

# **T.S. Phillips Investments, Inc.**

## **Regulation Best Interest Disclosure**

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# Regulation Best Interest Disclosure

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T.S. Phillips Investments, Inc. (“TSPI”, “our”, “we”, “us”) offers brokerage services to you and our customers. This guide summarizes important information concerning the scope and terms of those brokerage services that are offered by us and details the material conflicts of interest that arise through our delivery of brokerage services to you. We encourage you to review this information carefully, along with any applicable account agreement(s) and disclosure documentation you may receive or have received from us.

As you review this information, we would like to remind you that we are registered with the U.S. Securities and Exchange Commission (“SEC”) as a broker-dealer providing brokerage services, and a member firm of the Financial Industry Regulatory Authority (“FINRA”) and the Municipal Securities Rulemaking Board (MSRB). As a broker-dealer, TSPI transacts business in various types of securities, including mutual funds, exchange-traded funds, stocks, bonds, options, real estate investment trusts, offshore private placements and other investment products, while offering such services to clients located domestically, as well as outside of the U.S. Additional information about TSPI and its financial professionals is available on FINRA’s website at [www.brokercheck.finra.org](http://www.brokercheck.finra.org), or via the SEC’s website at [www.sec.gov](http://www.sec.gov).

TSPI is also affiliated with Phillips Capital Advisors, Inc. (“Phillips Capital”), an investment adviser registered with the SEC, that provides advisory services to individuals, including high net worth individuals, pension plans, trusts, corporations, or other business entities domiciled or residing in the United States. Clients may utilize Phillips Capital to manage a portion or all of their assets on a discretionary or non-discretionary basis. Information on Phillips Capital’s advisory activities is available in our Form ADV Part 2A, which is available on request.

Notwithstanding our other services, our brokerage services are the primary focus of this guide. Our Form CRS contains important information about the types of services we offer, brokerage, along with general information related to compensation, conflicts of interest, disciplinary action, and other reportable legal information.

Many of our investment professionals (“Registered Representative”) offer both brokerage and investment advisory services, however, some only offer brokerage services. When you are discussing services with a Registered Representative, you should ask what capacity the Registered Representative is acting or will be acting, as a broker-dealer registered representative and/or an investment advisor representative, when providing services to you.

Please note that not all of the conflicts described in this disclosure apply to a particular Registered Representative, his or her services, or all the products we market. The types and amounts of compensation we receive change over time. You should ask your financial professional if you have any questions about compensation, costs, fees, or conflicts of interest.

Please carefully review and consider the information contained in each section set forth in this disclosure.

## **Brokerage Services**

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When you establish a brokerage account with us, you have the ability to, buy, sell, and hold investments within your account. The primary service we provide is our trading capability. We execute purchases and sales on your behalf, and as directed by you. In a brokerage services relationship, we can trade with you for our own account, for an affiliate or for another client, and we can earn a profit on those trades. The capacity in which we act is disclosed on your trade confirmation. However, we are not required to communicate it in advance, obtain your consent, or inform you of any profit earned on trades.

### **Cash Brokerage and Margin Brokerage Accounts**

We provide brokerage services through either a cash brokerage account or margin brokerage account, based on your eligibility and selection. In a cash brokerage account, you must pay for your purchases in full at the time of purchase. In a margin brokerage account, you must eventually pay for your purchases in full, but you may borrow part of the purchase price from our clearing firm, First Clearing, a tradename used by Wells Fargo Clearing Services, LLC (“First Clearing”). This is generally referred to as a “*margin loan*.” The portion of the purchase price that is loaned to you is secured by securities in your account, also referred to as “*collateral*.” You will incur interest costs as a result of your margin activity, which will be determined by TSPI and First Clearing. While many securities are eligible to be used as collateral for a margin loan, some securities are not available for margin collateral purposes.

Given that a margin-enabled brokerage account has specific eligibility requirements, unique costs, and governing regulatory requirements, our default brokerage option is our cash brokerage account. You must execute a separate margin agreement before engaging in margin brokerage activity. Included with your margin agreement is a copy of the Margin Disclosure Statement. This statement contains important information you should understand and consider before establishing a margin brokerage relationship with us. For more information on our margin brokerage services, contact your Registered Representative, or refer to First Clearing Margin Disclosure Statement available upon verbal request, you can also contact a member of our management team at 405-943-9433.

### **Brokerage Account Types**

We offer many different brokerage accounts. When opening an account with us, you may choose between many different options or account types for your brokerage account, including accounts held with our clearing firm; directly held accounts; education accounts (e.g., college savings plans); retirement accounts (e.g., IRA accounts); and certain specialty accounts (e.g. margin accounts). You should refer to our account agreement(s) for more information concerning available account types or speak with your Registered Representative.

