsibility to provide accurate and timely information about your investment profile to us, and to let us know promptly if any information about your investment profile changes and to review your portfolio with your FP and consider making appropriate changes. If you would like to know why we made a recommendation to you, just ask your FP.

### **Choosing a Financial Professional**

An FP can help you work toward your financial goals and objectives. It is important to choose a FP that understands your needs and will help you make sound investment decisions. The FP you choose will depend on the type of financial assistance you seek. If you desire brokerage services, you will want to work with a registered representative of a broker dealer, such as BFCFS or SMR. If you desire investment advisory services, you will want to work with an IAR, such as an IAR of BFCFS, BFCP, or a third-party adviser.

While the Firm and many of our FPs offer both brokerage and advisory services, some of our FPs are only licensed to offer brokerage services. If you want to work with an FP who is not licensed to offer advisory services, but you are interested in advisory services, your FP can coordinate with another Firm FP who can assist you with our advisory offerings. The section below discusses the various licenses our FPs hold.

### **Financial Professional Qualifications**

FPs hold various licenses that determine which investment products and services they are qualified to offer and sell. You should ask your FP which qualified activities they are permitted to engage in based on their registration status. Certain of our FPs have limitations on which investment products and services they can offer you. Your FP can hold one or more of the following licenses and you should ask him or her which licenses he or she holds.

<b>License</b>	<b>Description</b>	<b>Qualified Activities</b>
Series 6 (IR)	Limited - Investment Company and Variable Contracts Representative	Mutual funds (closed-end funds on the initial offering only), Variable annuities Variable life insurance, unit investment trusts (“UITs”), Municipal fund securities (e.g. 529 savings plans)
Series 7 (GS)	Full – General Securities Representative	Public offerings and or private placements of corporate securities (stocks and bonds), rights, warrants, mutual funds, money market funds, unit investment trusts, exchange-traded funds, real estate investment trusts, options on mortgage-backed securities, government securities, repos and certifications of accrual on government securities, direct participation programs, securities traders, venture capital, sale of municipal securities, hedge funds
Series 22 (DP)	Limited – Direct Participation Representative	Direct participation programs (real estate, oil and gas, and equipment leasing), limited partnerships, limited liability companies, S corporations
Series 52 (MR)	Limited – Municipal Securities Representative	Municipal securities, including municipal funds securities (e.g. 529 savings plans)
Series 62 (CS)	Limited – Corporate Securities Representative	Corporate securities (stocks and bonds), rights, warrants, closed-end funds, money market funds, repos and certificates of accrual on corporate securities, real estate investment trusts, asset-backed securities, mortgage-backed securities, securities traders, corporate financing, exchange-traded funds
Series 63 (AG)	Uniform Securities Agent	State license required by certain states for broker-dealer representatives.
Series 65 (RA)	Uniform Investment Adviser	State license that may be accepted to qualify FP as an Investment Adviser Representative
Series 66 (RA)	Combined Securities & Investment Adviser	State license that may be accepted to qualify FP as an Investment Adviser Representative and broker-dealer representative

Additionally, many states allow IARs to be exempt from passing either the Series 65 or Series 66 and Series 7, if they currently hold and maintain good standing in one of the following professional designations:

- Certified Financial Planner (“CFP”) awarded by the Certified Financial Planner Board of Standards
- Chartered Financial Consultant (“ChFC”) awarded by the American College, Bryn Mawr, Pennsylvania;
- Personal Financial Specialist (“PFS”) awarded by the American Institute of Certified Public Accountants;
- Chartered Financial Analyst (“CFA”) awarded by the CFA Institute;
- Chartered Investment Counselor (“CIC”) awarded by The Investment Adviser Association
- Certified Investment Management Analyst (“CIMA”) of the Investment Management Consultants Association

Information about which licenses your FP holds can be found on FINRA's website at <https://brokercheck.finra.org> or on the SEC website at [www.sec.gov/check-your-investment-professional](http://www.sec.gov/check-your-investment-professional). Clients can also view which states their FP is registered to conduct securities business on the FINRA website.

In addition, your FP is required to hold an insurance license if they offer securities-related insurance products such as variable annuities and variable life insurance products. The Firm also requires FPs to conduct fixed and indexed annuity product sales through the Firm if they hold the proper licenses. You can request a copy of the insurance license from your FP or verify that they hold the proper license by contacting the applicable state's insurance department by phone or via the state's website or by contacting our Compliance Department at (800) 356-5234.

### **Professional Certifications/Designations**

Your FP may complete additional education and/or pass a qualifying exam to hold a professional designation which is displayed on their business card or website. The Firm only allows FPs to display a professional designation if they meet certain standards (*example, designation is accredited by the American National Standards Institute for Certifying Agencies or has ongoing education requirements*) and we have verified the FP holds the designation. We are not bound by the standards of any organizations of which registered representatives are members even if these registered representatives make known their designations or credentials. Rather, your relationship with us is governed by the standards of conduct of those regulatory and self-regulatory organizations to which we are subject.

### **Disclosures/Disciplinary History**

FPs are required to disclose certain disciplinary events on their FINRA license (*example, liens, complaints, regulatory actions*) which can be found on FINRA's website <https://brokercheck.finra.org>. Clients should periodically review FINRA BrokerCheck to obtain information about their FP and address any questions with their FP or contact the Firm's Compliance Department for more information.

### **Employee Financial Professionals**

In certain limited circumstances your FP may be an employee of the Firm. Employees of the Firm will receive overrides on certain business, bonuses based on overall volumes of business, as well as commissions and fees from investment products. This creates a conflict of interest for the FP because he or she will have an incentive to recommend that you choose investment products and services that result in greater compensation for the FP. You should ask your FP his or her specific conflicts resulting from being an employee of the Firm.

### **Your Financial Professional's Other Business (Outside Business Activity)**

As an independent contractor, your FP may engage in business activities outside of the securities services offered through the Firm, which are separate from, and not affiliated with the Firm. Your FP, under a separate marketing identity from the Firm (*example John Doe Wealth Management Services*), may offer non-securities products which may include, but are not limited to:

- Tax preparation and/or accounting services
- Commodities brokerage services
- Life insurance
- Health Insurance/Long Term Care Insurance/Disability Insurance

- Estate Planning
- Legal services
- Real Estate services

Additionally, an FP may be registered with and conduct advisory services with an unaffiliated investment adviser (“IA”). When your FP engages in outside business activities or offers services through an unaffiliated IA, your FP is not acting as a representative of us and is not subject to our oversight. These activities can create conflicts of interest for your FP where he or she has an incentive to recommend that you engage in transactions through the outside business or IA, or through us because he or she receives greater compensation.

We encourage you to do your own due diligence and to review FINRA BrokerCheck <https://brokercheck.finra.org> or the SEC’s website <https://adviserinfo.sec.gov/> to obtain more information. If your FP offers services through an unaffiliated IA, your FP should provide you with the IA’s Form CRS and other disclosures.

The Firm does not permit FPs to raise capital for investments outside of the Firm. Clients should act with caution and conduct additional due diligence if your FP asks you to send funds or make checks payable to entities other than the Firm, the Firm’s clearing firm (“NFS”), or sponsors of investment products the Firm offers.

The Firm does not permit FPs to act in other fiduciary capacities (such as Power of Attorney, Trustee, or Executor) except for immediate family members. In addition, you should never name your FP as a beneficiary of your estate or life insurance policy unless he or she is a member of your family. Lastly, you should never lend money to or borrow money from your FP.

If you have any questions about your FP or any products or services, please contact our Compliance Department at (800) 356-5234.

### **Forgivable loans and transition assistance**

Certain FPs have received payments from the Firm in connection with the transition from another broker-dealer or investment advisor. These payments, which can be significant, are intended to assist the FP with costs associated with the transition. These payments will come in the form of loans to the FP, which are repayable to the Firm or are forgiven by us based on years of service with the Firm (e.g., if the FP remains with us for 5 years). The Firm will also provide the FP with cost reductions for certain fees to offset the cost of the transition. The Firm will also reimburse clients for certain account fees they incur in the transition to the Firm.

We may also provide payments to existing FPs of the Firm to assist in purchasing a book of business from another FP, or to retain the FP with the Firm. These payments will come in the form of loans to the FP, which are repayable to the Firm or are forgiven by us based on years of service with the Firm (e.g., if the FP remains with us for 5 years).

These loans, and any additional payments to new or existing FPs, present a conflict of interest in that an FP has a financial incentive to maintain a relationship with the Firm which may include directing client accounts to the Firm for execution of trades, custody of assets, and other investments services, which may be available at a lower cost outside the Firm. However, to the extent an FP directs clients to the

Firm for such products or services, it is because the FP believes that it is in that client’s best interest to do so. If you have questions regarding the transition assistance or loans provide to an FP, please contact us at 1-800-356-5234.

## Understanding the Differences Between Brokerage and Advisory Services

There are some important considerations when deciding whether a brokerage or advisory relationship best serves your investment goals and objectives. Your FP can help you determine which accounts and services may be most appropriate for some or all of your assets. There are some circumstances where you may benefit from both brokerage and investment advisory services.

