ABOUT YOUR RELATIONSHIP WITH SA STONE WEALTH MANAGEMENT

INTRODUCTION

As a broker-dealer regulated by the U.S. Securities and Exchange Commission, we, SA Stone Wealth Management Inc., and the financial professionals who act as our agents, are obligated to act in the best interest of our Retail Customers whenever we recommend to them any securities transaction or investment strategy involving securities. Retail Customers are natural persons who use our recommendations primarily for personal, family or household purposes. Non-professional legal representatives, such as non-professional trustees and guardians, are also considered our Retail Customers.

Our duty to act in our Retail Customer's best interest includes a duty to provide full and fair disclosure of all material facts relating to the scope and terms of our relationship as well as all material facts relating to our conflicts of interests associated with a recommendation. Our financial professionals may be required to disclose additional information specific to them, such as material limitations on the securities or investment strategies involving securities they recommend and any conflicts of interest that are unique to them.

You have been or are being provided with a document titled "Customer Relationship Summary." That document provides a high-level summary of certain information about us and our affiliated investment advisor, SA Stone Investment Advisors Inc. This document expounds on the information contained in our Customer Relationship Summary and provides more detail about doing business with us. At the same time, this document is subject to any agreements between us, such as our Client Account, Terms, Conditions and Disclosures.

AFFILIATED COMPANIES

Our parent company, INTL FCStone Inc. (NASDAQ: INTL) owns several companies in addition to us, including some with which we have relationships that are material to our relationship with you:

SA Stone Investment Advisors Inc., or *SASIA*, is an investment advisor registered with the SEC. The members of our Board of Directors and our Executive Officers also make up the Board of Directors and Executive Officers of SASIA. Many, but not all, of the financial professionals who act as our agents also act as agents of SASIA. We have agreed with SASIA on the amount we will charge to its customers for providing brokerage execution services to their advisory accounts.

INTL FCStone Financial Inc., or *IFCF*, is registered as a broker-dealer with the SEC. We do not ourselves hold custody of customer funds and securities. Nor do we directly extend credit to our customers for the purpose of purchasing or short-selling securities, known as margin credit. Rather, we have relationships with other broker-dealers, known as clearing firms, including IFCF, who provide those services on our behalf. Because our financial arrangements with clearing firms vary, the costs you incur and the compensation we receive varies depending on the clearing firm where your account is maintained.

Because we are owned by the same parent company, we have an incentive to recommend that you utilize the services of our affiliated investment advisor and broker-dealer.

OUR RELATIONSHIP WITH YOU

OUR CAPACITY

We are registered with the U.S. Securities and Exchange Commission, or SEC, as a securities broker-dealer. We are not registered with the SEC in any other capacity, so the services we provide to you are limited to brokerage services. This is a material limitation on our ability to provide services to you. Our brokerage services primarily consist of buying and selling securities for your account at your direction. When your financial professional acts as our representative, he or she may offer you advice or make recommendations regarding buying, selling or holding

specific securities. Your financial professional may also offer you advice as to a specific type of securities account to open, such as rolling your 401k account into an Individual Retirement Account, or IRA.

OUR FINANCIAL PROFESSIONALS

Our financial professionals are predominantly independent contractors, though some are employees. Although we supervise and facilitate their provision of brokerage services, our financial professionals exercise autonomy in their investment approach, philosophy and strategies and, determine what investment products they want to sell. Many of our independent financial professionals maintain their own offices and equipment, typically market their services under a name different than ours, and many engage in outside business activities unrelated to securities. We typically pay our financial professionals most of the compensation we receive for effecting securities transactions for you. In some cases, the percentage is tiered and is increased on revenues generated above specified thresholds. In these cases, the financial professional has an incentive to meet the higher production levels.

Many of our financial professionals are also associated with our affiliated investment advisor, SA Stone Investment Advisors Inc., or SASIA, and are, therefore, capable of providing either investment advisory or brokerage services. Your financial professional should tell you the capacity in which he or she is acting at the time any recommendation is made to you, and you can always ask to be certain. If our financial professionals recommend that you enter into an Investment Advisory Relationship Agreement, a Consulting Agreement or Financial Planning Agreement, then all recommendations they make relating to that agreement are made in their capacity as investment advisory agents. You will receive SASIA's Disclosure Brochure (on SEC Form ADV Part 2A) as well as your financial professional's Disclosure Brochure Supplement (on SEC Form ADV Part 2B) at or prior to the time you establish an advisory relationship with SASIA. The account numbers of any securities account subject to an Investment Advisory Relationship Agreement will be written on the Enrollment Form. We pay our financial representatives a higher percentage of compensation received from investment advisory business than we do for brokerage business. Accordingly, your financial professional has an incentive to recommend investment advisory services to you. In some cases, our financial professionals are associated with an investment advisor that is not affiliated with us. When your financial professional has acted as an investment advisory representative of an unaffiliated investment advisory firm, he or she should provide you with that firm's applicable customer agreement and Disclosure Brochure (on SEC Form ADV Part 2A) and your financial professional's Disclosure Brochure Supplement (on SEC Form ADV Part 2B) at or prior to the time you establish the advisory relationship with the firm. The SEC maintains a website where you can view and download any registered investment advisor's Form ADV Part 2B at www.advisorinfo.sec.gov.

Investment advisors and their representatives are typically paid a percentage of the assets they manage for you, regardless of whether there is any transactional activity in your account and regardless of whether your assets increase or decrease in value. The continual income stream available from investment advisory services is an incentive for your financial professional to recommend investment advisory services to you.

Financial professionals who are not also associated with an investment advisor are materially limited in their ability to provide services to you.

We may from time to time make a loan to a new or existing financial professional for recruitment or retention purposes, or to assist a financial professional grow his or her practice, or other reasons. We do not verify use of funds. Loans may be repayable or forgivable and may be at favorable interest rates compared to other lenders. Forgivable loans are often forgiven at a rate based on a percentage of the financial professional's production or (a percentage of production above a specified level). Amounts not forgiven prior to the maturity date become due and payable on the maturity date and bear interest retroactively to the issuance date. This creates an incentive for the financial professional to assure that his or her production levels are high enough such that the loan is forgiven entirely as of the maturity date. When we provide a financial professional with a loan in a recruiting context, the

financial professional has an incentive to recommend that a customer open and maintain an account with us and to recommend switching from investment products or services not available through us to those that are. We have a financial interest in the ability of our financial professionals to satisfy their obligations under the loans extended to them. This creates a conflict of interest that may adversely affect our ability to objectively supervise these financial professionals.

We charge our financial professionals various fees under our independent contractor agreements for items such as trade execution, insurance, outside business activity supervision, technology and licensing. Financial professionals have an incentive to minimize these fees or increase charges to you to offset higher fees we charge to them.

Our financial professionals are permitted to engage in outside business activities not related to the securities industry through entities not affiliated with us, such as real estate, insurance, tax preparation, accountancy or legal services. In these instances, the financial professional is subject to the policies, procedures and compensation structure of the entity providing the service and would have conflicts of interest different from those discussed in this document. Information about your financial professional's outside business activities is available on FINRA's website at https://brokercheck.finra.org. You may wish to discuss with him or her any questions you have about the compensation he or she receives and conflicts of interest he or she faces in the provision of those outside business activities.

