Lafise Securities Corporation June 30, 2020

Regulation Best Interest Disclosure

This guide summarizes important information concerning the scope and terms of the brokerage services we offer and details the material conflicts of interest that arise through our delivery of brokerage services to you. We encourage you to review this information carefully, along with any applicable account agreement(s) and disclosure documentation you may receive from us.

As you review this information, we would like to remind you that Lafise Securities Corporation ("LS," the "Firm," "we" or "our") is registered with the U.S. Securities and Exchange Commission (SEC) as a broker dealer, providing brokerage services. LS is a member of FINRA, MSRB and SIPC. Our brokerage services are the primary focus of this guide. Our Form CRS contains important information about the types of brokerage services we offer, along with general information related to compensation, conflicts of interest, disciplinary action and other reportable legal information.

Brokerage services

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

Brokerage Account Types

We offer many different brokerage account types including individual and joint accounts, custodial accounts, estate and trust accounts, partnership accounts, individual retirement accounts and other types of retirement accounts as outlined in our account agreement(s). Brokerage accounts may be opened as a Cash Account or Margin Account. You should refer to our account agreement(s) for more information concerning available account types or speak with a Registered Representative.

Limitations in Service

We do not offer all security products. We offer access to trade equities, ETFs, mutual funds and fixed income products and other exchange traded products. Other security products may be more suitable for you.

Incidental Brokerage Services, Recommendations and Account Monitoring

Within your brokerage account, we may also provide other incidental services such as research reports, and recommendations to buy, sell, or hold assets. When we make a securities recommendation, investment strategy recommendation or recommendation to rollover assets from your Qualified Retirement Plan (QRP) to an Individual Retirement Account (IRA), the recommendation is made in our capacity as a broker-dealer unless otherwise stated at the time of the recommendation. Any such statement will be made orally to you. Moreover, when we act in a brokerage capacity, we do not agree to enter into a fiduciary relationship with you.

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

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

Clearing Services

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

Understanding Risk

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

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

Investment Objective	**Investment Objective Description**	**Risk Exposure**	**Risk Exposure Definition**
Income	An investment approach by which an investor generally seeks current income over time.	Low	Low Risk Income investors generally assume lower risk, but may still experience losses or have lower expected income returns.
		Moderate	Moderate Income investors are willing to accept a modest level of risk that may result in increased losses in exchange for the potential to receive modest income returns.
		High Risk	High Risk Income investors seek a higher level of returns and are willing to accept a higher level of risk that may result in greater losses.
Long-Term Growth	An investment approach by which an investor generally seeks capital appreciation through buying and holding securities over an extended period of time.	Low	Low Risk Long-Term Growth investors generally assume a lower amount of risk, but may still experience losses or have lower expected returns.
		Moderate	Moderate Long-Term Growth investors are willing to accept a modest level of risk that may result in increased losses in exchange for the potential to receive modest returns.
		High Risk	High Risk Long-Term Growth investors seek a higher level of returns and are willing to accept a higher level of risk that may result in greater losses.
Short-Term Growth	An investment approach by which an investor generally seeks short-term capital	Low	Low Risk Short-Term Growth investors generally assume a lower amount of risk, but may still experience increased losses or have lower expected growth returns.

	gains through buying and selling securities over a short period of time.	Moderate	Moderate Short-Term Growth investors are willing to accept a modest level of risk that may result in significant losses in exchange for the potential to receive higher returns.
		High Risk	High Risk Short-Term Growth investors seek a higher level of returns and are willing to accept a high level of risk that may result in more significant losses.
Speculation	Speculation investors seek out a maximum return through a broad range of investment strategies which generally involve a high level of risk, including the potential for unlimited loss of investment capital.		

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

Cash Brokerage and Margin Brokerage Accounts

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

Given that a margin-enabled brokerage account has specific eligibility requirements, unique costs, and governing regulatory requirements, our default brokerage option is our cash brokerage account. You must execute a separate margin agreement before engaging in margin brokerage activity. Included with your margin agreement is a copy of the Margin Disclosure Statement. This statement contains important information you should understand and consider before establishing a margin brokerage relationship with us. For more information on our margin brokerage services, contact a Registered Representative or refer to our Margin Disclosure Statement available at https://www.lafise.com/lafisesecurities/regulatory-disclosures.

