

## Cadaret, Grant & Co., Inc. Brokerage Services Disclosure Summary

This disclosure provides information about the business practices, compensation, and conflicts of interest related to the brokerage business of Cadaret, Grant & Co., Inc. (referred to as "we," "us," or "CG".) Additional information about CG and our financial professionals is available on FINRA's website at <http://brokercheck.finra.org>.

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### Item 1 Introduction

CG is a broker-dealer registered with the U.S. Securities and Exchange Commission (SEC) and member of the Financial Industry Regulatory Authority (FINRA). CG is also registered as an investment adviser with the SEC. In addition, CG is qualified to sell insurance products in all 50 states. As a broker-dealer, CG transacts business in various types of investment products, including mutual funds, exchange-traded funds (ETFs), stocks, bonds, options, variable annuities, real estate investment trusts (REITs), and other investment products.

CG maintains a network of individuals, referred to as "financial professionals," who offer brokerage services, investment advisory services, or both, depending on their licenses. Some of CG's financial professionals are investment adviser representatives of CG and a number are an investment adviser representative with a non-affiliated third-party investment adviser. CG's financial professionals are independent contractors. CG financial professionals are located throughout the U.S. and often market services under their own business name.

Although most of our financial professionals offer both brokerage and investment advisory services, some only offer brokerage services and others only offer investment advisory services. When you are discussing services with one of our financial professionals, you should ask in what capacity the financial professional is acting or will be acting - as a broker-dealer registered representative and/or investment adviser representative - when providing services to you. This disclosure discusses important information regarding our financial professionals who act as broker-dealer registered representatives of CG. For more information about CG and the services that our financial professionals provide when they act as an investment adviser representative, please see CG's Form ADV disclosure brochure available on [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). In the case of a financial professional who is associated with a third-party investment adviser, please refer to [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or contact that investment adviser for a copy of its Form ADV. For additional information on which type of investment account is right for you, please see CG's Form CRS (Customer Relationship Summary) on [www.cadaretgrant.com](http://www.cadaretgrant.com).

Like all financial services providers, CG and our financial professionals have conflicts of interest. We and our financial professionals are compensated directly by customers and indirectly from the investments made by customers. When you purchase an investment, we typically get paid an upfront commission or sales load at the time of the transaction and in some cases a deferred sales charge. If we are paid an

upfront commission, it means that we are paid more the more transactions you make and/or the larger the transaction. When we are paid indirectly from the investments made by customers, we receive ongoing compensation, typically called a "trail" payment, for as long as you hold an investment. In addition, we receive compensation from the sponsors of some of the investment products that we offer. The amount we receive varies depending on the particular type of investment purchased. The compensation described in this disclosure summary represents the maximum gain or profit we receive on an investment, before deduction of our expenses.

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

## **Item 2 Commissions, Fees, and Other Types of Sales Compensation**

### **Commissions and Sales Charges**

CG receives upfront commissions when we execute transactions that result in the purchase or sale of a security. A commission, which also may be called a sales load, sales charge, or placement fee, is typically paid at the time of the sale and can reduce the amount available to invest or can be charged directly against an investment. Commissions are often based on the amount of assets invested. When CG receives a sales charge or commission, it shares it with your financial professional. In some cases, a portion of the sales charge or commission is retained by an investment's sponsor. Commissions vary from product to product, which creates an incentive to sell a higher commission product rather than a lower commission product. The maximum and typical commissions for common investment products are listed below. For more information about other commissions that apply to a particular transaction, please refer to the applicable investment's prospectus or other offering document.

