Griffinest Asia Securities, LLC
Sales Disclosure

Regulation Best Interest Relationship Guide

June 18, 2020

Griffinest Asia Securities, LLC is registered with the Securities and Exchange Commission (SEC) as a broker-dealer and is a member of the Financial Industry Regulatory Authority (FINRA) and the Securities Investor Protection Corporation (SIPC). This Brochure provides information about the best interest of the retail customer. If you have any questions about the contents of this Sales Disclosure, please contact us at Griffinest Asia Securities, LLC (CRD #132187), 3452 E. Foothill Blvd., Suite 100 Pasadena, CA 91107, (626) 792-1388 via e-mail at sales@griffinasia.com. The information in this Sales Disclosure has not been approved or verified by the United States Securities and Exchange Commission.

Item 2 Table of Contents

Item 3 Material Costs and Fees

Full Brokerage Commission and Fee Schedule
These are costs and fees you will pay based on specific activity in your account, or for specific account types. The Firm directly or indirectly earns all or a portion of these costs and fees.

Full Service – Equity Trade Commission Schedule (Stocks, ETFs and ADRs)

Standard Commission Charge 1% of Principal
Minimum Commission Charge USD50

Online Trading – Equity Trade Commission Schedule (Stocks, ETFs and ADRs)

Commission Charge 0.3 % of Principal
Minimum Commission Charge USD39.99

Options

Premium $30 + 2.00 per contract

Mutual Fund Commission Schedule

Charged based upon Fund's Prospectus
Redemption $30
Exchange $10

There is no subscription fee for C share. The redemption and exchange fee are as listed above.

An exchange fee of 0.5% of the amount transferred will be assessed on an exchange from Fixed Income Fund to Equity Fund.

Bond Commission Schedule

Transaction Size	Commission Rate	Minimum Charge
Corporate Bonds	1%	$50+3 per bond
Treasury Bonds	0.5%	$1.50 per Bond or $50 whichever higher
Government Agency Bonds	0.75%	$1.50 per Bond or $50 whichever higher

Margin Schedule
Margin Interest Rate – Griffinest Asia Securities Base Lending Rate +0.50%

Retirement Accounts

Type	Annual Custodial Fee	Termination Fee
Traditional IRA* & IRS model SEP	$43.50	$75.00
Roth IRA* & Education IRA	$43.50	$75.00
SARSEP & Simple IRA	$58.50	$75.00
Qualified Retirement Plans	$75.00 or $125.00	$75.00

403(b)(7)	$58.50	$75.00

- A fee of $25.00 will apply for conversions to a Roth IRA from a Traditional IRA.

Option Exercise and Assignment Transactions

Currency Options	$300.00 Per Notification
Other Options	$25.00 Per Notification

Miscellaneous Fees

Type	Charge
Margin Extension	$25.00 per event
Checks	
ACH Returned Checks	$25.00 per event
Returned Checks	$25.00 per event
Stop Payment	$25.00 per event
Retail Customer Confirmation Charge	$3.00 per confirmation
Inactive Account Fee – Retail Account Fee	$30.00 per inactive account, per year
Inactive Account Fee – Mutual Fund Only Accounts	$15.00 per inactive account, per year
Paper Surcharge Fee	$0.75 per event
Reorganization Activities – Voluntary	$50.00 per event
Reorganization items - Mandatory	$10.00 per event
Transfers	
Legal/GNMA Transfers	$350.00 per transfer
Restricted Legal Transfers	$350.00 per transfer
Register and Ship	$60.00 per transfer
Direct Registration	$10.00 per transfer
Accommodation Transfer	$60.00 per transfer
Outgoing Account Transfers	$100.00 per transfer
Global Transfers – Receive/Delivers	$25 per transfer, plus settlement fees
Foreign Receive and Deliver Fees (For Transfers Only)	
EuroClear	$50.00 per item
Customer Name Safekeeping	$2.00 per account, per position, per month
Foreign Securities Safekeeping	$5.00 per account, per position, per month
Wire Funds	$20.00 per wire transfer
Mutual Fund & SRS Exchanges (Includes Confirm Fee)	$10.00 per exchange
Fixed Income Certificate Costs	As Incurred
Cash Due Interest	PBLR+1.5%
Overnight Fees	$20.00 per event

Item 4 Type and Scope of Services

Foreign Associate

A Foreign Associate shall provide such services for and/or on behalf of the Firm as are consistent with his designation as a Foreign Associate (as such term is defined and contemplated by applicable SEC and FINRA rules and regulations), which services may include acting as a trader (buying and selling securities on behalf of foreign nationals) and being the registered person responsible for servicing certain accounts of foreign national customers of the Firm.

Duties of Foreign Associate

- To offer and distribute securities in compliance with applicable rules and regulations and the terms of this Agreement;

- In connection with each sale or solicitation of offers to buy securities, to deliver or cause to be delivered to the customer, in accordance with applicable securities laws, rules and regulations, an authorized and approved current memorandum, disclosure statement or prospectus as may be required by law and to make no representations to customers except as are contained in such prospectus or the like;

- To place orders for U.S. securities only through the Firm, and to advise all customers and prospective customers that any order for U.S. securities will be effected solely through the Firm and, if required by law, to disclose to all customers the fees being paid to Foreign Associate.

- To faithfully observe and comply with all statutes, rules, regulations, policy statements, orders and the like, of all applicable jurisdictions and authorities (local state, federal and foreign) including but not limited to the Rules of Fair Practice of the FINRA. Foreign Associate further and more specifically agrees to observe and follow such written procedures as are issued by the Firm pursuant to Rule 3110 of the FINRA Rules of Conduct, and are set forth in the Compliance Manual or are issued by the Firm from time to time. Foreign Associate agrees to abide by the direction of the Firm, including direction via a Registered Principal in Foreign Associate's Office of Supervisory Jurisdiction, as such terms are defined by the FINRA, and as further contemplated by Section 7 of this Agreement.

- To read and understand the Compliance Manual of the Firm, including any amendments to it added in the future and provided to Foreign Associate by the Firm, and to fully comply with applicable Firm policies and procedures as set forth in the Compliance Manual or supplements thereto;

- To establish and maintain all records required to be maintained by Foreign Associate pursuant to Sections 17a-3 and 17a-4 of the Securities Exchange Act or in self-regulatory or state requirements or as otherwise required by law;

- To obtain prior approval from the Firm's Compliance Department on all correspondence, advertising, and communications with the public, including business cards, letterhead and telephone listings;

- To only accept checks for the payment of securities from customers that are made payable to Pershing LLC. No cash payments or checks made payable to the Foreign Associate shall be accepted for the payment of securities;

- To conduct him/herself and his/her affairs in a professional manner consistent with the building of a quality reputation for him/herself and Firm; and

- Foreign Associate agrees that only those securities approved by the Firm and permitted to be sold under the limitation or restrictions of any license issued to Foreign Associate by the FINRA, SEC, NFA, CFTC, MSRB and/or the various state securities regulators (the "Regulators") will be offered for sale to Foreign Associate's customers. Foreign Associate understands that licensing limitations or restrictions are subject to change by Regulators, and agrees to abide by any limitations or restrictions imposed on Foreign Associate's license.