### **Incidental Brokerage Services, Recommendations and Account Monitoring**

Within your brokerage account we provide recommendations to buy, sell, or hold assets. When we make a securities recommendation, investment strategy recommendation or

recommendation to rollover assets from your Qualified Retirement Plan (“QRP”) to an Individual Retirement Account (“IRA”), the recommendation is made in our capacity as a broker-dealer unless otherwise stated at the time of the recommendation. Any such statement will be made orally to you. Moreover, when we act in a brokerage capacity, we do not agree to enter into a fiduciary relationship with you.

It is important for you to understand that when your Registered Representative makes a brokerage recommendation to you, we are obligated to ensure the recommendation is in your best interest, considering reasonably available alternatives, and based on your stated investment objective, risk tolerance, liquidity needs, time horizon, financial needs, tax status, and other financial information you provide to us. You may accept or reject any recommendation. It is also your responsibility to monitor the investments in your brokerage account, and we encourage you to do so regularly. We do not commit to provide on-going monitoring of your brokerage account. If you prefer on-going monitoring of your account or investments, you should speak with your Registered Representative about whether an advisory services relationship is more appropriate for you.

Please also consider that from time to time we may provide you with additional information and resources to assist you with managing your brokerage account. This may include but is not limited to educational resources, sales and marketing materials, performance reports, asset allocation guidance, and/or periodic brokerage account reviews. When we offer these services and information, we do so as a courtesy to you. These activities are not designed to monitor specific investment holdings in your brokerage account, they do not contain specific investment recommendations about investment holdings, and you should not consider them a recommendation to trade or hold any particular securities in your brokerage account. Upon your request, we will review such information and reports with you and may provide you with investment recommendations, but we are not under a specific obligation to do so.

## **Clearing Services**

We have entered into an agreement with First Clearing to carry your account on a fully disclosed basis and provide certain back office functions. We and First Clearing share responsibilities with respect to your account as set forth in the Designation of Responsibilities that was delivered to you upon opening of your account. Please refer to the Designation of Responsibilities for more information on how such responsibilities have been allocated between us.

## **Account Minimums and Activity Requirements**

There is no minimum initial account balance required to open a brokerage account with us. However, if you either fail to fund your account or do not return account opening documents as required, your account will be closed. In addition, some types of brokerage accounts have minimum account activity requirements and/or minimum on-going balance requirements that must be maintained, or your brokerage account will be closed. These requirements are detailed in the account agreement(s) you receive when you opened your brokerage account.

You should also understand that our Registered Representatives may establish their own minimum account balance requirements for the brokerage accounts they service. For example, a dedicated Registered Representative may choose to service only those brokerage

account customers who satisfy account-specific or total household asset conditions. Minimum asset requirements are disclosed to you orally by your Registered Representative.

## Understanding Risk

It is important for you to understand that all investment recommendations and activities involve risk, including the risk that you may lose your entire principal. Further, some investments involve more risk than other investments. Higher-risk investments may have the potential for higher returns but also for greater losses. The higher your “risk tolerance,” meaning the amount of risk or loss you are willing and able to accept in order to achieve your investment goals, the more you may decide to invest in higher-risk investments offering the potential for greater returns. We align risk tolerances with investment needs to offer you different investment objectives from which to choose (see below). You should select the investment objective and risk tolerance best aligned with your brokerage account goals and needs.

Investment goals typically have different time horizons and different income and growth objectives. Generally, investment goals are on a spectrum, with “*Income*” investors typically holding the smallest percentage of higher- risk investments, followed by “*Growth and Income*” investors holding some higher-risk investments, and finally “*Growth*” investors holding a significant portion of their portfolio in higher-risk investments. Risk tolerance also varies, and we measure it on a continuum that increases from “*Conservative*” to “*Moderate*” to “*Aggressive*,” and finally “*Trading and Speculation*.” See the chart below for details.

Investment Objective	Investment Objective Description	Risk Tolerance	Risk Tolerance Definition
Income	Income portfolios emphasize current income with minimal consideration for capital appreciation and usually have less exposure to more volatile growth assets.	Conservative	Conservative Income investors generally assume lower risk, but may still experience losses or have lower expected income returns.
		Moderate	Moderate Income investors are willing to accept a modest level of risk that may result in increased losses in exchange for the potential to receive modest income returns.
		Aggressive	Aggressive Income investors seek a higher level of returns and are willing to accept a higher level of risk that may result in greater losses.
Growth & Income	Growth and Income portfolios emphasize a blend of current income and capital appreciation and usually have some exposure to more volatile growth assets.	Conservative	Conservative Growth and Income investors generally assume a lower amount of risk, but may still experience losses or have lower expected returns.
		Moderate	Moderate Growth and Income investors are willing to accept a modest level of risk that may result in increased losses in exchange for the potential to receive modest returns.
		Aggressive	Aggressive Growth and Income investors seek a higher level of returns and are willing to accept a higher level of risk that may result in greater losses.