- *Equities and Other Exchange Traded Securities.* The commission charged by CG in an agency capacity on an exchange traded security transaction, such as an equity, option, ETF, exchange traded note (ETN), or closed-end fund (CEF) ranges from 0.4 %- 2.0% of the transaction amount depending on the price and size of the transaction. The commission amount decreases as the size of the transaction amount increases according to a schedule. In addition, a financial professional can decide to discount the commission amount to a minimum of \$0 per transaction.
- *Mutual Funds and 529s.* The maximum commission or sales charge permitted under applicable rules is 8.5%, although the sales charge typically does not exceed 5.75%.
- *Annuities.* The maximum upfront commission paid for new sales of annuities is as high as 7.5% but varies depending on the contract length purchased, and type of annuity, such as fixed index, and traditional and investment-only variable annuities.
- *Alternative Investments.* For alternative investment products, such as non-traded business development companies (BDCs), or real estate investment trusts (REITs), the upfront sales load is as high as 5.5%.
- *Unit Investment Trusts (UITs).* The maximum upfront sales charge paid typically ranges from 1.35% to 3.5% and will depend on the length of the term of the UIT.

### **Markups and Markdowns - Principal or Dealer Transactions**

When CG sells to or buys from you a bond or other fixed income security such as a structured product in a principal capacity, CG sells the security directly to you or buys it directly from you, rather than acting as your agent to buy or sell the security from a third party. These transactions are known as "dealer transactions." In these circumstances, if we sell a bond at a price higher than what we paid for it, we will

earn a markup. Conversely, if we buy a bond from you at a price lower than what we sell it for, we will earn a markdown. The maximum markup/markdown on a transaction with a customer that we receive when acting in a principal capacity typically does not exceed 2.0% of the value of the security. On rare occasions, a markup/markdown may exceed 2.5% on a deeply discounted security and markups/markdowns on structured products can be higher. In many cases, the actual markup/markdown percentage is lower based on factors such as quantity, price, type of security, rating, and maturity. While we act in a principal capacity when buying and selling bonds and fixed income securities, we do not carry an inventory of bonds or fixed income securities and arrange the purchase and sale of bonds and fixed income securities through Pershing, LLC, our clearing firm, or another dealer, who also charges a markup or markdown.

### **Direct Fees and Charges**

CG is an introducing broker and carries all brokerage accounts and clears all securities transactions on a fully disclosed basis through Pershing LLC, our clearing and custodial firm.

If you hold an account through CG with Pershing, Pershing charges miscellaneous fees directly to your account such as fees for transaction processing, account transfers, and retirement account maintenance which are standard and customary. We mark up and receive a portion of many of the fees charged by Pershing. For direct fees that apply per transaction, CG and Pershing receive more fees the more transactions that result from a financial professional's recommendations. These fees and charges are set out in our Brokerage Account Fee Schedule located on the Customer Disclosures page on our website, are not shared with our financial professionals, and are not charged by CG or Pershing if you hold an account directly with a product sponsor rather than with CG.

### **Item 3 Third Party Compensation**

CG and our financial professionals receive compensation from investment product sponsors and other third parties in connection with investments that our customers make in securities such as mutual funds, annuities, and alternative investments. Certain types of third-party compensation are received by CG and shared with our financial professionals, and other types are retained only by CG. For more information about the third-party compensation we receive, the investment product sponsors and other third parties that pay CG the compensation, and related conflicts of interest, please see the Investment Products and Services Overview located on our the Customer Disclosures page on our website at [www.cadaretgrant.com](http://www.cadaretgrant.com)

### **Third Party Compensation Shared by CG with our Financial Professionals**

#### **Trail Compensation**

CG and our financial professionals receive ongoing compensation from certain investment products such as mutual funds, annuities, and alternative investments. This compensation (commonly known as trails or Rule 12b-1 fees) is typically paid from the assets of the investment product under a distribution or servicing arrangement with the investment sponsor and is calculated as an annual percentage of assets invested by our customers. The more assets you invest in a product, the more we are paid in these fees. Therefore, we have an incentive to encourage you to purchase a product offered by a sponsor who shares a portion of their compensation with us or increase the size of your investment. The amount of trails received varies by product. This creates an incentive to recommend a product that pays a higher trail rather than a lower trail. We also have an incentive to recommend a product that pays trails (regardless of amount) rather than products that do not pay trails. For more information about trail compensation received with respect to a particular investment, please refer to the prospectus or offering document for the investment.