Our services, fees, compensation, and conflicts differ depending on whether you work with us through a brokerage or advisory relationship. You should carefully consider and discuss with your Financial Professional which type of relationship is more appropriate for you.

You can review our Customer Relationship Summary (“Form CRS”), which provides a high-level summary of our brokerage and advisory services, on the Firm’s website [www.berthel.com/disclosures](http://www.berthel.com/disclosures) or ask your FP to provide a copy of this disclosure.

For customers who want to go it alone and self-direct their brokerage account, BFCFS and SMR also offer an online brokerage platform, which is subject to different fees, costs, and limitations than those discussed in this Brochure. We do not provide recommendations (or access to a Financial Professional) for or with respect to online trading through this platform. For more information about the fees and costs for online trading please refer to the Wealthscape Investor Online Trading Agreement at [www.berthel.com/disclosures](http://www.berthel.com/disclosures) or talk to your Financial Professional for more information.

The chart below highlights some of the key differences between our guided brokerage and advisory services. The chart below does not consider the My Wealthscape services.

	<b>Brokerage</b>	<b>Advisory</b>
<b>Type of advice</b>	<ul style="list-style-type: none"> <li>We provide recommendations from time to time or upon your request; investor education is also available to help you make decisions.</li> </ul>	<ul style="list-style-type: none"> <li>We (or a third-party) provide ongoing recommendations or management services, for so long as you are enrolled in an advisory program.</li> </ul>
<b>Monitoring</b>	<ul style="list-style-type: none"> <li>None, unless stated otherwise in writing.</li> </ul>	<ul style="list-style-type: none"> <li>Generally, yes, subject to the terms of your advisory agreement.</li> <li>Generally, no, for financial planning.</li> </ul>
<b>Decision-making authority</b>	<ul style="list-style-type: none"> <li>You decide whether, when and how to implement our recommendations, unless stated otherwise in writing.</li> </ul>	<ul style="list-style-type: none"> <li>You can choose to have a professional investment manager make investment decisions for you (“discretionary”); or you can decide whether, when and how to implement our recommendations (“non-discretionary”).</li> </ul>

<b>How we trade with you</b>	<ul style="list-style-type: none"> <li>• As agent with another customer or market participant; or</li> <li>• As riskless principal through our account.</li> </ul>	<ul style="list-style-type: none"> <li>• As agent with another customer or market participant.</li> </ul>
<b>Primary costs, fees and compensation</b>	<ul style="list-style-type: none"> <li>• Transaction-based—you pay fees for trades in your account.</li> <li>• We also receive compensation from products, platforms and sponsors of products you invest in.</li> </ul>	<ul style="list-style-type: none"> <li>• Generally, asset-based—you pay a percentage of your advisory assets to us (and another adviser, where applicable). Our asset-based pricing program charges a single asset-based fee for investment advice, most trade executions through the program sponsor (or its affiliate), custody, and reporting.</li> <li>• Transaction-based fees (e.g., ticket charges) apply to certain transactions.</li> <li>• Financial planning is billed as a one-time fee or recurring payment.</li> <li>• We also receive compensation from products, platforms and sponsors of products you invest in.</li> </ul>
<b>Available investments and products</b>	Stocks, bonds, mutual funds, exchange-traded funds (“ETFs”), certificates of deposit (“CDs”), structured products, such as market-linked CDs, and variable annuities, among other products.	Varies depending on the program selected, and can include mutual funds, ETFs, and individual stocks and bonds, among other products.
<b>Primary Financial Professional conflicts</b>	<p>Transaction-based compensation creates incentives to recommend:</p> <ul style="list-style-type: none"> <li>• Investments that result in greater compensation</li> <li>• That you trade more frequently (and in larger amounts).</li> </ul> <p>FPs also have a conflict to recommend investments offered by companies that provide them with training, travel expenses, gifts, entertainment, and meals to encourage and aid in the understanding and recommending their products.</p>	<p>Asset-based compensation creates incentives to recommend you:</p> <ul style="list-style-type: none"> <li>• Increase the assets in your advisory accounts to increase compensation</li> <li>• Invest through programs with higher fees.</li> </ul> <p>FPs also have a conflict to recommend investments offered by companies that provide them with training, travel expenses, gifts, entertainment, and meals to encourage and aid in the understanding and recommending their products.</p>
<b>Primary conflicts to the Firm</b>	<p>Transaction-based compensation creates incentives to:</p> <ul style="list-style-type: none"> <li>• Offer and promote products and services from companies that offer us greater compensation;</li> <li>• Encourage you trade more frequently (and in larger amounts);</li> <li>• Encourage you to buy or sell securities that we typically trade on</li> </ul>	<p>Asset-based compensation creates incentives to:</p> <ul style="list-style-type: none"> <li>• Encourage you to increase the assets in your advisory accounts to increase our fees;</li> <li>• Encourage you to invest through programs with higher fees;</li> <li>• Encourage you to invest in programs and models that result in greater</li> </ul>

	<p>a riskless principal basis so that we benefit from the price of the investment you buy or sell because we mark the price of your investment up (“mark-up”) or down (“mark-down”); or</p> <ul style="list-style-type: none"> <li>• Encourage you to keep more of your account in cash, so that we can benefit from cash invested through our cash deposit sweep program.</li> </ul>	<p>compensation to us, including strategies managed by our affiliate and allocations to cash through our sweep program; or</p> <ul style="list-style-type: none"> <li>• Trade less in a wrap-program.</li> </ul>
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You may prefer a brokerage account if you:

- Do not invest enough assets with us to meet the account minimums for our advisory programs;
- Do not desire, or do not want to pay for, ongoing advice, management, and monitoring services through an advisory program;
- Prefer to pay only for the investment transactions you choose to implement;
- Are comfortable making your own investment decisions, either with or without a recommendation from an investment professional;
- Are comfortable monitoring your account’s performance and performing periodic rebalancing without the help of an investment professional;
- Are comfortable with the conflicts of interest transaction-based compensation creates for us and your Financial Professional; or
- Choose to maintain concentrated positions, such as employer securities or cash equivalents.

Please talk to your Financial Professional about whether a brokerage or advisory relationship (or both) is right for you.

## Overview of Compensation and Conflicts

### Understanding Fees and Charges that May Apply to Your Investments

Investment products including, but not limited to mutual funds, alternative investments, and variable annuities may offer multiple share class options with varying fees and charges. When considering investment options, it is important that you understand the sales charges (commonly referred to as “loads” and “trails” or “Rule 12b-1 fees”) and expenses (including management fees) that you will be charged, as well as potential volume discounts (often referred to as “breakpoints”) to which you may be entitled. Understanding these charges and volume discounts will assist you in identifying the best investment for your needs. Sales charges and other expenses will vary from fund company to fund company, and sometimes will vary between funds issued by the same fund company. You should discuss this information with your FP and review each investment option’s prospectus or offering document and statement of additional information, which are available from your FP, to obtain the specific information regarding the sales charges (and any discounts) and expenses associated with a particular investment option.

**Though not a comprehensive list, the following represents common types of compensation structures associated with investments:**

*Front-end commissions and loads* - Sales charge is deducted from your investment at the time you buy the investment. This sales charge varies and is a percentage of your total purchase and is paid to us and shared with your FP. Some investments offer volume discounts to the front-end sales charge assessed on certain share classes at predetermined levels of investment. For more information about front-end commissions and loads, including ranges of front-end loads we can receive in connection with your investment, please see the applicable product disclosures in this Brochure. Front-end commissions and loads create an incentive for us to offer and recommend products with higher front-end commissions and loads over those with lower or no front-end commissions and, and to recommend or encourage you to buy investments more frequently and in larger amounts.

*Back-end load* -You may be required to pay a sales charge known as a contingent deferred sales charge, or CDSC, when you sell the shares before the surrender period ends, depending upon the terms of the particular investment. Back-end loads are not paid to us or shared with your FP; rather they are typically paid to the investment sponsor or an affiliate. Information about back-end loads is available in the applicable prospectus or other offering document.

*Trails* - An annual charge (referred to as a “12b-1 fee” for mutual funds) may be deducted from your investment for as long as you hold the investment. Trails vary and are paid to us and shared with your FP. Trails create an incentive for us to offer and recommend you buy and hold products with higher trails.

*No Load* - These investments do not incur front-end loads and are typically available directly from the sponsor company. The same funds may be available, with a load, through an account on the Brokerage Platform (as defined below). No-load funds may pay us trails and incur other fees and expenses, including purchase fees, redemption fees, exchange fees, and account fees in addition to the operating fees.

*Riskless Principal Trades* - When you place an order with us to buy certain securities, we may purchase them on the open market for our own account and then sell them to you from our inventory. Similarly, when you place an order to sell a security, we may find a buyer on the open market, and then purchase the security from you for our own account and sell it to the buyer from our inventory. These transactions are known as “riskless principal transactions.” When we act as riskless principal, we mark up the price you pay or mark down the price you receive, which is a benefit to us, but such mark ups and mark downs must fall within our internal guidelines. Types of securities commonly traded on a riskless principal basis include fixed income and preferred securities. We disclose the price of the securities we buy and sell on a riskless principal basis on the confirmation statement you receive after the transaction. This compensation is shared with your FP. Markups and markdowns may be negotiated, and you may pay more or less than similar customers for identical transactions depending on your circumstances, including the size of your account, the services you have applied for, and any separate agreement with us. Mark-ups and mark-downs create an incentive for us to recommend securities that we buy and sell on a riskless principal basis. We mitigate these conflicts by disclosing them to you, limiting the mark ups and mark downs pursuant to our internal guidelines and by establishing policies, procedures for the supervision of our FPs to review product recommendations.