Investment Objective	Investment Objective Description	Risk Tolerance	Risk Tolerance Definition
Growth	Growth portfolios emphasize capital appreciation with minimal consideration for current income and usually have significant exposure to more volatile growth assets.	Conservative	Conservative Growth investors generally assume a lower amount of risk, but may still experience increased losses or have lower expected growth returns.
		Moderate	Moderate Growth investors are willing to accept a modest level of risk that may result in significant losses in exchange for the potential to receive higher returns.
		Aggressive	Aggressive Growth investors seek a higher level of returns and are willing to accept a high level of risk that may result in more significant losses.
Trading and Speculation	Trading and Speculation investors seek out a maximum return through a broad range of investment strategies which generally involve a high level of risk, including the potential for unlimited loss of investment capital.		

Our recommendations are based in part on your risk tolerance and investment objectives as outlined above. We encourage you to carefully consider your investment objectives and risk tolerance before investing.

## Cash Sweep Program Feature

Our brokerage services include a Cash Sweep Program feature. This program permits you to earn a return on uninvested cash balances in your brokerage account by allowing cash balances to be automatically “swept” into a “Cash Sweep Vehicle,” until such balances are otherwise required to satisfy obligations arising in your account. These Cash Sweep Vehicles include interest-bearing deposit accounts, and if permissible, money market mutual funds or such other sweep arrangements made available to you. You will receive additional information concerning the Cash Sweep Program in your account agreement(s). For more information on our Bank Deposit Cash Sweep Program, contact your Registered Representative, or refer to First Clearings [Bank Deposit Sweep Program Disclosure Statement](#) available upon verbal request, you can also contact a member of our management team at 405-943-9433

## Brokerage service models and products

We offer a variety of service models, from full-service brokerage accounts to self-directed brokerage accounts. For more specific information on what might be available to fit your needs, please call your Registered Representative or contact a member of our management team at 405-943-9433.

## Brokerage Fees and Our Compensation

It is important to consider that while a brokerage relationship can be a cost-effective way of investing your assets, it is not for everyone given the fees and costs involved.

### Transaction-Based Fees

You will pay transaction-based fees for trades you decide to enter into, such as buying and

selling stocks, bonds, exchange traded products, mutual funds, annuity contracts, purchasing and exercising options and other investment purchases and sale. These transaction-based fees are generally referred to as a “*commission*,” “*mark up*,” “*sales load*,” or a “*sales charge*.” Transaction-based fees are based on a host of factors, including, but not limited to:

- Underlying product selection
- Your brokerage service model and account type
- Size of your transaction and/or overall value of your account
- Frequency of your trade activity
- Available discounts and/or fee waivers

## **Account and Service Fees**

You will pay fees for various operational services provided to you through your brokerage account. These fees are set at least annually and communicated to you through information included in your account statement and other notifications. These fees do not apply to all account types and may be waived under certain conditions.

You should understand that based on the brokerage service model you choose, the same or similar products, accounts and services may vary in the fees and costs charged to you. For more information concerning our administrative and service fees, please contact your Registered Representative or call a member of our management team. at 405-943-9433.

## **How We Are Compensated**

We receive direct and indirect compensation in connection with your accounts. Direct compensation is taken directly from the affected account. Indirect compensation is compensation paid in ways other than directly from the account and may impact the value of the associated investments in your account. The sections below describe the compensation that we receive in connection with various investments that may be available to you. In many cases, the descriptions that follow refer to a prospectus or offering documents.

## **Investment Product Compensation**

### **Equity and Other Exchange Traded Securities**

All commissions are on a transaction basis and can be negotiated with your Registered Representative. The maximum commission charged by TSPI in an agency capacity on an exchange traded security transaction, such as an equity, option, exchange traded fund, exchange traded note or closed-end fund, does not typically exceed 5.0% of the transaction amount. The commission amount may decrease from this percentage amount as the size of the transaction amount increases according to internal guidelines. You may or may not be charged a commission. Please visit with your Registered Representative for any additional questions you might have.

### **Option Rates Equity and Index**

All commissions are on a transaction basis and can be negotiated with your Registered Representative. You may or may not be charged a commission. Please visit with your Registered Representative for any additional questions you might have. There are execution

fees per contract, and they can range from \$0.00 to \$1.25 per contract.

## **Fixed Income Products**

Fixed income products include by way of example, domestic corporate debt, U.S. Government securities, municipal securities, foreign corporate debt, and corporate sovereign debt. TSPI provides access to the fixed income market by providing our customers with access to corporate debt, U.S. Government securities, municipal securities, foreign corporate debt, and or corporate sovereign debt (“Fixed Income Products”). When TSPI buys or sells Fixed Income Products on your behalf, in a non-advisory account, we may impose a markup (“*increase*”) or markdown (“*decrease*”) in the price of transactions we execute on a principal basis or riskless principal basis, in accordance with industry guidelines. Our compensation for the purchase of a Fixed Income Products for you is based solely on the markup we charge you for the purchase of a Fixed Income Product, and is essentially the difference between an investment's lowest current market price in the market, and the price charged to you for said Fixed Income Product. Our compensation for the sale of a Fixed Income Product for you is based solely on the markdown we impose, and is the difference between the market value of the Fixed Income Product, and the lower price that we that we purchase the Fixed Income Product from you.