For authorized sales of U.S. securities made by Foreign Associate, through the Firm, for the account of Foreign Associate's customers, Foreign Associate shall receive the compensation 3% - 50% of the gross commission collected by the Firm.

<u>Sales Representative</u>
The Broker-Dealer hereby accepts the Sales Representative as a sales representative of the Broker/Dealer, and does hereby agree to cause the Sales Representative to become registered with the FINRA, so as to permit the Sales Representative to act as an independent contractor through the Broker-Dealer.

For the services rendered by the Sales Representative in accordance with this Agreement, the Sales Representative shall receive the compensation 3% - 50% of the gross commission collected by the Firm.

Item 5 Requirements for Account Opening or Maintenance

The following are requirements of the Firm for any entity or individual wishing to open and/or maintain an account:

- As a member of FINRA, the Firm is required to disclose the availability of BrokerCheck, an online tool that provides information on FINRA registered firms. To access BrokerCheck , go to https.brokercheck.finra.org or call the hotline at 1-800-289-9999. See also www.investor.gov.

- You have reached the majority age of 18 to open an account that Griffinest Asia Securities, LLC required.

- The information that you have provided us is current, accurate, truthful and complete. You agree to notify us promptly in writing of any substantial changes in any such information.

- You understand that you are responsible for selecting the account type that is appropriate for your needs and circumstance.

- Identity Verification for Anti-Money Laundering Purpose : The Firm may ask you to provide various identification documents prior to opening an account. We will provide "Customer Identification Program Notice (C.I.P.), which describes in general the identification process. You acknowledge that you have received, read and sign it.

- We may reject your account application or close your account for any reason, in our sole and absolute discretion.

- You acknowledge that we do not and will not give investment, legal or tax advice or make securities recommendations. You agree that you are a self-directed investor and all orders entered are unsolicited and based on your own investment decisions or the investment decision of your duly authorized representative. You understand that you will not hold Griffinest Asia Securities, LLC or any of its employees liable for those investment decisions.

- You may invest in variety of mutual funds in your account through our Firm. The information and services provided by our Firm are not to be considered an offer to sell or a solicitation of an offer to buy a particular fund. Fund purchases may be subject to investment minimums, and all fund transactions are subject to acceptance by us and/or the fund company. By entering a mutual fund transaction through our Firm, you acknowledge that you have received, read and understand the fund prospectus, which describes the risks associated with the investment.

- Inactive accounts are defined as accounts holding a security position for a calendar year (January 1 - December 31) without generating a.) a trade or b.) a free credit or margin interest of at least $100. Mutual fund systematic reinvestments and exchanges will be considered a trade. Dividend reinvestment activity is not considered a trade. Inactive fees do not apply to Corestone Gold or Platinum, LoanAdvance, Directed Trust Services, Lockwood and Pershing Managed Accounts Solutions, or retirement accounts where Pershing acts as custodian or servicing agent and collects service fees. Accounts exclusively holding “book entry only” fixed income positions, an aggregate FundVest position of $10,000 or more, or a Cash Management Choice– Group 1 sweep balance of $10,000 per month or more are exempt from this fee. The inactive account fees are set forth below:

  Retail Account Fee ------------------------------------ $30 per inactive account, per year
  Mutual Fund Only Accounts ------------------------- $15 per inactive account, per year

- Customer re-billable fees:

Retail Customer Confirmation Charge	$3.00 per confirmation
Paper Surcharge Fee	$0.75 per event
Reorganization Activities – Voluntary	$50.00 per event
Reorganization items - Mandatory	$10.00 per event
Customer Name Safekeeping	$2.00 per account, per position, per month
Foreign Securities Safekeeping	$5.00 per account, per position, per month

Item 6 Material Limitations

The Firm offers you a comprehensive bundle of investment options:

Equity

Through our trading system you can conveniently invest in the following investments: 1) Listed companies in all U.S. exchanges; 2) OTC stocks; 3) Bulletin Board Stocks; and/or 4) Pink Sheet stocks. Our investment platform also allows global trading capacity for well-versed investors.

Fixed Income

The Firm offers a wide variety of fixed income securities for investors seeking steady income and portfolio diversification. The products include: 1) U.S. Treasury bonds, notes, and bills; 2) U.S. Government Sponsored Enterprise (GSE) securities; and/or 3) U.S. Corporate Bonds.

Options

The Firm provides seasoned investors who understand the risk/return characteristics the services of options transactions. Through our options trading system, our clients have access to efficient option execution from all major option markets within the United States.

Mutual Funds

The Firm offers a variety of mutual funds to our customers. We have reviewed from a pool of 9,000 of mutual funds and are able to compile data based on their based on their investment strategies, management, and risk-adjusted return.

Exchange Traded Funds (ETFs)

The Firm offers a selection of exchange traded funds (ETFs) for investors seeking portfolio diversification and ease of investing. ETFs typically track certain indices and have similar risk/return patterns as index funds. However they can be traded intra-day at exchanges, can be sold short for hedging, and usually have lower expense ratios. We provide ETFs that have different market coverage, industry focus, and regional or country concentration.

Asset Management Assistance

Our financial consultants will assist you in asset management. We will help you evaluate your financial needs, determine your return objectives and risk tolerance, advise on investment strategies, suggest allocation among different asset classes, choose appropriate investment vehicles and execute transactions. We will help you manage your portfolio under your authorization.

Retirement Accounts

The decision of participating in a retirement account can significantly affect your financial situation after retirement. The Firm offers a wide variety of retirement accounts that should fit your needs and we stand by to assist you in account transfers and retirement planning.

Item 7 General Basis for Recommendation (Investment Approach, Strategy, Philosophy)

Care and Diligence

When making recommendations to you, each Registered Representative (RR) must exercise reasonable diligence, care, and skill to understand the potential risks, rewards, and costs associated with the recommendation.

The following statements constitute reasonable diligence, care, and skill which will vary depending on, among other things, the complexity of and risks associated with the recommended security or investment strategy and the broker-dealer's familiarity with the recommended security or investment strategy.

RR should generally consider ***important factors*** such as:

- the security's or investment strategy's:
  - investment objectives;
  - characteristics (including any special or unusual features);
  - liquidity;
  - volatility; and
  - likely performance in a variety of market and economic conditions;
- the expected return of the security or investment strategy; and
- any financial incentives to recommend the security or investment strategy.

Together, this inquiry should allow them to develop a sufficient understanding of the security or investment strategy and to be able to reasonably believe that it could be in the best interest of at least some retail customers.

Suitability

Each RR must consider the risks, rewards, and costs in light of the retail customer's investment profile and have a reasonable basis to believe that the recommendation is in that particular customer's best interest and does not place the broker-dealer's interest ahead of the customer's interest.

