

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 [brokercheck.finra.org](https://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, unit investment trusts (UITs), real estate investment trusts (REITs), private placements, 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. While we offer a wide range of products and services, your financial professional can only offer you those products and services that he or she is qualified and licensed to offer.

When acting as a registered representative of the broker-dealer we are neither required nor agree to provide account monitoring services. Although individual financial professionals may voluntarily consider holdings in your brokerage account or brokerage relationship for purposes of determining whether to provide any recommendations to you, this does not constitute an account monitoring service for that brokerage account or relationship. This differs from our investment advisory services, in which we agree to monitor your account if pursuant to a written agreement with you. This distinction between a brokerage account and an advisory relationship is important, and you should consider it, among other factors such as the payment of commissions versus asset-based fees or the availability of discretionary advice, when deciding what kind of account or relationship to have with us.

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 [adviserinfo.sec.gov](https://adviserinfo.sec.gov). In the case of a financial professional who is associated with a third-party investment adviser, please refer to [adviserinfo.sec.gov](https://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 our Form CRS (Client Relationship Summary) also available on [cadaretgrant.com/disclosures](https://cadaretgrant.com/disclosures).

Like all financial services providers, CG and our financial professionals have conflicts of interest. We and our financial professionals are compensated directly by clients and indirectly from the investments made by clients. 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 a 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 clients, 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.

A financial professional has a conflict of interest if he or she is paid for referring a person to a third party for a security, a securities account, or an investment strategy involving securities. A conflict of interest exists if your financial professional or a member of your financial professional's household has a personal investment interest in the issuer of the security that your financial professional has recommended to you or a member of your financial professional's household is (a) employed by the issuer of the security that your financial professional has recommended to you, (b) a member of the board of the issuer of the security that your financial professional has recommended to you, or (c) a party to or beneficiary of an agreement or contract with the issuer of the security that your financial professional has recommended to you.

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.

## Services

Depending on your needs and investment objectives, we may assist you with brokerage services, investment advisory services, insurance products, or all three. There are important differences between brokerage and advisory accounts, including their costs, the services we provide and the rules that govern them. You should carefully consider these differences when deciding which type, or combination of types, of services and accounts are right for you.

- Brokerage services are when we facilitate the execution of transactions (the purchase and sale of securities (stocks, bonds, mutual funds, and ETFs)) based on your instructions. In addition, when we act as a broker, we also offer investor education, research, financial tools, and personalized information about financial products

and services, including recommendations about whether to buy, sell, or hold securities. We do not charge a separate fee for these services because these services are part of, and incidental to, our brokerage services. These recommendations, which are based on your investment goals, objectives, and risk tolerance, are focused on items such as whether to buy, sell, or hold a security or securities, what type of an account to open (taxable, qualified), and if you should transfer/rollover assets from another account, such as a retirement plan account. Your financial professional will not be providing ongoing monitoring of your account(s) portfolio, so it is important for you to review your account(s) regularly and communicate with your financial professional whenever you have questions, or if your financial situation, needs or personal circumstances change.

- Advisory services are when your financial professional and CG (as a registered investment adviser and as a fiduciary) provides ongoing investment advice and monitoring services for your account(s) for a fee. This service may be on a discretionary basis, which means that your financial professional can place trades, rebalance your portfolio, or make other investment decisions for your account without first discussing trades with you and obtaining your approval. Other services your financial professional can provide are financial planning, non-discretionary consultation, and advice on the selection of professional asset managers. The services we offer depend on which advisory program you select. We act as your investment adviser only when you have entered into a written agreement with us that describes our advisory relationship and our obligations to you. You also will receive a disclosure brochure about our advisory services that describes, among other things, our business, the services we provide, our advisory fees, our personnel, and potential conflicts between our interests and yours. To provide advisory services, your financial professional is required to pass a specific exam (Series 65 or 66) or obtain an equivalent professional industry designation (depending on the state where your financial professional maintains a place of business) and be registered as an investment adviser representative (IAR). You can ask your financial professional or check FINRA's website at [brokercheck.finra.org](https://brokercheck.finra.org) to see if your financial professional is able to provide advisory services.
- In your financial professional's capacity, as either a registered representative providing brokerage services or an IAR providing advisory services, if they provide advice related to taking a distribution and/or investing the assets from an employer sponsored retirement plan account to an individual retirement account (IRA) or from one IRA to another, then your financial professional will be an investment advice fiduciary under the Employee Retirement Income Security Act (ERISA). That means the advice is required to be for the exclusive benefit of you and your beneficiaries.

Below are some questions you might want to think about and ask your financial professional:

- Do you want or need someone to manage your account(s)?
- Or do you want to make all your investment decisions and only receive advice when you ask for it?
- Do you want someone to monitor your account(s) and provide ongoing investment advice?
- Or do you just want someone there if you have a question about your account or an investment?
- Do you have an active investment strategy of wanting to buy/sell when a financial or economic situation or opportunity presents itself?
- Or do you have a passive investment strategy of buy-and-hold for a long period of time and not influenced by financial or economics swings?
- Do you mind paying an ongoing fee for your financial professional's services?
- Or would you rather pay your financial professional for each transaction he/she helps you with?

In addition to the questions above, CG's Form CRS contains several "Conversation Starters" that you can use as discussion points with your financial professional in determining what services are right for you. It is our goal for you to be as informed as possible regarding your investment options, and both CG and your financial professional are available to explain our services in greater detail should you need any further information.

## Investment Philosophy and Strategy Limitations

We do not have a single investment approach or investment strategy. Your financial professional's investment approach or investment philosophy can focus on a specific concept, class of assets, or strategy. One financial professional's investment strategy and approach may differ from another's.

Your financial professional can offer a wide array of securities or other investment products or may use or recommend only a limited type or category of securities (e.g., securities or debt instruments or mutual funds and ETFs) and his or her investment approach can favor "buy and hold" or active management. You should discuss with your financial professional his or her investment approach and strategy.

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

### Commissions and Sales Charges

CG receives 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, we share it with your financial professional. In some cases, a portion of the sales charge or commission is retained by an investment's sponsor.

Commissions and sales charges vary from product to product, which creates an incentive to sell a higher commission or sales charge product rather than a lower commission or sales charge product. We mitigate these conflicts by disclosing them to you, and by establishing procedures and risk-based supervision to review product recommendations. Information regarding the specific fees you pay us for a specific transaction is found on the trade confirmation you receive for each transaction. Additional information about the fees that an issuer pays us and your financial professional is found in an issuer's prospectus or offering materials that are provided to you. 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 investment's prospectus or other offering document, if applicable.

- **Equities and Other Exchange Traded Securities** – The commission we charge 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 0.75%- 3.00% of the transaction amount depending on the principal amount of the transaction. The commission percentage decreases as the principal amount increases. Commissions are negotiable between you and your financial professional.
- **Mutual Funds and 529 Education Savings Plans** – The maximum 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 8.00% but varies depending on the contract length purchased, commission option selected by the financial professional, and type of annuity, such as fixed, fixed index, registered index=linked, 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 6.00%. The sales load for private equity and unregistered pooled investment funds (hedge funds) is up to 1.00% recurring annually in addition to a one-time placement fee of up to 1.50%.
- **Unit Investment Trusts (UITs)** – The maximum sales charge paid typically ranges from 1.35% to 3.50% and will depend on the length of the term of the UIT.