*Miscellaneous Fees and Charges* - You may also pay other fees not related to investment transactions, such as account maintenance fees, activity assessment fees, account termination fees, outgoing wire fees, account transfer fees, and postage and handling fees. These fees are charged by NFS. These fees are disclosed on your account statement when they are charged. NFS shares a portion of some of these

fees with us, but we do not share these fees with your FP. For a schedule of fees please visit [www.berthel.com/disclosures](http://www.berthel.com/disclosures). If you wish to learn more about investment product types and associated charges, visit the FINRA website <https://www.finra.org/investors#/> or the SEC website [www.investor.gov](http://www.investor.gov).

### **Error Correction**

If a trade error occurs in your brokerage account, and such error is determined to be caused by us or your FP, we will reimburse your account for any resulting monetary loss, and we will retain any monetary gain. If a trade correction is required as a result of your action or inaction (e.g., if a customer does not make full payment for purchases or fails to deliver negotiable securities for liquidations before trade settlement), you will bear any resulting monetary loss, and we will retain any monetary gain.

### **Revenue Sharing**

The Firm offers a wide variety of products and services that are sold through its registered representatives and investment advisors. Sponsors of certain products may, from time to time, share with the Firm the revenue they receive from those products. Such revenue sharing payments are in addition to commissions, annual service fees, trails (12b-1 fees) and other fees and expenses disclosed in the prospectus for a sponsor's product.

Revenue sharing arrangements provide an incentive to promote a sponsor's product over products sponsored by other sponsors. Therefore, the Firm believes it is important that you are aware that the Firm has revenue sharing arrangements with respect to certain sponsors and products. FPs do not receive increased commissions on account of the sale of products that have revenue sharing arrangements. Revenue sharing varies from product to product and sponsor to sponsor. The revenue sharing payments the Firm receives from sponsors can be a flat fee or can be based on product sales or assets under management by the sponsor. The Firm uses payments received through revenue sharing arrangements for operations, including for marketing and providing educational opportunities for its registered representatives and investment advisors. In some situations, the Firm shares its revenue sharing payments with selling representatives or investment advisors; this sharing has no effect on commissions. Revenue sharing arrangements are typically explained in a product's prospectus or offering memorandum. If you would like to know what revenue sharing arrangements the Firm has with sponsors and products, the Firm will provide that information upon request. We mitigate this conflict by disclosing this compensation to you and by establishing policies, procedures, for the supervision of our FPs.

### **Third Party Payments**

The Firm offers a wide variety of products and programs including mutual funds, annuities, life insurance, and alternative investments. Collectively, the companies that issue and/or distribute these products and programs are referred to hereinafter as "Sponsor Companies." The Firm receives both monetary and non-monetary support from Sponsor Companies. These arrangements create a conflict of interest and encourage us to offer, promote, and recommend investment products that result in us receiving greater support over those that result in less support (or no support). The Firm believes it is important that you are aware of our additional compensation arrangements when you and your FP evaluate investment options.

Financial compensation from Sponsor Companies to the Firm include payments based on product sales or assets under management, flat dollar fees or non-cash items. This financial compensation is generally in addition to commission or fees charged by our affiliated persons or fees and commissions described in a prospectus or offering documents. We mitigate this conflict by disclosing this compensation to you and by establishing policies, procedures, for the supervision of our FPs.

**Non-Cash Compensation**

The Firm, the Firm’s employees and FPs may receive compensation from Sponsor Companies that is not in connection with any customer account. Compensation includes such items as gifts valued at less than \$100 annually, dinners, tickets to sporting events, reimbursements in connection with educational meetings, client events, marketing assistance, graphic design or audio-visual support. The Firm and your FP have a conflict to offer and recommend that you purchase (and continue to hold) investment products of Product Sponsors that provide these benefits over those that do not, or that provide less of these benefits. We mitigate these conflicts by limiting the compensation we share with our FPs, disclosing this compensation to you and by establishing policies, procedures, for the supervision of our FPs.

**Insurance Marketing Organizations (“IMOs”)**

The Firm offers fixed and variable insurance products issued and distributed through various insurance carriers and insurance marketing organizations (“IMOs”). The Firm has certain relationships with Insurance Marketing Organizations that specialize in distribution of insurance products. These arrangements support our product marketing and sales force education and training efforts with respect to these insurance products. The Firm receives additional financial compensation which varies by carrier ranging from 0.25% up to 1.0% of premium sold. The Firm and its FPs may also receive certain benefits in the form of marketing support including, but not limited to, website creation, graphic design, and audio-visual creation. Sponsor Companies and/or IMOs may also make payments or reimbursements to the Firm or its FPs for certain educational events. These relationships may create a conflict because the IMO may offer certain marketing support to FPs or the Firm based on volumes of business. The Firm will also receive sponsorship dollars for its events from IMO partners. We mitigate this conflict by disclosing this compensation to you and by establishing policies, procedures, for the supervision of our FPs.

**Retirement Plan Rollovers**

If you are considering a rollover from an employer-sponsored retirement plan, please review your options carefully. The chart below identifies 4 main options along with benefits and considerations for each option. We have an incentive to recommend and encourage you to rollover your assets to an account with us because we receive brokerage, advisory, and other fees and compensation described in this Brochure and our Forms ADV Part 2A when you do so.

Your Options	Benefits	Considerations
Remain in your plan	<ul style="list-style-type: none"> <li>• Continue tax-advantaged growth</li> <li>• Avoid early withdrawal penalties</li> <li>• Move your savings to another plan at a later date</li> </ul>	<ul style="list-style-type: none"> <li>• Limited to the plan’s investment options</li> <li>• May not be able to remain in the plan if your account is less than \$5,000</li> </ul>

	<ul style="list-style-type: none"> <li>• Have continued access to your plan</li> <li>• Protection from creditors</li> <li>• May have lower fees</li> <li>• May be able to delay required - minimum distributions past age 70 1/2</li> </ul>	<ul style="list-style-type: none"> <li>• Subject to the plan’s terms, including any limitations on distribution options and loans</li> </ul>
Rollover to another employer’s plan	<ul style="list-style-type: none"> <li>• Continue tax-advantaged growth</li> <li>• Avoid early withdrawal penalties</li> <li>• May be able to consolidate your retirement assets in one account</li> <li>• May be able to borrow from the plan</li> <li>• Protection from creditors</li> <li>• May have lower fees</li> <li>• May be able to delay required - minimum distributions past age 70 1/2</li> </ul>	<ul style="list-style-type: none"> <li>• Limited to the investment options offered by that plan</li> <li>• Subject to the plan’s terms, including any limitations on distribution options and loans</li> </ul>
Rollover to an IRA	<ul style="list-style-type: none"> <li>• Continue tax advantaged growth</li> <li>• Avoid early withdrawal penalties</li> <li>• Have the flexibility to select investment options and services that fit your specific needs</li> <li>• Consolidate your retirement assets into one convenient place as you change jobs</li> <li>• Flexible distribution options</li> <li>• Protection from creditors varies and depends on state laws</li> </ul>	<ul style="list-style-type: none"> <li>• Annual fees and/or commissions apply, and are likely higher than plan</li> <li>• As securities held in the plan generally can’t be transferred to the IRA, commissions charged on transactions in the IRA will be in addition to commissions and sales charges previously paid on transactions in the retirement plan</li> <li>• Must begin minimum distributions at age 70 1/2</li> </ul>
Take a distribution as cash	<ul style="list-style-type: none"> <li>• You will have the money right now</li> </ul>	<ul style="list-style-type: none"> <li>• If you are under 59 ½, a 10% early withdrawal penalty may apply</li> <li>• These funds will also be subject to state and federal taxes</li> <li>• In addition, there may also be a mandatory 20% federal withholding tax</li> <li>• Investment growth will no longer occur on a tax advantaged basis</li> </ul>

Brokerage Products and Services

As your broker-dealer, we agree to serve as your broker and to maintain an account for you. We agree, subject to our acceptance of an authorized order, to buy, sell, or otherwise dispose of securities for you according to your instructions. We provide investment recommendations (other than with respect to My Wealthscape platform) and education from time to time, or upon your request. We and NFS also agree to provide various services and features, as set forth in your Client Agreement and as further described below. You may be able to obtain the same investment products or services from other financial institutions at lower cost.

This section discusses BFCFS's and SMR's brokerage products and services and related fees, compensation, and conflicts of interest. We include information about ranges of commission, fees, expenses and other types of compensation we receive. For specific information regarding the investments you purchase, please discuss commissions, fees and expenses with your Financial Professional or consult the offering documents and fee schedules provided.