- *Mutual Funds and 529s.* The ongoing payment depends on the class of shares but is typically between 0.25% and 1% of assets annually.

- *Annuities.* We receive a trail payment from an insurance company for the promotion, sale, and servicing of a policy. The amount and timing of trail payments vary depending on the agreement between CG and the issuer and the type of policy purchased. The maximum trail payment for annuities is typically 1.25% and varies depending on the type of annuity.
- *Alternative Investments.* For alternative investment products, trail payments may be as high as 1.00% on an annual basis which terminates after a specified time period.

### **Concessions and Mutual Fund Finder's Fee**

In certain cases, CG and our financial professionals receive compensation from a mutual fund sponsor in connection with transactions for which sales charges are waived or under other circumstances and as described in a fund's prospectus. This compensation is generally referred to as a finder's fee or concession and typically ranges between 0.25% and 1% of the transaction amount. We also receive concessions from investment sponsors for other types of investments. These concessions vary from product to product and are generally shared between CG and our financial professionals. Concessions can be as high as 0.05% of the transaction amount for new issues of certificates of deposit, municipal bonds, and other short-term dated bonds, up to 3.75% of the transaction amount for structured products.

### **Life Insurance**

When we receive compensation from issuers of life insurance (universal, variable universal, whole life, and term) and other insurance contracts available to our customers, compensation includes commissions and trails, and from some issuers, includes payments for administrative services that we provide. Payments can also be made in connection with our marketing, education and training efforts, including our annual education conference and other conferences. CG and/or our affiliated insurance agency, Cadaret, Grant Agency (CG Agency), receive commissions in the range of 1% to 120% of first-year commissionable premiums. We may also receive a trail payment in the range of 1% to 25% of subsequent premiums, if any. The amount of commission varies depending on the issuer, coverage, and the premium amount. Our financial professionals receive a percentage of the commissions and trailing commissions an insurance company pays to CG or CG Agency. Additionally, for non-variable products, our financial professionals can receive commissions and trailing commissions directly from the insurance company as an outside business activity.

We also receive additional compensation from certain insurance companies when CG's and CG Agency's sales of a company's products exceed premium thresholds specified in selling agreements with CG and/or CG Agency. Lastly, when our financial professionals use a Field Marketing Organization (FMO) with which CG Agency has a contract, we receive the additional compensation from the FMO rather than from the insurance company. This additional compensation from the FMO can apply to transactions where a financial professional is paid directly from the insurance company.

### **Bonus Payments from Insurance Companies**

Certain insurance companies can offer our financial professionals bonus payments, often times called persistency or retention bonuses, based on the amount of customer assets that the financial professional has placed in the insurance company's products. Although we do not participate in these bonus programs, we may from time to time accept and share these payments on a one-time basis with a financial professional who recently joined CG and was entitled to such payments through the financial professional's former brokerage firm.

### **Non-Cash Compensation**

CG and our financial professionals receive non-cash compensation from investment sponsors that is not in connection with any particular customer or investment. Compensation includes such items as gifts valued at less than \$100 annually, an occasional dinner or ticket to a sporting event, or reimbursement for

expenses in connection with educational meetings, customer workshops or events, or marketing or advertising initiatives, including services for identifying prospective customers. Investment sponsors also pay or reimburse CG and/or our financial professionals, for the costs associated with education or training events that may be attended by CG employees and financial professionals and for CG sponsored conferences and events.