The retail customer's investment profile is defined to include, but is not limited to the retail customer's

- age;
- other investments;

- financial situation and needs;
- tax status;
- investment objectives;
- investment experience;
- investment time horizon;
- liquidity needs;
- risk tolerance; and
- any other information the retail customer may disclose to the broker in connection with a recommendation.

Non excessive

When recommending a series of transactions, RR must have a reasonable basis to believe that the transactions taken together are not excessive, even if each is in the customer's best interest when viewed in isolation. The requirement applies irrespective of whether the RR exercises actual or *de facto* control over a customer's account.

What would constitute a "series" of recommended transactions would depend on the facts and circumstances, and would need to be evaluated with respect to a particular retail customer.

Consider possible alternatives

RR should consider reasonably available alternatives, if any, offered by the Firm in determining whether he/she have a reasonable basis for making the recommendation.

This exercise would require the RR to conduct a review of such reasonably available alternatives that is reasonable under the circumstances, which will depend on the facts and circumstances at the time of the recommendation.

Item 8 Risks associated with recommendation

Risks Associated with Investment Recommendations

We encourage our customers to visit the SEC's website at www.investor.gov.

To understand the risks of investing, please see the page titled "What is Risk" found here: https://www.investor.gov/introduction-investing/investing-basics/what-risk

On the page linked above, the SEC describes risk as follows (the following content in italics is an excerpt from the SEC's website linked above):

What is Risk?
All investments involve some degree of risk. In finance, risk refers to the degree of uncertainty and/or potential financial loss inherent in an investment decision. In general, as investment risks rise, investors seek higher returns to compensate themselves for taking such risks. Every saving and investment product has different risks and returns. Differences include: how readily investors can get their money when they need it, how fast their money will grow, and how safe their money will be. In this section, we are going to talk about a number of risks investors face. They include business risk. With a stock, you are purchasing a piece of ownership in a company. With a bond, you are loaning money to a company. Returns from both of these investments require that that the company stays in business. If a company goes bankrupt and its assets are liquidated, common stockholders are the last in line to share in the proceeds. If there are assets, the company's bondholders will be paid first, then holders of preferred stock. If you are a common stockholder, you get whatever is left, which may be nothing.

If you are purchasing an annuity make sure you consider the financial strength of the insurance company issuing the annuity. You want to be sure that the company will still be around, and financially sound, during your payout phase.

Volatility Risk
Even when companies aren't in danger of failing, their stock price may fluctuate up or down. Large company stocks as a group, for example, have lost money on average about one out of every three years. Market fluctuations can be unnerving to some investors. A stock's price can be affected by factors inside the company, such as a faulty product, or by events the company has no control over, such as political or market events.

Inflation Risk
Inflation is a general upward movement of prices. Inflation reduces purchasing power, which is

a risk for investors receiving a fixed rate of interest. The principal concern for individuals investing in cash equivalents is that inflation will erode returns.

Interest Rate Risk

Interest rate changes can affect a bond's value. If bonds are held to maturity the investor will receive the face value, plus interest. If sold before maturity, the bond may be worth more or less than the face value. Rising interest rates will make newly issued bonds more appealing to investors because the newer bonds will have a higher rate of interest than older ones. To sell an older bond with a lower interest rate, you might have to sell it at a discount.

Liquidity Risk

This refers to the risk that investors won't find a market for their securities, potentially preventing them from buying or selling when they want. This can be the case with the more complicated investment products. It may also be the case with products that charge a penalty for early withdrawal or liquidation such as a certificate of deposit (CD).

Are there any Guarantees?

- *The Federal Deposit Insurance Corporation (FDIC) – Savings accounts, insured money market accounts, and certificates of deposit (CDs) are generally viewed as safe because they are federally insured by FDIC. This independent agency of the federal government insures your money up to $250,000 per insured bank. It is important to note that the total is per depositor not per account. But there's a tradeoff between security and availability; your money earns a low interest rate. (NOT APPLICABLE TO GRIFFINEST ASIA)*
- *The FDIC insures deposits only. It does not insure securities, mutual funds, or similar types of investments that banks and thrift institutions may offer.*
- *The National Credit Union Administration (NCUA) –The National Credit Union Share Insurance Fund (NCUSIF) is the federal fund created by Congress in 1970 to insure credit union member's deposits in federally insured credit unions. The Dodd -Frank Act permanently established NCUA's standard maximum share insurance amount at $250,000. NCUSIF is backed by the full faith and credit of the U.S. Government. [NOT APPLICABLE TO GRIFFINEST ASIA]*
- *Securities Investors Protection Corporation (SIPC) – Securities you own, including mutual funds that are held for your account by a broker, or a bank's brokerage subsidiary, are not insured against loss in value. The value of your investments can go up or down depending on the demand for them in the market. The Securities Investors Protection Corporation (SIPC), a non-government entity, replaces missing stocks and other securities in customer accounts held by SIPC member firm up to $500,000, including up to $250,000 in cash, if the firm fails. For more information see www.sipc.org."*

(SEE OUR SPECIFIC DISCLOSURES IN THE DOCUMENT THAT FOLLOWS)

Other resources include:

- FINRA investor alerts
    - https://www.finra.org/investors/alerts

- SEC investor alerts
    - https://www.sec.gov/investor/alerts

- Risks of various types of investments
    - https://www.investor.gov/introduction-investing/investing-basics/investment-products/stocks#Risks

In addition to the resources cited above, we ask you to please review the following additional risk statements and resources.

Much of the content below comprises excerpts we have copied from sources we deem reliable, such as the SEC and FINRA. We have also provided links to sites where you can find the full resource and additional information.

We encourage you to review this information, and to contact us if you have any questions.

Public Equity Securities (Stocks)

Stocks offer investors the potential for growth (capital appreciation) over the long haul. Investors willing to stick with stocks over long periods of time, say 15 years, generally have been rewarded with strong, positive returns.

But stock prices move down as well as up. There's no guarantee that the company whose stock you hold will grow and do well, so you can lose money you invest in stocks.

If a company goes bankrupt and its assets are liquidated, common stockholders are the last in line to share in the proceeds. The company's bondholders will be paid first, then holders of preferred stock. If you are a common stockholder, you get whatever is left, which may be nothing.

Even when companies aren't in danger of failing, their stock price may fluctuate up or down. Large company stocks as a group, for example, have lost money on average about one out of every three years. If you have to sell shares on a day when the stock price is below the price you paid for the shares, you will lose money on the sale.

Market fluctuations can be unnerving to some investors. A stock's price can be affected by factors inside the company, such as a faulty product, or by events the company has no control over, such as political or market events.

Stocks usually are one part of an investor's holdings. If you are young and saving for a long-term goal such as retirement, you may want to hold more stocks than bonds. Investors nearing or in retirement may want to hold more bonds than stocks.

The risks of stock holdings can be offset in part by investing in a number of different stocks, a practice called diversification. Investing in other kinds of assets that are not stocks, such as bonds, is another way to offset some of the risks of owning stocks.