### **A Note on the Standard that Applies to Brokerage Recommendations to Retail Customers**

Under the SEC's Regulation Best Interest, when we recommend a security or an investment strategy involving a security as a broker-dealer to a "retail customer," we must act in your best interest at the time the recommendation is made, without placing our financial or other interest ahead of your interest. You are a retail customer under Regulation Best Interest if you are a natural person or a legal representative of a natural person who receives and uses a securities recommendation primarily for personal, family or household purposes.

Regulation Best Interest (and the best interest standard) does not apply to activities and services we provide other than securities recommendations to retail customers, such as marketing communications, trade execution, educational materials, statements of philosophy and investment principles, descriptions of providing margin, delivering statements and other communications that are not particularized to you, or services that are provided to someone other than a retail customer. You are not a retail customer if you are acting in a professional or corporate capacity, or are not using our recommendation primarily for personal, family, or household purposes.

***Our Role for Retirement Accounts:*** When it comes to retirement and other qualified accounts (including IRAs, SIMPLE IRAs, and Keogh plans, educational savings accounts, and other similar accounts), fiduciary status is highly technical and dependent on the services you choose. The retirement laws significantly limit the types of products and services we can offer and provide when we agree to act as a fiduciary to your retirement account. Accordingly, unless we agree in writing, we do not act (and you should not expect us to act) as a "fiduciary" under the retirement laws when we provide non-discretionary investment recommendations to you, including when we have a "best interest" or "fiduciary" obligation under other federal or state laws.

If you would like us to act as a fiduciary under the retirement laws for your retirement accounts, please talk to your Financial Professional about the services available through our advisory programs. If you have questions about our fiduciary status, your Financial Professional can help answer your questions.

### **How Your Investments are Held**

If you choose to establish a brokerage account with us, your investments may be held either directly with the company offering the product ("direct investments") or through an account we open for your benefit at our clearing firm, NFS ("Brokerage Platform"). When you open an account on the Brokerage Platform, the account will incur account charges that are paid to NFS and shared with us. A schedule of these charges can be located at [www.berthel.com/disclosures](http://www.berthel.com/disclosures). We have a conflict of interest to recommend that you hold investments in accounts on the Brokerage Platform because NFS

compensates us by sharing certain account charges with us. This compensation is not shared with your FP.

### **Products and Services Available Only on the Brokerage Platform**

Your FP may recommend that you buy or sell certain securities that trade on national exchanges and that are available only through an account on the Brokerage Platform.

### **Equities**

An equity investment generally refers to the buying of shares of stock in a corporation or other legal entity. Typically, customers who purchase equity investments seek capital appreciation, which occurs when the shares rise in value. Customers may have a secondary goal of income from distributions of some of the company's earnings to shareholders, called dividends. The main risks associated with stocks depend on the particular company whose stock is being purchased and are disclosed in the company's Form 10-K that is filed with the SEC and available at <https://www.sec.gov/edgar/searchedgar/companysearch.html>.

Types of equity securities we offer include:

- Common Stock
- Preferred Securities
- Convertible Securities
- American Depositary Receipts ("ADRs")
- Real Estate Investment Trusts
- Warrants

### **Compensation, Related Fees and Conflicts**

When you buy or sell an equity security, we will receive a commission and share it with your FP. Commissions apply to each transaction and are often based on the amount of assets invested. The maximum commission you will be charged on an equity transaction in a brokerage account is 5% of the principal amount with a minimum commission of \$50. We and your FP have a conflict of interest to recommend that you buy and sell equity securities more frequently and in greater amounts so that we receive greater compensation. We disclose the amount of any commission on securities you buy or sell on your trade confirmations.

NFS shares certain fees with BFCFS and SMR when you buy and sell equity securities. These fees are not shared with FPs. A full schedule of charges associated with NFS Brokerage Platform accounts is delivered to customers at account opening and can be located at [www.berthel.com/disclosures](http://www.berthel.com/disclosures).

Our clearing firm, NFS, collects from you an "Activity Assessment Fee" for the sale of most stocks. This fee is required by the SEC. The fee is automatically deducted from the proceeds of your sale.

**Additional Information.** For more information about investing in stocks, please see the SEC's "Stocks," available at <https://www.investor.gov/introduction-investing/investing-basics/investment-products/stocks>. If you are interested in investing in a stock, please review the company's disclosures, including its Form 10-K, which you can request from your Financial Professional, or by calling us at 800.356.5234.

## **Initial Public Offerings (“IPOs”)**

From time to time, we may recommend that you purchase stocks through an IPO offered through our clearing firm, NFS. An initial public offering (“IPO”) refers to the process of offering shares of a private corporation to the public in a new stock issuance. When we offer stocks through an NFS IPO, we do so on a riskless principal basis. The main risks associated with the offering will be described in the preliminary prospectus provided to you at indication of your interest and in the final prospectus provided once the price is set. Copies of the prospectus are also available upon request from your Financial Professional.

Your ability to purchase securities in an IPO or other public offering in which NFS is an underwriter or selected dealer may also be limited, as the demand for shares of stock in such offerings often exceeds the supply and because of our method for allocating such shares to our customers. Your ability to purchase shares in such offerings will be based on certain factors, such as your investment objective, investment experience, risk profile and account size, and your willingness to regularly participate in public offerings offered through NFS. Certain investment products may require minimum investment amounts.

## **Compensation, Related Fees and Conflicts**

When we sell stocks to you through an IPO, we receive a sales concession, which we share with your FP, which creates an incentive for us to recommend that you purchase stocks through IPOs more frequently and in larger amounts. Your FP also has the incentive to favor some customers over you when allocating IPO shares, particularly those with larger accounts or accounts that generate high fees and compensation, as a reward for their past business or to generate future business. We disclose the amount of any markup on IPOs you buy on your trade confirmations.

Our clearing firm, NFS, collects from you an “Activity Assessment Fee” for the sale of most stocks. This fee is required by the SEC. The fee is automatically deducted from the proceeds of your sale.

**Additional Information.** For more information about investing in stocks, please see the SEC’s “Stocks,” available at <https://www.investor.gov/introduction-investing/investing-basics/investment-products/stocks>. If you would like more information regarding an IPO, please review the prospectus or other offering documents which you can request from your Financial Professional, or by calling us at 800.356.5234.

## **Fixed Income Securities**

Fixed-Income securities are debt instruments that pay a fixed amount of interest, in the form of coupon payments, to investors. The interest payments are typically made semi-annually, while the principal invested is returned to the investor at maturity.

## **Credit Rating Fixed Income Securities**

Bonds have different credit ratings assigned to them based on the financial viability of the issuer. Credit ratings are part of a grading system performed by credit-rating agencies. These agencies measure the creditworthiness of corporate and government bonds and the entities’ ability to repay these loans. Credit ratings are helpful to investors since they indicate the risks involved in investing.

Bonds can either be investment grade or non-investment grade. Investment grade bonds are issued by stable companies with a low risk of default and, therefore, have lower interest rates than non-investment grade bonds. Non-investment grade bonds, also known as junk bonds or high-yield bonds, have lower credit ratings due to a higher probability of the corporate issuer defaulting on its interest payments. As a result, investors typically receive a higher rate of interest from junk bonds to compensate them for taking on the higher risk posed by these debt securities and the related default risk.

**Types of Fixed Income Securities offered by the Firm include:**

- Municipal Bonds
- Corporate Bonds
- US Treasury Securities
- Certificates of deposit

**Compensation, Related Fees and Conflicts**

When you buy or sell fixed income securities from us on an agency basis, we will receive a commission and share it with your FP. Commissions apply to each transaction and are often based on the amount of assets invested. The maximum commission you will be charged on a fixed income transaction in a brokerage account is 3% of the principal amount. When we trade with you as riskless principal, the price of fixed income securities that you buy from us or sell to us in the secondary market includes a mark-up or mark-down to the price of the security. The markup and markdown you incur represents a profit to us over the price we buy or sell the security. We disclose the amount of any commission, mark-up or mark-down on fixed income securities you buy or sell on your trade confirmations.

Our FPs receive a portion of the mark-up or mark-down or commission. Because we receive a mark-up, mark-down, or commission when you purchase and sell fixed income securities, we have an incentive to recommend fixed income transactions more frequently and in larger amounts. When we trade as riskless principal or principal, we also have an incentive to increase the amounts of the mark-ups and mark-downs we impose. We and your FP have a conflict of interest to recommend that you buy and sell fixed income securities more frequently and in greater amounts so that we receive greater compensation.

NFS shares certain fees with BFCFS and SMR when you buy and sell fixed income securities. These fees are not shared with FPs. A full schedule of charges associated with NFS client accounts is delivered to customers at account opening and can be located at [www.berthel.com/disclosures](http://www.berthel.com/disclosures).

**Limitations on the Firm's offerings of Fixed Income Securities**

The Firm facilitates trades with several bond desks and does not hold fixed income inventory. Therefore, the Firm is limited to offering fixed income securities that are available from these dealers at any given time.

**Additional Information:** For more information about investing in fixed income, please see the SEC's "Bonds," available at <https://www.investor.gov/introduction-investing/investing-basics/investment-products/bonds-or-fixed-income-products/bonds>. If you would like more information regarding a fixed income security, please review the security's offering documents, which you can request from your Financial Professional, or by calling us at 800.356.5234.