The maximum markup/markdown on a transaction with a customer that we receive when acting in a principal capacity typically does not exceed 3.0% of the value of the security. On rare occasions, a markup/markdown may exceed 3.0% on a deeply discounted security or one that is hard to find. In many cases, the actual markup/markdown percentage is lower based on factors such as quantity, price, type of security, rating, maturity, etc. The securities industry has imposed rules and guidelines on markups and markdowns to protect investors in the fixed income market. We maintain policies and procedures designed to help ensure compliance with those rules and guidelines.

## **Mutual Funds**

We currently offer thousands of mutual funds varying in share class structure and investment style. If you invest in mutual funds, we receive direct and or indirect compensation in connection with such mutual fund investments, as described below.

**12B-1/Shareholder Service Fees.** Annual 12b-1 fees, also known as trails, are paid by the fund, and paid to us out of fund assets under a distribution and servicing arrangement to cover distribution expenses and sometimes shareholder service expenses that we may provide on the fund's behalf. Shareholder servicing fees are paid to respond to investor inquiries and provide investors with information about their investments. These fees are asset-based fees charged by the fund family. These fees range from 0.00% to 1.00%, but the majority of these fees are below 0.45%. These fees may be passed on to us and may in turn be passed on to your Registered Representative as a commission.

### **Front-end Sales Charge Fees/Contingent Deferred Sales Charges (CDSC).**

Front-end sales charge fees are charged and paid to us, including your Registered Representative, when you purchase a fund. The front-end sales charge is deducted from the initial investment on certain share classes. This charge normally ranges from 0.00% to 5.75%. Some purchases may qualify for a reduced front-end sales charge due to breakpoint discounts based on the amount of transaction and rights of accumulation. In addition, some purchases may qualify for a sales charge waiver based on the type of account, and/or certain qualifications within the account. You should contact your Registered Representative if you believe you are eligible for sales charge waivers.

CDSC is a charge you pay upon withdrawal of money from a fund prior to the end of the fund's CDSC period. CDSC charges range from 0.00% to 1.00%. CDSC periods can range from zero to seven years. This charge typically exists only on share classes that do not have a front-end sales charge. It is sometimes referred to as the back-end load. CDSCs are not charged when you purchase a fund. The fee charged will depend on the share class purchased by the investor. A CDSC is not passed on to your Registered Representative. You can find a description of the amount and payment frequency of all fees and expenses charged and paid by the fund in the fund's prospectus. Fees and expenses disclosed in the fund's prospectus are charged against the investment values of the fund. Please note that 12b-1s and similar fees or compensation received in connection with our affiliated funds are not received, or are rebated, on ERISA assets.

**Data Agreement.** All Mutual Funds companies we conduct business with under an agreement to solicit their products. The compensation is outlined in the prospectus. The Registered Representative receives up front commission from the Mutual Fund companies and a trailing commission depending on the fund. Specifics on the commission earned by the Registered Representative are contained in the prospectus.

## **Annuities**

Our annuities consist of fixed, index, and variable annuities. Under arrangements with insurance companies, your Registered Representative, receive commissions from the insurance companies for the sale of annuities, as well as trail commissions, and they are considered indirect compensation. Commissions and trails paid to us vary by product type and may vary by insurance carrier. All annuity contracts are sold with a prospectus and additional information can be found in the prospectus.

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

Our UITs consist of Equity and Fixed-Income UITs. We, along with your Registered Representatives, are compensated in ways that vary depending on the type and terms of the UIT portfolio selected. The types of fees received by us are described below and are disclosed via the prospectus issued by the UIT provider; however, the maximum upfront sales charge paid typically ranges from 1.85% to 3.95% and can depend on the length of the term of the UIT. Your Registered Representative can provide you a copy of the most recent prospectus. The UIT provider deducts fees as compensation from the proceeds available for investments for marketing and distribution expenses, which may include compensating us as described in each UIT prospectus. All commissions are on a transaction basis these commissions can be negotiated with your Registered Representative. You may or may not be charged a

commission. Please visit with your Registered Representative for any additional questions you might have.

## **529 College Savings Plans (“529 Plans”)**

We currently offer numerous 529 plans, both in state and out of state. We receive a front-end sales charge fee or a contingent deferred sales charge. If you invest in 529 Plans, we receive direct and/or indirect compensation in connection with such 529 Plan investments, as described below. You may also pay enrollment fees or one-time fees and/or annual maintenance fees. See the prospectus, program brochure or plan description for a listing of each plan’s fees. Many states offer favorable state tax treatment to residents investing in their home state 529 Plan. See the prospectus, program brochure or plan description for a listing of each plan’s treatment of benefits to residents of their state.