OUR PRIMARY SERVICES

Effecting Securities Transactions. As a broker-dealer, our primary service is to buy or sell securities for you at your direction. Often, this is done through a brokerage account opened in your name. When you buy or sell a security that trades on an exchange or other secondary market, like a stock, option, or exchange traded fund, we most often act as your agent to effect the securities transaction and charge you a commission. When you buy or sell a fixed income security, like corporate bonds and notes, U.S. Treasury Securities or municipal bonds and notes, we most often act in a riskless-principal capacity, meaning we buy the security into our inventory from the seller and then sell it at a higher price.

We often act as a dealer in new issues of closed-end funds, unit investment trusts and structured notes and/or certificates of deposit. When we do, we buy the security from the underwriter at a discount from the public offering price and then resell it at the public offering price. We generally do not buy the security from the issuer without having pre-arranged to resell the security to a customer.

We do not act as an underwriter and our relationships with the investment banks that do are limited. Accordingly, we are not likely to be able to directly participate in the distribution of highly-anticipated initial public offerings. Rather, we would buy or sell such securities in the secondary market at prevailing prices, which might be substantially more than the public offering price.

In some cases, your securities will not be held in your brokerage account but, rather, will be held directly on the books and records of the issuer or its transfer agent. This type arrangement is frequently done when you invest in Variable Annuities, Real Estate Investment Trusts which are not traded in an established market (also called non-traded REITS), and mutual funds (although mutual funds are also frequently purchased and redeemed through a brokerage account). When you purchase these investment products, whether directly or in your brokerage account, we generally receive an up-front commission. We and your financial professional have an incentive to recommend the products that pay us the most. We also frequently receive "trailing commissions" for as long as you maintain your investment in the product. We are not ordinarily compensated when you redeem your investment; however, you may incur costs if you redeem your investments before satisfying any required holding period. The compensation and expense structures vary widely for these products. Detailed information can be found in the prospectus for the investment product. Your financial professional can provide with a copy. Prospectuses are frequently available on the investment product sponsor's website, and can be found on the SEC's EDGAR database at www.sec.gov/edgar and can be downloaded for free.

With limited exception, when we effect a securities transaction for you, we are required to deliver a trade confirmation to you on or before the settlement date of the transaction. As the name implies, a trade confirmation confirms the materials aspects of the trade, including the date and time of the transaction and the capacity in which we acted. If we act in an agency capacity, the amount of the commission will be disclosed. If we act as principal on a bond transaction, our markup will be disclosed both as a percentage of the prevailing market price as well as in absolute dollars. If you are purchasing a security in connection with a public offering (including the purchase of mutual fund shares), the sales charge may not be reflected on the trade confirmation because it is reflected in the offering documents.

We do not maintain our own equity trading desk. Rather, we rely on the clearing firm that carries your account to route orders to market centers (exchanges, alternative trading systems, market makers, and other dealers) to effect your transaction. These market centers may provide economic incentives to encourage broker-dealers to route orders to them. This is known as payment for order flow. As discussed above, one of our clearing firms is an affiliated company. When you open a brokerage account with us carried by an affiliated clearing firm, our affiliate may receive payment for order flow. Trade confirmations will reflect whether payment for order flow was received. Our affiliated clearing firm also acts as a market maker for several equity securities. Generally, our affiliated clearing firm will not execute an order for your account in its capacity as market maker unless it has attempted to effect the transaction in other available market centers and has been unable to timely effect the trade. Trade confirmations will reflect when the clearing firm acted as a market maker.

Recommendations/Investment Approach. In our capacity as a broker-dealer, neither we nor our financial professionals are obligated to provide you with any advice regarding securities or investment strategies. If we do, we are obligated to act in your best interest.

Your financial professional may recommend that you buy or sell a specific security, or that you engage in an investment strategy. Any such advice is solely incidental to the provision of brokerage services to you. Neither we, nor your financial professional, receives compensation specifically for providing you with recommendations. Rather, we and your financial professional receive compensation when you buy or sale securities through us. Accordingly, we have an incentive to encourage you to engage in trading, and, with we have an incentive to recommend that you purchase those investment products for which we receive the most compensation.

Prior to making a recommendation, your financial professional will seek to gain an understanding of your financial situation (income source and amount, other investment accounts, etc.) and prior investment experience. He/she will also seek to understand your investment objectives, tolerance for risk, and time horizon for your investment account(s) with us. By gathering this information, your financial professional can gain an understanding of the types of investment products that are appropriate for your investment account with us. We provide a variety of resources to your financial professional to assist him or her develop investment recommendations. These include research from independent third-parties, internal economic and financial commentary, training on investment products, and tools to assist in evaluating the costs, risks, rewards and other characteristics of investment options.

If a recommendation is made, we have no obligation to provide any further recommendation to you. We do not offer monitoring services whereby we monitor your account, specific securities, or the performance of any previously recommended investment strategy.

BROKERAGE ACCOUNTS: FUNCTIONS, FEES AND CHARGES

Account Application. When you open a brokerage account with us, you will be asked to complete an account application. This application requests information about you upon which your financial professional may base recommendations with respect to your account. Some information, such as your name, date of birth, social security number, and physical address is required to open an account. You are not required to provide all requested information, but your financial professional cannot make recommendations to you unless you provide sufficient information about your other investments, financial situation and needs, tax status, investment

objectives, investment experience, investment time horizon, liquidity needs, and risk tolerance such that your financial professional has a reasonable basis upon which to base recommendations to you.

Terms, Conditions and Disclosures. During the account opening process, you will be provided with our Introduced Customer Account Terms, Conditions and Disclosures. This document contains the terms and conditions governing your brokerage account and other important information, including: material risks associated with trading on margin; our credit terms and policies; provides important information about that govern our account agreement, disclosures regarding the handling and protection of cash awaiting investment in your account; the functions our clearing firm performs on our behalf; order flow and routing information; material risks associated with trading outside of regular trading hours; our Privacy Policy; information about the amount and types of compensation we may receive when providing services to an account subject to the Employee Retirement Act of 1976; information about how to file a complaint with the Municipal Securities Rulemaking Board; and information about our clearing firm's authorization to act as a custodian for retirement accounts.

Schedule of Fees. You will also receive a copy of our Schedule of Fees, which sets out fees associated with the maintenance, administration and termination of your account including, but not limited to, wire transfer and ACH fees, returned check fees, stop payment fees, account maintenance fees, paper delivery fees, inactive account fees, and termination fees.

Electronic Access. As part of the account application process, you can elect to receive electronic access to view your brokerage account and receive copies of important documents such as account statements and trade confirmations electronically. In order to receive electronic access, you will be required to agree to an end user license agreement.

Check Writing, Debit and Credit Cards. Through an arrangement with another financial institution, we offer check writing and debit card access to funds in your brokerage account. You may also apply for a credit card that will automatically deduct either your minimum or full balance due, as selected by you, from your brokerage account. Check writing on retirement accounts is limited to persons who are not subject to penalty for early withdrawals. Checks are available without charge. Debit cards are subject to limitations: Maximum Single Cash Withdrawal at an ATM - $1,000; Maximum Daily ATM Cash Withdrawals: $1,000; Maximum Single Purchase: $10,000; Maximum Outstanding Purchases: $22,500. ATM withdrawals are subject to charges of participating providers. Credit card limits are set by the issuing financial institution. Cards may not be available to non-U.S. residents or citizens.