## **Exchange Traded Products (“ETPs”) and Closed-End Funds (“CEFs”)**

Exchange-traded products (“ETPs”) are types of securities that track underlying securities, an index, or other financial instruments. ETPs trade on exchanges like equities meaning their prices can fluctuate from day-to-day and intraday. However, the prices of ETPs are generally derived from the underlying investments that they track. The risks associated with ETP investments depend on the fund’s investment strategy and are disclosed in the prospectus.

### **Exchange-Traded Funds (“ETFs”)**

Like a mutual fund, an exchange-traded fund contains a basket of investments that can include equities and bonds. An ETF usually tracks an underlying index such as the S&P 500 but can follow an industry, sector, commodities, or even currency. An exchange-traded fund's price can rise and fall just like other investments. These products trade throughout the day just as a stock would trade and are subject to Market Risk.

### **Closed-end funds (“CEF”)**

A closed-end fund is a portfolio of pooled assets that generally raises a fixed amount of capital through an initial public offering and then lists shares for trade on a stock exchange. Like a mutual fund, a closed-end fund has a professional manager overseeing the portfolio and actively buying and selling holding assets. Like an exchange-traded fund, it trades like equity, as its price fluctuates throughout the trading day. However, the closed-end fund is unique in that, after its IPO, the fund's parent company issues no additional shares, nor will the fund buy back shares. Instead, like individual stock shares, the fund can only be bought or sold on the secondary market by investors.

## **Compensation, Related Fees and Conflicts**

When you buy or sell an ETP we will receive a commission and share it with your FP. Commissions apply to each transaction and are often based on the amount of assets invested. The maximum commission you will be charged on an ETP transaction in a brokerage account is 5% of the principal amount with a minimum commission of \$50. We and your FP have a conflict of interest to recommend that you buy and sell equity securities more frequently and in greater amounts so that we receive greater compensation. We disclose the amount of any commission on securities you buy or sell on your trade confirmations.

NFS shares certain fees with BFCFS and SMR when you buy and sell ETPs. These fees are not shared with FPs. A full schedule of charges associated with NFS client accounts is delivered to customers at account opening and can be located at [www.berthel.com/disclosures](http://www.berthel.com/disclosures).

Certain ETPs on NFS’s “No Transaction Fee” (“NTF”) platform do not have transaction fees associated with the purchase or sale. This creates a conflict of interest for us to recommend ETPs that provide transaction compensation to us. You may request a list of ETPs on the NTF platform from your FP or by calling us at 800-356-5234. In addition to commissions and transaction fees, each ETP we offer has an annual expense ratio, which is deducted from the product daily. NFS also collects from you an “Activity Assessment Fee” for the sale of most ETPs. This fee is required by the SEC. The fee is automatically deducted from the proceeds of your sale.

To learn more about the risks and expenses related to individual ETP offerings please visit [https://tools.finra.org/fund\\_analyzer/](https://tools.finra.org/fund_analyzer/).

### **Limitations on the Firm's offerings**

The Firm does not offer Exchange Traded Notes or inverse or leveraged ETFs.

**Additional Information.** For more information about investing in ETPs, please see the SEC's "Exchange-Traded Funds," available at <https://www.investor.gov/introduction-investing/investing-basics/investment-products/mutual-funds-and-exchange-traded-2>. If you are interested in investing in an ETP, please review the ETP's prospectus, which you can request from your Financial Professional, or by calling us at 800-356-5234.

### **Options**

Options are financial instruments that are derivatives based on the value of underlying securities such as stocks. An options contract offers the buyer the opportunity to buy or sell—depending on the type of contract they hold—the underlying asset. Call options allow the holder to buy the asset at a stated price within a specific timeframe. Put options allow the holder to sell the asset at a stated price within a specific timeframe. Each option contract will have a specific expiration date by which the holder must exercise their option. The stated price on an option is known as the strike price. The main risks associated with options trading depend on the underlying security and are disclosed in our Options Account Agreement and The Options Clearing Corporation Disclosure Document(s) which are provided to you when you establish and options account or are available at [www.berthel.com/disclosures](http://www.berthel.com/disclosures) from your Financial Professional upon request. Additional information on options can also be found at <https://www.theocc.com/Company-Information/Documents-and-Archives/Options-Disclosure-Document>.

### **Compensation, Related Fees and Conflicts**

When you buy or sell an options contract, we will receive a commission and share it with your FP. Commissions apply to each transaction and are often based on the amount of assets invested. The maximum commission you will be charged on an option transaction in a brokerage account is 5% of the principal amount with a minimum commission of \$50. We and your FP have a conflict of interest to recommend that you buy and sell equity securities more frequently and in greater amounts so that we receive greater compensation. We disclose the amount of any commission on securities you buy or sell on your trade confirmations.

NFS shares certain fees with BFCFS and SMR when you buy and sell options. These fees are not shared with FPs. A full schedule of charges associated with NFS client accounts is delivered to customers at account opening and can be located at [www.berthel.com/disclosures](http://www.berthel.com/disclosures). NFS also collects from you an "Activity Assessment Fee" for the sale of most options. This fee is required by the SEC. The fee is automatically deducted from the proceeds of your sale.

### **Limitations on the Firm's offerings of Options**

Not all options strategies are available through all financial professionals, nor are all clients approved for options trading. Those clients approved for options trading are generally not approved for all options

trading strategies, and we limit the options strategies we make available to clients. The Firm does not allow uncovered call writing options strategies.

**Additional Information.** For more information about options, please see the SEC’s “Investor Bulletin: An Introduction to Options” available at: [https://www.sec.gov/oiea/investor-alerts-bulletins/ib\\_introductionoptions.html](https://www.sec.gov/oiea/investor-alerts-bulletins/ib_introductionoptions.html). If you would like more information regarding an options trading, please review the Options Disclosure Document(s), which you can request from your Financial Professional, or by calling us at 800.356.5234.

## **Precious Metals**

Precious metal investments include gold, silver, palladium, and platinum. Clients can buy precious metals in bulk generic form for storage. Precious metals holdings are kept on deposit in a NFS-insured custody account at a New York Mercantile Exchange approved depository. Customers can also buy specific products in the form of bars and coins and take physical delivery.

Types of Precious Metals Investments:

- Bullion coins
- Bullion bars

## **Compensation, Related Fees and Conflicts**

Through our Brokerage Platform with NFS, we execute transactions that result in the purchase or sale of precious metals and will receive a commission. Commissions are often based on the amount of assets invested and are disclosed on confirmation statements. The Firm receives the commission and shares it with your FP. Commissions will vary from product to product, which creates an incentive to sell a higher commission security rather than a lower commission security. The maximum commission you will be charged on precious metals is 2.9%.

NFS shares certain fees with BFCFS and SMR when you buy and sell precious metals. This compensation is not shared with the FP. NFS also typically charges safekeeping fees. A full schedule of charges associated with NFS client accounts is delivered to customers at account opening and can be located at [www.berthel.com/disclosures](http://www.berthel.com/disclosures).

## **Structured Products**

A “structured product” is a type of debt security that pays interest based on the performance of one or more underlying assets, such as a stock index. The main risks associated with structured products are disclosed in the prospectus for each offering.

**Types of Structured Products offered by the Firm:**

- Equity-Linked Certificate of Deposit

## **Compensation, Related Fees and Conflicts**

For new issue offerings, you will pay the initial offering price set by the issuer. The offering price includes fees and costs associated with the purchase of the new issue, including the selling commissions paid to us, as well as structuring, hedging, marketing and other costs charged by the issuer and its affiliates. The

up-front payments we receive will depend both on the issuer and the term of the product. Generally, the shorter the term of the product, the lower the commission we receive. Our commissions for structured products are up to 3.00%. All costs associated with the new issue offering are disclosed in the prospectus.

For secondary transactions, we trade with you as riskless principal, and the price of the structured product that you buy from us includes a mark-up. We also mark-down the price you pay when you sell the security to us. The mark-up/mark-down you incur represents a profit to us over the price we trade the security. We disclose the amount of any mark-up/mark-down on the structured product you buy or sell on your trade confirmations. Our FPs receive a portion of the commissions and markups mark-up.

Because we receive a mark-up or commission when you purchase and sell structured products, we have an incentive to recommend structured product transactions more frequently and in larger amounts. When we trade as riskless principal, we also have an incentive to increase the amounts of the mark-ups we impose. Commission levels and fees can vary depending on the product, the size, type of structure, maturity, underlying asset, market environment and other features associated with the structured product. We disclose the amount of any mark-up or commission on structured products you buy or sell on your trade confirmations. NFS shares certain fees with BFCFS and SMR when you buy and sell structured products. These fees are not shared with FPs. A full schedule of charges associated with NFS client accounts is delivered to customers at account opening and can be located at [www.berthel.com/disclosures](http://www.berthel.com/disclosures).

### **Limitations on the Firm's offerings of Structured Products**

The Firm does not offer other types of Structured Products such as principal protected notes and reverse convertible notes.