## **Fixed Income Securities**

When CG sells to you or buys from you a fixed income security, we do so in either an agency or riskless principal capacity. When we conduct an agency transaction, you purchase fixed income securities from or sell them to a third party. CG charges a commission on each fixed income agency transaction in your account. When conducting a riskless principal transaction, CG sells a 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, when you are purchasing a fixed income security, CG purchases the security directly from a third party and sells it to you at a price higher than what we paid for it. The difference in price is called a mark-up. Conversely, when you are selling a fixed income security, we buy it from you and sell it to a third party at a price higher than what we purchased it from you. The difference in price is called a mark-down. The maximum mark-up/down on a transaction with a client that we receive when acting in a riskless principal capacity does not exceed 3.0% of the value of the security. Mark-ups/downs on structured products can be higher. The actual mark-up/down percentage is based on factors such as quantity, price, type of security, rating, and maturity. You will be informed of the amount of the mark-up/down on a dealer transaction that is placed in your account on the confirmation of the transaction.

## **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 our clearing and custodial firm, Pershing LLC (Pershing). Information about Pershing can be accessed on [finra.org/brokercheck](https://finra.org/brokercheck).

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, which can be substantial. Our receipt of these fees, including where we markup a fee, creates a conflict of interest for CG because the fees constitute additional revenue to us. To mitigate this conflict, we do not share custodial fee revenues with your financial professional. 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, also available on the Disclosures page of 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 clients 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 our [Third-Party Compensation Disclosure](https://cadaretgrant.com/disclosures) located on our Disclosures page on our website at [cadaretgrant.com/disclosures](https://cadaretgrant.com/disclosures).

### ***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 clients. 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

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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 529 Education Savings Plans** – 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 and the selected compensation option. The maximum trail payment for annuities is typically 1.25% and varies depending on the type of annuity.
- **Alternative Investments** – For alternative investment products, such as non-traded REITs, trail payments are typically 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, and up to 2% of the transaction amount for closed end funds.

### **Life Insurance**

We receive compensation from issuers of life insurance (universal, variable universal, whole life, and term) and other insurance contracts available to our clients. This 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 an Independent Marketing Organization (IMO) with which CG Agency has a contract, we receive the additional compensation from the IMO rather than from the insurance company. This additional compensation from the IMO can apply to transactions where a financial professional is paid directly by the insurance company.

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

Certain insurance companies offer our financial professionals bonus payments, often called persistency or retention bonuses, based on the amount of client assets that a 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 client 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, client workshops or events, or marketing or advertising initiatives, including services for identifying prospective clients. 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. Training of our financial professionals can occur at branch offices, seminars, meetings, or other events. The training focuses on, among other things, the investment sponsor's products, suitability, product literature, and product support. This could lead our financial professionals to focus on these investment sponsor's products versus other products that are not represented at these meetings, seminars, and conferences. This creates a conflict of interest for us and our financial professionals to the extent that this causes them to prefer those product providers that have greater access, marketing opportunities, and educational opportunities. Additionally, some investment sponsors provide us and our financial professionals with access to certain research tools or software that is developed or subscribed to by third parties. This creates a conflict of interest to the extent that it causes us or our financial professionals to prefer those investment sponsors that provide this non-cash compensation.

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

### **Cash Sweep**

CG, through our clearing firm, Pershing, offers a cash sweep program to automatically move (sweep) uninvested cash balances held in brokerage accounts into either an interest-bearing Federal Deposit Insurance Corporation ("FDIC") insured deposit account through a Dreyfus Insured Deposits Program or a money market mutual fund, depending on the account type. Generally, each account is eligible for a single sweep product chosen specifically for that account type. Retail individual brokerage accounts (including investment advisory accounts), and business advisory or brokerage accounts are swept to the Dreyfus Insured Deposits P – Tiered Rate Product ("DIDP"), individual retirement accounts (IRAs) other than SIMPLE IRAs (SEPs) are swept to the Dreyfus Insured Deposits LF – Level Fee Product ("DILF"), and all ERISA Title I accounts are swept to the Dreyfus Government Cash Management – Investor Shares ("DGVXX") money market mutual fund.

For deposit accounts in the DIDP program, Pershing receives a fee from each participating bank receiving swept funds (each a "Program Bank") equal to a percentage of the average daily deposits at the Program Banks. Pershing shares the fee with CG and a third-party administrator. The combined fee paid to CG, Pershing, and the administrator will not exceed 4% per year on the average daily balances held in all deposit accounts taken in the aggregate. CG receives a substantial portion of this fee but not more than 3.30% per year.

For IRAs, CG receives a level monthly fee for each IRA that participates in the DILF program. The amount of this fee is determined based on a fee schedule indexed to the Federal Fund Target Rate published by the Federal Reserve System. The per account monthly fee will be no less than \$0.75 and no more than \$43.93. It is generally anticipated that the fee CG charges will be offset by the total amounts paid to us by the Program Banks. If CG does not receive sufficient payments each month from the Program Banks, CG reserves the right to debit your IRA account for the amount of any shortfall.

Your deposits at each Program Bank are limited to \$246,500, or \$493,000 for a joint account (98.5% of the deposit insurance limit). Once this amount is reached at a Program Bank, additional amounts are deposited in subsequent Program Banks in amounts not to exceed \$246,500 at each Program Bank. Any amounts deposited above the \$2.490 million program maximum (\$4.980 million for joint accounts) will be placed in shares of the DGVXX money market mutual fund and will not be covered by FDIC insurance.

For additional information on the DIDP and DILF program, please see the disclosure statement and terms and

conditions booklets available on [cadaretgrant.com/disclosures](https://cadaretgrant.com/disclosures).

The DGVXX money market mutual fund is eligible for protection by the Securities Investor Protection Corporation ("SIPC"). SIPC does not protect against the rise and fall in the value of investments.

You may elect to turn off (i.e., opt out of) the automatic sweep feature by contacting your financial professional. If you opt out, any cash balances in your account will remain as free credit balances and will not earn interest or be eligible for FDIC insurance but will remain eligible for SIPC coverage if maintained for the purpose of purchasing securities.

Depending on interest rates and other market factors, the yields on the DIDP and DILF will be higher or lower than the aggregate fees received by CG for your participation in the sweep programs. When yields are lower, this results in a negative overall return with respect to cash balances in a sweep program. Interest rates applicable to DIDP or DILF are often lower than the interest rates available if you make deposits directly with a bank or other depository institution outside of CG's brokerage platform or invest in a money market mutual fund or other cash equivalent.

CG receives more revenue when cash is swept into DIDP or DILF than if your cash was invested in other products, including money market mutual funds. Therefore, CG has an incentive to place and maintain your assets in the DIDP and DILF programs to earn more income, which creates a conflict of interest. A further conflict of interest arises as a result of the financial incentive for CG to recommend and offer the DIDP due to CG's control of certain functions. CG sets the interest rate tiers and the amount of the fee it receives for the DIDP, which generates additional compensation for CG. The compensation CG receives for DIDP and DILF is in addition to any remuneration CG and your financial professional receive in connection with other transactions executed within your account for which commissions or other charges apply. We mitigate these types of conflicts by ensuring that your financial professional does not receive any compensation from these sweep payments, and by maintaining policies and procedures to ensure that any recommendations made to you are suitable, or in the case of a retail investor, in your best interest. You should compare the terms, interest rates, required minimum amounts, and other features of the sweep program with other types of accounts and investments for cash. The sweep products have limited purpose and are not meant as a long-term investment or a cash alternative.