### **Front-end Sales Charge Fees/Contingent Deferred Sales Charges (CDSC).**

Front-end sales charge fees are charged and paid to us, including your Registered Representative, when you purchase a fund. The front-end sales charge is deducted from the initial investment on certain share classes. This charge normally ranges from 0.00% to 5.75%. Some purchases may qualify for a reduced front-end sales charge due to breakpoint discounts based on the amount of transaction and rights of accumulation. In addition, some purchases may qualify for a sales charge waiver based on the type of account, and/or certain qualifications within the account. You should contact your Registered Representative if you believe you are eligible for sales charge waivers.

CDSC is a charge you pay upon withdrawal of money from a fund prior to the end of the fund’s CDSC period. CDSC charges range from 0.00% to 1.00%. CDSC periods can range from zero to seven years. This charge typically exists only on share classes that do not have a front-end sales charge. It is sometimes referred to as the back-end load. CDSCs are not charged when you purchase a fund. The fee charged will depend on the share class purchased by the investor. A CDSC is not passed on to your registered representative. You can find a description of the amount and payment frequency of all fees and expenses charged and paid by the fund in the 529 Plan’s prospectus. Fees and expenses disclosed in the fund’s prospectus are charged against the investment values of the fund.

## **Certificate of Deposits**

We currently offer Certificate of Deposits (“CD”), which are deposit obligations of a depository institution (the “Issuer”) domiciled in the U.S. or one of its territories, the deposits and accounts of which are insured by the Federal Deposit Insurance Corporation (the “FDIC”) within certain limits as set out in the [Certificate of Deposit Disclosure Statement](#). Each CD constitutes a direct obligation of the Issuer and is not, either directly or indirectly, an obligation of TSPI, or First Clearing. CDs may be purchased both upon issuance (the primary market) and in the secondary market. Markups and Markdowns are charged on a transaction basis, and paid to us, including to your Registered Representative, when you purchase a CD. Please visit with your Registered Representative for any additional questions you might have

## **Operational Fees Charged Directly to Your Account**

### **Margin Debit Interest**

When a customer purchases security on margin, First Clearing extends a line of credit to the customer, and charges interest on the margin balance which in turn is shared with TSPI. First Clearing charges between 1.00% and 3.50% in interest over the Fed Funds Target Rate on outstanding debit balances in margin accounts (“Brokers Call Rate”). The Federal Fund Target Rate is the interest rate charged by one bank, for an overnight loan of money stored at the Federal Reserve, to another bank, as determined by the Federal Open Market Committee of the Federal Reserve.

### **Miscellaneous Account Servicing Fees**

The general account administrative and services fees charged by First Clearing to both brokerage and advisory accounts are set forth on Addendum A, Schedule of Miscellaneous Account Service Fees (“Schedule of Account Fees”), which is attached hereto and incorporated herein for all purposes. Please visit with your Registered Representative for any additional questions you might have regarding the operational and administrative fees charge by First Clearing to your account.

### **Trade Corrections**

If a customer holds an account at TSPI and a trade error caused by us occurs in the account, we will cancel the trade from the customer account and remove the monetary loss to the customer from the account. If a trade correction is required as a result of a customer negligence (e.g., if a customer does not make full payment for purchases or fails to deliver negotiable securities for liquidations before trade settlement), we will cancel the trade and any resulting monetary loss will be borne by the customer. In the case of a trade that requires a correction and that resulted in a monetary gain to the customer, such gain may be removed from the account and may result in a financial benefit to us.

### **Compensation for Termination of Services**

Other than any contingent deferred sales charge for a fund (as described under the Mutual Funds section above, if applicable), IRA termination fees (when applicable), and account transfer fees, the firm would not receive any additional compensation in connection with the termination of its services. If you have questions or need additional copies, contact your Registered Representative.

### **Revenue Sharing**

We currently have a revenue sharing arrangement with our clearing firm, First Clearing, that allows for sharing in revenues for Cash Credit Balances, The Bank Deposit Sweep Program and Margin Accounts. Our clearing firm makes periodic payments to us in the amount of our total customer assets invested in certain investments as of certain dates for Cash Credit Balance and the Bank Deposit Sweep Program. These payments incentivize us to sell you, or recommend you, to hold investments that entail such payments rather than investments that do not entail these payments or entail less of these payments. First Clearing also makes

periodic payments to us for our portion of the revenue made from the debit margin balances maintained in accounts. Incidental additional costs and fees may apply for various services provided for your account with us. Please see the client schedule of fees attached for further details or discuss any questions you may have about these fees with your registered representative.