Here are some additional resources for your consideration:

Title	Web Address
Stock Up on Information Before Buying Stock	https://www.finra.org/investors/alerts/stock-information-buying-stock
It Pays to Understand Your Brokerage Account Statements and Trade Confirmations	https://www.finra.org/investors/alerts/it-pays-understand-your-brokerage-account-statements-and-trade-confirmations
Customer Advisory Centers—What Investors Need to Know	https://www.finra.org/investors/alerts/customer-advisory-centers-what-investors-need-know
Understanding Order Types Can Save Time and Money	https://www.finra.org/investors/alerts/understanding-order-types-can-save-time-and-money
10 Tips to Keep Track of Your Investments	https://www.finra.org/investors/alerts/10-tips-keep-track-your-investments
When Trading Stops: What You Need to Know About Halts, Suspensions and Other Interruptions	https://www.finra.org/investors/alerts/when-trading-stops-what-you-need-know-about-halts-suspensions-and-other-interruptions

Companies in Bankruptcy Rarely Make Blockbuster Investments	https://www.finra.org/investors/alerts/companies-bankruptcy-rarely-make-blockbuster-investments
Bearing Up in a Bear Market: You Still Need to Open Your Account Statements	https://www.finra.org/investors/alerts/bearing-bear-market-you-still-need-open-your-account-statements
Companies in Bankruptcy Rarely make	https://www.finra.org/investors/alerts/companies-bankruptcy-rarely-make-blockbuster-investments

Bonds

Corporate bonds are bonds issued by companies. Companies issue corporate bonds to raise money for a variety of purposes, such as building a new plant, purchasing equipment, or growing the business.

Corporate bonds are debt obligations of the issuer—the company that issued the bond. With a bond, the company promises to return the face value of the bond, also known as principal, on a specified maturity date. Until that date, the company usually pays you a stated rate of interest, generally semiannually. A corporate bond does not give you an ownership interest in the company—unlike when you purchase the company's stock.

Read more from the SEC at:

https://www.sec.gov/files/ib_corporatebonds.pdf

Municipal bonds are Municipal bonds (or "munis" for short) are debt securities issued by states, cities, counties and other governmental entities to fund day-to-day obligations and to finance capital projects such as building schools, highways or sewer systems. By purchasing municipal bonds, you are in effect lending money to the bond issuer in exchange for a promise of regular interest payments, usually semi-annually, and the return of the original investment, or "principal." A municipal bond's maturity date (the date when the issuer of the bond repays the principal) may be years in the future. Short-term bonds mature in one to three years, while long-term bonds won't mature for more than a decade.

Generally, the interest on municipal bonds is exempt from federal income tax. The interest may also be exempt from state and local taxes if you reside in the state where the bond is issued. Bond investors typically seek a steady stream of income payments and, compared to stock investors, may be more risk-averse and more focused on preserving, rather than increasing, wealth. Given the tax benefits, the interest rate for municipal bonds is usually lower than on taxable fixed-income securities such as corporate bonds.

The two most common types of municipal bonds are the following:

- General obligation bonds are issued by states, cities or counties and not secured by any assets. Instead, general obligation are backed by the “full faith and credit” of the issuer, which has the power to tax residents to pay bondholders.
- Revenue bonds are not backed by government’s taxing power but by revenues from a specific project or source, such as highway tolls or lease fees. Some revenue bonds are “non-recourse”, meaning that if the revenue stream dries up, the bondholders do not have a claim on the underlying revenue source.

In addition, municipal borrowers sometimes issue bonds on behalf of private entities such as non-profit colleges or hospitals. These “conduit” borrowers typically agree to repay the issuer, who pays the interest and principal on the bonds. In cases where the conduit borrower fails to make a payment, the issuer usually is not required to pay the bondholders.

Read more at the following sites:

https://www.investor.gov/introduction-investing/investing-basics/investment-products/bonds-or-fixed-income-products-0

https://www.finra.org/investors/learn-to-invest/types-investments/bonds

Common Risks in Bonds Include:

- **Interest rate risk**
  When interest rates fall, bond prices rise, and when interest rates rise, bond prices fall. Interest rate risk is the risk that changes in interest rates (in the U.S. or other world markets) may reduce (or increase) the market value of a bond you hold. Interest rate risk—also referred to as **market risk**—increases the longer you hold a bond.

- **Call risk**
  a bond issuer often calls a bond when interest rates drop, allowing the issuer to sell new bonds paying lower interest rates—thus saving the issuer money. For this reason, a bond is often called following interest rate declines. The bond's principal is repaid early, but the investor is left unable to find a similar bond with as attractive a yield. This is known as **call risk**.

With a callable bond, you might not receive the bond's original coupon rate for the entire term of the bond, and it might be difficult or impossible to find an equivalent investment paying rates as high as the original rate. This is known as **reinvestment risk**. Additionally, once the call date has been reached, the stream of a callable bond's interest payments is uncertain, and any appreciation in the market value of the bond may not rise above the call price.

- **Duration risk**
  If you own bonds or have money in a bond fund, there is a number you should know. It is called duration. Although stated in years, duration is not simply a measure of time. Instead, duration signals how much the price of your bond investment is likely to fluctuate when there is an up or down movement in interest rates. The higher the duration number, the more sensitive your bond investment will be to changes in interest rates.

- **Refunding risk and sinking funds provisions**
  A sinking fund provision, which often is a feature included in bonds issued by industrial and utility companies, requires a bond issuer to retire a certain number of bonds periodically. This can be accomplished in a variety of ways, including through purchases in the secondary market or forced purchases directly from bondholders at a predetermined price, referred to as **refunding risk**.

  Holders of bonds subject to sinking funds should understand that they risk having their bonds retired prior to maturity, which raises reinvestment risk.

- **Default and Credit risk**
  You are taking a risk that the issuer's promise to repay principal and pay interest on the agreed upon dates and terms will be upheld.

  While U.S. Treasury securities are generally deemed to be free of **default risk**, most bonds face a possibility of default. This means that the bond obligor will either be late paying creditors (including you, as a bondholder), pay a negotiated reduced amount or, in worst-case scenarios, be unable to pay at all.

- **Using Ratings Agencies to Assess Default & Credit Risk**
  The Securities and Exchange Commission (SEC) has designated 10 rating agencies as Nationally Recognized Statistical Rating Organizations (NRSROs).

  These organizations review information about selected issuers, especially financial information, such as the issuer's financial statements, and assign a rating to an issuer's bonds—from AAA (or Aaa) to D (or no rating).

Each NRSRO uses its own ratings definitions and employs its own criteria for rating a given security. It is entirely possible for the same bond to receive a rating that differs, sometimes substantially, from one NRSRO to the next. While it is a good idea to compare a bond's rating across the various NRSROs, not all bonds are rated by every agency, and some bonds are not rated at all. In such cases, you may find it difficult to assess the overall creditworthiness of the issuer of the bond.