Shorting Securities in a Margin Account

Shorting securities is generally speculative in nature and carries unique risks. The security may increase in value causing you to lose money. When you buy a security, the greatest risk is that the price goes to $0, in which case you lose your total investment. When you short, your potential gain is limited to the security going to $0, while the potential loss is unlimited. Shorting incurs additional costs to borrow the security being shorted. Depending on the availability to borrow the security, the interest rate charged may change, or the trade may be subject to a "buy-in."

When a "buy-in" occurs, the lender pulls back the shares that the broker is borrowing on your behalf, which makes the shares unavailable. While your broker may be able to obtain additional shares on your behalf, in some cases no shares may be available. Should this occur, you will be forced to cover your short by purchasing shares in the open market. If the stock has risen in value since you originally shorted it, you will realize a loss on the trade.

Since short sales must take place in a margin account, the rules of your margin agreement apply. This means that you must maintain the minimum equity required by the terms of your agreement or face a margin call. If market fluctuations reduce the value of the equity in your account, your broker may issue a margin call, which you must meet by adding funds to your account. Failure to meet a margin call could result in your broker either selling securities in your account or buying in your short positions without consulting you, even if you will realize a loss on the trade.

Cash Sweep Program Feature

The sweep program consists of sweep options, which may include money market mutual funds as well as bank deposit products. You select a sweep option on your new account form. Once a sweep option is elected, any free credit balance in your brokerage account will be automatically invested into the sweep product selected. Sweep options are subject to change and you should contact your Registered Representative for additional information on available sweep products. We receive a portion of income paid to you when you participate in a bank deposit sweep; or 12b-1 fees when you participate in a money market sweep. Additional information about the Cash Sweep Program is available in your LAFISE Securities Customer Agreement.

Account Minimums and Activity Requirements

There is no minimum initial account balance required to open a brokerage account with us. However, if you either fail to fund your account or do not return account opening documents as required, your account will be closed. In addition, Pershing charges an additional fee to LAFISE Securities on Inactive Accounts, this fee is then passed through to the customer. The amount of the inactivity varies for taxable brokerage accounts, IRAs and accounts with checking or debit cards. The inactivity fee is not charged when there is at least one transaction in the previous 12 months.

You should also understand that our Registered Representatives may establish their own minimum account balance requirements for the brokerage accounts they service. For example, a dedicated Registered Representative may choose to service only those brokerage account clients who satisfy account-specific or total household asset conditions. Minimum asset requirements are disclosed to you orally by your Registered Representative.

Brokerage service models and products

We offer full-service brokerage, providing recommendations in the purchase and sale of a variety of products. Most frequently, we'll recommend transactions in equities, exchange traded funds (ETFs), mutual funds, bonds and money market funds. Other exchange traded products may be recommended, when deemed to be in your best interest.

Brokerage fees and our compensation

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

Transaction-Based Fees

You will pay transaction-based fees for trades you decide to enter into, such as buying and selling stocks, bonds, Exchange Traded Products, mutual funds, exercising options and other investment purchases and sale. These transaction-based fees are generally referred to as a commission, mark up, sales load, or a sales charge. Transaction-based fees are based on a host of factors, including, but not limited to:

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

Account and Service Fees

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

Aside from the fees we charge you for providing investment recommendations, you will have to pay other fees related to brokerage services. Fees can be charged directly or indirectly. Depending on services selected, direct fees could include annual account fees; IRA fees; fees associated with transferring cash or securities (account transfers, stock transfers, checks and wires); bond call notification; inactive account fees; dividend reinvestment fees; fees for paper statements, confirms and other account records; requests for duplicate statements or other records; margin extensions; mutual fund exchanges; voluntary reorgs and conversions; safekeeping fees; and termination fees. Direct fees will be shown on your trade confirmation and/or custodial statement. Indirect fees include internal expenses charged by mutual funds and ETF's (including 12b-1 fees and annual fund operating expenses).