### **Bank Deposit Sweep**

On the Wells Fargo Clearing Services, LLC Bank Deposit Sweep Balance we earn a monthly fee calculated on the average net assets in the sweep account that ranges from 35 to 60 basis points for administrative and marketing support. Please note that “basis points” are a unit of measure used in finance to describe the percentage change in the value or rate of a financial instrument. One basis point is equivalent to 0.01% (1/100th of a percent) or 0.0001 in decimal form).

### **Cash Credit Balances**

On Cash Credit Balances we receive a rebate of 5 basis points for customer cash credit balances. Interest paid to us is reduced by any amount First Clearing Corporation credits to customer accounts including any amounts required by applicable law.

### **Margin Debit Balances**

We earn a monthly fee on margin debit balances ranging from 25 to -50 basis points and 2% on the on the Brokers Call Rate published by First Clearing. TSPI has a financial incentive to encourage margin borrowing because TSPI earns compensation in the form of interest, transaction charges and other fees on investments made with borrowed amounts; therefore, we maintain an incentive to recommend margin accounts. That financial incentive creates a conflict of interest to the extent as TSPI and your Registered Representative benefits from your decision to borrow and incur the various fees and interest described above. If contemplating use of margin, please consult First Clearing’s Margin Agreement and related disclosures for additional details.

### **Miscellaneous Account Services Fees**

With regards to the miscellaneous operational and administrative service fees charged directly to your account by Frist Clearing, we receive a portion of certain of those fees charged your account to offset costs incurred by us in servicing investor accounts. The difference in cost resulting from our markup should be viewed as additional compensation to us. Please see the Schedule of Account Fees for the specific expenses that include a markup by TSPI.

## **Conflicts of Interest**

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Like all financial service providers, TSPI and its Registered Representatives have conflicts of interest when we provide brokerage services to you. A conflict of interest is a situation in which we engage in a transaction or activity where our interest is materially adverse to your interest. The mere presence of a conflict of interest does not imply that harm to your interests will occur, but it is important that we acknowledge the presence of conflicts. Moreover, our

regulatory obligations require that we establish, maintain, and enforce written policies and procedures reasonably designed to address conflicts of interest associated with our recommendations to you.

Our conflicts of interest are typically the result of compensation structures and other financial arrangements between us, our Registered Representatives, our customers and third parties. We offer a broad range of investment services and products and we receive various forms of compensation from our customers, affiliated and non-affiliated product providers and money managers, and other third parties as described above. Securities rules allow for us, our Registered Representatives, and our affiliates to earn compensation when we provide brokerage services to you. However, the compensation that we and our Registered Representatives receive from you varies based upon the product or service you purchase, which creates a financial incentive to recommend investment products and services that generate greater compensation to us.

We are committed to taking appropriate steps to identify, mitigate and avoid conflicts of interest to ensure we act in your best interest when providing brokerage recommendations to you. Below you will find additional information related to our conflicts of interest. This information is not intended to be an all-inclusive list of our conflicts, but generally describes those conflicts that are material to your brokerage relationship. In addition to this disclosure, conflicts of interest are disclosed to you in your account agreement(s) and disclosure documents, our product guides and other information we make available to you.

## **Compensation We Receive from Clients**

### **Transaction-based conflicts**

In your brokerage account you pay certain fees (commissions and sales charges) in connection with the buying and selling of each investment product, including mutual funds, variable annuities, alternative investments, exchange traded funds, equity securities, and bonds. Where these fees apply, the more transactions you enter into, the more compensation that we and your Registered Representative receive. This compensation creates an incentive for us to recommend that you buy and sell, rather than hold, these investments. We also have an incentive to recommend that you purchase investment products that carry higher fees, instead of products that carry lower fees or no fees at all.

### **Markups and markdowns for principal transactions**

In a non-advisory brokerage account, when you buy or sell bonds and other fixed-income securities, such as structured products, we may impose a markup (increase) or markdown (decrease) in the price of transactions we execute on a principal or riskless principal basis. In those transactions, we are compensated based upon the difference (markup) between the price you pay for securities purchased from us and the price we sell such securities to you over the prevailing market price, or the difference (markdown) between the price you sell securities to us and the price we purchase such securities from you over the prevailing market price. We maintain policies and procedures reasonably designed to help ensure compliance with the mark-up and mark-down industry rules.

## **Account maintenance and other administrative fees**

As set out above, we share in certain account maintenance and administrative costs charged by First Clearing with respect to the services we provide or make available to you through your brokerage account. For the services we provide or make available to you with respect to your brokerage account, we charge certain account maintenance and other administrative fees, as described in the fee schedule provided to you herein. The higher the fees we charge, the more we are compensated.

## **Compensation We Receive from Third Parties**

Third-party payments we receive may be based on new sales of investment products, creating an incentive for us to recommend you buy and sell, rather than hold, investments. In other cases, these payments are made on an ongoing basis as a percentage of invested assets, creating an incentive for us to recommend that you buy and hold investments (or continue to invest through a third-party manager or adviser).