Margin. If your account is approved for margin, we will allow you to borrow funds using the securities in your account as collateral. When you buy securities on margin, you deposit a portion of the purchase price, and we extend you credit for the remainder. This results in a debit balance in your account, which will be reflected on your account statement. We charge interest on your debit balance. Accordingly, we have an incentive to recommend that you borrow on margin. Trading on margin is very risky. Material risks of utilizing margin are included on the Margin Disclosure Statement included in the Introduced Customer Account Terms, Conditions & Disclosures document. Information about margin interest rates is included in the Credit Terms & Policies included in the Introduced Customer Account Terms, Conditions & Disclosures document and in our Schedule of Fees.

Securities-backed Lending. We are also able to facilitate securities-backed lending for our customers. Securities backed-lending refers to pledging your brokerage account as collateral for a loan from a financial institution. The loan cannot be used for the purpose of buying securities. By using your brokerage account as collateral, you are able to receive an interest rate that is lower than may otherwise be available for an unsecured loan. We have arrangements with our clearing firms, including our affiliate, whereby they may determine to provide a securities-backed loan to you. We also have arrangements with third-party lenders who may provide a securities-backed loan. If you obtain a securities-backed loan from these sources, we will receive a portion of the interest payments you make. Accordingly, we have a conflict of interest in referring you to these sources. It is not necessary that you

utilize a lender with which we have a revenue sharing arrangement. There are fees associated with pledging your brokerage account as collateral. These fees are set out on our Schedule of Fees.

Fully-paid Securities Lending. Our clearing firms make money by lending securities to other financial institutions that need them, often for the purpose of settling a short sale. Some securities are in such demand that they are known as "hard-to-borrow." One way to increase the return on your account is to loan securities you own, particularly hard-to-borrow securities, to our clearing firms for their use. This is known as "fully-paid securities lending." If you do, you will be paid a portion of the revenue received for the use of your shares. We will also receive a portion of that revenue. Accordingly, we have an incentive to encourage you to participate in the fully-paid securities lending programs. There are risks associated with fully-paid securities lending. They are set out in disclosure documents and the fully-paid securities lending agreement you will receive prior to your participation in the program.

Cash Sweep. The Introduced Customer Account Terms, Conditions and Disclosures contains the general terms and conditions of a program for sweeping cash awaiting in investment in your account into FDIC Insured Bank Deposits or certain Money Market Mutual Funds ("Sweep Program"). By participating in the Sweep Program, you will earn a return on the available cash in your account. The banks and funds available in the Sweep Program are limited by our clearing firms' arrangements. Limiting factors include the level of revenue sharing available from the bank or fund as well as other matters of contractual negotiation. We and our clearing firms receive revenue derived from your participation in the Sweep Program. Accordingly, we have an incentive to recommend you participate in the Sweep Program, and we have an incentive to limit your sweep options to those that pay us the highest rate. You do not have to participate in the Sweep Program, but by signing our account terms and conditions you agree to do so and direct that your available cash balances are swept into FDIC-insured bank accounts. You can select another available option in the Sweep Program by informing us in writing that you desire to utilize the alternative option. You may also notify us in writing that you elect not to participate in the Sweep Program; however, you will not earn a return on cash held in your account outside of the Sweep Program. The Sweep Program is designed to provide a relatively safe way for you to receive earnings on cash prior to withdrawing it or reinvesting it. It is not intended to be a long-term investment. If you intend to maintain a significant amount of cash or cash-like investments in your account for any significant period of time, you should compare the rates of return available on options in the Sweep Program with those available from money market mutual funds outside of the Sweep Program. These investments generally provide a higher return and are highly liquid.

Wire & ACH Transfers. We can generally facilitate wire and ACH transfers from your brokerage account to an account in your name at another financial institution. Requests for transfers to third parties are subject to review on a case-by-case basis. We reserve the right to refuse to process any wire or ACH transfer request.

Multiple Clearing Firms. We do not maintain custody of customer funds or securities; rather, our accounts are maintained at other broker-dealers who do. These firms are known as "clearing" firms. Our Introduced Customer Account Terms, Conditions & Disclosures contains a discussion of the functions of clearing firms and how we and they share the responsibilities associated with maintaining and servicing your account. We maintain customer accounts at multiple clearing firms. One of those firms, INTL FCStone Financial Inc., is owned by our parent company INTL FCStone Inc. (NASDAQ: INTL). Your financial representative may make a recommendation as to which clearing firm you should chose for your account and faces certain conflicts of interest in making that recommendation. First, our default commission schedule is not uniform across our clearing firms. Your financial advisor has an incentive to recommend the clearing firm where the commission schedule will permit him or her to charge you the highest levels of trading charges. Second, as discussed above under the heading "Our Financial Professionals," we charge our financial professionals certain fees. Those fees are not uniform across our clearing firms. Your financial professional has an incentive to recommend to you the clearing firm where he or she expects to minimize charges assessed by us or to charge you more in order to offset increased charges. Third, it is administratively easier for a financial professional to have all client accounts carried at a single clearing firm.

Accordingly, your financial professional has an incentive to recommend that your account be carried at the clearing firm where his or her other client accounts are carried. Fourth, the trading, account management, and other systems offered by clearing firms vary. Your financial professional may prefer the systems offered by one clearing firm over those of another and has an incentive to recommend that you open your account at that clearing firm. You should discuss with your financial advisor the pros and cons of carrying your account at each clearing firm, including whether he or she expects there would be a significant cost savings to you if your account were carried at a different clearing firm. You should also review and compare the Schedule of Fees for accounts carried at each clearing firm. A portion of these fees is shared with the clearing firm.

ARRANGEMENTS WITH BANKS AND CREDIT UNIONS

Some of our financial professionals offer brokerage services on the premises of an unaffiliated financial institution, such as bank or credit union. We typically share compensation produced by the representative with the financial institution. In some cases, our financial professional is an employee of the unaffiliated financial institution and receives a salary from the bank and may receive a bonus based on criteria set by the unaffiliated financial institution, which may include overall production levels. Where the financial professional is not an employee of the unaffiliated financial institution, we will share a percentage of the compensation generated by the financial professional as we do with our other financial professionals, though the percentage is reduced due to sharing with the financial institution. In these relationships, the financial institutions may restrict the types of investment products and services our financial professionals can offer.

RISKS ASSOCIATED WITH INVESTMENT PRODUCTS

All investments carry some degree of risk. In the context of investing, risk refers uncertainty and/or potential financial loss inherent in an investment decision. Even conservative, insured investments, such as U.S. Treasury Securities, are subject to risk. Should you decide to invest, you (not we) bear the risks associated with the investments you make. The following is a general discussion of material risks associated with investing:

Market Risk. This is the risk of investments declining in value because of economic or other events that affect the entire market. For example, political, economic, and social events or conditions may trigger declines in the value of investments.

Business Risk. These are the factors faced by a company that threaten the company's ability to meet its targets or achieve its financial goals. These factors could cause a company's earnings and profits to be lower than expected or lead to the company's failure. These factors could come from within the company, or they may be external. Companies typically discuss material business risks they face in their registration statements, and quarterly and annual reports filed with the SEC.