You should understand that, based on the brokerage service model you choose, the same or similar products, accounts and services may vary in the fees and costs charged to you. For more information concerning our administrative and service fees, ask your financial professional.

How We Are Compensated

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

Commission Schedule for Stocks, Rights, Warrants, Secondary Market Closed End Funds (CEFs) and Exchange Traded Products

Your broker will receive certain forms of commission in connection with the service provided. Equity trading commissions may be charged a flat fee or at a rate based on cents per share depending on the number of shares and principal trade value. Commission rates decrease as the number of shares, trade price, and principal value increase. A Commission is charged every time a trade is placed and will be disclosed on the trade confirmation.

Fixed Income/Debt Securities

For debt securities, including corporate bonds, treasuries, municipal securities, foreign bonds, preferred securities and CDs, we will apply a charge (i.e., markup or markdown) of between 0.25%-3.00% of the amount of your transaction; however, the markup may be more depending on the issue. The markup or markdown may be discounted at the Registered Representative's discretion. Additional fees are charged for short positions. On most bond trades, we act in the capacity of riskless principle, buy may act as principle, buying or selling from our own inventory. The capacity in which we act, and the amount of the specific commission, markup or markdown will be disclosed on the trade confirmation.

Mutual Funds

We currently offer thousands of mutual funds through traditional accounts varying in share class structure and investment style. If you invest in mutual funds, we may receive direct and indirect compensation in connection with such mutual fund investments, as described below. In addition to the fees below, a $25 ticket fee is charged on most no-load mutual fund transactions. The ticket fee may be discounted at the Registered Representative's discretion, but they cannot discount or waive other fees charged by the mutual fund company, including front-end sales charges, contingent deferred sales chares and 12b-1 fees, as described below. The amount of fees, including any ticket fee, front-end sales charge, and/or contingent deferred sales charge can be found in the mutual fund prospectus and direct fees will be disclosed on the trade confirmation. The fees and costs of mutual funds vary depending on the fund family and share class. Below is a summary of these costs.

12b-1/Shareholder Service Fees

Annual 12b-1 fees, also known as trails, are paid by the fund and paid to us out of fund assets under a distribution and servicing arrangement to cover distribution expenses and sometimes shareholder service expenses that we may provide on the fund's behalf. Shareholder servicing fees are paid to respond to investor inquiries and provide investors with information about their investments. These fees are asset-based fees charged by the fund family. These fees range from 0.00% to 1.00%, depending on share class and are set by the fund. 12b-1 fees may be passed on to us and may in turn be passed on to your Financial advisor as a commission; however other operating expenses of the fund are not paid to us. 12b-1 fees are typically charged on Class A, Class B and Class C shares and may be charged on other share classes. Please note that 12b-1s and similar fees or compensation received in connection with our affiliated funds are not received, or are rebated, on ERISA assets held in Advisory Program accounts.

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

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

CDSC is a direct charge you pay upon withdrawal of money from a fund prior to the end of the fund's CDSC period. CDSC charges range from 0.00% to 5.50%. CDSC periods can range from zero to seven years. This charge typically exists only on share classes that do not have a front-end sales charge. It is sometimes referred to as the back-end load. CDSCs are not charged when you purchase a fund. The fee charged will depend on the share class purchased by the investor. A CDSC is not passed on to your Financial advisor. You can find a description of the amount and payment frequency of all fees and expenses charged and paid by the fund in the fund's prospectus. Fees and expenses disclosed in the fund's prospectus are charged against the investment values of the fund. Please note that 12b-1s and similar fees or compensation received in connection with our affiliated funds are not received, or are rebated, on ERISA assets held in Advisory Program accounts. CDSC fees are typically charged on Class B shares with a seven-year CDSC period; and on Class C shares with a one-year CDSC period and may be charged on other share classes.