The total amount of payments we receive varies from product to product. It also varies from the compensation we receive in connection with other products and services we may make available to you. We have an incentive to recommend investment products and services that generate greater payments to us. This compensation generally represents an expense embedded in the investment products and services that is borne by investors, even where it is not paid by the Product Sponsor and not directly from the investment product or other fees you pay. The types of third- party compensation we receive include:

- **Revenue Sharing.** Margin interest and cash sweep accounts and other sharing received and negotiated with our clearing firm, First Clearing that are included in the transaction costs outlined above.
- **Trail Compensation.** Ongoing compensation from Product Sponsors may be received by us and shared with our Registered Representatives. This compensation (commonly known as trails, service fees or Rule 12b- 1 fees in the case of mutual funds) is typically paid from the assets of the investment product under a distribution or servicing arrangement and is calculated as an annual percentage of invested assets. The amount of this compensation varies from product to product. We have an incentive to recommend that you purchase and hold interests in products that pay us higher trails.

## **Additional Compensation and Benefits from Product Sponsors and Other Third Parties**

We and our Registered Representatives, associates, employees, and agents receive additional compensation from product sponsors and other third parties including:

- Gifts and awards, an occasional dinner or ticket to a sporting event, or reimbursement in connection with educational meetings or marketing or advertising initiatives, including services for identifying prospective customers.
- First Clearing provides services to us, including research, execution, brokerage, custody and access to mutual funds and other investments. Additionally, other services provided assist us in managing and administering customers' accounts.

These services are provided based in part on the assets held at the respective custodians, and as such, creates an incentive for us to direct customers to their custodial platforms.

The amount of these payments or benefits is not dependent or related to the level of assets you or any other of our customers invest through us or with the product sponsor.

## **Product Share Classes**

Some Product Sponsors offer multiple structures of the same product (e.g., mutual fund share classes) with each option having a unique expense structure, and some having lower costs to you as compared to others. We are not incentivized to make available those share classes or other product structures that will generate the highest compensation to us.

## **Compensation Related to Proprietary Products**

We do not offer proprietary products

## **Compensation Related to Our Affiliates**

We earn compensation from the sale of insurance products to our brokerage customers. The amount of this compensation varies from insurance product to product. We have an incentive to recommend that you purchase insurance products to increase insurance compensation. However, we maintain policies and procedures designed to ensure that the recommendations to purchase insurance products are suitable for your needs, and in your best interest.

## **Compensation Received by Registered Representatives**

Registered Representatives are compensated in a variety of ways based on the percentage of revenue generated from sales of products and services to customers and/or total assets under management, including brokerage account activity. This compensation may vary by the product or service associated with a brokerage recommendation. In addition to upfront-transaction based compensation, some products feature on-going residual or “trail” payments. Thus, Registered Representatives are incentivized to recommend products that have higher fees as well as those with on-going payments.

Typically, a Registered Representative’s payout schedule (periodically adjusted by us at our discretion) increases with production and asset levels. The same payout schedule is reduced when Registered Representatives discount certain client fees and commissions, or client relationship asset levels are below minimums established by us from time to time.

As a result, Registered Representatives have an incentive to provide brokerage recommendations that result in selling more investment products and services, as well as investment products and services that carry higher fees. Registered Representatives also have an incentive to provide brokerage recommendations to gather more assets under management and to increase brokerage trading activity, and to reduce the amount of discounts available to you.

Registered Representatives have an incentive to recommend you rollover assets from a Qualified Retirement Plan (“QRP”) to a brokerage Individual Retirement Account (“IRA”)

because of the compensation they will receive. We maintain policies and procedures designed to ensure that rollover recommendations are in your best interest.

Brokerage accounts do not feature an on-going fee based on assets under management. Registered Representatives are incentivized to recommend you transition your brokerage services account to an advisory account to generate on-going revenue where your brokerage account has minimal activity. Further, Registered Representatives are incentivized to recommend you transition your brokerage account to an advisory account after you have already placed purchases resulting in commissions and/or other transaction-based brokerage fees. We have controls established to identify and mitigate this risk. Registered Representatives also have an incentive to provide higher levels of service to those customers who generate the most fees.

Guarantee compensation is provided to Registered Representatives who join our firm from another financial firm. This guarantee, may vary by Registered Representative and may create an incentive for the Registered Representative to recommend the transfer of assets to the firm, including brokerage assets.

Registered Representatives are compensated in the form of education meetings. Portions of these programs are subsidized by external vendors and affiliates, such as mutual fund companies, insurance carriers, or money managers. Consequently, product providers that sponsor and/or participate in education meetings gain opportunities to build relations with Registered Representatives, which could lead to sales of such product provider's products.

## **Other Registered Representative Activities**

Registered Representatives may be motivated to place trades ahead of customers in order to receive more favorable prices than their customers. To address this conflict, we maintain policies and procedures and a Code of Ethics designed to ensure you obtain best execution on your securities transactions executed through us.