### **Third Party Compensation Retained by CG**

#### **Pershing Clearing Relationship**

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

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

Pershing also pays fees to CG, or shares fees it earns with CG, for the following items:

- Transition assistance in the form of reimbursement of IRA termination fees of up to \$165 per account for a retirement account transferred to Pershing and up to \$125 per retail account for retail accounts transferred to Pershing;
- A growth assistance credit for seven years to support, service, and grow brokerage assets on the Pershing platform;
- A portion of certain brokerage account services and custodial fees charged to customer accounts that exceeds the amount that we are required to pay Pershing for such services, including account transfer fees, IRA custodial and termination fees, paper confirm and statement fees, inactive (custodial) account fees, retirement account maintenance fees, and margin interest; and
- A portion of shareholder servicing fees from certain mutual fund sponsors as part of their FundVest® No Transaction Fee program (FundVest) as described below.

In the FundVest program, Pershing receives shareholder servicing fees from participating funds and a portion of those fees are shared with CG. Our receipt of a portion of the FundVest funds’ service fees creates a conflict of interest because we have an incentive to invest your assets or to recommend that you purchase or hold these mutual funds that pay fees to CG over other funds that do not pay these fees. We do not share these fees with our financial professionals.

Most FundVest funds have higher internal expenses than funds that are not in the FundVest program, and the share classes of funds in the program have higher internal expenses than share classes not in the program. The higher internal expenses will reduce the long-term performance of an account when compared to an account that holds lower-cost share classes of the same fund. FundVest funds held less than six months are also subject to a short-term redemption fee of \$50. Further information regarding mutual fund fees and charges is available in the applicable mutual fund prospectus. For a list of funds participating in the FundVest program, please contact us or your financial professional.

## Revenue Sharing Payments

We receive revenue sharing payments from investment sponsors who participate in CG's sponsorship program called the Partners Program. Investment sponsors make payments to incentivize CG to promote their products, and the sponsors receive preferential treatment as a result of the payment. Preferences include supporting our product marketing, education, and training efforts for financial professionals so that investment sponsors can communicate with financial professionals and promote their products. These payments are typically calculated as a fixed fee, as an annual percentage of the amount of assets invested, as a percentage of annual new sales, or as a combination of the foregoing.

- *Mutual Funds.* We receive compensation of up to 0.32% on an annual basis of customer assets invested with certain mutual fund families. In some cases, we also receive flat annual payments at the discretion of certain fund sponsors as support for CG's product marketing and the education and training efforts for financial professionals in connection with the sale of their products.
- *Variable Annuities.* We receive compensation up to 0.25% annually based on sales.
- *Fixed Annuities.* We receive payments of up to 0.50% annually on sales or up to 0.25% annually on customer assets.
- *Alternative Investments.* For certain alternative investments, we receive compensation directly from the investment sponsor, and not as a portion of the upfront commission or trail. These fees can be paid on an annual basis of up to 0.35% of customer assets invested and up to 1.00% of sales in alternative investments, such as managed futures funds, non-traded REITs, and BDCs.
- *UITs.* We receive fees, often referred to as volume concessions, from UIT sponsors that are based on a percentage of sales volume. These fees are set by the UIT sponsor and vary. The UIT prospectus contains detailed descriptions of these additional payments.

As part of our Partners Program, we prepare and make available to our financial professionals a quarterly list of Partners' mutual funds and ETFs that have been screened for investment performance against other Partners' funds with similar objectives and asset classes (the "Select Fund List" or "List"). CG and our financial professionals have a conflict of interest when a financial professional chooses or recommends an investment from the Select Fund List for your portfolio because CG receives revenue sharing fees from the mutual fund or ETF sponsor. Our receipt of revenue sharing fees influences our selection of mutual funds and ETFs, as our financial professionals are likely to recommend a fund or ETF whose sponsor pays us revenue sharing fees over a fund or ETF whose sponsor does not pay us.

Investment sponsors pay CG different amounts of revenue sharing and receive different levels of benefits for such payments. Because these fees can vary by fund and share class of a fund, we have an incentive to recommend a fund or share class that pays more in revenue sharing than a fund or share class that pays a lower amount. We do not share these revenue sharing payments with financial professionals.