**Additional Information.** For more information about investing in structured products, please see the SEC's "Equity-Linked CDs" <https://www.sec.gov/fast-answers/answersequitylinkedcdshtm.html> and "Certificates of Deposit ("CDs")," available at <https://www.investor.gov/introduction-investing/investing-basics/investment-products/certificates-deposit-cds>. If you would like information about a structured product, please review the product's offering documents, which you can request from your Financial Professional, or by calling us at 800.356.5234.

### **Brokerage Cash Options**

When you open a brokerage account with us, you have the option to choose a bank deposit sweep program or a money market fund in which to invest available cash balances in your account.

### **Bank Deposit Sweep Program**

NFS offers an interest-bearing, FDIC insured bank deposit sweep program ("Program"). The Program is the default option if you do not choose another sweep option. NFS pays us a fee in connection with deposits made through the Program, which is not shared with your FP. This fee is generally higher than the fees we receive in connection with other money market funds, and thus creates a conflict for us to recommend or encourage you to choose the Program as your sweep option. A full summary of the program is delivered to Clients at account opening and can also be located at [www.berthel.com/disclosures](http://www.berthel.com/disclosures).

## **Money Market Funds**

You can also choose a money market mutual fund as your sweep option. Depending upon interest and other market factors, investment returns on money market mutual funds may be higher or lower than interest paid through the Program. When you invest in a money market fund, we receive certain trail fees including Rule 12b-1 fees and shareholder servicing fees. These fees vary depending on the fund and share class used and range from 0.00% to 0.25%. As such, we have an incentive to encourage you to choose a mutual fund that pays higher trail fees over one that pays less. These fees will be retained by us and not shared with FPs. Clients should carefully review all prospectuses and risks associated with money market mutual funds prior to making any investment.

## **Banking and Lending Services**

### **Debit Card and Checking Services**

Debit Card and Checking Services are offered on NFS accounts. Cash management offerings include direct deposit, online bill pay, basic checking and debit card services. Some services offered come with fees these fees can be located at [www.berthel.com/disclosures](http://www.berthel.com/disclosures).

### **Free Credit Balances**

Clients not electing a sweep option for cash balances, are considered Free Credit Cash Balances and will be credited interest based on the National Financial Credit rate when an average monthly credit balance is \$1,000 or higher. The Firm will be paid a fee on free credit balances of \$1 million or more.

#### **Pledged Asset Loan Account:**

There are various non-purpose loan programs offered through U.S. Bank. The use of loans allows you to invest in and hold more securities, creating an incentive for us to recommend that you take out loans.

#### **Non-Purpose Loan:**

A non-purpose loan ("NPL") is an extension of credit collateralized by securities held in a brokerage account and used for non-securities-type transactions. Standard margin credit can also be used for security transactions and non-securities-type transactions.

#### **Fidelity Bank Lending Program with U.S. Bank:**

This program provides you and your clients access to a dedicated U.S. Bank private banking team that specializes in dealing with the complex lending needs of ultra-high-net-worth and high-net-worth clients. US Bank is independent of the Firm and may have lending charges. The client will receive the US Bank Lending Program Loan Application directly from US Bank and all terms of the loan.

Clients should review the terms of the loan application through US Bank and determine if using their securities as collateral is the best path when wanting to borrow money. There could be other programs offered by banks outside of the Firm that may be better suited for the client needs.

## **Margin**

Margin involves borrowing money from us using securities in your brokerage account as collateral for the loan to you. If the securities in your account decline in value, so does the value of the collateral supporting your loan.

Margin accounts are risky, and you may lose more money than you invest. You can also be required to deposit additional cash or securities in your account on short notice to cover market losses. In addition, you may be forced to sell some or all your securities when falling stock prices reduce the value of your securities. Finally, we can sell some or all your securities without consulting you to pay off your margin loan. Margin investing can be advantageous if you anticipate earning a higher rate of return on the investment than you are paying in interest on the loan. For more information, including the risks of opening a Margin account, please review the “Margin Disclosure Statement” provided to you prior to opening a Margin account.

### **Limitations on the Firm’s offering of Margin**

Not all clients approved for Margin accounts, those clients approved Margin accounts must sign additional Margin applications and be delivered Margin agreements. Margin cannot be used in a qualified account, such as an IRA. Not all stocks qualify to be purchased on margin. The Federal Reserve Board regulates which stocks are marginable. As a rule of thumb, Financial Professionals will not allow clients to purchase penny stocks, over-the-counter Bulletin Board (“OTCBB”) securities or IPOs on margin because of the day-to-day risks involved with these types of stocks. Individual brokerages can also decide not to allow margin on certain stocks.

### **Compensation, Related Fees and Conflicts**

The Firm sets the Margin rate and receives a portion of the interest on the amount you borrow at our clearing firm NFS. The rate of interest you will pay will depend on how much you borrow. Our interest rates are disclosed in the Disclosure of Credit Terms which is provided prior to account opening and is also located at [www.berthel.com/disclosures](http://www.berthel.com/disclosures). We also receive commissions and transaction-based compensation when you buy and sell securities on margin. Our Financial Professionals receive a portion of this compensation. Because the interest we receive and fees we earn on your accounts increase as the amount of your margin loan increases (and the use of margin allows you to invest in and hold more securities), we and your FP have an incentive to recommend that you open and continue to maintain your margin loan balance with us at high levels.

**Additional Information:** For more information about margin accounts please see the SEC’s “Investor Bulletin: Understanding Margin Accounts” available at <https://www.investor.gov/introduction-investing/general-resources/news-alerts/alerts-bulletins/investor-bulletins-29> or [www.berthel.com/disclosures](http://www.berthel.com/disclosures).

### **Packaged Products**

This section provides more specific information about the various packaged products we offer, including mutual funds, annuities and other insurance products, unit investment trusts (“UITs”), and alternative investments. These products can be custodied on the Brokerage Platform or directly held with the issuer. Agreements with each Sponsor of these products vary, and additional compensation will be paid to us by some sponsors based on gross annual sales or assets under management. Sponsors of packaged products pay between .25% and 2.0% of gross sales to the Firm. Sponsor Companies also make payments to the Firm or its FPs to support marketing and educational events.

## **Mutual Funds**

A mutual fund is a type of investment product made up of a pool of money collected from different investors to invest in securities like stocks, bonds, money market instruments, and other assets. Mutual funds are operated by professional money managers. A mutual fund share is a security that is offered for sale through a prospectus. Because each share represents an interest in the mutual fund's portfolio of investments, each shareholder participates proportionally in the gains or losses of the fund. Each mutual fund is different in its makeup and philosophy. As an investor, you should look for funds with objectives and risk levels that match yours. Some key factors to consider include a mutual fund's investment strategy, risk profile, investment performance, and relationship to your overall asset allocation strategy and investment time horizon. A mutual fund's fees and expenses have an impact on its investment returns. Investors should carefully review the fund's prospectus and other offering documents to fully understand the risks, fees and expenses of each Mutual Fund you purchase.

## **Mutual Fund Share Classes**

This section broadly provides information on mutual fund share classes. Before investing in a mutual fund, you should carefully read the fund's prospectus. In addition, FINRA maintains a Mutual Fund Expense Analyzer on its website at [https://tools.finra.org/fund\\_analyzer/](https://tools.finra.org/fund_analyzer/) that may help you in making a decision about which share class is best for you.

## **Why Share Classes Matter**

Each mutual fund typically offers more than one "class" of shares. Each share class represents investments in the same mutual fund portfolio but offers a choice to investors of how and when to pay distribution costs as well as ongoing fees and expenses that are incurred with an investment into the fund. The key differences among share classes are the sales charges and ongoing fees and expenses associated with each fund. Two important factors to consider when deciding which share class to purchase are your intended holding period and the purchase amount. Specific fees and fee structures of each share class, including the amount charged and when it is collected, vary depending on the mutual fund and are described in the mutual fund's prospectus, but here is a general discussion of the share class fee structures for mutual funds. Not all investors may qualify for all share classes.

## **Class A Shares**

Class A shares charge a front-end load or sales charge which means that you pay a percentage of your purchase amount every time you buy shares. Front-end loads will range from .25% to 5.75%. For example, when investing \$10,000 in Class A Shares with a 5% front-end load, you will pay a \$500 front-end load and receive \$9,500 of shares. Class A shares also incur a trail in the form of a Rule 12b-1 fees, which is generally 0.25% of the amount of the investment per year. This trail fee is included in the share class expenses of the fund and reduces investment returns. For information about the conflicts front-end loads and trails create for us and out FPs, please see the section in this Brochure entitled "Understanding Fees and Charges that May Apply to Your Investments".

Certain fund families offer breakpoints on front-end load if the investor:

- Makes a large purchase;
- Holds other mutual funds offered by the same fund family;
- Commits to purchase additional shares of the fund in the future; or

- Has family members who hold funds of the same fund family.

Because we receive a lower front-end load when you reach a mutual fund breakpoint, we have an incentive to recommend that you invest in mutual funds that do not have breakpoints, or to invest in a number of different mutual fund families so that you do not reach a breakpoint with respect to a particular mutual fund family.