The DIDP and DILF programs are available only to clients of broker-dealers such as CG that clear through Pershing. Pershing is a wholly owned indirect subsidiary of The Bank of New York Mellon Corporation and is affiliated with (a) The Bank of New York Mellon, a NY state-chartered bank, and BNY Mellon, National Association, a national banking association, both of which participate as Program Banks in DIDP and DILF, (b) Dreyfus Cash Solutions, a division of BNY Mellon Securities Corporation, which is a service provider for DIDP and DILF, and (c) Dreyfus, a division of BNY Mellon Investment Adviser, Inc. and the investment manager of the Dreyfus money market mutual fund made available to accounts not eligible for DIDP or DILF.

### **Pershing Clearing Relationship**

Pershing pays or shares with CG the following items:

- For accounts in custody with Pershing with cash balances automatically transferred (swept) into the Dreyfus Insured Deposits P - Tiered Rate Product (DIDP) program, a portion of the fees paid by each participating bank receiving swept funds (each a "Program Bank") equal to a percentage of the average daily deposits at the Program Banks. The combined fee paid to CG, Pershing, and a third-party administrator will not exceed 4% per year on the average daily balances held in all deposit accounts taken in the aggregate. CG sets the amount of the fee it charges and retains, which may exceed the amount of interest paid to clients;
- For IRA accounts in custody with Pershing with cash balances automatically transferred (swept) into the Dreyfus Insured Deposits LF – Level Fee Product (DILF), a level monthly fee for each IRA that participates in the DILF program. The amount of this fee is determined based on a fee schedule indexed to the Federal Fund Target Rate published by the Federal Reserve System as detailed in the DILF Disclosure Statement and Terms and Conditions for the Level Fee Product located at [cadaretgrant.com/disclosures](https://cadaretgrant.com/disclosures). The per account monthly fee will be no less



than \$0.75 and no more than \$43.93. It is generally anticipated that the fee CG charges will be offset by the total amounts paid to CG by Program Banks. If CG does not receive sufficient payments each month from Program Banks, CG reserves the right to debit each IRA account for the amount of any shortfall;

- for brokerage accounts in custody with Pershing that have not been converted to either the Dreyfus Insured Deposits P - Tiered Rate Product (DIDP) or Dreyfus Insured Deposits LF – Level Fee Product (DILF) programs, a portion of the revenue Pershing receives from uninvested client cash balances in such accounts automatically swept into money market funds and FDIC insured bank deposit products of up to 0.60% of the value of cash balances. These payments vary based on the bank deposit account or money market fund a client has selected;
- Transition assistance in the form of (a) 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, or (b) a payment based on the value of assets transitioned, or (c) some combination of fee reimbursements and a payment based on the value of the assets transitioned;
- A growth assistance credit to support, service, and grow brokerage assets on the Pershing platform;
- A portion of certain brokerage account services and custodial fees charged to client 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/or fees;
- A portion of shareholder servicing fees from certain mutual fund sponsors as part of their FundVest Focus® no transaction fee mutual fund program (FundVest) as described below; and;
- A rebate of a portion of clearing charges paid for equity and ETF transactions if the volume of transactions exceeds a certain number each month.

In the FundVest program, CG is eligible to receive through a contractual agreement with Pershing, 100% of 12b-1 fees paid by participating mutual funds, and for participating mutual funds that do not pay 12b-1 fees, a percentage of FundVest service fees paid by participating mutual funds to Pershing for FundVest assets over a threshold amount that are held in the aggregate in clients' brokerage and advisory accounts. Our receipt of a portion of the FundVest 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 Pershing that are shared with CG over other mutual funds that do not pay these fees. To mitigate this conflict, we do not share these fees with our financial professionals, and we do not require or incentivize our financial professionals to recommend FundVest mutual funds.

Most FundVest mutual funds have higher internal expenses than mutual 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. Clients should ask whether lower-cost share classes are available and/or appropriate for their account considering their expected investment holding periods, amounts invested, and anticipated trading frequency. FundVest funds held less than six months are also subject to a short-term redemption fee of \$50 which will be charged to your account. 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. Pershing, in its sole discretion, may add or remove mutual funds from the FundVest program or may terminate the FundVest program without prior notice.

## **Revenue Sharing Payments**

We receive revenue sharing payments from investment sponsors (such as mutual fund, ETF, and UIT sponsors, insurance companies, and third-party investment advisers) who participate in CG's sponsorship program called the

Partners Program. Investment sponsors (referred to as Partners) make payments to incentivize CG to promote their products, and the sponsors receive preferential treatment because of the payments.

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 and ETFs** – We receive compensation of up to .20% annually on sales or 0.3% on an annual basis of client assets invested with certain mutual fund families and .03% on ETF assets. 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 that is based on sales of up to 0.25% annually.
- **Fixed and Indexed Annuities** – We receive payments of up to 1.25% annually on client assets.
- **Alternative Investments** – For public certain alternative investments such as non-traded REITS and business development companies (BDCs), we receive compensation directly from the investment sponsor of up to 1.00% of assets. For certain alternative investments such as private alternatives (i.e., Delaware Statutory Trusts, private REITs, Qualified Opportunity Zone Funds), we receive compensation directly from the investment sponsor of up to 1.50% of assets.
- **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.
- **Fixed Income and Structured Products** – We receive a fixed fee and/or payment of up to 0.25% of sales-based compensation on structured product and bond transactions placed through certain product sponsors.

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.

### **Collateralized Lending Arrangements**

We offer a program that enables clients to collateralize certain investment accounts to obtain secured loans through a program we offer through Pershing called LoanAdvance. In LoanAdvance, clients are charged a rate of interest that is a floating rate not more than 3 percentage points above the Fed Funds Target Rate as published in *The Wall Street Journal*, plus 200 basis points. We receive compensation in an amount by which the interest rate is marked up over this rate and share it with our financial professional. CG and our financial professionals have an incentive to recommend that clients 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 clients to lend fully paid- for securities to Pershing. Pershing earns revenue from lending these securities and a portion of that revenue is shared with you, CG and your financial professional. CG and your financial professional share in 5% of the revenue received. We have an incentive to encourage clients 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 1.00%, 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%, depending on the share class, for passive index mutual funds the average is 0.2%.
- **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 8.00%, which typically 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

It's important to understand how mutual fund fees and expenses and your choice of share class affect your investment and return. 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 client 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.

Some share classes or funds we offer do not charge or pay us an upfront sales charge and pay us ongoing trails of 0.25% or less annually ("no-load funds"). CG generally does not make no-load funds available. Because of the limited compensation from no-load funds, we have an incentive to limit the availability of no-load funds we offer and to recommend you invest in funds that impose sales charges and trails.

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 mutual fund or ETF is more expensive than another mutual 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 mutual fund or ETF than another, giving CG and your financial professional an incentive to recommend the product that pays more compensation to us. Mutual funds are offered for sale through a prospectus. Before investing in a mutual fund, you should read the fund's prospectus carefully. The prospectus contains important information on fees, charges, and investment objectives that should be considered carefully before investing.