Event Risk. Specific events effecting a company may have a material effect on the value of its securities. For example, mergers, restructurings, investigations, the death of key personnel, product recalls, and many other events may materially affect the value of investments.

Interest Rate Risk. This is the risk that the value of an investment will decline due to a change in interest rates. For example, when interest rates go up, the lower interest rates paid by existing bonds become less attractive, causing their market values to decline.

Liquidity Risk. This is the risk that you will not be able to sell your investment at a fair price, if at all, when you want to. Generally, investments trading in active markets (like the New York Stock Exchange) are subject to less liquidity risk than investments for which there is no active trading market (like non-Traded REITS). Some bonds, like U.S. Treasury Securities, are quite easy to sell because there are many people interested in buying and selling them. Other bonds trade much less frequently or may even turn out to have no buying interest at all.

Reinvestment Risk. This is the risk that you will be unable to reinvest future proceeds from an investment (either principal or interest) at a rate of return that is at least equal to the rate of return on your present investment. For

example, suppose you bought a bond paying a 5% interest rate. You run the risk that interest rates may decrease and you can only invest interest and/or principal payments in lower yielding investments.

Call Risk. Some fixed income securities provide the issuer with the right to retire the instrument prior to maturity, usually following the occurrence of a predetermined event and at a predetermined formula for determining the price. This is known as a "call" feature. This is may leave the investor unable to find a similar bond with as attractive a yield. Essentially, the investor faces Reinvestment Risk as a result of the issuer's exercise of the call feature.

Refunding Risk and Sinking Fund 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. Purchasers of bonds with sinking funds face Reinvestment Risk resulting from the retirement of the bond due to the sinking fund provisions.

Credit and Default Risk. This is the risk that the issuer of a debt instrument, like a bond, will run into financial difficulties and be unable to make an interest payment or to repay the principal at maturity. Credit rating agencies provide ratings for many debt instruments, and these credit ratings can help you evaluate credit risk. Typically, a bond issuer applies to have the bond rated at the time it is issued. Thereafter, credit rating agencies may revise credit ratings from time to time and may suspend or withdraw a rating. Generally, lower credit ratings indicate higher risk and higher credit ratings indicate lower risk. Although ratings can aid in evaluating an issuer's creditworthiness, they are not recommendations to buy, sell or hold. There are three primary credit rating agencies: S&P, Moody's and Fitch. Bond issuers must request a rating from a credit rating agency. Most bond issuers do not seek ratings from all credit rating agencies. Some bond issuers do not seek to obtain a rating at all. The absence of a rating may indicate the issuer did not request a rating, insufficient data exists upon with to provide a rating, or that a rating request was denied. We subscribe to receive ratings only from S&P. Our inability to provide ratings from the other credit rating agencies is a material limitation on our ability to provide you with information about bonds that only receive ratings from those other credit reporting agencies.

Duration Risk. Duration is the name economists give to the risk associated with the sensitivity of a bond's price to a one percent change in interest rates. The higher the duration number, the more sensitive you bond investment will be to changes in interest rate.

Valuation Risk*.* This is the risk that an asset is improperly valued in relation to what would be received upon its sale or redemption at maturity. This risk is typically higher with illiquid securities.

Inflation Risk. Inflation is a general upward movement of prices. Inflation risk is the risk of loss in your purchasing power because of inflation. When inflation is present, a currency will buy more today than it will later because purchasing power is eroding at the rate of inflation. Inflation risk is particularly relevant if you own cash or cash-like investments or debt instruments like bonds.

Currency Risk. Foreign investments are subject to fluctuation in the value of the U.S. dollar against the currency of the investment's originating country. This may also be referred to as exchange rate risk.

Tax Risk. This is the risk that tax laws may change and impact the underlying investment premise or profitability of an investment.

Concentration Risk*.* Is the risk you will lose money because you invest in only one investment or type of investment. For example, if you invest only in businesses in the financial services industry, like banks, then all your investments will decline in value when an event adversely impacts the financial services industry. Investing all your money in a single company or in a single market segment is very risky. You can mitigate concentration risk by investing in different companies, market sectors, and different types of investments. This is known as diversifying your investments. Diversification may also mitigate the effects of other risks on your investment portfolio as a whole.

Correlation Risk. Correlation is a statistical measure of how two or more investments move in relation to each other. Correlation can change from time to time due to many factors. For example, during some periods of time, stock prices and bond prices have tended to move in the same direction (this is known as positive correlation). During other periods of time, their prices have moved in opposite directions (negative correlation). **Correlation risk** is the risk of financial loss due to a difference between the expected correlation and the correlation actually realized. If you expected a negative correlation between stock and bond prices during the term of your investments, such that losses in stock prices were offset (at least somewhat) by gains in bond prices but, instead, stock and bond prices were positively correlated, your investment portfolio would lose more value than expected.

INVESTMENT PRODUCTS

We offer our customers the ability to invest in a wide range of investment products. Below is information about the types of investments we believe are most frequently recommended by our Financial Professionals and the material risks associated with them.

EXCHANGE-TRADED EQUITY SECURITIES

Equity securities traded on a securities exchange are subject to Market Risk, Business Risk, Event Risk and Inflation Risk. The issuers of exchange traded securities discuss the particular risks of investing in their securities in the prospectus for their initial public offering and in quarterly and annual reports filed with the securities and exchange commission. If you purchase an equity security from us in an initial public offering or a follow-on public offering, we will provide you with a copy of the prospectus or tell you how to obtain it on-line. In the event of a company's bankruptcy, equity securityholders are the last in line to be repaid. In most bankruptcy's, they receive nothing. The price of equity investments tends to be volatile, especially in the short term. Investing all your money in any single equity security is extremely risky. You can lose the entire amount of your investment.

Master Limited Partnerships. Ownership interests in MLPs, typically called "units," are a special type of publicly-traded equity. MLPs are similar to publicly-traded corporations in many ways, including their generally higher levels of liquidity and the risks of investing. The tax treatment of MLP units, however, is very different than the tax treatment of corporate stock ownership because MLPs are partnerships. Accordingly, investors face tax risks not associated with corporate stock.

A corporation must pay taxes on its income as a distinct legal entity. An MLP does not pay taxes. Rather, MLPs are "flow-through entities," with the owners being allocated their proportionate share of the MLP's income, gains, losses and deductions. These items must be reported on Unitholder's tax returns and Unitholders must pay any taxes due. The amount of tax items allocated to a Unitholder depends on several factors, including the timing of the investment, the purchase price, and the degree of reinvestment by the MLP in its business. MLPs report allocated tax items to unitholders on Schedule K-1 tax forms, and some investors may find that too burdensome or complicated. Many MLPs operate in more than one state. This requires the unitholders to file tax returns in multiple states. It is important to note that unitholders are responsible for paying tax on any taxable income from an MLP, even if the MLP does not actually distribute cash with which to pay the tax.

Because MLPs conduct active businesses, there can be adverse tax consequences associated with purchasing them in retirement accounts like an IRA.

Because MLPs are partnerships, cash distributions from an MLP reduce unitholder's tax basis and are not taxable until the tax basis has been reduced to zero. Distributions in excess of the unitholder's tax basis are taxed at capital gains rates.