### **Class C Shares**

Class C shares incur an ongoing trail in the form of a Rule 12b-1 fee, usually 1.00% of the investment value per year for as long as you hold the fund, some C shares convert after a number of years to a lower cost share class, please discuss this with your FP or review the mutual funds prospectus. This fee is included in the share class expenses of the fund and reduces investment returns. Class C shares can be more expensive than Class A shares if you expect to hold them over longer time periods. For information about the conflict's trails create for us and our FPs, please see the section in this Brochure entitled "Understanding Fees and Charges that May Apply to Your Investments".

### **Institutional, Retirement, No-load, Advisory, and Other Share Classes**

Mutual funds typically offer multiple share classes available for investments based upon certain eligibility and/or purchase requirements. Not all investors qualify for these share classes. In addition to the more commonly offered Class A and C shares, mutual funds may also offer institutional or advisor share classes (the "lower cost share classes") or other share classes that are designed for purchase in an account enrolled in an investment advisory program. These lower cost share classes usually have a lower expense ratio than other share classes. In addition, lower cost share classes often do not charge a 12b-1 fee.

Clients should understand that the mutual fund share class your FP offers will not be the least expensive share class that the mutual fund makes available, either because you are not eligible for the less expensive share class, or because we do not make the share class available to our clients. You may be able to obtain lower cost share classes through an advisory program or at a different financial institution.

For more information about investing in mutual funds, please see the SEC's "Mutual Funds," available at <https://www.investor.gov/introduction-investing/investing-basics/investment-products/mutual-funds-and-exchange-traded-1>. Additional Information regarding mutual fund breakpoint discounts, rights of accumulation and letters of intent can be located in the Firm's mutual fund Breakpoint Disclosure at [www.berthel.com/disclosures](http://www.berthel.com/disclosures) or the fund's prospectus.

### **Compensation, Related Fees and Conflicts**

Our compensation and conflicts related to mutual fund transactions depend on the share class you select and are discussed above. Mutual funds deduct ongoing fees and expenses to cover the mutual fund's annual operating expenses and distribution activities, including investment management fees that are paid to the fund's manager. You pay these fees and expenses indirectly because they are deducted from your investment in the mutual fund on an ongoing basis. These fees can vary significantly, are included in the fund's "expense ratio" and are disclosed in the mutual fund's prospectus.

Some mutual funds charge a fee when you redeem fund shares (a “redemption fee”). A redemption fee is a one-time fixed fee charged on the redemption proceeds. Redemption fees are paid to the fund company and are disclosed in the mutual fund prospectus.

Certain mutual funds held at NFS do not have transaction fees (“NTF”) associated with the purchase or sale. This creates a conflict of interest for us to recommend mutual funds that provide transaction compensation to us. You may request a list of NTF mutual funds on the NFS platform from your FP or by calling us at 800-356-5234.

Direct fund investments are subject to certain charges, such as maintenance and IRA custodial fees, these fees should be discussed with your FP and are also outlined in the offering documents of the fund. These fees for direct accounts are not shared with the Firm or its FPs, this presents a conflict because it is more profitable for the Firm to encourage accounts to be opened at NFS.

### **Limitations of the Firm’s offerings of Mutual Funds**

The Firm does not make available every mutual fund or share class. We are limited to offering mutual funds available through the Brokerage Platform and those for which it has a selling agreement for direct business.

**Additional Information.** For more information about investing in mutual funds, please see the SEC’s Investor Bulletin “Mutual Funds,” available at <https://www.investor.gov/introduction-investing/investing-basics/investment-products/mutual-funds-and-exchange-traded-1> or review the mutual fund’s prospectus and other offering documents.

### **Annuities**

An annuity is a contract with an insurance company where the insurance company agrees to make periodic payments to you (or your beneficiary) based on the amount you invest. These payments can start immediately (an immediate annuity) or at some future time (a deferred annuity). Not all our FPs are licensed to sell annuities. Please ask your FP for information about the products types he or she is authorized to sell. The risks associated with annuities investments depend on the type and structure of the annuity and are disclosed in the annuity’s contract.

If you withdraw money from an annuity before reaching certain ages, you may be subject to an “early withdrawal penalty.” Please consult your tax advisor for more information about the tax implications of investments in annuities.

### **Types of annuities offered by the Firm**

- Variable Annuities
- Fixed Index Annuities
- Fixed Annuities
- Immediate Annuities

Before purchasing any annuity, you should read and understand the information about the annuity policy contained in the annuity contract and other offering documents, including the risks associated with the product. You should also discuss your needs and circumstances with your FP to assist you in determining the type of annuity that best meets your investment needs.

## Compensation, Related Fees and Conflicts

Our compensation varies depending on several factors, including your age, the type of annuity you purchase, the contract surrender period, and the insurance company you purchase the annuity from. The Firm shares the commission received from the sale of the annuity with your FP. Annuity commissions are typically higher than commissions of other products, such as mutual funds. Generally, annuities pay front-end commissions and an ongoing “trail commission” depending on the selection of the FP. A general description of the compensation is outlined below. Please ask your FP for information about the compensation we receive when you purchase an annuity.

### Front-end Commission:

Unlike other products (such as mutual funds), a front-end commission is not deducted from your investment in an annuity. Instead, we receive a commission from the insurance company that issued your annuity when you invest and share a portion of this commission with your FP. The amount of this commission depends upon the product you purchase, your age at the time of investment, and the length of the contract surrender period. Because the upfront commission varies, we and your FP have an incentive to recommend that you invest in annuities that pay us higher compensation over those that pay us less. Typically, commissions are higher for products with longer withdrawal charge periods, creating an incentive for us and your FP to recommend those products over products with shorter withdrawal charge periods.

### Trail Compensation:

In addition to the front-end commission, we also receive trailing commissions from the insurance company that issued the annuity. The trails we receive vary and are shared with your FP. We and your FP have an incentive to recommend that you purchase annuity contracts that pay us higher trails over those that pay us lower trails, or that do not pay us trails.

- Variable Annuity Commissions – 1% to 7% upfront, with a max trail option of 1% per year.
- Fixed Indexed Annuity Commission – 1% to 7% upfront, with a max trail option of 1.5% per year.
- Fixed Annuity Commission – 1% to 7%, with a max trail option of 1% per year.

**Other Fees and Expenses.** Annuities incur several other fees and expenses that are discussed in detail in annuity contracts and prospectuses. These fees and expenses vary depending on the type of annuity you purchase and other factors. We do not receive any portion of these fees and expenses. A general discussion follows below:

- **Mortality Fees** – Annuities charge ongoing fees and expenses that the issuing insurance company deducts from the value of your contract. These fees include a mortality and expense charges for standard death benefits which can range from .50% to 1.5%.
- **Withdrawal Fees** – Some annuities will incur a withdrawal fee when you withdraw from the contract before a specified period. Withdrawal fees and withdrawal periods vary and are disclosed in the annuity’s contract or prospectus. Surrender charges are based on the length of the contract and can range up to 10% of the contract value. Many contracts also include a market value adjustment.
- **Administrative Fees** – Annuity providers typically charge a maintenance fee. This fee covers the cost of maintaining the policy, including accounting and recordkeeping. These fees vary depending on the sponsor of the annuity policy. You pay these fees and expenses indirectly

because they are deducted from your assets on an ongoing basis these fees typically range from 0% to .30%.

- Underlying subaccount expenses - In addition to fees charged by the insurance company, you will pay the fees and expenses for underlying subaccount investments. These fees can range from .25% to 2.0%.
- Rider Fees – Riders are added features to an annuity contract that provide additional guarantees for income or enhanced death benefits. Rider Fees can range from .25% to 1.2% annually.

### **Limitations of the Firm’s offerings of Annuities**

The Firm does not make available every annuity. The Firm is limited to offering annuities for which it has a selling agreement.

**Additional Information.** For more information about investing in annuities, please see the SEC’s Investor Bulletin “Annuities,” available at <https://www.investor.gov/introduction-investing/investing-basics/investment-products/insurance-products/annuities> or review the annuity’s prospectus or other offering documents.

### **Variable Universal Life**

Variable Universal Life (“VUL”) insurance provides permanent protection with the potential to build cash value through scheduled premium payments and offers a variety of asset allocation options. We may recommend a VUL policy based on your circumstances and needs, including, for example, tax-deferred growth. Variable universal life policies are subject to market risks and may require payment of additional premiums. Other risks apply and depend on the policy and investment allocation and are disclosed in that policy’s offering documents.

### **Compensation, Related Fees and Conflicts**

We earn a commission from the insurance company for the sale of VUL policies. The commission we receive is a percentage of the target premium that you pay for the insurance policy, and ranges from 25%-115% of the target premium. Certain VUL policies pay renewal commissions on premiums received up to 85% of the premium. A portion of these commissions is shared with your FP. Because these commissions vary, we and your FP have an incentive to recommend that you invest in policies from insurance companies at premium amounts that pay us higher compensation over those that pay us less.

### **Other Fees and Expenses.**

VULs will also have underlying subaccount expenses - In addition to fees charged by the issuer, you will pay the fees and expenses for underlying subaccount investments. These fees can range from .25% to 2.0%. Additional Information. For more information about investing in variable life insurance, please see the SEC’s “Investor Bulletin: Variable Life Insurance,” available at [https://www.sec.gov/oiea/investor-alerts-and-bulletins/ib\\_varlifeinsurance](https://www.sec.gov/oiea/investor-alerts-and-bulletins/ib_varlifeinsurance).