When deciding which mutual fund and which share class within a mutual fund makes the most economic sense for you, you should ask your financial professional about the effect of a number of factors on your costs, including:

- How long you plan to hold the fund;
- The size of your investment;
- Will you be adding to the investment in the future;
- The expenses you'll pay for each share class;
- Does the amount of your initial or intended investment, together with other eligible fund investments, qualify you for any sales-charge discounts (that is, should you execute a letter of intent, are you entitled to a right of accumulation, or are you entitled to a breakpoint discount); and
- Do you qualify for any front-end sales charge waivers with respect to Class A shares.

You can also visit the websites sponsored by the U.S. Securities and Exchange Commission ([www.SEC.gov](http://www.SEC.gov)), the Financial Industry Regulatory Authority ([www.FINRA.org](http://www.FINRA.org)), the Securities Industry and Financial Markets Association ([www.sifma.org](http://www.sifma.org)), and the Investment Company Institute ([www.ICI.org](http://www.ICI.org)) to obtain additional educational information about mutual funds.

FINRA has a share class selection calculator designed to assist you with selecting the least costly share class available in a commission-based brokerage account over the anticipated holding period of the investment. Your financial professional is also available to help you with share class questions. The principal considerations are the size of your investment and the anticipated holding period. You usually should consider Class A shares (the front-end sales charge alternative) if you expect to hold the investment over the long-term (typically, five years or more). Class C shares (the level sales charge alternative) are usually appropriate for shorter-term holding periods.

### **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 you 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 a reasonable basis to believe 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 Client Referrals, Other Compensation and Conflicts**

### **Margin**

We offer clients the ability to purchase securities on credit, also known as margin purchases through Pershing brokerage accounts. When a client purchases a security on margin, Pershing extends a line of credit to the client 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 client 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 client from the account. If a trade correction is required as a result of a client (e.g., if a client 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 client. In the case of a trade that requires a correction and that results in a monetary gain to a client, the gain will be removed from the account and will result in a financial benefit to CG.

### **Rollovers**

If you decide 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 you invest those assets through CG, because we will be paid on those assets, for example, through commissions, fees, and/or third-party payments.

Please be advised of your options, and what a rollover means to you.

If you leave your employer you typically have four options (and may engage in a combination of these options):

- leave the money in the former employer's plan, if permitted;
- roll over the assets to your new employer's plan, if one is available and rollovers are permitted;
- roll over to an individual retirement account (IRA); or
- cash out the account value.

Each choice offers advantages and disadvantages, depending on your desired investment options and services, fees and expenses, withdrawal options, required minimum distributions, tax treatment, and your unique financial needs and

retirement plans. The complexity of these choices may lead you to seek assistance from one of our financial professionals. The options that we offer you will result in revenue to our financial professionals and our firm. You should be aware that such fees and commissions likely will be higher than those you pay through your 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. Therefore, we have an incentive to recommend that you “roll-over” your employer plan to us. Please consider each of your options before making a decision.

The following fiduciary acknowledgement applies only when our Financial Professional (i) provides investment advice to participants in or the fiduciaries of ERISA-covered retirement plans and to owners of IRAs, and (ii) recommends to participants in ERISA-covered retirement plans or owners of IRAs to make a rollover to an IRA.

When we provide investment advice to you regarding your retirement plan account or IRA, we are fiduciaries within the meaning of Title I of ERISA and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. Fiduciary status for this purpose does not necessarily mean we are acting as fiduciaries for purposes of other applicable laws. This acknowledgement of fiduciary status does not confer contractual rights or obligations on you, the Firm, or the Financial Professional.

#### **Limitations on Investment Products and Services Offered by Your Financial Professional**

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 can offer 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 [brokercheck.finra.org](https://brokercheck.finra.org).

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

### **Arrangements with Banks and Credit Unions**

Some of our financial professionals work from locations in financial institutions, such as banks or credit unions (Financial Institutions). In those cases, part of the compensation a financial professional produce is paid to the Financial Institution at which the financial professional is located based on a compensation formula agreed to between us and the Financial Institution. The Financial Institution in turn either pays a portion of some of this compensation to your financial professional, or we pay a portion of the compensation attributable to the product or service provided to the financial professional. Please contact your financial professional if your financial professional operates in or is



affiliated with a Financial Institution and you would like additional information about the relationship.

### **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.

A financial professional who earns over a threshold amount is eligible for a percentage payout increase, which is not retroactive. In addition, we offer financial incentives, in the form of cash bonuses or compensatory loans, to reward financial professionals for increasing their assets serviced or annual revenue. Certain financial professionals are employed by another financial professional who pays them a salary or bonus for their services. 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. This creates 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 that meet internal criteria (which includes, but is not limited to, revenue generated from sales of products and services) are eligible to receive other benefits pursuant to special incentive programs. These benefits present a conflict of interest because a financial professional has an incentive to recommend investment products in general and to remain with CG 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 compensatory 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 is 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 client's transaction to cover the cost of the transaction charge, either in whole or in part, which passes this cost on to the client.

## **Recruitment Compensation and Operational Assistance**

When a financial professional associates with CG after working with another financial services firm, the financial professional can receive recruitment or transition 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 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 and can include a requirement to maintain a certain level of revenue or assets serviced. Funds advanced by CG to a financial professional under a compensatory loan are not taxable to the financial professional when received but represent taxable income as the principal and interest is forgiven by CG or the financial professional is paid additional compensation to cover the principal and interest on the note.

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 stationery 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 often significant in relation to the overall revenue earned or compensation received by a financial professional at his or her prior firm. Such 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.

## **Growth Incentives**

CG provides financial incentives to reward financial professionals for increasing their assets serviced or annual production by specific amounts in the form of cash bonuses or compensatory loans that are subject to repayment if a financial professional leaves CG before a certain period of time or if other conditions are not met and can include a requirement to maintain a certain level or production or assets serviced.

## **Conflicts of Interest**

Providing compensation to financial professionals for moving assets to CG or increasing their assets serviced or revenue creates a conflict of interest in that a financial professional has a financial incentive to recommend that a client open and maintain an account with CG for advisory or brokerage services, and to recommend switching investment products or services where a client's current investment options are not available through CG, in order to receive the benefit or payment. CG and our financial professionals attempt to mitigate these conflicts of interest by assessing and recommending that clients use CG's services based on the benefits that such services provide to clients, rather than the compensation earned by any financial professional. However, you should be aware of this conflict and take it into consideration in deciding whether to establish or maintain a relationship with CG and your financial professional.

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

Our financial professionals are independent contractors and likely to engage in certain approved outside business activities in addition to 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 clients 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 can 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. When a financial professional may receive compensation, benefits, and non-cash compensation through the third-party insurance agency, the financial professional has 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 [brokercheck.finra.org](https://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 Product Specific Information

There are various types of investments. General information regarding the different types of investments is described below.