When you sell an MLP, your gain or loss is the difference between the sales price and your adjusted tax basis. Gains must be split into two tax components. First, the portion of any gain attributable to depreciation is taxed at ordinary income rates. This information is included in a supplemental sales schedule of the K-1 package. The remainder of any gain is treated as capital gain and is taxed at applicable capital gain rates.

Publicly-Traded Real Estate Investment Trusts (REITS). A REIT is a company that owns and typically operates income producing real estate or related assets. These may include office buildings, shopping malls, apartments, hotels, resorts, self-storage facilities, warehouses, or mortgages. REITs typically do not buy properties for the purpose of developing them and selling them. Rather, they buy and develop properties to operate them.

Shares of publicly-traded REITS are a type of equity security. Like MLPs, they are similar to publicly traded corporations in many ways, including their generally higher levels of liquidity and the risks of investing, but the tax treatment of REIT distributions is different than that of most corporate dividends. REITs are required to distribute 90% of their taxable income to shareholders and are not taxed on income distributed to shareholders. Since the income is not taxed at the REIT level, it is taxed to the REIT owners. The income tax liability faced by REIT owners can be very complicated. There are three main types of distributions REITS make, each with its own tax treatment: Operating Profit, Capital Gain and Return of Capital. All three types of distribution are frequently combined in a single payment. Most of the money distributed by REITS is Operating Profits. For the most part, these distributions do not meet the IRS requirements to be "qualified dividends," and are therefore taxed as ordinary income. When a REIT sells an investment property, it generates capital gains. Distributions of these capital gains are taxed to REIT owners as long-term or short-term capital gains, depending on the length of time the REIT owned the particular asset generating the gain. When a REIT makes distributions that exceed its current earnings, it is considered a return of capital. Return of capital distributions are not taxed but reduce your tax basis in the REIT shares. If you sell the shares for more than your tax basis, the gain will be taxed at capital gain rates. REIT shareholders receive a form 1099-DIV each year containing a breakdown of the REITs distributions.

Options. Options are contracts giving the purchaser the right, but not obligation, to buy or sell a security at a fixed price within a specific period of time. A "put" is an option giving the owner the right to sell the security. It is essentially a bet that the price of the security will fall below the price to be received when the put is exercised. A "call" is the right to purchase the security. It is essentially a bet that the price of the security will rise. One stock option contract represents the right to buy or sell 100 shares of the underlying stock. Options trading can be complicated and risky. The Options Clearing Corporation has published a document entitled "*Characteristics and Risks of Standardized Options*," also referred to at the ODD (Options Disclosure Document). We are required to deliver this document to you at or prior to the time we approve your account for options trading and thereafter will deliver any supplements to the ODD to you prior to the time you receive a confirmation of a transaction in the category of options to which the supplement pertains. The ODD contains important information relating to the mechanics of buying, writing and exercising options; the risks involved, the uses of and market for options; transaction costs and applicable margin requirements; tax consequences of options trading; identification of the options issuer and the instrument underlying the options class; and the availability of the prospectus and information in Part II of the registration statement. You should read and understand the ODD prior to engaging in options trading.

FIXED INCOME SECURITIES

General Characteristics

Fixed income securities are generally debt-instruments that are structured to pay a consistent stream of income (in the form of interest) to the owner and, at some future point in time (called "maturity"), pay a specified amount, generally the original sum of money borrowed by the issuer, known as the principal amount. The principal amount of is also sometimes called the "par value" or "face value" of the bond. The principal amount of a fixed income security is different than its market price. Generally, when interest rates rise, market value falls and when interest rates fall, market value increases.

There are a several different types of fixed income securities available, and you may face substantially all the risks of investing discussed above when investing in fixed income securities. It is important that you understand the characteristics and risks of your particular investment. Common fixed income securities recommended by our Financial Professionals include:

Corporate Bonds. These are debt obligations of U.S. and foreign companies. Most of these bonds are unsecured promises to pay interest and repay the principal amount at a predetermined date in the future. Bondholders

typically receive payments of interest before any dividends are paid to stockholders. Potentially subject to all risks of investing discussed above, but particularly Interest Rate Risk, Reinvestment Risk, Credit and Default Risk, Duration Risk, Inflation Risk, and Liquidity Risk. Be sure to discuss any special features, such as call features and sinking funds, with your financial professional

Agency Bonds/GSEs. Agency bonds are issued by either agencies of the U.S. government or government-sponsored enterprises, which are federally chartered corporations but publicly owned by stockholders. Federal agencies, such as the Government National Mortgage Association (Ginnie Mae), are part of the federal government. As such, they are backed by the "full faith and credit" of the U.S. government. Ginnie Mae, however, does not issue bonds directly; rather, it insures or guarantees mortgage backed securities originated by other lenders. Government sponsored entities include the Federal Home Loan Mortgage Corporation (Freddie Mac), the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Banks and the Federal Farm Credit Banks. Because GSEs are owned by stockholders and are not part of the Federal Government, these bonds are not backed by the full faith and credit of the U.S. government and are, therefore, subject to Credit and Default risk. Interest Rate Risk, Reinvestment Risk, Duration Risk, and Inflation Risk are also material risks.

Private Label Mortgage-backed securities and Collateralized Mortgage Obligations. Most mortgage-backed securities are issued by government agencies or GSEs. But the mortgage backed securities market also includes "private label" mortgage securities issued by subsidiaries of financial institutions. The mortgages underlying these securities is not guaranteed by the government agencies and GSEs, therefore the Credit and Default Risk of these securities is much greater. Collateralized mortgage obligations, or CMOs, are a type of mortgage-backed security. They are bonds that represent claims to specific cash flows from large pools of home mortgages. The streams of principal and interest payments from the mortgages are distributed to different classes of CMO interests, known as tranches, according to a complicated deal structure. Each tranche may have different principal balances, coupon rates, prepayment risks, and maturity dates. CMOs are often highly sensitive to changes in interest rates and any resulting change in the rate at which homeowners sell their properties, refinance, or otherwise prepay their loans. Investors may be exposed to significant Interest Rate Risk, Credit and Default Risk, Reinvestment Risk, Duration Risk, Inflation Risk, Market Risk and Liquidity Risk.

Municipal Bonds. Municipal bonds, or "munis", are debt securities issued by states, the political subdivisions (such as cities, towns, etc.) their agencies and instrumentalities (like housing, airport, economic development authorities, etc.) and U.S. territories (like the U.S. Virgin Islands, Guam and Puerto Rico). Like corporate bonds, investments in municipal bonds are generally subject to Interest Rate Risk, Reinvestment Risk, Credit and Default Risk, Duration Risk, Inflation Risk, and Liquidity Risk.
The two most common types of municipal bonds are (1) general obligation bonds, which are backed by the "full faith and credit" of the municipal issuer and (2) revenue bonds, which are backed only by the revenue stream from a particular source, such as highway tolls or lease fees. Some revenue bonds may be non-recourse, meaning the issuer is not required to repay bondholders if the revenue stream dries up. Some revenue bonds are known as "conduit" bonds. They are issued by a municipal issuer on behalf of a private entity, such as a college or hospital. The "conduit" borrower agrees to pay the municipal issuer, who pays the interest and principal on the bonds to bondholders. If the conduit borrower fails to pay, the municipal issuer is not required to pay. As you can see, revenue bonds are typically subject to higher Credit and Default Risk than general obligation bonds. Interest on municipal bonds is often (not always) exempt from federal income tax. Interest may also be exempt from state and local taxes if you reside in the state or territory where bond is issued. You should review the official statements and continuing disclosures associated with a municipal bond prior to investing. These documents and information regarding the prices at which the bond has traded are available from the Municipal Securities Rulemaking Board at www.emma.msrb.org. Because some municipal bonds to not trade actively, recent pricing may not be available.