### **Limitations of the Firm’s offerings of Variable Universal Life**

We do not make available every variable universal life policy. We limit offerings of variable life insurance policies for which we have a selling agreement for direct business. Before purchasing any variable

universal life policy, you should read and understand the information about the variable universal life policy contained in the offering documents, including the risks associated with such a product.

### **Unit Investment Trusts**

Unit Investment Trusts (“UITs”) are investment company securities that invest in a fixed portfolio of securities such as corporate, municipal, or government bonds, mortgage-backed securities, common or preferred stock, or other investment company shares. The portfolio is selected by the trust sponsor to seek a particular investment objective or follow a predefined investment strategy. Generally, a UIT’s portfolio is not actively traded and follows a “buy and hold” strategy. Unit holders receive an undivided interest in both the principal and the income portion of the portfolio in proportion to the amount of money invested. UITs have a finite life that ends when all securities in the portfolio have matured or are liquidated per the terms of the trust. Some UITs may have longer fixed periods. UITs are intended to be held until maturity. Liquidating the position prior to the stated maturity may impact the overall performance of the investment.

UIT sponsors typically offer successive “series” of each UIT which will coincide with the prior series terminating. Upon maturity, clients can reinvest the proceeds into a successor series with the same objective or a different UIT. Sponsors typically provide sales charge discounts for clients who reinvest the proceeds into another series within the Sponsor’s UIT offerings. UIT sponsors also generally offer sales charge discounts on funds reinvested from another Sponsor’s UIT. Before purchasing any UIT, you should read and understand the information about the UIT contained in the offering documents, including the prospectus, including the risks associated with such a product.

### **Compensation, Related Fees and Conflicts**

There are costs associated with investing in UITs which are outlined in the prospectus. UIT fees and expenses can be categorized into fees that relate to the distribution or the operations of the UITs. UITs assess sales charges on the units you purchase, comprised of three components:

- 1) Initial sales charge applied to your initial purchase.
- 2) Deferred sales charge which is generally deducted in periodic installments following the end of the initial offering period.
- 3) Creation and development fee (generally .50%) that compensates the UIT sponsor for creating and developing each UIT, including selecting portfolio securities and other administrative functions. This fee is deducted at the end of the initial offering period.

Please consult the fee table within the prospectus of the UIT for specific information on sales charges. These sales charges provide compensation for the UIT sponsor who creates and provides services throughout the life of the trust, us, and your FP. Typically, the longer the duration, the higher the sales charges. Generally, upfront sales charges range from .5% to 3.95% Because these fees vary, we have an incentive to recommend that you purchase UITs that pay us higher sales charges, and UITs with longer durations. We also have an incentive to recommend UITs over other types of investments, such as mutual funds, as they mature periodically and result in additional commissions for us.

UITs incur charges against the UIT portfolio's assets for organizational and trust expenses. UITs separately deduct for operating expenses, including portfolio supervision, bookkeeping, administrative costs and trading expenses and various other operating expenses. These expenses will vary by each UIT and are outlined in the fee table of the UIT's prospectus.

### **Sales Charge Discounts**

UITs offer sales charge discounts when you purchase larger amounts, like a mutual fund breakpoint. However, unlike mutual funds, the sales charge discount generally only applies to purchases made by the same person (including the person's spouse and children under age 21) on the same day through the same firm. These discounts create an incentive for us to recommend that you make investments in multiple UITs so that you do not benefit from a discount and our sales charges are not reduced. Please carefully review the UIT prospectus to determine if you may qualify for a sale charge discount.

### **Limitations of the Firm's offerings of UITs**

The Firm does not make available every UIT. The Firm is limited to offering UITs available through its brokerage platform and those for which it has a selling agreement for direct business.

### **Alternative Investments**

Alternative investments cover a wide variety of investment products that are viewed as more complex and beyond traditional investment products, such as mutual funds, equities, bonds, annuities, and insurance.

The following is a sample of some of the types of alternative investment products we offer:

- non-traded REITs
- commodity pools
- non-traded Business Development Companies ("BDC")
- Private Placements
- 1031 Exchange TIC/DST
- Reg D LP
- Reg D LLC
- Reg D Oil & Gas
- blind pools

Alternative investments may be unregistered, have complex structures, are subject to higher costs and fees and investment risks that are more difficult to understand and use appropriately within an investment portfolio. As such, these investments are not appropriate for all investors and many are only available to accredited investors. If you are considering an alternative investment, you should carefully review its offering documents and work with your FP to understand its risks and fees and expenses, including whether there are any limitations on your ability to withdraw or redeem your investment. Fees for these products vary and include front-end commissions and trail commissions. Many of these products have a long-term investment horizon and are subject to liquidity limitations and restrictions. Investing in these products through your brokerage account will generally result in higher compensation for us and your FP. Please discuss these investment products closely with your FP to better understand the risks and fees associated with them.

## **Compensation, Related Fees and Conflicts**

Our alternative investment offerings have commissions that are part of the offering expense that range between 2-7% of the offering proceeds, a portion of which is shared with your FP. Some alternative investments also pay a trail commission up to 2% annually a portion of which is shared with your FP. We also receive between 0.25% and 2% of the gross sales of these products as a marketing or due diligence fee. Sponsor Companies also make payments to us or your FP to support marketing and educational events. In addition, the Firm charges alternative investment Sponsor Companies flat dollar due diligence fees up to \$5,000 for initial and ongoing review of the product offerings. The compensation we receive in connection with alternative investments creates an incentive for us to recommend that you invest in them, and to invest in alternative investments that pay us higher amounts of compensation. Please closely review the offering documents provided by your FP to understand all charges associated with alternative investments.

## **Limitations of the Firm's offerings of Alternative Investments**

We do not make every alternative investment (or type of alternative investment) available. FPs are limited to the products that are available through the Firm. **SM&R is not registered to sell Private Placement products thus limiting its offerings to publicly registered products only.**

## **Alternative Investment Secondary Markets Transactions**

The secondary market ("SM") is a place where you can go to potentially buy or sell alternative investments that do not normally trade on a public exchange after an initial investment by you or another investor. These SMs mostly deal with alternative investments as described above. These markets are generally based on a "bid, ask" basis, whereby your FP can list your shares or units on the SM and list the price you want to sell them for, (the "ask"). If other potential buyers are interested in purchasing your shares or units, they will list how many shares they would buy and at what price they would be willing to pay, (the "bid").

If you hold an alternative investment, the SM may be able to provide you with some liquidity options on an otherwise illiquid investment. However, this is not guaranteed, and you should not rely on your ability to sell an alternative investment in an SM.

In some cases, you may be able to buy an alternative investment at a lower price on the SM than what the sponsor originally offered the shares or units for purchase, though there is no guarantee. The Firm will charge commission of up to 5% of purchases, which will be shared with your FP, this creates an incentive for us to recommend that you purchase alternative investments more frequently. The SM also charges for processing the trades. The SM charges are not shared with us or your FP.

## **529 Plans**

529 Education Savings Plans ("529 Plan") are tax-advantaged savings plans designed to encourage saving for future education costs. 529 Plans, also known as "qualified tuition plans," and are sponsored by states, state agencies, and educational institutions. When you enroll in a 529 Plans, you will select an investment portfolio (generally consisting of mutual funds) from one of the choices offered by your plan. The features of 529 Plans vary depending on the state's plan and may include limitations on investment options, the ability to change investments, and aggregate contributions for all beneficiaries. The tax

implications and benefits of investing in a 529 Plans also vary and you should consult with your tax advisor when choosing a plan.

529 Plans investment risks depend on the investments you select and are disclosed in the investment prospectuses and are also disclosed in our “529 Application and Disclosure” that your Financial Advisor will provide you upon request. The risks associated with investments within 529 Plans depend on the particular investment and are discussed in the applicable investment product sections (i.e., mutual funds) of this Brochure, along with the basis for our recommendations of particular products.

### **Compensation, Related Fees and Conflicts**

Our compensation on the sale of 529 Plans depends on the mutual fund shares as discussed above or other securities you purchase through the plan. Specific fees and fee structures of each share class, including the amount charged and when it is collected, vary depending on the 529 Plans and underlying mutual funds in which you invest and are described in 529 Plans’ offering circular and mutual fund prospectuses. Please see the section entitled “Mutual Funds” or other investment product section in this Brochure for more information. Sponsors of 529 Plans also pay us compensation for selling the plan. 529 Plans incur additional fees that are charged by the plan’s sponsor. Some of the fees are based on the amounts of assets in your plan account and other fees are assessed on a transactional or periodic basis. Such fees depend on the plan may include: program management fees, state administration fees, annual maintenance/termination fees, underlying mutual fund expenses, and sales charges, distribution or service fees.

**Additional Information.** For more information about 529 Plans, please see the SEC’s “529 Plans” available at <https://www.investor.gov/introduction-investing/investing-basics/glossary/529-plans>. If you are interested in investing in a 529 Plans, please refer to the 529 Plans’ offering circular, which you can request from your Financial Advisor or by calling us at 800-356-5234.