## Ad Hoc Reporting

We receive up to \$5,000 per sponsor annually from various mutual fund, ETF and annuity investment sponsors in exchange for access to business intelligence and ad hoc reporting relating to financial professionals.

## Collateralized Lending Arrangements

We offer a program that enables customers to collateralize certain investment accounts to obtain secured loans through a program we offer through Pershing called LoanAdvance. In LoanAdvance, customers are charged a rate of interest that is a floating rate not more than 3 percentage points above the Fed Funds

Target Rate plus 200 basis points. We receive compensation in an amount by which the interest rate is marked up over the Fed Funds Target Rate as published in *The Wall Street Journal* and shares this with its financial professional. CG and our financial professionals have an incentive to recommend that customers borrow money rather than liquidating some of their account assets so that CG and our financial professional can continue to receive brokerage commissions and fees on those assets.

We also offer Pershing's Fully Paid Securities Lending program, which enables qualified customers to lend fully paid-for securities to Pershing. Pershing earns revenue from lending these securities and a portion of that revenue is shared with the customer, CG and your financial professional. CG and your financial professional shares in 5% of the revenue received. We have an incentive to encourage customers to hold a security in their account rather than liquidate it so that we and our financial professionals can continue to receive compensation.

#### **Item 4 Product Costs and Related Conflicts**

Our financial professionals provide recommendations with respect to a broad range of investment products, including stocks, bonds, ETFs, mutual funds, annuities, and alternative investments. Each type of investment product carries unique risks, and many investment products charge fees and costs that are separate from and in addition to the commissions and fees that CG and our financial professionals receive. You can learn more about these risks and the fees and costs charged by an investment product by reviewing the investment product's prospectus, offering memorandum, or other disclosure documents. Below is a summary of the typical range of expenses of the various investment products we sell. In most cases, these expenses are in addition to the commissions and fees that CG receives for our brokerage services.

- *ETFs*. Expense ratios range from 0.05% to 1.0%, with an average expense ratio of around 0.44%.
- *Mutual Funds*. Expense ratios can vary based on the type and share class of mutual fund purchased. The average expense ratio for actively managed funds is 0.5% to 1.50%.
- *Annuities*. The typical range of annual expenses associated with annuities is 0.60% to 5.00% depending on the combination of options selected by the investor including the type of annuity (variable annuities have a mortality and expense fee whereas fixed index annuities do not), optional riders elected (living and/or death benefits), and investment options where applicable (subaccounts or models for variable annuities).
- *Alternative investments*. The typical range of annual expenses, excluding any commissions or dealer manager fees, is 0.80% to 6.00%, which may include management fees, acquisition fees, disposition fees, performance participation fees, organization and offering fees, acquired fund fees and expenses, or interest payments on borrowed funds.
- *UITs*. Typical annual operating expenses for UITs range from 0.20% to 0.40%, with equity UITs usually at the low end of the range and UITs whose trust consists of a basket of closed-end funds typically at the high end of the range.

#### **Share Class and Fund Selection**

We offer various share classes of mutual funds and 529s. As an example, certain mutual fund share classes, often referred to as Class A shares, charge an upfront sales charge and an ongoing trail. For other mutual fund share classes, often titled Class C shares, there is no upfront sale charge paid, however, there is an ongoing trail payment and a contingent deferred sales charge (CDSC) to the customer if there is a redemption within a certain period of time after purchase. Depending on the length of the holding period for a mutual fund or 529 plan, and other factors, one share class may be less expensive to you than another, and CG and your financial professional may earn more or less in

compensation for one share class than another. Because of their characteristics and sales load structure, mutual funds generally are longer term investments. Frequent purchases and sales of mutual funds can result in significant sales charges unless the transactions are limited to exchanges among mutual funds offered by a sponsor that permits exchanges without additional sales charges. We maintain policies and procedures that are designed to detect and prevent excessive mutual fund switching, but you should monitor your account and discuss with your financial professional any frequent mutual fund purchases and sales.