U.S. Treasury Securities. These securities are issued and guaranteed by the U.S. government. Although they have very low Credit and Default Risk, they are affected by other types of risk, mainly Interest Rate Risk and Inflation Risk.

Sponsored Investment Products
Unlike investment securities of a particular operating company, governmental or quasi-governmental issuer which are issued to fund operations or projects, some securities are created for the purpose of facilitating investments. Often a single sponsor will facilitate and arrange for the issuance of several related or similar investments. The common sponsored investment products recommended by our financial professionals are discussed below.

We and our financial professionals receive compensation from investment sponsors that is not in connection with any particular customer or investment. This compensation includes items such as gifts valued at less than $100 annually, occasional dinners and tickets to sporting or entertainment events. Investment sponsors also pay or reimbursement us and our financial professionals for expenses in connection with educational meetings, training and sales events, customer workshops or events, marketing and advertising initiatives, and conferences. Investment sponsors may pay or reimburse us and our financial professionals for expenses associated with software or subscriptions for services utilized in the conduct of our business. The receipt of funding for these types of events or services from sponsors of investment products is an incentive for us to recommend to you their investment products.

Mutual Funds. A mutual fund is an investment company that continuously pools money from many investors and invests the money in stocks, bonds, money market instrument, other securities, or even cash. Mutual funds are attractive because they offer professional money managers to select the securities in the portfolio and monitor performance, offer diversification by investing in a range of companies and industries, typically have relatively low minimum required investments, and provided an opportunity for liquidity at the current net asset value (less any redemption fees) on a daily basis through redeeming shares issued to the investor. Investors can purchase shares in a mutual fund from the fund itself or through a broker-dealer. Mutual fund shares are not traded on a secondary market. The price investors pay for mutual fund shares is the fund's current net asset value per share, plus any fees the fund may charge at purchase, such as sales charges or loads. Mutual fund shares are redeemable. That means that when a mutual fund investor wants to sell his/her fund shares, they sell them back to the fund or a broker acting for the fund. Investors sell their shares at the fund's current net asset value per share, minus any fees the fund charges at redemption, such as deferred sales loads or redemption fees.

Mutual funds must pay service providers, such as investment manager, accountants, transfer agents, brokers, and custodian. These internal costs reduce the return on an investment. Mutual funds frequently offer multiple share classes, each with a different internal cost structure. Our affiliated clearing firm maintains an omnibus relationship with another broker-dealer for the purpose of investing in mutual funds. This arrangement reduces the costs associated maintaining direct relationships with the fund companies and increases the level of compensation we would otherwise receive directly from the fund company. Accordingly, we have an incentive to recommend only those mutual funds and share classes available through the omnibus relationship. There are costs associated with adding additional mutual funds or share classes to the relationship, and we or our affiliated clearing firm would consider paying those costs only if we believed a enough customers would invest such that we could quickly recover our costs. As of June 1, 2020, there were more than 16,000 mutual fund investments available through this relationship.

There are many different varieties of mutual funds. Each fund may have different investment objectives, strategies and investment portfolios, risks, and expense structures. Many mutual funds offer direct investment plans whereby you can purchase fund shares directly without paying a sales load or commission. You can research a mutual funds by reading its prospectus and other documents filed with the SEC carefully to learn about its investment strategy and potential risks. These documents are available on the SEC's EDGAR database at www.sec.gov/edgar and can be downloaded for free. The SEC also publishes an informative guide for investors in mutual funds and ETFs available at www.sec.gov/investor/pubs/sec-guide-to-mutual-funds.pdf

Mutual funds typically offer different classes of shares. The difference among the share classes is the amount and timing of compensation we receive for selling the investment. We have an incentive to recommend to you the share class that will maximize the compensation we expect to receive during the period in which you are expected to hold the investment.

Many mutual fund families reduce sales charges as the dollar level of your investment increases. The levels at which the sales charges are reduced are known as “break points.” Often, these fund families will offer you the reduced sales charge from your first dollar of investment if you sign a letter of intent to invest a specified dollar amount within a specified period of time (typically 13 months). Many fund families also offer rights of accumulation whereby breakpoints are based on total investments in the fund family over time, not just at initial purchase, as an incentive for additional purchases. Because breakpoints result in lower sales charges, we and our financial professionals have an incentive to recommend to you mutual funds that do not offer breakpoints or to recommend that you invest in such a way that you do not receive the benefits of breakpoints.

Many mutual funds continue to pay commissions (typically at a rate ranging from 0.25% to 0.75% of the value of the investment per year), after the shares are purchased. These continuing commissions are often called “trailing commissions” (“trails” for short) or “12b-1 fees” after the regulation that permits their payment. They can only be paid by a fund if it has adopted a plan (a “12b-1 Plan”) authorizing their payment. Not all funds pay 12b-1 fees, and the rate of 12b-1 fee can vary among funds and share classes. We have an incentive to recommend to you only mutual funds that pay 12b-1 fees and to recommend those that pay the highest 12b-1 fees.

In addition to 12b-1 fees, many mutual funds also pay “shareholder servicing fees.” These are fees paid to us to respond to investor inquiries and provide investors with information about their investments. Shareholder servicing fees may be authorized by a fund’s 12b-1 Plan, but do not have to be. Where they are authorized by a 12b-1 Plan, they are included in the 12b-1 fee category in the itemization of the fund’s expenses in its prospectus. If they are not part of a 12b-1 Plan, they will be included in “Other expenses” category. FINRA caps shareholder services fees at 0.25%, regardless of whether these fees are authorized as part of a 12b-1 Plan. As with 12b-1 fees, not all funds pay shareholder servicing fees, and the rate of shareholder servicing fees may vary among funds and share classes. We have an incentive to recommend only mutual funds that pay shareholder servicing fees and to recommend those that pay the highest shareholder servicing fees.

Because we continue to receive 12b-1 and shareholder servicing fees after you make an investment, we have an incentive to recommend that you not liquidate your investment and find alternative funding sources should you need to raise funds.

From time to time, we or your financial representative may seek contributors or sponsors to or for events such as client appreciation dinners or sales conferences. Additionally, we or your financial representative may seek to defray costs associated with software or subscriptions to services utilized in the conduct of our business. The receipt of funding for these types of events or services from sponsors of investment products is an incentive for us to recommend to you their investment products.

529 Plans. A 529 Plan, also known as a “qualified tuition plan,” is a tax-advantaged savings plan for future education costs. There are two types of 529 Plans: prepaid tuition plans and education savings plans.