- **Slow Down When You See "High Yield"**
  Generally, bonds are lumped into two broad categories—investment grade and non-investment grade. Bonds that are rated BBB, bbb, Baa or higher are generally considered investment grade. Bonds that are rated BB, bb, Ba or lower are non-investment grade. Non-investment grade bonds are also referred to as high-yield or junk bonds. Junk bonds typically offer a higher yield than investment-grade bonds, but the higher yield comes with increased risk—specifically, the risk that the bond's issuer may default.

- **Inflation and Liquidity Risk**
  Inflation risk is the risk that the yield on a bond will not keep pace with purchasing power (in fact, another name for inflation risk is **purchasing power risk**). For instance, if you buy a five-year bond in which you can realize a coupon rate of 5 percent, but the rate of inflation is 8 percent, the purchasing power of your bond interest has declined. All bonds but those that adjust for inflation, such as TIPS, expose you to some degree of inflation risk.

  Liquidity risk is the risk that you will not be easily able to find a buyer for a bond you need to sell. A sign of liquidity, or lack of it, is the general level of trading activity: A bond that is traded frequently in a given trading day is considerably more liquid than one which only shows trading activity a few times a week.

- **Event Risk**
  Mergers, acquisitions, leveraged buyouts and major corporate restructurings are all events that put corporate bonds at risk, thus the name event risk.

Other events can also trigger changes in a company's financial health and prospects, which may trigger a change in a bond's rating. These include a federal investigation of possible wrongdoing, the sudden death of a company's chief executive officer or other key manager, or a product recall. Energy prices, foreign investor demand and world events also are triggers for event risk. Event risk is extremely hard to anticipate and may have a dramatic and negative impact on bondholders.

Here are some additional resources for your consideration:

Title	Web Address

Duration—What an Interest Rate Hike Could Do to Your Bond Portfolio	https://www.finra.org/investors/alerts/duration-what-interest-rate-hike-could-do-your-bond-portfolio
Bond Liquidity—Factors to Consider and Questions to Ask	https://www.finra.org/investors/alerts/bond-liquidity-factors-questions
Catastrophe Bonds and Other Event-Linked Securities	https://www.finra.org/investors/alerts/catastrophe-bonds-and-other-event-linked-securities
Municipal Bonds—Important Considerations for Individual Investors	https://www.finra.org/investors/alerts/municipal-bonds-important-considerations-individual-investors
Structured Notes With Principal Protection: Note the Terms of Your Investment	https://www.finra.org/investors/alerts/structured-notes-principal-protection-note-terms-your-investment

Mutual Funds

A mutual fund is a company that pools money from many investors and invests the money in securities such as stocks, bonds, and short-term debt. The combined holdings of the mutual fund are known as its portfolio. Investors buy shares in mutual funds. Each share represents an investor's part ownership in the fund and the income it generates.

Mutual funds offer professional investment management and potential diversification. They also offer three ways to earn money:

- Dividend Payments. A fund may earn income from dividends on stock or interest on bonds. The fund then pays the shareholders nearly all the income, less expenses.
- Capital Gains Distributions. The price of the securities in a fund may increase. When a fund sells a security that has increased in price, the fund has a capital gain. At the end of the year, the fund distributes these capital gains, minus any capital losses, to investors.
- Increased NAV. If the market value of a fund's portfolio increases, after deducting expenses, then the value of the fund and its shares increases. The higher NAV reflects

the higher value of your investment.

All funds carry some level of risk. With mutual funds, you may lose some or all of the money you invest because the securities held by a fund can go down in value. Dividends or interest payments may also change as market conditions change.

A fund's past performance is not as important as you might think because past performance does not predict future returns. But past performance can tell you how volatile or stable a fund has been over a period of time. The more volatile the fund, the higher the investment risk.

Please read more about mutual funds at:

https://www.investor.gov/introduction-investing/investing-basics/investment-products/mutual-funds-and-exchange-traded-1

Here are some additional resources for your consideration:

Title	Web Address
Closed-End Fund Distributions: Where is the Money Coming From?	https://www.finra.org/investors/alerts/closed-end-fund-distributions-where-money-coming
Alternative Funds Are Not Your Typical Mutual Funds	https://www.finra.org/investors/alerts/alternative-funds-are-not-your-typical-mutual-funds
Treasury's Guarantee Program for Money Market Mutual Funds: What You Should Know	https://www.finra.org/investors/alerts/treasurys-guarantee-program-money-market-mutual-funds-what-you-should-know
Class B Mutual Fund Shares: Do They Make the Grade?	https://www.finra.org/investors/alerts/class-b-mutual-fund-shares-do-they-make-grade

Updated: Understanding Mutual Fund Classes	https://www.finra.org/investors/alerts/understanding-mutual-fund-classes
Net Asset Value Transfers: Look Before You Leap Into Another Mutual Fund	https://www.finra.org/investors/alerts/net-asset-value-transfers-look-you-leap-another-mutual-fund
Principal-Protected Funds—Security Has a Price	https://www.finra.org/investors/alerts/principal-protected-funds-security-has-price
Updated: Mutual Fund Breakpoints: A Break Worth Taking	https://www.finra.org/investors/alerts/mutual-fund-breakpoints-break-worth-taking
Mutual Fund Breakpoints: Are You Owed a Refund?	https://www.finra.org/investors/alerts/mutual-fund-breakpoints-are-you-owed-refund

There are many types of Mutual Funds. Here are descriptions of some of the varieties and links to more information:

1. **Alternative Mutual Funds**
   https://www.investor.gov/introduction-investing/investing-basics/investment-products/mutual-funds-and-exchange-traded-funds
   In addition to the usual market and investment risks associated with traditional mutual funds, alt funds may face additional risks to the extent they use relatively complex investment and trading strategies. Depending on the strategy being used, these potential risks can include use of derivatives and leverage, futures contracts, short selling and swaps.

2. **Leveraged Loan Funds**
   https://www.investor.gov/introduction-investing/investing-basics/investment-products/mutual-funds-and-exchange-traded-0

   Like every investment, leveraged loans involve a trade-off between rewards and risks. They could cause the fund (and you) to lose money. Risks include:

   - **Credit default**: Borrowers of leveraged loans may go out of business or become unable to pay their debts. This risk could be heightened if interest rates rise or the economy declines. While leveraged loans may be secured by collateral, the value of that collateral may not be sufficient to repay the lender if the borrower is unable to pay back the loan.

- **Liquidity**: Leveraged loans may not be as easily purchased or sold as publicly-traded securities. In addition, leveraged loans typically have a long settlement period, meaning it could take the fund a long time to get its money after selling its investment. This could present a challenge for a fund if it concentrates its investments in leveraged loans and needs to sell many investments quickly, which could in turn affect the value of your investment.
- **Fewer protections**: Sometimes leveraged loans are "covenant-lite," meaning they generally have fewer restrictions that protect the lender than traditional loans. This could leave a fund exposed to greater losses if the borrower is unable to pay back the loan.
- **LIBOR**: Many leveraged loans pay interest tied to a reference rate known as LIBOR. LIBOR is expected to be discontinued after 2021. For loans that will continue past 2021, it is unclear what interest rates may be paid. This uncertainty may impact the value and liquidity of these loans.