We offer various mutual funds and ETFs, some of which have similar or identical investment strategies but differing fee structures. For example, a mutual fund that is designed to track an index of securities, such as the S&P 500 Index, may have higher or different types of fees than an ETF that is designed to track the same index. Whether a fund or ETF is more expensive than another fund or ETF with a similar or identical investment strategy may depend on factors such as length of holding, size of the initial investment, and other factors. In addition, holding an ETF in a taxable account will generate less tax liabilities than a similarly structured mutual fund. CG and your financial professional may earn more compensation for one fund or ETF than another, giving CG and your financial professional an incentive to recommend the product that pays more compensation to us.

### **Product-Related Compensation Conflicts**

Our financial professionals offer a wide array of investment types to meet your needs. Within each investment type, there are many specific products that a financial professional can recommend. For instance, there are many mutual funds options, some of which have similar investing strategies, performance, and portfolios. The compensation we receive differs from product to product, and we can receive different compensation from different product sponsors in the same product type. This creates a conflict of interest for us because we have an incentive to sell you a higher commission or fee product rather than a lower commission product. Information regarding the specific fees you pay for a transaction is found on the trade confirmation receive. Additional information about the fees a product sponsor pays us and your financial professional is found in the prospectus or offering materials that are provided to you.

We will make recommendations to you based on (a) the information you provide and (b) our assessment of a product's or service's potential risks, rewards, and costs. If you would like to know why a recommendation was made, please ask your financial professional. When your financial professional recommends a particular product to you, he or she is recommending that specific product because he or she has determined that the recommendation is in your best interest at the time of the recommendation, based on the information you have provided and your financial professional's assessment of the product's or service's potential risks, rewards, and costs. It is your responsibility to update and keep the information that you provide to us and your financial professional accurate. Additionally, if you choose not to follow a recommendation made by us or your financial professional, you are fully responsible for the potential risks and losses that can result from your decision, including any result that is not in accordance with the best interest standard.

## **Item 5 Customer Referrals, Other Compensation and Conflicts**

### **Margin**

We offer customers the ability to purchase securities on credit, also known as margin purchases through Pershing brokerage accounts. When a customer purchases a security on margin, Pershing extends a line of credit to the customer and charges interest on the margin balance. We have a financial incentive to encourage margin borrowing because we earn compensation in the form of interest, transaction charges, and other fees on investments made with borrowed amounts. That financial incentive creates a conflict of interest insofar as we benefit from your decision to borrow and incur the various fees and interest described above. If contemplating use of margin, please consult the Pershing Margin Agreement and related disclosures for additional details. None of these fees derived from margin accounts are shared with your financial professional.



## **Error Corrections**

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

## **Rollovers**

If a customer decides to roll assets out of a retirement plan, such as a 401(k) plan, and into an individual retirement account (IRA), we have a financial incentive to recommend that the customer invest those assets through CG, because we will be paid on those assets, for example, through commissions, fees, and/or third-party payments. You should be aware that such fees and commissions likely will be higher than those the customer pays through their plan, and there can be custodial and other maintenance fees. As securities held in a retirement plan generally cannot be transferred to an IRA, commissions and sales charges may be charged when liquidating such securities prior to the transfer, in addition to commissions and sales charges previously paid on transactions in the plan.