Different fund families offer different share classes, which is why it is important to review the fund prospectus, which outlines the differences between the different share classes available for the respective fund family. The specific breakpoint schedules, front end sales charge, CDSC fee/CDSC period, 12b-1 fee and other operating expenses will be disclosed in the prospectus. You can also find a description of any fees or costs, including the payment frequency in the fund's prospectus. In addition, your Registered Representative can explain the different share class options available, and how the available share classes differ. Fees and expenses disclosed in the fund's prospectus are charged against the investment values of the fund.

Unit Investment Trusts (UITs)

Our UITs consist of Equity and Fixed-Income UITs. We, along with your Registered Representatives, are compensated in ways that vary depending on the type and terms of the UIT portfolio selected. The types of fees received by us are described below and are disclosed via the prospectus issued by the UIT provider. Your financial advisor can provide you a copy of the most recent prospectus. The UIT provider deducts fees as compensation from the proceeds available for investments for marketing and distribution expenses, which may include compensating us as described in each UIT prospectus, which is typically 2% of the assets invested.

Private Placements

Occasionally, we will recommend a private placement or hedge fund investment. For each placement we receive sales compensation based on the amount of money invested. Private placements carry unique risks and therefore are only offered to accredited investors. The amount of compensation is up to 10% and varies by issuer. Private placements are generally illiquid and carry unique risks and will only be offered to accredited investors. If a private placement is offered, additional information relating to risks and fees will be provided in the private placement memorandum or similar offering documents.

Shorting/Stock borrow fees

When you short a security, including stocks, ETFs and bonds in a margin account, the security must be borrowed. The securities you sell from your portfolio must be delivered on settlement date, through a clearance agency to the buyer on the other side of the trade. The same holds true when you execute a short sale. The only difference is that instead of delivering something you already own, you have to borrow the shares from your broker. There is a fee for borrowing securities, similar to the margin interest you pay when you borrow funds to purchase securities on margin. Not all securities can be borrowed and the borrow fee depends on the liquidity and availability of the security. You can ask your Registered Representative for a list of "easy to borrow" securities before you place a short sale. Shorting "hard-to-borrow" securities carry higher interest rates and also increases the likelihood of a "buy-in." In the case of a buy-in, you're forced to cover your short if the lender pulls back the shares that your broker is borrowing, which makes those shares unavailable. In addition, many stocks pay quarterly dividends to shareholders. If you happen to be short a stock on the date that dividend is credited to shareholders—also known as the record date—you're responsible for paying that dividend to the person from whom you borrowed those shares, called payment in lieu of dividends. A number of factors—including brokerage commissions, cost of borrowing, administration fees, and possible dividends—can impact the profit or loss of a short sale trade.

Revenue Sharing / Cash Sweep Program

Money fund and bank deposit program sweep processing fees and revenue sharing arrangements are a source of revenue for FS and Pershing. For money funds supported on its sweep platform, Pershing receives remuneration paid out of the total operating expenses of the fund, some of which include SEC Rule 12b-1 fees. If your invested in a sweep product that pays Pershing remuneration, some of the fees Pershing receives from the money fund and bank deposit providers will be shared with FS. In addition, Pershing receives fees for providing access to its platform from money market funds and bank deposit program providers. These fees are typically paid according to an asset-based formula. In certain circumstances, Pershing shares these fees with FS. A portion of Pershing's fees are applied against costs associated with providing services to FS, including maintaining cash sweep systems, sub-accounting services, dividend and interest calculations and posting, accounting, reconciliation, client statement preparation and mailing, tax statement preparation and mailing, marketing and distribution-related support and other services. For a listing of money funds and bank deposit programs that pay Pershing revenue-sharing and processing fees, refer to https://www.pershing.com/disclosures.

Training and Education

We work closely with many product and service providers who provide training and education compensation to offset or reimburse us for costs incurred in conducting comprehensive training and educational meetings for our Registered Representatives. These meetings or events are held to educate Registered Representatives on product characteristics, business building ideas, successful sales techniques, suitability as well as various other topics. In addition, certain vendors provide free or discounted research or other vendor products and services, which can assist our Registered Representatives with providing services to the plan.

Likewise, from time to time, product providers will reimburse us for expenses incurred by individual branch offices in connection with conducting training and educational meetings, conferences, or seminars for Registered Representatives and participants. Also, Registered Representatives may receive promotional items, meals or entertainment or other non-cash compensation from product providers.