- **Stock:** A stock, also known as "shares" or "equity," gives the stock owner a proportionate ownership position in the company that issues the stock. It entitles the stockholder (you) to that proportion of the company's assets and earnings.
- **Bonds:** This is a fixed-income investment where you (the investor) purchase a debt instrument and become the lender to a borrower (typically a company, government/municipality, or governmental agency) after which you receive payments (principal and interest) over a specific period from the borrower. Bonds typically are not secured by collateral.
- **Structured Notes:** A structured note is a debt obligation that also contains an embedded derivative component that adjusts the security's risk-return profile and increases its return potential. The return performance of a structured note tracks both the underlying debt obligation and the derivative component embedded within it. The return on a structured note is linked to the performance of an underlying asset including indices, single stocks, a portfolio of stocks, industry sectors, commodities, and currencies. Structured notes are complex financial products that are subject to market risk, low liquidity, and default risk.
  - *Principal Protected Note (PPN):* A structured note issued by a broker-dealer that guarantees a minimum return equal to the investor's initial investment (the principal amount), regardless of the performance of a derivative component.
  - *Non-Principal Protected Note (NPPN):* A structured note issued by a broker-dealer that does not guarantee a minimum return of the investor's initial investment (the principal amount),
- **Certificate of Deposit (CD) (Including Structured CDs):** This is a fixed-income investment where you (the investor) deposit a sum of money for a specified period and you will receive either a specific rate of interest or

a rate of interest linked to an index with a capped gain. Certain CDs can be FDIC insured.

- **Unit Investment Trust (UIT):** This is a type of registered investment company that buys or holds a relatively fixed portfolio of securities, such as stocks or bonds, and makes them available to investors as redeemable units. UITs have a stated termination date; when the portfolio terminates, investors get their share of the UIT's net assets.
- **Exchange Traded Fund (ETF):** An ETF is a type of registered closed-end registered investment company that holds a basket of securities and often seek to track an underlying index. ETFs trade on a securities exchange (such as the New York Stock Exchange or Nasdaq), like a stock. ETF share prices fluctuate throughout the trading day; this is different from mutual funds that only trade once a day after the market closes.
- **Exchange Traded Note (ETN):** An ETN is a debt instrument that mimics the performance of a basket of securities but does not actually hold them for the benefit of the investor. An ETN is a debt obligation of the issuing company, often an investment bank, and do not pay interest. ETNs trade on a securities exchange (such as the New York Stock Exchange or Nasdaq), like a stock. ETN share prices fluctuate throughout the trading day.
- **Mutual Fund:** Mutual funds are open-end registered investment companies that hold a portfolio of stocks, bonds, or other securities. Mutual funds give individual investors access to diversified, professionally managed portfolios. Mutual funds are divided into several categories, representing the types of securities they invest in, their investment objectives, and the type of returns they seek. Mutual funds charge annual fees (called expense ratios) and, in many cases, commissions, which can affect their overall returns. Most mutual funds offer different types of shares, known as "classes." Each class invests in the same portfolio of securities and has the same investment objectives and policies, but each class has different shareholder services and/or distribution arrangements with different fees and expenses. With a mutual fund, if you want to buy shares, the management company sells them to you. They accept your money, add it to the portfolio, and create more shares. You always buy or sell shares of a mutual fund with the issuing fund company, not on the securities exchange.
  - **Mutual Fund Share Classes:** Many mutual funds offer more than one class of shares, commonly including Class A or C shares, in order to accommodate different investment needs and time horizon. Each share class represents an interest in the same mutual fund's investment portfolio but with different fees and expenses.
    - **Class A Shares:** Class A shares typically assess a front-end sales charge at the time of purchase. However, they have lower annual operating expenses than C shares and generally offer a reduced sales charge based on defined thresholds of dollars invested in the same family of funds. These reduced sales charges may be achieved through the following:
      - **Breakpoint –** Purchases that exceed certain thresholds that qualify you for a reduced front end sales charge. Breakpoints typically begin at \$25,000 and offer increasing discounts as holdings reach higher thresholds.
      - **Rights of Accumulation (ROA) –** Aggregation of holdings from prior purchases within the same fund family can be added to the value of a new purchase for breakpoint purposes. This aggregation may allow for all accounts of your household to qualify for reduced sales charge based on total investments within the fund family and across registrations of the household.
      - **Letter of Intent (LOI) –** This pledge to a fund family allows the investor to receive a reduced sales charge on all purchases if the investor commits to purchasing a breakpoint eligible amount within 13 months.

- **Class B Shares:** Class B shares are not subject to an initial sales charge or front-end load. However, distributions of Class B shares are subject to contingent deferred sales charge (CDSC) which is a percentage charge deducted from withdrawals from the investment if they are made within a certain number of years.
- **Class C Shares:** Class C shares typically do not assess a front-end sales charge. C shares do, however, assess a contingent deferred sales charge (CDSC) if the shares are sold within 12 months from the purchase date. C shares typically carry higher expenses than A shares of the same fund. The expense ratio varies from fund family to fund family but is typically about 1% greater for C shares than A shares. C shares typically automatically convert to A shares between 6 and 8 years from purchase depending on the fund family.
- **Other Share Classes:** Some fund families offer other shares classes. Please consult the prospectus for the fund family you are considering for details about other shares classes, if applicable.
- **Share Class Selection:** There are a number of factors that can impact your decision on share class selection. Some of those factors include the following:
  - While it is common for an investor to diversify their mutual fund holdings among several mutual fund families, you should carefully evaluate the benefits and the costs of doing so. For example, investing in mutual funds offered by multiple fund families may preclude you from being able to take advantage of breakpoints that would otherwise be available had you invested through one fund family. Prior to making any mutual fund investment, you should always carefully review the sales charges associated with that transaction and evaluate how those charges will be affected by mutual fund investments you have previously made or that you intend to make in the future.
  - Long-term investors who intend to hold mutual funds within that same fund family for a number of years generally will find A shares to be a good option particularly for larger breakpoint eligible investment amounts within a fund family.
  - An investor that has a short-term time horizon and is looking for asset allocation flexibility across fund families will generally find C shares to be a good option. That flexibility generally come with greater expenses if the funds are held long-term which may negatively impact performance.

- **Annuity:** This is a long-term investment that is issued by an insurance company designed to help protect the annuitant from the risk of outliving the income generated by their deposits into the contract. Because these are long-term vehicles, annuity contracts include contingent deferred sales charges ("CDSCs") that result in a forfeiture of a percentage of account value if surrendered prior to their expiration, typically three to 10 years depending on the contract. Annuities have two phases. Phase one of the annuity contract is known as the accumulation phase, where deposits are designed to accumulate on a tax-deferred basis. During the accumulation phase contract holders can choose annuities with any one or, in some cases, a combination of the following accumulation account options:

- **Variable Annuity:** This is a tax-deferred annuity contract that allows you to choose from a selection of investments called subaccounts. These investments are designed to provide contract holders with a diversified investment portfolio in a specified asset class or general investment strategy. Subaccounts are managed by an investment specialist or a team of specialists who make decisions to manage the subaccount based on the stated objective. Each subaccount has a unique expense ratio based on the services provided by the investment specialist team. For example, a subaccount designed to follow the return of a stock index, such as the S&P 500 will have a lower expense ratio than a subaccount

seeking to actively manage a portfolio based on a stated objective. You determine how much is allocated to each subaccount.