A prepaid tuition plan lets you purchase units or credits at participating colleges and universities (usually public and in your state) for future tuition and mandatory fees at current prices. Prepaid tuition plans usually cannot be used to pay for future room and board and cannot be used to prepay for tuition for elementary or secondary schools. Prepaid tuition plans are not guaranteed by the federal government. Some state governments guarantee the prepaid tuition plans they sponsor; some do not. If you prepaid tuition payments are not guaranteed, you may lose some or all of your investment in the plan. In addition, if the beneficiary does not attend a participating college or university, the prepaid tuition plan may pay less than if the beneficiary attended a participating college or university. It may pay only a small return on the original investment.

Education savings plans allow you to save for qualified higher educational expenses, such as tuition *and* room and board. These savings generally may be used at any college or university. They may also be used to pay up to $10,000 per year per beneficiary for tuition at any public, private or religious elementary or secondary school. Education savings plans typically offer a selection of investment options consisting of mutual funds, ETFs, and principal-protected bank product. Education savings plans are sponsored by state governments, but only a few

have residency requirements for the saver or beneficiary. State governments do not guarantee investments in education savings plans. We receive up front and trailing commissions if you invest in an education savings plan through us.

You can find out more information about a particular 529 Plan by reading its Offering Circular. The National Association of State Treasurers maintains a website where you can research and compare different 529 Plans and find links to their offering circulars at www.collegesavings.org. Additional information about mutual funds and ETFs that are investment options is available in their prospectus and other documents filed with the SEC. These documents are available on the SEC's EDGAR database at www.sec.gov/edgar and can be downloaded for free.

Exchange Traded Funds (ETFs). Like Mutual Funds, ETFs are investment companies that pool investor money to make investments in other securities. Additionally, like mutual funds, ETFs are professionally managed by SEC registered investment advisors. Some are passively managed and seek to achieve the same return as a particular market index. Others are actively managed and buy and sell investments consistent with their stated investment objectives. Unlike mutual funds, ETFs are traded on stock exchanges at prevailing market prices that may deviate from the net asset value of the shares. The risks associated with investing in an ETF vary by fund. You can research an ETF by reading its prospectus and other documents filed with the SEC carefully to learn about its investment strategy and potential risks. These documents are available on the SEC's EDGAR database at www.sec.gov/edgar and can be downloaded for free.

Closed-End Funds. Closed-end funds are similar to a mutual funds and ETFs in that they pool money from investors who purchase shares and invest in a portfolio of securities. However, unlike mutual funds and ETFs, a closed-end fund only sells a fixed number of shares (in an initial public offering), which are then traded on a secondary market. Our ability to offer clients access to initial public offerings of closed-end funds is limited by our ability to enter into agreements for distribution of those funds with their underwriters. Like ETFs, closed-end funds trade on a secondary market and do not offer daily redemptions at net assets value to their shareholders. Accordingly, the price of closed-end fund shares may fluctuate throughout the trading day and deviate from the net asset value of the shares. Closed-end funds are allowed to hold a greater percentage of illiquid securities in their investment portfolios than mutual funds are. There are many varieties of closed-end funds, but they typically focus on investments in a particular geography, industry or market sector. Each fund may have different investment objectives, strategies and investment portfolios, and the risks of investment vary by fund. You can research a closed-end fund by reading its prospectus and other documents filed with the SEC carefully to learn about its investment strategy and potential risks. These documents are available on the SEC's EDGAR database at www.sec.gov/edgar and can be downloaded for free.

Unit Investment Trusts (UITs). A UIT is an investment company that makes a one-time public offering of a fixed number of securities, called units, and invests in a portfolio of securities. UIT portfolios typically consists of less than 25 securities, and the typically does not change for the life of the UIT. UITs do not have a board of directors, corporate officers, or investment advisors to render advice during their life. A UIT will terminate and dissolve on a date that is specified at the time the UIT is created. When the UIT terminates, any remaining securities in its portfolio are sold and the proceeds are paid to investors. Units are typically redeemable, meaning the UIT will buy back the investor's units at their approximate net asset value. However, many UIT sponsors maintain a secondary market where investors can buy and sell at the market price. Each UIT may have different investment objective, strategies and investment portfolios, and the risks of investment vary by UIT. Our ability to offer clients access to public offerings of UITs is limited by our ability to enter into agreements for distribution of those funds with their underwriters, and a greater variety of UITs may be available at other firms. You can research a UIT by reading its prospectus and other documents filed with the SEC carefully to learn about its investment strategy and potential risks. These documents are available on the SEC's EDGAR database at www.sec.gov/edgar and can be downloaded for free.

Structured Notes and CDS. Also known as a market-linked note, a structured note is a debt obligation the return on which depends on the performance of something else, like a single stock, basket of stocks, stock index, commodity, currency or interest rate. Thus, your return is said to be "linked" to the performance of the

referenced asset or index. They are most often issued by large financial institutions and are offered to investors by broker-dealers. As the name implies, these instruments are individually crafted, or structured, and their terms can vary widely. Each structured note has a finite maturity date and is subject to the credit of the issuer (Credit and Default Risk). Some may be subject to being called prior to maturity, creating Call Risk and Reinvestment Risk. They rarely trade on a secondary market after issuance, so you are subject to Liquidity Risk. Not all structured notes promise to repay 100% of your principal investment, so you may lose money even if the issuer does not default on its repayment obligations. Structured CDs (certificates of deposit) are similar to structured notes but provide FDIC insurance of the principal amount up to applicable limits. Our ability to offer clients access to new structured notes and CDs is limited by our ability to enter into agreements for distribution of those investments with their issuers and/or underwriters. A greater variety of UITs may be available at other firms.

Because of the wide variety of structured notes, it is important that you take time to fully-investigate and understand a potential investment. You should have a good understanding of: the fees and costs associated with the investment, the referenced assets/index, the notes payoff structure – including any limitations on participation in the performance of the referenced assets/index and whether the issuer is obligated to return the entire amount of your principal, the credit quality of the issuer, the time to maturity, whether the investment is subject to a call feature (being retired prior to maturity), and that the price you pay at issuance will likely be higher than the fair of the structured note on the date of issuance. This Information is contained in the offering prospectus for each structured note. Your financial professional can provide you with a copy of the prospectus, and it is available on the SEC's EDGAR database at www.sec.gov/edgar and can be downloaded for free.

Variable Annuities. A variable annuity is a contract with an insurance company pursuant to which you make one or more payments to the insurance company (during what is called the "accumulation phase") in return for periodic payments to you (a payout phase, or annuitization) beginning either immediately or at some future date. You may select how your payments to the insurance company are invested from a menu of options, typically mutual funds. The amount of money going into investments will be less than the amount you paid because fees are taken out of your purchase payments. The value of your account in the variable annuity will vary depending on the amount of money you contribute, the amount of fees and expenses, and the performance of the investments selected. There are several fees associated with variable annuity investments. There are (i) base contract fees, often around 1.25% per year, to compensate the insurance company for its insurance risk. (ii) administration fees for record keeping and other administrative expenses, and (iii) fees associated with the underlying investments you select.

Variable annuities often come with optional insurance features, such as death benefits to beneficiaries in the event you die during the accumulation phase, guaranteed lifetime withdrawals, guaranteed minimum income, and guaranteed minimum accumulation. These optional features come at a price, increasing the costs and expenses associated with your investment and reducing the value of your account and return on investment.