Although training and education compensation is not related to individual transactions or assets held in client accounts, it is important to understand that, due to the total number of product providers whose products are offered by us, it is not possible for all companies to participate in a single meeting or event. Consequently, those product providers that do participate in training or educational meetings, seminars or other events gain an opportunity to build relationships with Registered Representatives; these relationships could lead to sales of that particular company's products.

Compensation for Termination of Services

Other than any contingent deferred sales charge for a fund (as described under the Mutual Funds section above, if applicable) and transfer fees, the firm would not receive any additional compensation in connection with the termination of its services. However, other fees may be charged by Pershing or product sponsors. This includes an IRA termination fee, and early redemption fees, if applicable. In addition, there may be tax consequences if you liquidate your positions. If you have questions or need additional copies, contact your Registered Representative and tax advisor.

Conflicts of interest

Conflicts of interest exist when we provide brokerage services to you. A conflict of interest is a situation in which we engage in a transaction or activity where our interest is materially adverse to your interest. The mere presence of a conflict of interest does not imply that harm to your interests will occur, but it is important that we acknowledge the presence of conflicts. Moreover, our regulatory obligations require that we establish, maintain, and enforce written policies and procedures reasonably designed to address conflicts of interest associated with our recommendations to you.

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

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

Compensation We Receive from Clients

Transaction-based conflicts

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

Markups and markdowns for principal transactions

When you buy or sell securities in a brokerage account, and in accordance with industry regulations, we may impose a markup (increase) or markdown (decrease) in the price of transactions we execute on a principal basis. This is typical of bond trades. We are compensated based upon the difference (markup) between the price you pay for securities purchased from us and the price we sell such securities to you over the prevailing market price, or the difference (markdown) between the price you sell securities to us and the price we purchase such securities from you over the prevailing market price. We maintain policies and procedures reasonably designed to help ensure compliance with the markup and markdown industry rules.

Compensation We Receive from Third Parties

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

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

- **Revenue Sharing.** We share in some of the fees Pershing charges for account maintenance and other account related fees. This includes margin interest on debit balances, interest paid on short positions, margin extension fees, account transfer fees, stock transfer fees, fees for insufficient funds fees on returned checks/ACH's, overnight check fees, and outgoing wire fees. In addition, we receive a portion of interest paid to clients that participate in Pershing's bank deposit sweeps. The Firm does not limit our recommendations to these products that generate third party payment. The higher the fees you are charged, the more we are compensated.
- **Trail Compensation.** Ongoing compensation from Product Sponsors may be received by us and shared with our Registered Representatives. This compensation (commonly known as trails, service fees or Rule 12b-1 fees in the case of mutual funds, including money market funds) is typically paid from the assets of the investment product under a distribution or servicing arrangement and is calculated as an annual percentage of invested

assets. The amount of this compensation varies from product to product. We have an incentive to recommend that you purchase and hold interests in products that pay us higher trails.

Additional Compensation from Product Sponsors and Other Third Parties

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

- Gifts and awards, an occasional dinner or ticket to a sporting event, or reimbursement in connection with educational meetings or marketing or advertising initiatives, including services for identifying prospective clients.
- Payment or reimbursement for the costs associated with education or training events that are attended by our employees, agents, and Registered Representatives, and for conferences and events that we sponsor.

Note: The amount of these payments is not dependent or related to the level of assets you or any other of our clients invest in or with the Product Sponsor.

Product Share Classes

Some Product Sponsors offer multiple structures of the same product (e.g., mutual fund share classes) with each option having a unique expense structure, and some having lower costs to you as compared to others. We are incentivized to make available those share classes or other product structures that will generate the highest compensation to us.