- **Investment-only Variable Annuity (IOVA):** This is a type of annuity contract that provides you with a simple way to set aside taxable assets in a tax-deferred entity focused on investments only. Unlike most variable annuities which offer living income stream and death benefits (for a cost), IOVAs only offer investments and the ability to access the assets without penalty as early as age 59½.
- **Registered Index Linked Annuity (RILA):** This is a type of annuity contract that calculates account value adjustments based on the performance of a specified market index, such as the S&P 500 over a set period (typically, 1, 3 or 6 years). The account value is protected against market losses typically through a buffer (the insurer accepts the first xx% of losses and you are responsible for any additional losses in market value) or a floor (you are responsible for the first xx% of losses and the insurer accepts any additional losses in market value). This protection is in exchange for limiting gains in account value to a cap (a maximum account value increase of xx%) or a participation rate (you participate in only a xx% of the market gains). Fees and caps limit the potential upside of RILA contracts. At the end of each calculation period (typically 1, 3, or 6 years), the account value can increase or decrease.
- **Fixed Annuity (FA):** This is a type of annuity contract that pays a specific of interest rate declared by the issuing insurance company for a specified period. There are no front-end sales charges assessed to policy owners, but withdrawals and surrenders may be subject to surrender charges or market value adjustments (MVA), credits or debits, for amounts withdrawn that exceed free surrender provisions. The issuing insurance company guarantees both the rate of return and payout to the policy owner.
- **Fixed Indexed Annuity (FIA):** This is a type of annuity contract (also referred to as an Equity Indexed Annuity) that pays an interest rate that is based on the performance of an underlying index. Funds in a FIA are not directly invested in an underlying index and are held in the general account of the issuing insurance company. Many FIAs are based on well know indices such as the S&P 500 Composite Stock Price Index, but some offer indices that represent other segments of the markets or combination of indices. Many crediting methods may be used to calculate the gain in a FIA contract including caps, spreads, participation rates, or a combination of methods. Based on the contract features and crediting methods the interest credited may be greater or lower than the underlying index performance. There are no front-end sales charges assessed to policy owners, but withdrawals and surrenders may be subject to surrender charges or market value adjustments (MVA), credits or debits, for amounts withdrawn that exceed free surrender provisions. FIA contracts have fees for optional or required additional benefits or riders such as guaranteed income, death benefit, or enhanced participation rates.
- **Single Premium Immediate Annuity (SPIA) and Deferred Income Annuity (DIA):** These are types of annuities designed to provide guaranteed income payments in a set amount at a specified income start date. Income may be payable for the life of the annuitant or for a specified period. There are no front-end sales charges assessed to policy owners however contracts may be illiquid or there may be substantial penalties to withdrawal funds or surrender contracts.

Phase two of the annuity contract is known as the annuitization phase. This option converts your purchase payments (what you contribute) and accumulated growth (if any) into periodic payments that can be paid out under various payment options, including a lifetime option. Annuities can provide investors with benefits in addition to tax deferred growth in the form of living benefits or enhanced death benefit riders at an additional cost including but not limited to the following.

- **Guaranteed Minimum Withdrawal Benefit (GMWB):** Guarantees you a stream of lifetime income based on a percentage of the contract's benefit base. Lifetime GMWB payments are available without having to immediately annuitize the contract.



- **Guaranteed Minimum Accumulation Benefit (GMAB):** Guarantees a certain portion of the investment is returned to the contract owner regardless of the performance of the subaccounts.
- **Guaranteed Minimum Death Benefit (GMDB):** Guarantees an enhanced benefit to the contract owner's beneficiaries regardless of the account value on the date of death. These benefits can be based on a return of the initial investment, the highest contract value on the contract's anniversary over a specified period of time, or a specified percentage increase over a period of time.
- **Life Insurance:** A life insurance policy is a contract that in exchange for premium payments is designed to pay a sum of money at the death of an insured person, either individually or as a member of a group of insured persons. Death benefit payments under a life insurance policy are typically income tax free to the beneficiaries and are designed to replace income lost due to the death of the insured or for multiple estate planning scenarios. Life insurance is categorized as term (viable for a specific period of time) or permanent (designed to remain in effect for the insured's life). Permanent life insurance allows the contract owner to accumulate cash value, and use the accumulated cash value for other purposes, including investing within the life insurance contract, or withdrawing or borrowing it to meet other financial needs.
  - **Variable Universal Life:** This type of life insurance allows you to choose from a selection of investments called subaccounts. These investments are designed to provide contract holders with a diversified investment portfolio in a specified asset class or general investment strategy. Subaccounts are managed by an investment specialist or a team of specialists who make decisions to manage the subaccount based on the stated objective. Each subaccount has a unique expense ratio based on the services provided by the investment specialist team. For example, a subaccount designed to follow a stock index such as the S&P 500 will have a lower expense ratio than a subaccount seeking to actively manage a portfolio based on a stated objective.
- **Structured Settlement:** This is an alternative method of settling or converting the funds received from a claim or lawsuit by means of a combination of cash and future periodic payments. Payments are generally funded with a specialized commercial annuity and the payout can be customized for the claimant's situation. A highly rated life insurance company issues the specialized annuity and administers the payments. The ownership and obligation to make the future payments generally lies in the hands of a third-party company known as an Assignee.
- **529 Education Savings Plan:** A 529 plan is an education savings plan sponsored by a state, state agency, and certain educational institutions that permits parents and relatives to set aside funds for their children's education on a tax advantaged basis. The investments in 529 plans can include various mutual funds and ETFs and are offered as a single investment as well as in risk-based or enrollment (or age-based) portfolios.
  - **State-Specific Considerations**
    - Depending upon the laws of your home state and/or the home state of the designated beneficiary, favorable state tax treatment or other benefits offered by your home state for investment in a 529 Plan may be available only if you invest in your home state's 529 plan.
    - If you contribute to a 529 Plan offered by a state in which you are not a resident, you should consider whether your, or your designated beneficiary's home state offers any state tax or other benefits, which may include financial aid, scholarship funds, and protection from creditors, only available for investments in such state's qualified tuition program.
    - For additional details on the risks, federal and state tax treatment, share classes, costs, and fees of 529 plan investments, refer to the 529 Plan Brochure and the 529 Plan Official Statement/Plan Description, which is located on a 529 plan sponsor's website, or obtain one from your financial professional.
- **1031 Exchange:** An alternative investment, this real estate exchange gets its name from Section 1031 of the

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Internal Revenue Code, which allows a seller of an investment real estate property to defer paying capital gains taxes when the property is sold and reinvest the proceeds from the sale within certain time limits in a property or properties of a like kind and of equal or greater value.