## **Limitations on Investment Recommendations**

CG and our financial professionals offer and recommend investment products only from investment sponsors with which we have entered into selling and distribution agreements. Other firms may offer products and services not available through CG or the same or similar investment products and services at lower cost. In addition, we may only offer certain products in a brokerage account, even though there is a version of the product that may be offered at a lower cost through an advisory account, and vice versa. The scope of products and services offered by certain of our financial professionals may also be more limited than what is available through other financial professionals. A financial professional's ability to offer individual products and services depends on his or her licensing and training. For example, a financial professional maintaining a Series 6, Series 63, and life insurance agent license is limited to providing investment company securities, such as mutual funds and UITs and variable annuity contracts. A financial professional maintaining a Series 7, Series 63, and life insurance agent license is able to provide solutions including all securities available for sale by a Series 6 representative as well as individual stocks, bonds, and alternative investments, among others. As another example, a financial professional may only be licensed to provide brokerage services, and not advisory services, or vice versa. To provide investment advisory services, a financial professional is often required to be registered as an investment adviser representative with the state in which the financial professional has a place of business.

You should ask your financial professional about the securities or services he or she is licensed or qualified to sell, and his or her ability to service investments that you transfer to CG from another firm. You should also review the licenses held by your financial professional by visiting the FINRA BrokerCheck system at <http://brokercheck.finra.org>.

## **Item 6 Financial Professional Compensation, Fees, and Related Conflicts**

### **Cash Compensation**

We typically pay our financial professionals a percentage of the revenue they generate from sales of products and services. The percentage received can vary (typically between 75% to 100%) depending on a financial professional's agreement with CG and the investment product or service provided and can be more or less than the compensation paid at another brokerage firm. The payments can include a bonus

that is based on the amount of assets serviced or revenue generated by the financial professional. When compensation is based on the level of production or assets, a financial professional has a financial incentive to meet those production or asset levels. In some cases, we pay a portion of a financial professional's compensation to the financial professional's branch manager or another financial professional for supervision and/or administrative or sales support. There is a conflict of interest because the compensation affects the branch manager's ability to provide objective supervision of the financial professional. CG and our branch managers have an obligation to supervise financial professionals and may decide to terminate a financial professional's association with CG based on performance, a disciplinary event, or other factors. The amount of revenue generated by a financial professional creates a conflict of interest when considering whether to terminate a financial professional.

### **Other Benefits**

Financial professionals are eligible to receive other benefits based on the revenue generated from sales of products and services. These benefits present a conflict of interest because a financial professional has an incentive to remain with CG in order to maintain these benefits. These benefits include eligibility for practice management support and enhanced service support levels that confer a variety of benefits, conferences (e.g., for education, networking, training, and personal and professional development), and other non-cash compensation. These benefits also include free or reduced cost marketing materials, reimbursement or credits of fees that financial professionals pay to CG for items such as administrative services or technology, and payments that can be in the form of repayable or forgivable loans (e.g. for retention purposes or to assist a financial professional grow his or her securities practice). If we make a loan to a new or current financial professional, there is also a conflict of interest because CG's interest in collecting on the loan affects our ability to objectively supervise the financial professional.

### **Fees Charged to Financial Professionals**

We charge our financial professionals various fees for, among other things, trade execution, administrative services, insurance, certain outside business activity related supervision, technology, and licensing. Depending on the situation, these fees make it more or less profitable for a financial professional to offer and recommend certain services or products over others. In certain cases, these fees are reduced based on a financial professional's overall business production or the amount of assets serviced by the financial professional, which gives the financial professional an incentive to recommend that you invest more in your account or engage in more frequent transactions. Transaction fees charged to your financial professional can also vary depending on the specific security that the financial professional recommends. As an example, the transaction fees a financial professional pays to purchase or sell a mutual fund for your account may be different from the transaction fee to purchase or sell an ETF which creates an incentive for your financial professional to recommend the product that carries the lowest transaction charge. In addition, financial professionals have the option of adding an amount to a customer's transaction to cover the cost of the transaction charge, either in whole or in part, which passes this cost on to the customer.