3. Index Funds

https://www.investor.gov/introduction-investing/investing-basics/investment-products/mutual-funds-and-exchange-traded-4

Like any investment, index funds involve risk. An index fund will be subject to the same general risks as the securities in the index it tracks. The fund may also be subject to certain other risks, such as:

- ***Lack of Flexibility.*** An index fund may have less flexibility than a non-index fund to react to price declines in the securities in the index.
- ***Tracking Error.*** An index fund may not perfectly track its index. For example, a fund may only invest in a sampling of the securities in the market index, in which case the fund's performance may be less likely to match the index.
- ***Underperformance.*** An index fund may underperform its index because of fees and expenses, trading costs, and tracking error.

4. Smart Beta, Quant Funds and other Non-Traditional Index Funds

https://www.investor.gov/introduction-investing/investing-basics/investment-products/mutual-funds-and-exchange-traded-3

Non-traditional index funds have unique characteristics and risks. In some cases, they may be complex and difficult to understand. Take time to make sure a fund is a good fit for you by considering such things as:

- **Correlation to market.** These funds may behave very differently than the market and traditional index funds. Because non-traditional index funds may be less correlated to the market, you may want to consider investing in them together with other types of funds. Depending on their characteristics, the other funds may help smooth out volatility and decrease risk.
- **Returns.** These funds may have some features of active management, including seeking to outperform the market. But, these funds will not necessarily outperform the market or even perform comparably to the market. In addition, these funds may have limited performance histories. It may not be clear how they will perform under different market conditions.
- **Diversification.** These funds can be used to help create a diversified portfolio. But, to ensure a fund adds diversity to your portfolio, you should understand how the index was constructed. In addition, look through the index to the actual holdings of the fund. Different indexes may include the same securities. Or, indexes could give more weight to certain securities than you might expect. Make sure your investments are as diversified as you think they are.
- **Complexity.** These products may be difficult to understand because their methods for attempting to achieve returns may not be straightforward. For example, an index based on quantitative analysis or algorithms may involve complicated mathematical calculations and economic concepts.
- **Cost.** These funds may be less expensive than actively managed funds because managers are not actively picking securities, so they do not need the services of research analysts and others that help pick securities. But, these funds typically have higher expenses than traditional index funds. ***Always be sure you understand the actual cost of any fund before investing.***

5. **Money Market Funds**

https://www.finra.org/investors/alerts/treasurys-guarantee-program-money-market-mutual-funds-what-you-should-know

Money market mutual funds typically pay interest at about the same rate and many offer check-writing privileges. One advantage is that there's usually no limit on the number of checks you can write each month. However, any check you write against the account may have to be for at least the required minimum, such as $500. One drawback is that money market funds, unlike money market accounts, are not FDIC insured, although some offer their own insurance. While fund companies try to keep their money market share price stable at $1 a share, there is the possibility you could lose some of your principal.

Please review descriptions of the types of risks of investing in Money Market Funds below:

- ***Money Market Funds are Technically a Security, and You Can Lose Money***

  The fund managers attempt to keep the share price constant at $1 per share. However, there is no guarantee that the share price will stay at $1 per share. If the share price declines, you can lose some or all of your principal.

- ***Money Market Funds are not FDIC Insured***

  If you keep money in a regular bank deposit account, such as savings or checking, your bank provides FDIC insurance for up to $250,000. Although money market funds are relatively safe, there is still a small amount of risk that could have disastrous consequences if you can't afford any losses. There is no government entity covering potential market losses. In return for that risk, you should (ideally) earn a better return on your cash than you'd earn in an FDIC insured savings account.

- ***Money Market Fund Rates are Variable***

  You cannot know how much you'll earn on your investment as the future unfolds. The rate could go up or down. If it goes up, that may be a good thing. However, if it goes down—and you earn less than you expected—you may end up needing more cash to meet your goals. This risk exists with other securities investments, but it is still worth noting if you're looking for predictable returns on your funds.

- ***You Have Potential Opportunity Costs and Inflation Risk***

  Because money market funds are considered to be safer than other investments like equities, long-term average returns on money market funds may be lower than long-term average returns on riskier investments. Over long periods, inflation can eat away at your returns, and you might be better served with higher-yielding investments if you have the capacity and desire to take the risk.

- ***Locked up Funds***

  In some cases, money market funds can become illiquid, which helps to reduce problems during market turmoil. Funds can impose liquidity fees that require you to pay for cashing out. They may also use redemption gates that require you to wait before receiving proceeds from a money market fund.

ETFs

Exchange-traded funds (ETFs) combine aspects of mutual funds and conventional stocks. Like a mutual fund, an ETF is a pooled investment fund that offers an investor an interest in a professionally managed, diversified portfolio of investments. But unlike mutual funds, ETF shares trade like stocks on stock exchanges and can be bought or sold throughout the trading day at fluctuating prices.

Please review the types of risks inherent in investing in ETFs:

- **Market risk**
  ETFs cannot avoid the fates of the market they track. While ETFs provide numerous advantages that can help investors mitigate risks, nothing will stop them from going down if their underlying assets are falling. Market risks are one of the biggest costs of trading and cannot be mitigated directly. Rather, investors should allocate capital in their portfolio in a way that reduces exposure to any one asset or risk.

- **Trading risk**
  Trading risk refers to the total cost of owning an ETF portfolio. ETFs have been described as tax efficient, transparent and cheaper when compared to other asset classes. However, they still entail costs in the form of commissions, sales charges, market impact costs and direct trading costs, such as the bid-ask spread and management expense ratio.

  ETFs may also suffer from crowded trade risks, given the sheer number of market participants involved in this market. Like other assets, ETFs also carry opportunity costs, creation and redemption fees and taxes on interest income and capital gains. These fees must be factored into overall trading costs so there aren't any surprises down the road.

- **Liquidity risk**
  Since ETFs are at least as liquid as their underlying assets, trading conditions are more accurately reflected in implied liquidity rather than the average daily volume of the ETF itself. Implied liquidity is a measure of what can potentially be traded in ETFs based on its underlying assets.

  This is very different from average daily volume, which provides a historical account of how frequently the ETF is traded. Investors who have in the past relied on average daily volume to gauge liquidity need to reassess their strategy for the ETF market.

- **Composition risk**
  Composition risk refers to the fact that indices, and the ETFs that track them, aren't interchangeable. While two ETFs may track the same index or sector, their performance may not be equal due to different holdings in the underlying basket.

- **Methodology risk**
  ETFs are not all created equal, even those that track the same market or sector. Methodology risks aren't always easy to see, which means investors need to read the fund prospectus to understand the nuances of the investment strategy, including its holdings and weightings.