- **721 Exchange:** An alternative investment whereby real estate is exchanged for units in an operating partnership sponsored by a REIT, which are convertible into REIT shares. The product gets its name from Section 721(a) of the Internal Revenue Code which allows the seller of an investment real estate property to defer paying capital gains taxes when the investment property is sold if the property is directly exchanged for units in an operating partnership.
- **Closed-end Fund:** This is a type of investment vehicle where, at fund inception, the registered closed-end investment company raises a set amount of money and issues a specific number of shares. No new shares are created after that point. Shares of closed-end funds are listed and trade on a stock exchange such as the New York Stock Exchange or Nasdaq. A fund's share price reflects market value, which can be at a discount or premium to the net asset value of the fund itself.
- **Hedge Fund:** This is a broad alternative investment category of private or unregistered pooled investment vehicles with a variety of strategies. Strategies may include investing in non-traditional asset classes, using leverage, or taking short positions. Hedge funds may have a limited or perpetual life. Hedge funds are not subject to the same regulation registered investment companies (such as mutual funds and closed-end funds) and access is often limited to institutions or wealthy individuals.
- **Interval Fund:** This is a type of registered closed-end investment company that can invest in non-listed/non-traded and other illiquid investments. The shares of Interval Funds are not listed and do not trade on a securities exchange, but are subject to periodic repurchase offers by the fund at a price based on net asset value.
- **Managed Futures:** This is an alternative investment where a portfolio of futures contracts is actively managed by professionals. Managed futures are often used by funds and institutional investors to provide both portfolio & market diversification.
- **Non-Traded REIT:** This is an alternative investment in the form of a real estate investment trust that pays dividends and/or provides returns on real estate appreciation. REITs are not taxed at the corporate level to the extent they distribute their taxable income in the form of dividends. A non-traded REIT does not trade on a securities exchange and is therefore illiquid. While many non-traded REIT have a set termination date by which they must have a liquidity event, there is no assurance that a liquidity event will occur or that it will be at a profit.
- **Non-Traded BDC (Business Development Companies):** This is an alternative investment similar to a registered closed-end investment company where a pooled investment vehicle originates or invests in equity or debt of private companies. BDCs are not taxed at the corporate level to the extent they distribute their taxable income in the form of dividends. A non-traded BDC does not trade on a securities exchange and is therefore illiquid.
- **Oil and Gas Programs:** This is an alternative investment through a private pooled investment vehicle to explore and produce oil and natural gas. Investors may be eligible for tax benefits related to oil and gas investments. Oil and gas investments have varying levels of risk and significant risk based on fluctuations in the underlying price of the commodity.
- **Non-Traded Preferred Stock:** Preferred stock is an equity security that has characteristics of both common stock and bonds. Preferred stock usually offers higher dividend rate than bonds with a lower investment per share. Preferred stockholders also have a priority claim over common stockholders for dividend payments and liquidation proceeds. Non-traded preferred stock does not trade on a securities exchange and may be illiquid for an extended period of time.

When you are deciding whether to purchase a specific investment, make sure you obtain, review, and discuss with your financial professional the documentation related to the investment that outlines the details of the investment (i.e., annual reports, prospectuses, and offering memorandums that discuss the structure of the investment, fees/costs, management, portfolio, restrictions, contributions, distributions, risks, etc.) The documentation should be provided by your financial professional or can be obtained directly from the investment sponsor.

## Public Offerings

As a registered broker-dealer we participate in initial public offerings (IPOs) and secondary offerings of stock by issuers (typically corporations) and closed-end funds seeking to raise capital and offer clients the opportunity to participate in these offerings. Our participation creates a certain conflicts of interest that are described below.

- **Initial Public Offering (IPOs) and Secondary Offerings** – CG may participate as a selling group member in an underwritten public offering of securities, including an initial public offering (“IPO”) and secondary public offerings. As a selling group member, CG receives compensation (a selling concession) from the underwriters based on the amount invested by you, and CG shares this compensation with its financial professionals. By their nature IPOs can be risky and speculative investments. Until a distribution of shares is completed, the underwriters may engage in transactions that stabilize the price of the shares, such as purchases to maintain the price. If you sell shares purchased in an IPO, the compensation paid to CG can be reclaimed by the underwriter as a “penalty bid.” A “penalty bid” is paid when you buy securities in an IPO or secondary public offering and sell the securities within a designated period of time, typically 30 to 45 days following commencement of the offering. Consequently, CG has a conflict when you participate in an IPO or secondary public offering because it has a financial incentive to recommend that you hold onto your shares until after the penalty bid period. To mitigate this conflict, financial professionals are not charged for any reclamation imposed by an underwriter should a client sell shares during the penalty bid period. CG also mitigates this conflict through policies and procedures designed to ensure any recommendations are suitable and in the best interest of retail investors.
- **Initial Offerings of Closed End Funds** – Unlike mutual funds, closed-end fund shares are not continuously offered, and they cannot be sold back to the fund. Rather, after an IPO, shares of closed-end funds trade on a securities exchange, and like stocks, their share price may change throughout the trading day. This differs from open-end mutual funds, which price shares only once at the end of each trading day. While a mutual fund prices its shares based on the aggregate net asset value (“NAV”) of its investment portfolio, the price of shares in a closed-end fund fluctuates according to market forces. Shares of closed-end funds sometimes drop in value after their IPO and can trade at prices lower than (or at a discount to) their NAV of the fund’s investment portfolio, which means that the market price of the shares may be lower than the aggregate value of the fund’s investment portfolio. This creates a risk of loss for investors when selling shares, particularly those sold shortly after purchase in an IPO. The risk that closed-end fund shares may trade at prices lower than NAV due to market forces, however, is separate and distinct from the risk that a closed end fund’s NAV can decrease due to the performance of its underlying investment portfolio. Please consider whether to purchase shares of closed-end funds in an IPO or after the closed-end fund begins trading on a stock exchange. Each method will generally involve different costs and affect how your financial professional is compensated.

## Item 8 Risk Disclosures

Investing in any type of security involves risk of loss that you should be prepared to bear. CG does not guarantee the performance of an account or any specific level of performance. Market values of the securities in the account will fluctuate with market conditions. When an account is liquidated, it may be worth more or less than the amount invested.

There is no guarantee that a client’s investment goals or objectives will be achieved. All securities are subject to some level of risk which could cause the value of your securities to decrease in value, and in some cases, could result in a

loss of your entire investment. Our investment approach constantly keeps the risk of loss in mind. When you consider any investment, be aware of the risks involved; only you can determine your tolerance for risk and we rely on the information you provide to us in the new account application. Some investments, such as mutual funds, provide a prospectus containing detailed information, including details on items such as fees, charges, policies, expenses, and risk factors. Always read a prospectus carefully before you invest.

The following are some types of risk that could affect the value of your portfolio:

- **Market risk:** The risk that changes in the overall market will have an adverse effect on individual securities, regardless of the issuer's circumstances.
- **Business risk:** Whether because of management or unfortunate circumstances, some businesses will inevitably fail. This is especially true during economic recessions. For example, a company stock can become worthless in the event of a bankruptcy, which would result in a loss of capital to the shareholders.
- **Interest rate risk:** If the Federal Reserve pushes interest rates higher, the market prices of bonds can be affected. When interest rates rise, the market price of bonds typically falls.
- **Inflation risk:** Inflation reduces the buying power of a dollar, and could cause uncertainty among individual investors, possibly resulting in corporations backing away from projects which could further reduce the value of corporate equities.
- **Regulatory risk:** Legislative, regulatory, and/or judicial changes that impact businesses can drastically change entire industries.
- **Industry/company risk:** These risks are associated with a particular industry or a specific company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, which is a lengthy process before they can generate a profit. They carry a higher risk of fluctuations in profitability than an electric company, which generates its income from a steady stream of clients who buy electricity no matter what the economic environment is like.
- **Liquidity risk:** Certain investments lack liquidity or the ability to access their principal quickly, without incurring substantial penalties, or the inability to sell the investment until sometime in the future.
- **Opportunity risk:** You or your financial professional may choose a conservative product to invest in, which could cause you to miss out on market upswings which potentially could have increased the value of securities with higher risk. The opposite is also true; market downturns can cause you to lose a significant amount of principal invested in higher risk securities, when their funds could have been invested in lower risk securities.
- **Reinvestment risk:** There is a possibility that you will be unable to make additional purchases of a security already in your portfolio at the same rate at which the original purchase was made.
- **Currency or exchange rate risk:** Foreign securities face the uncertainty that the value of either the foreign currency or the domestic currency will increase or decrease; either of which will cause the value of your portfolio to fluctuate.
- **Transactional cost risk:** You could incur significant transactional charges in an unbundled, actively traded account. Frequent trading can decrease the value of your account due to increased brokerage and transaction costs. In addition, the frequent trading can cause taxable events to occur, which could increase your tax burden.
- **Short sale risk:** While a short position has unlimited capability to increase in value, it in turn increases your risk, as you can be required to purchase the security at a high rate or price in order to cover the short sale.
- **Exchange-Traded Funds:** ETFs face market trading risks, including the potential lack of an active market for fund shares, losses from trading in the secondary markets, and disruption in the creation and redemption process of the ETF. Any of these factors can lead to liquidity risk and/or the fund's shares trading at a premium or discount to its "net asset value."
- **Leveraged and inverse ETFs:** ETFs that offer leverage or that are designed to perform inversely to the index or benchmark they track—or both—are growing in number and popularity. While such products may be useful in some sophisticated trading strategies, they are highly complex financial instruments that are typically designed to achieve their stated objectives on a daily basis. Due to the effects of compounding, their performance over longer periods of time can differ significantly from their stated daily objective. Therefore, inverse and leveraged ETFs that are reset daily typically are unsuitable for clients who plan to hold them for longer than one trading session, particularly in volatile markets.
- **Interval Funds:** Interval funds provide limited liquidity to shareholders by offering to repurchase a limited number of shares on a periodic basis, but there is no guarantee that a client will be able to sell all of their shares in any particular repurchase offer. The repurchase offer program may be suspended under certain circumstances.
- **Environmental, Social, and Governance ("ESG") strategies:** The implementation of ESG strategies could cause an account to perform differently compared to accounts that do not use such strategies. The criteria

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related to certain ESG strategies can result in an account foregoing opportunities to buy certain securities when it might otherwise be advantageous to do so, or selling securities to comply with ESG guidelines when it might be otherwise disadvantageous to do so. In addition, an increased focus on ESG or sustainability investing in recent years may have led to increased valuations of certain issuers with higher ESG profiles. A reversal of that trend could result in losses with respect to investments in such issuers. There can be no assurance that an ESG strategy directly correlates with a client's ESG goals, and ESG data is not available with respect to all issuers, sectors or industries and is often based upon estimates, comparisons or projections that may prove to be incorrect. As a result, a client account with ESG guidelines could nonetheless be invested in issuers that are inconsistent with the client's ESG goals.

- **Structured Products:** A structured product is an unsecured obligation of an issuer with a return, generally paid at maturity, that is linked to the performance of an underlying asset, such as a security, basket of securities, an index, a commodity, a debt issuance or a foreign currency. Structured products are senior unsecured debt of the issuing bank and subject to the credit risk associated with that issuer. This credit risk exists whether or not the investment held in the account offers principal protection. Some structured products offer full protection of the principal invested, others offer only partial or no protection. Investors may be sacrificing a higher yield to obtain the principal guarantee. In addition, the principal guarantee relates to nominal principal and does not offer inflation protection. An investor in a structured product never has a claim on the underlying investment. There may be little or no secondary market for the securities and information regarding independent market pricing for the securities may be limited. A structured product may contain a call feature that can result in the investment being redeemed earlier than the stated maturity date. If a structured product is called prior to maturity, the payment you receive will depend upon the stated terms of the investment. If a structured product is called, you may not be able to reinvest the proceeds in a similar investment with similar risk and return characteristics.
- **Money Market Mutual Funds:** While money market mutual funds seek to preserve a net asset value of \$1.00, during periods of severe market stress, a money market mutual fund could fail to preserve a net asset value of \$1.00 and/or could no longer be a viable business for the fund sponsor, which would force the sponsor to liquidate. It is possible to lose money by investing in a money market mutual fund.
- **Credit risk:** The risk that an issuer of a fixed income security may fail to pay interest and/or principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of the security to decline. These risks are greater for securities that are rated below investment grade (junk bonds), which may be considered speculative and are more volatile than investment grade securities.
- **Options:** Holding options for long-term periods could weaken and/or reduce the value of the underlying stock or create the possibility of a worthless position.
- **Global risk:** International investing involves a greater degree of risk and increased volatility. Changes in currency exchange rates and differences in accounting and taxation policies outside the U.S. can raise or lower returns. Also, some overseas markets are not as politically and economically stable as the United States and other nations.
- **Cybersecurity risk:** CG relies on the use and operation of different computer hardware, software, and online systems. The following risks are inherent in such programs and are enhanced for online systems: unauthorized access to or corruption, deletion, theft, or misuse of confidential data relating to CG and its clients; and compromises or failures of systems, networks, devices, or applications used by CG or its vendors to support its operations.

You should understand and be willing to accept these and other types of risks before choosing to invest in securities or receive investment advisory services.

## Item 9 Massachusetts Fiduciary Rule

The Massachusetts Securities Division has adopted amendments to its regulations as they relate to the standard of conduct applicable to broker-dealers and agents ("MA Fiduciary Rule"). In accordance with the MA Fiduciary Rule, we and our financial professionals will act without regard to the financial or other interest of any party (including our own) other than a client when making an investment recommendation to covered Massachusetts clients. Covered clients are defined as current and prospective clients including both natural and non-natural persons (entities) that do not qualify as institutional buyers. Additionally, we will disclose all material conflicts of interest and have made and will continue to make all reasonably practicable efforts to avoid conflicts of interest, eliminate conflicts that cannot reasonably be avoided, and mitigate conflicts that cannot reasonably be avoided or eliminated. The MA Fiduciary Rule does not

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impose an ongoing fiduciary duty beyond the time that a recommendation is made unless we have: (1) discretionary authority in an account (excluding discretion that relates solely to the time and/or price for the execution of the order), (2) a contractual fiduciary duty, or (3) a contractual obligation to monitor a client's account on a regular or periodic basis. While the standard of conduct for broker-dealers and agents in the MA Fiduciary Rule does not apply to investment advisers or investment adviser representatives, investment advisers and investment adviser representatives are separately held to a fiduciary conduct standard under Massachusetts and federal laws. CG does not permit its financial professionals to use investment discretion in a brokerage account or agree to a fiduciary duty or to contractually agree to monitor accounts in a brokerage relationship.

## Item 10 Other Financial Industry Affiliations

CG is an indirect wholly owned subsidiary of Atria Wealth Solutions, Inc. (Atria), a privately-owned company. CG has the following financial services affiliates.

Cadaret, Grant Agency	Insurance Agency
CFS Insurance and Technology Services, LLC	Insurance Agency
CUSO Financial Services, LP	Broker Dealer & Registered Investment Adviser
NEXT Financial Group, Inc.	Broker Dealer, Registered Investment Adviser, and Insurance Agency
NEXT Financial Insurance Services Company (NFISCO)	Insurance Agency
Ovest Insurance Services LLC	Insurance Agency
SCF Investment Advisors, Inc.	Registered Investment Adviser
SCF Marketing, Inc.	Insurance Agency
SCF Securities, Inc.	Broker Dealer
Sorrento Pacific Financial, LLC	Broker Dealer, Registered Investment Adviser, and Insurance Agency
Western International Securities, Inc.	Broker Dealer, Registered Investment Adviser, and Insurance Agency

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