Compensation Related to Our Affiliates

Robert Zamora is the majority owner of LAFISE Securities. Mr. Zamora is also a majority owner of many entities. Some of these entities include but are not limited to: LAFISE Group Panama, a holding company; LAFISE Investment Management, an investment advisory firm located in Nicaragua; LAFISE Valores Puesto de Bolsa SA, an investment advisory firm located in Costa Rica; LAFISE Valores SA, an investment advisory firm with locations in Nicaragua and Guatemala; LAFISE Valores Santo Domingo SA, an investment advisory firm located in the Dominican Republic; LAFISE Valores de el Salvador SA DE CV; an investment advisory firm located in El Salvador; LAFISE Valores Honduras, an investment advisory firm located in Honduras; and LAFISE Valores Panama, a bank and investment advisory firm located in Panama. These separate entities (collectively "the LAFISE Group") are independently operated from LAFISE Securities. However, the LAFISE Group may refer clients to LAFISE Securities.

Compensation Received by Registered Representatives

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

Typically, a Registered Representative's payout schedule (periodically adjusted by us at our discretion) increases with production and asset levels. The same payout schedule is reduced when Registered Representatives discount certain client fees and commissions, or client relationship asset levels are below minimums established by us from time to time. Registered Representatives also may be eligible for annual or ongoing bonuses and deferred compensation awards based upon a variety of factors that may include reaching certain production levels, tenure with the firm, client product mix, asset gathering, referrals to affiliates or other targets, as well as compliance with our policies and procedures and meeting best business practices.

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

Registered Representatives have an incentive to recommend you rollover assets from a Qualified Retirement Plan (QRP) to a brokerage Individual Retirement Account (IRA) because of the compensation they will receive. We maintain policies and procedures designed to ensure that rollover recommendations are in your best interest.

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

Recruitment compensation is provided to Registered Representatives who join our firm from another financial firm. This compensation, which may vary by Registered Representative, often includes either an upfront or backend award based upon new client assets to the firm and/or revenue generated from such client assets. This creates an incentive for the Registered Representative to recommend the transfer of assets to the firm, including brokerage assets, in order to earn this compensation.

Noncash compensation is provided to Registered Representatives in the form of credits toward business expense accounts and certain titles. Registered Representatives are also compensated in the form of education meetings and recognition trips. Portions of these programs is subsidized by external vendors and affiliates, such as mutual fund companies, insurance carriers, or money managers. Consequently, product providers that sponsor and/or participate in education meetings and recognition trips gain opportunities to build relations with Registered Representatives, which could lead to sales of such product provider’s products. Registered Representatives also receive promotional items, meals, entertainment, and other noncash compensation from product providers.

Other Registered Representative Activities

Registered Representatives may be motivated to place trades ahead of clients in order to receive more favorable prices than their clients. Our written supervisory procedures are designed to assure that the personal securities transactions, activities, and interests of our Registered Representatives will not interfere with (i) making decisions in the best interests of our customers; or implementing such decisions while, at the same time, allowing Registered Representatives to invest for their own accounts. Under the Firm’s procedures, Registered Representatives may buy or sell securities that are recommended to customers, subject to certain restrictions. For example, if a Registered Representative trades ahead of a customer and receives a better price, a price adjustment will be made for the customer. We have procedures to monitor the personal trading activities and securities holdings of each of the Firm’s and includes procedures for limitations on personal securities transactions of associated persons. These policies are designed to discourage and prohibit personal trading that would disadvantage clients.

Registered Representatives who are transitioning through a succession plan may be incentivized to make brokerage recommendations designed to increase the value of their book of business through asset accumulation or brokerage trades that are not in your best interest. Registered Representatives who receive clients from a retiring Registered Representative are incentivized to meet growth goals and may make recommendations not in your best interest.

Internal campaigns and recognition efforts incentivize Registered Representatives to engage in activities to reach incentive goals.

Additional Resources

Title	Web address
Form CRS	https://www.lafise.com/lafisesecurities/regulatory-disclosures
Margin Disclosure	https://www.lafise.com/Portals/1/Pdf/securities/Credit%20Advance%20Margin%20Agreement%20and%20Disclosure%20Statement%20-%202013.09.pdf?ver=2016-08-15-131537-923
Cash Sweep Program	https://www.pershing.com/_global-assets/pdf/disclosures/per-mutual-fund-money-fund-and-bank-deposit-program-disclosures.pdf