- **Tracking error risk**
  Tracking risk occurs when an ETF does not mimic or follow the index it is tracking due to a combination of management fees, tax treatment and dividend timing. ETFs that use physical replication exhibit larger tracking errors compared to ETFs that use synthetic replication. Investors need to be aware of this difference when selecting ETFs with physical replication. A synthetic ETF is designed to replicate the return of a selected index via financial engineering.

- **Counterparty risk**
  In general, counterparty risk comes into play when dealing with securities lending and synthetic replication. In the case of securities lending, counterparty risk is seen when holdings are lent to another investor for a short period. This risk can be minimized by establishing collateral requirements. In the case of synthetic replication ETFs that track indices via swaps, risks can be mitigated by collateralizing the fund's swap exposure. This leads to higher risk, but investors are compensated for this by being offered lower tracking error and lower fees compared to their physically backed peers.

- **Tax risk**
  ETFs are widely considered to be tax efficient, but this doesn't apply to all of them. It's important for investors to read up on a fund's tax treatment, especially if it's exposed to commodity and currency markets. These funds are usually taxed differently than others. ETFs typically do in-kind transactions to avoid paying capital gains distributions. However, actively managed ETFs may not do all their selling in-kind, leaving investors exposed to capital gains taxes. This also applies to international ETFs, funds that use derivatives, commodity ETFs and currency ETFs.

- **Closure risk**
  On average, about 100 ETFs close each year. When this occurs, managers liquidate the fund and pay out their shareholders. Managers incur capital gains, transaction expenses and in some cases legal expenses, which ultimately trickle down to the investor. Closure risk is part and parcel of being an active market participant. Investors should sell an ETF as soon as the issuer announces it will close.

- **Hype risk**
  Hype risk often feeds into herd mentality, where investors chase the next big thing

because fellow market participants are doing the same. ETFs are all the rage these days, which means many funds are propping into existence. Buzz is bound to happen. While exuberance is to be expected in a bull market, investors should be wary of chasing the so-called "next big thing." This means sticking true to your investment strategy and studying each ETF's methodology and documentation.

Here are some additional resources for your consideration:

Title	Web Address
Exchange-Traded Notes—Avoid Unpleasant Surprises	https://www.finra.org/investors/alerts/exchange-traded-notes-avoid-unpleasant-surprises
Leveraged and Inverse ETFs: Specialized Products with Extra Risks for Buy-and-Hold Investors	https://www.finra.org/investors/alerts/leveraged-and-inverse-etfs-specialized-products-extra-risks-buy-and-hold-investors
Leveraged and Inverse ETFs: Specialized Products with Extra Risks for Buy-and-Hold Investors	https://www.finra.org/investors/alerts/leveraged-and-inverse-etfs-specialized-products-extra-risks-buy-and-hold-investors

Options

Options are contracts that give the purchaser the right, but not the obligation, to buy or sell a security, such as a stock or exchange-traded fund, at a fixed price within a specific period of time.

Options can help you manage risk. But buying and selling options also involves risk, and it is possible to lose money. It pays to learn about different types of options, trading strategies and the risks involved.

If you invest in options, you will receive a separate Options Disclosure Document. We encourage you to read it carefully.

We also encourage you to review FINRA's Options resources found here: https://www.finra.org/investors/learn-to-invest/types-investments/options

Here are general descriptions of the risks inherent in options investing:

1. **Risks of option holders**
   - An option holder runs the risk of losing the entire amount paid for the option in a relatively short period of time.
   - The more an option is out of the money and the shorter the remaining time to expiration, the greater the risk that an option holder will lose all or part of his investment in the option.
   - Prior to the period when a European-style option or a capped option is exercisable, the only means through which the holder can realize value from the option (unless the capped option is automatically exercised) is to sell it at its then market price in an available secondary market.
   - The exercise provisions of an option may create certain risks for the option holders
   - The courts, the SEC, another regulatory agency, OCC or the options markets may impose exercise restrictions.

2. **Risks of option writers**
   - An option writer may be assigned to an exercise at any time during the period the option is exercisable.
   - The writer of a covered call forgoes the opportunity to benefit from an increase in the value of the underlying interest above the option price, but continues to bear the risk of a decline in the value of the underlying interest.
   - The Writer of an uncovered call is in an extremely risky position and may incur large losses if the value of the underlying interest increases above the exercise price.
   - As with writing uncovered calls, the risk of writing put options is substantial. The writer of a put option bears a risk of loss if the value of the underlying interest declines below the exercise price, and such loss could be substantial if the decline is significant.
   - The risk of being an option writer may be reduced by the purchase of other options on the same underlying interest-and thereby assuming a spread position- or by acquiring other types of hedging positions in the options markets or other markets. However, even where the writer has assumed a spread or other hedging position, the risks may still be significant.
   - The obligation of a writer of an uncovered call or of a put that is not cash-secured to meet applicable margin requirements creates additional risks.
   - Since the leverage inherent in an option can cause the impact of price changes in the underlying interest to be magnified in the price of the option, a writer of an option that is uncovered and unhedged may have a significantly greater risk than a short seller of the underlying interest.
   - The fact that an option writer may not receive immediate notification of an assignment creates special risk for uncovered writers of physical delivery call stock options that are exercisable when the underlying security is the subject of a tender

offer, exchange offer or similar event.

- An option writer will be assigned an exercised that is made based on news that is published after the established exercise cut-off time and that the writer may not have an effective remedy to compensate for the violation of the options market's rules.
- If a trading market in an option should become unavailable, or if the writers of the option are otherwise unable to engage in closing transactions, the writers of that option would remain obligated until expiration or assignment.
- A sudden development may cause a sharp upward or downward spike in the value of interest underlying a capped option. Such a spike could cause the capped option to be automatically exercised.

Here are some additional resources for your consideration:

Title	Web Address
Options A-Z: The Basics to the Greeks	https://www.finra.org/investors/insights/options-z-basics-greeks
The Characteristics and Risks of Standardized Options	https://www.theocc.com/about/publications/character-risks.jsp
Leveraged and Inverse ETFs: Specialized Products with Extra Risks for Buy-and-Hold Investors	https://www.finra.org/investors/alerts/leveraged-and-inverse-etfs-specialized-products-extra-risks-buy-and-hold-investors

Margin

Margin accounts can be very risky and they are not suitable for everyone. Before opening a margin account, you should fully understand that:

- You can lose more money than you have invested;
- You may have to deposit additional cash or securities in your account on short notice to cover market losses;
- You may be forced to sell some or all of your securities when falling stock prices reduce the value of your securities; and
- Your brokerage firm may sell some or all of your securities without consulting you to pay

off the loan it made to you.
- You can protect yourself by knowing how a margin account works and what happens if the price of the stock purchased on margin declines. Know that your firm charges you interest for borrowing money and how that will affect the total return on your investments. Be sure to ask your broker whether it makes sense for you to trade on margin in light of your financial resources, investment objectives, and tolerance for risk.

There is additional information in this article published on the SEC website at: https://www.sec.gov/reportspubs/investor-publications/investorpubsmarginhtm.html

You will also receive a Margin Agreement when we recommend a margin account for you. Please read it carefully.