Investments in variable annuities are long term investments. There are substantial penalties for withdrawing funds within a certain period after a purchase payment (often 7 years), though this charge generally declines over the period of time. Due to their tax deferred nature, withdrawals prior to age 59 ½ also include a 10% excise tax, or early withdrawal penalty.

Our ability to offer Variable Annuities is limited by our ability to enter into selling and/or distribution agreements with their distributors. Other firms may offer a wider selection of variable annuities than available through us.

When it comes to making a variable annuity investment, there is a wide variety of features, options and underlying investments from which to choose, and it is important that you take time to fully-investigate and understand a potential investment. The material information you need to understand prior to making a variable annuity investment is contained in its offering prospectus. Your financial professional can provide with a copy. It is also available on the website of the issuing insurance company, and on the SEC's EDGAR database at www.sec.gov/edgar and can be downloaded for free.

Non-Traded REITs. Non-traded REITS are real estate investment trusts that registered their shares with the SEC for public distribution but whose shares are not publicly traded on a secondary market. Shares of Non-Traded REITS are therefore illiquid. This illiquidity may result in management teams of Non-Traded REITs not being as disciplined as those of publicly-traded REITS due to lower levels of scrutiny from investors and industry analysts. Some Non-Traded REITS offer a repurchase program whereby the issuer will repurchase shares from investors after an initial holding period has been met. Shares are typically repurchased at prices that are lower than their initial cost. Further, issuers frequently reserve the right to restrict how many shares can be repurchased or to terminate the repurchase program.

You will pay a sales charge when you invest in a non-traded REIT, which we typically receive in the form of a dealer concession. Similarly to mutual funds, many non-traded REITS pay a trailing commission. Accordingly, we and our financial professionals have an incentive to recommend that you purchase non-traded REITS, and we also have an incentive to recommend that you do not sell or redeem your non-traded REIT investment when you seek to raise funds.

Although there are many similarities among various non-traded REITS, the types of real estate in which they focus their investments, the internal costs of management and operation, the availability and terms of redemption programs, and the compensation structure for selling investments can vary significantly. The material information you need to understand prior to making an investment in a non-traded REIT is contained in its offering prospectus. The prospectus is typically available on the sponsor's website. Your financial professional can provide with a copy, and it is also available through the SEC's EDGAR database at www.sec.gov/edgar and can be downloaded for free.

Direct Participation Programs and Other Private Placements. From time to time we offer investments in companies that do not make public offerings of their securities and for which there is no secondary trading market. Typically, these offerings are limited to private collective investment vehicles that are exempt from registering with the SEC as investment companies; however, we may offer securities of companies that are engaged in the conduct of a business other than investing. These investments are highly illiquid, difficult to value, and are subject to the risks of the underlying investments or business. We may use independent pricing sources to determine the value of your investment for display on your account statement. If independent sources are unavailable, we may accept declarations of value from the issuer or its agent at face value without further investigation. We do not conduct valuations of such investments ourselves. If we are unable to obtain a price from another source, we may reflect the investment on your account statement at your purchase price or as unknown.

These investments are frequently structured as pass-through investments for income tax purposes. That is, they are not subject to tax at the entity level, and all items of income, expense, gain and loss are passed through to the investor. Investors will receive a Schedule K-1 reporting the tax items passed through to them. Many investors will find this requires extensions of and complicates income tax filings. Investments through tax qualified accounts are particularly subject to the risks of illiquidity and pass-through tax treatment.

We typically receive an upfront sales charge in the form of a commission or dealer concession for sales of these investments and therefore have an incentive to recommend purchase of these investments.

These investments are typically described in a Private Placement Memorandum. Private Placement Memorandums are not required to contain all of the information that would be required in a registration statement filed with the SEC. In fact, where these offerings are limited to certain investors who are wealthy or deemed to be sophisticated, SEC rules do not mandate that any specific information or disclosures be provided. Accordingly, investors are responsible for conducting their own research and assessment of the potential investment. SEC rules do require that information provided must not be materially misleading. You should carefully read and understand any Private Placement Memorandum or other documents provided the issuer of a prospective investment.

NON-US CLIENTS

Investments in the U.S. markets by non-U.S. citizens (called "aliens" for tax purposes) are subject to special income and estate tax considerations. A detailed discussion of those considerations is beyond the scope of this publication. We do not provide tax advice. You should consult your personal tax advisor to address the application of the U.S. tax system to your U.S. investments.

Tax implications for non-U.S. citizens depends on whether the person is classified as a resident alien or nonresident alien. A resident alien is a non-U.S. citizen who meets either (1) the lawful permanent residence test, also known as the green card test or (2) the substantial presence test. A nonresident alien is a non-U.S. citizen who meets neither of those tests. Determining status as a resident alien or non-resident alien can be difficult, and you should make that determination with your tax advisor.

Resident aliens are generally subject to the same tax rules as a U.S. citizen, including both income and estate tax rules. This means you worldwide income is subject to U.S. tax and must be reported on your U.S. tax return and, when you die, your estate may be subject to estate taxes. Tax liability depends on income levels and characterization, the availability of deductions, exemptions and credits (including the Foreign Tax Credit) and the effect of any applicable Tax Treaties.

Nonresident aliens are generally subject to U.S. income tax only on their U.S. source income. They are subject to two different tax rates, one for effectively connected income, and one for fixed or determinable, annual, or periodic (FDAP) income.

Effectively connected income (ECI) is earned in the U.S. from the operation of a business in the U.S. or is personal service income earned in the U.S. (such as wages or self-employment income). It is taxed for a nonresident at the same graduated rates as for a U.S. person.

FDAP income is passive income such as interest, dividends, rents or royalties. This income is taxed at a flat 30% rate, unless a tax treaty specifies a lower rate.

The U.S. has income tax treaties with a number of foreign countries. For nonresident aliens, these treaties can often reduce or eliminate U.S. tax on various types of income. Each individual treaty must be reviewed to determined whether specific types of income are exempt from U.S. tax or are taxed at a reduced rate.

The U.S. tax system generally imposes a "nonresident alien estate tax" upon nonresident aliens who die with $60,000 or more in U.S. gross assets. Generally, the rate is 40% of the U.S. gross estate above $60,000. The U.S. gross estate of nonresident aliens may be composed of tangible personal or real property, as well as intangible assets such as stock or debt obligations. Tangible personal property and real property owned by the nonresident alien must be physically located in the United States for it to be included in the U.S. gross estate. Intangible property is included in the U.S. gross estate based on different criteria. The stock of U.S. corporations is considered part of the U.S. gross estate regardless of where stock certificates are physically located. Debt obligations issued by a U.S. citizen, resident, business, trust, or Governmental organization are likewise treated as part of the U.S. gross estate of nonresident aliens. For estate tax purposes, the values of the nonresident alien decedent's U.S. assets are based on the fair market value at either the decedent's date of death or at an alternate valuation date. The alternate valuation date, which must be within six months following the date of death, may only be used if the value of the estate, as well as the estate tax, is reduced between the date of death and the alternate date.

The U.S. maintains estate tax treaties with several other countries that generally seek to avoid double taxation and may affect calculation of the U.S. gross estate or estate tax levels.

Again, we do not provide tax advice. This discussion is not intended to constitute tax advice to you, and you may not rely on it as a basis for making decisions relating to taxes. You should consult with your personal tax advisor to address the application of the U.S. tax system to your U.S. investments.