### **Recruitment Compensation and Operational Assistance**

If a financial professional recently became associated with CG after working with another financial services firm, the financial professional may receive recruitment compensation from CG in connection with the transition. This transition assistance includes payments that are intended to assist a financial professional with costs associated with the transition; however, we do not verify that any payments made are actually used for transition costs. These payments can be in the form of repayable or compensatory loans, and are subject to favorable interest rate terms, as compared to other lenders. In the case of compensatory loans, the loans are generally subject to repayment if a financial professional leaves CG before a certain period of time or other conditions are not met. Transition assistance payments can be used for a variety of purposes such as providing working capital to assist in funding the financial professional's business, offsetting account transfer fees payable to the custodian as a result of the clients transitioning to CG's platforms, technology set-up fees, marketing, mailing and stationary costs,

registration and licensing fees, moving and office space expenses, staffing support and termination fees associated with moving accounts.

The amount of recruitment compensation is typically based on a percentage of the financial professional's business established at their prior firm, for example, a percentage of the revenue earned, or assets serviced at the prior firm, or on the size of the assets that transition to CG. The receipt of this compensation creates a conflict of interest in that a financial professional has a financial incentive to recommend that a customer open and maintain an account with CG for advisory, brokerage and/or custody services, and to recommend switching investment products or services where a customer's current investment options are not available through CG, in order to receive the this type of benefit or payment.

### **A Financial Professional's Outside Business Activities**

Our financial professionals may engage in certain approved outside business activities other than providing brokerage and advisory services through CG, and in certain cases, a financial professional receives more compensation, benefits, and non-cash compensation through an outside business activity than through CG. Some of our financial professionals are accountants, real estate agents, insurance agents, tax preparers, or lawyers, and some refer customers to other service providers and receive referral fees. As an example, a financial professional could provide advisory or financial planning services through an unaffiliated investment advisory firm, sell insurance through a separate business, or provide third party administration to retirement plans through a separate firm. If a financial professional provides investment services to a retirement plan as our representative and also provides administration services to the plan through a separate firm, this typically means the financial professional is compensated from the plan for the two services.

In addition, a financial professional may sell insurance through an insurance agency not affiliated with CG. In those circumstances, the financial professional is subject to the policies and procedures of the third-party insurance agency related to the sale of insurance products and would have different conflicts of interest than when acting on behalf of CG. A financial professional may receive compensation, benefits, and non-cash compensation through the third-party insurance agency and may have an incentive to recommend you purchase insurance products away from CG.

If you contract with a financial professional for services separate or away from CG, you should discuss with them any questions you have about the compensation they receive from the engagement. Additional information about a financial professional's outside business activities is available on FINRA's website at [http:// brokercheck.finra.org](http://brokercheck.finra.org).

### **Compensation for Other Services**

CG and our financial professionals can offer various types of advisory and brokerage programs, platforms and services, and earn differing types and amounts of compensation depending on the type of service, program, or platform in which you participate. This variation in compensation can incentivize a financial professional to recommend services, programs, or platforms that generate more compensation for CG and the financial professional than others. For example, if you expect to trade securities frequently in your account, a brokerage account in which you pay a commission for each transaction may generate more compensation for your financial professional than an advisory account that generates compensation in the form of investment advisory fees.

### **Item 7 Other Financial Industry Affiliations**

CG is an indirect wholly owned subsidiary of Atria Wealth Solutions, Inc. (Atria), a privately-owned company. As a subsidiary of Atria, CG is affiliated with other financial services companies including CUSO Financial Services, LP, a broker/dealer and SEC registered investment adviser, CFS Insurance & Technology Services, LLC (CITS), an insurance agency, NEXT Financial Group, Inc. a broker/dealer and

SEC registered investment adviser, Capital Strategy Group Ltd., an SEC registered investment adviser, Cadaret, Grant Agency, an insurance agency, Sorrento Pacific Financial, LLC, a broker/dealer, SEC registered investment adviser and insurance agency and Western International Securities, Inc. a broker/dealer, an SEC registered investment adviser and an insurance agency.

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