Here is additional information for your consideration when trading on margin:

Title	**Web Address**
Investing with Borrowed Funds: No "Margin" for Error	https://www.finra.org/investors/alerts/investing-borrowed-funds-no-margin-error
Stock-Based Loan Programs: What Investors Need to Know	https://www.finra.org/investors/alerts/stock-based-loan-programs-what-investors-need-know

If you have any questions regarding a product or service we did not address in this Sales Disclosure, our Regulation Best Interest Relationship Guide, please contact us at:

(626) 792-1388.

Item 9 Conflicts of Interest

General Conflict Related to Outside Business Activity

Upon receipt of a notification of a proposed outside business activity by a registered person, the Firm will issue a written notification of approval or denial of the requested activity and place all records of correspondence in an employee/registered person file and/or separate file for the purpose of tracking outside business activities of the Firm.
The Firm shall consider whether the proposed activity will:

- interfere with or otherwise compromise the registered person's responsibilities to the member and/or the member's customers or
- be viewed by customers or the public as part of the member's business based upon, among other factors, the nature of the proposed activity and the manner in which it will be offered.

Based on the Firm's review of such factors, the Firm must evaluate the advisability of imposing specific conditions or limitations on the registered person's proposed outside business activity, including where circumstances warrant, prohibiting the activity. The Firm must also evaluate the proposed activity to determine whether the activity properly is characterized as an outside business activity or whether it should be treated as an outside securities activity subject to the requirements of Rule 3280.

Supervision and Compliance Conflict

Conflicts exist as a result of the manner in which the firm is paid.

The firm’s procedures are reasonably designed to detect and prevent violations of securities rules and to address conflicts of interest. The firm’s procedures are designed to prevent the supervisory system required pursuant to Rule 3110(a) from being compromised due to the conflicts of interest that may be present with respect to the associated person being supervised, including the position of such person, the revenue such person generates for the firm, or any compensation that the associated person conducting the supervision may derive from the associated person being supervised.

Research-Related Conflict

The Firm will disclose in “research reports“ and a research analyst will disclose in “public appearances” the following:

- If the research analyst or a member of the research analyst's household has a financial interest in the securities of the subject company, and the nature of the financial interest (including, without limitation, whether it consists of any option, right, warrant, future, long or short position);

- If, as of the end of the month immediately preceding the date of publication of the research report or the public appearance (or the end of the second most recent month if the publication date is less than 10 calendar days after the end of the most recent month), the firm or its affiliates beneficially own 1% or more of any class of common equity securities of the subject company. Computation of beneficial ownership of securities must be based upon the same standards used to compute ownership for purposes of the reporting requirements under Section 13(d) of the Securities Exchange Act of 1934; and
- Any other actual, material conflict of interest of the research analyst or member of which the research analyst knows or has reason to know at the time of publication of the research report or at the time of the public appearance.

Mark-up and Mark-down

The Firm will provide additional transaction-related information to retail customers for certain trades in equity, corporate, agency and municipal debt securities (other than municipal fund securities) on transaction confirmations and in statements provided by the clearing firm. This information includes the mark-up or mark-down for principal trades with retail customers that a firm offsets on the same day with other principal trades in the same security. Disclosed mark-ups and mark-downs must be expressed as both a total dollar amount for the transaction and a percentage of prevailing market price (PMP).

Investment Discretion

The Firm also will have discretion over the selection and amount of securities to be bought or sold without obtaining specific client consent. Because the Firm engages in a broker-dealer business and manages more than one account, there may be conflicts of interest over the Firm's time devoted to managing any one account and the allocation of investment opportunities among all accounts being managed. The Firm will attempt to resolve all such conflicts in a manner that is generally fair to all of its clients. Advice may be given and action taken with respect to any of its clients that may differ from advice given or the timing or nature of action taken with respect to any particular client so long as it is the Firm's policy, to the extent practicable, to allocate investment opportunities over a period of time on a fair and equitable basis relative to other clients.

Sweep Money Market Funds

Pershing is the custodian of your account. Pershing automatically moves (sweeps) the cash in your account into money market funds and/or FDIC insured bank deposit accounts. You and your financial professional select the money market fund or bank deposit account. Pershing retains some of the interest paid on the bank deposit account or shareholder servicing fees paid on the money market fund and pays a portion of that to WIS. These payments to the Firm are called "distribution assistance" and they vary based on the bank deposit account or money market fund you select. The Firm does not determine the interest rates paid on bank deposit accounts or shareholder servicing fees paid on money market funds, or the amount or percentage of distribution payments that it will receive. When interest rates are low, or in the event of a regulatory change, Pershing reserves the right to reduce or discontinue its distribution assistance payments to the Firm.

Our receipt of distribution assistance payments creates a conflict of interest because we have an incentive to recommend or make available money market funds and FDIC insured bank deposit accounts with higher distribution assistance payments over those with lower payments. We do not share distribution assistance payments with our financial professionals.

Coverage Summary (SIPC)

Please review the following disclosures regarding insurance coverage relevant to your investments.

The Firm is a member of the Securities Investor Protection Corporation (SIPC). SIPC provides coverage, as set forth above, in the unlikely event that we fail financially. Money market fund shares are not considered cash for this purpose; they are securities. An explanatory brochure is available upon request at www.sipc.org SIPC asset protection limits apply, in the aggregate, to all securities accounts that you hold with us in a particular capacity. SIPC coverage does not insure against the loss of your investment. SIPC coverage does not ensure the quality of investments, protect against a decline or fluctuations in the value of your investment, or cover securities not held by us. Account protection applies when an SIPC-member firm fails financially and is unable to meet obligations to securities clients, but it does not protect against market fluctuations.

SIPC coverage is not the same as FDIC deposit insurance and operates differently. FDIC is an independent agency of the U.S. government that insures bank-held assets as set forth above.

Unless explicitly stated, products sold by the Firm are not considered bank deposits and are not covered by FDIC insurance. Further information on FDIC insurance can be obtained from your financial professional, who will provide you with the FDIC brochure, "Your Insured Deposits, FDIC's Guide to Deposit Insurance Coverage," upon request. You can obtain information directly from the FDIC, Division of Supervision and Consumer Protection, by writing to Deposit Insurance Outreach, 550 17th Street N.W., Washington, DC 20429, or telephoning 877-275-3342 or 800-925-4618 (TDD).

Or, you may visit the FDIC website at www.fdic.gov or e-mail them at dcainternet@fdic.gov. You may also wish to consult with your attorney concerning FDIC coverage of deposits, particularly when held in more than one capacity.

The Firm's coverage under SIPC includes:

- Covered Investments: Registered securities and cash.
- Available Coverage: Generally protects SEC-registered securities to maximum of $500,000, including $250,000 coverage for claims for cash.
- Excess SIPC coverage offered by our clearing firm, Pershing LLC through underwriters at Lloyd's and other commercial insurers.

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