Registered Representatives who are transitioning through a succession plan may be incentivized to make brokerage recommendations designed to increase the value of their "book of business" through asset accumulation or brokerage trades that are not in your best interest. Internal campaigns and recognition efforts incentivize Registered Representatives to engage in activities to reach incentive goals.

# Additional Resources

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<u>Title</u>	<u>Web Address</u>
TSPI Form CRS	<a href="http://www.tspinvest.com/disclosures">http://www.tspinvest.com/disclosures</a>
TSPI Legal Disclosures	<a href="http://www.tspinvest.com/disclosures">http://www.tspinvest.com/disclosures</a>
FINRA	<a href="https://www.finra.org/">https://www.finra.org/</a>
SIPC	<a href="https://www.sipc.org/">https://www.sipc.org/</a>
BrokerCheck	<a href="https://brokercheck.finra.org/">https://brokercheck.finra.org/</a>
Wells Fargo Clearing Services Disclosures	<a href="https://www.wellsfargoclearingservicesllc.com/">https://www.wellsfargoclearingservicesllc.com/</a>
Certificate of Deposit Disclosure Statement	<a href="https://www.wellsfargoclearingservicesllc.com/pdf/cd-disclosure.pdf">https://www.wellsfargoclearingservicesllc.com/pdf/cd-disclosure.pdf</a>
Designation of Responsibilities	<a href="https://www.icsdelivery.com/firstclearing/Alloc_Resp.pdf">https://www.icsdelivery.com/firstclearing/Alloc_Resp.pdf</a>
Margin Disclosure Statement	<a href="https://www.wellsfargoclearingservicesllc.com/disclosures/margin.htm">https://www.wellsfargoclearingservicesllc.com/disclosures/margin.htm</a>
Cash Sweep Program Disclosure:	<a href="https://www.wellsfargoclearingservicesllc.com/disclosures/cash-sweep-program.htm">https://www.wellsfargoclearingservicesllc.com/disclosures/cash-sweep-program.htm</a>

## Addendum A

### Schedule of Account Fees

<b>Advantage Account Fees</b>	
Advantage Account – Basic (check writing only) Check reorder fees additional ***	No annual fee for check writing
Advantage Account – Standard (debit card) Check reorder fees additional ***	\$125 annual fee
<b>Other Fees</b>	
Prepayment on Sale (payment prior to settlement date)	Margin Rate with \$15 Minimum
Overnight Express Mail	Pass through charge from vendor
Client Online Access to Account	No Charge
Wire Transfer ***	\$25
Deposit Item Returned ***	\$20 *
Stop Payments ***	\$25
NSF ***	\$20
Confirm Misc. Fees ***	4.20 per trade *
No Load Mutual Fund Accommodation Fee	\$25 *
Trade Extensions	\$15 *
<b>Transfer Fees</b> (any additional transfer agent fees are passed on at cost)	
Account Transfer to another broker/dealer ***	\$95
Physical Certificate Issuance (if possible) ***	Pass through charge
Delivery of position through Direct Registration System	None
Physical Certificate Reject Fee ***	\$50
Direct Registration Service (DRS) Rejection ***	\$75
Foreign Securities Certificate Issue ***	\$500
GNMA Certificate Issuance ***	\$35
<b>Reorganization Activity</b>	
Non-Physical	No Charge
Instructions received after expiration	\$250 *
<b>Retirement Account Fees</b>	
IRA Custodial Fee – Annual Maintenance	\$50
IRA Custodian Fee – Termination Fee	\$95.
UGMA/UTMA Accounts	\$45
All other accounts (excluding IRAs, QP, Advantage Standard with debit card)	\$65
(Charge waived if account meets certain criteria)	
<b>Alternative Investment – Fees available upon request</b>	
<b>Margin Interest Rates***</b>	
Debit Balances	<b>Published Broker Call Rate plus</b>
\$1.00 - \$19,999.99	3.5%
\$20,000.00 - \$49,999.99	2.0%
\$50,000.00 - \$99,999.99	1.5%
\$100,000.00 and over	1.0%
<b>Cash Debit Interest – Interest on all customer account cash delinquencies may be charged to the account at the current margin rate</b>	
* Fee includes additional markup by TSPI in excess of First Clearing. Markup is utilized by TSPI to offset operational and administrative costs incurred by TSPI to service investor accounts. The difference in cost resulting from the markup should be viewed as additional compensation by TSPI.	
** Fees do not include commissions, markups, commission equivalents or advisory fees. Some fees may not apply to all account types.	
***These charges are in addition to your agreed upon advisory fee. Fees apply to advisory accounts with custody maintained at First Clearing. Advisory accounts serviced by TSPI with custody outside First Clearing are subject to fees applicable to the client's designated custodian. Clients should review their respective custodial agreements upon establishing their asset custodial arrangement.	