Lincoln Financial Advisors Corporation
Regulation Best Interest Disclosure Document

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Lincoln Financial Advisors Corporation ("we," "our," "us," or "our firm") provides this disclosure document (this "Reg BI Disclosure Document") to you to ensure that you are informed about the services our firm offers and your relationship with our firm. Among other things, this Reg BI Disclosure Document provides you with: (1) material facts relating to the scope and terms of our relationship with you, including the capacity in which we and our financial professionals are acting, the type and scope of our services, material limitations on our services, and the material fees and costs that apply to your accounts, transactions, and holdings, and (2) material facts relating to conflicts of interest that exist for us and our financial professionals in connection with the recommendations of securities and investment strategies involving securities (including account recommendations) that we may make to you.

You are encouraged to review this Reg BI Disclosure Document in detail and contact your financial professional with any questions you may have. If you would like another copy of this Reg BI Disclosure Document, please feel free to access and download it from our website at www.lfa-sagemark.com under My accounts—Disclosures. You also may request another copy of this Reg BI Disclosure Document from your financial professional or by contacting us at 1-800-237-3813.

1. Scope and Terms of Our Relationship with You

We are registered with the U.S. Securities and Exchange Commission (the "SEC") as both a broker-dealer and an investment adviser. Depending on your needs and investment objectives, we may assist you with broker-dealer services, investment advisory services, or both. There are important differences between our broker-dealer services and our investment advisory services, including, but not limited to, the services we and our financial professionals provide, the fees and costs you will incur, and the rules that govern them, and it is important for you to understand these differences. You should carefully consider these differences when deciding which type, or combination of types, of services and accounts are right for you, and you should discuss these differences and address any questions you may have with your financial professional.

Information regarding the differences between our broker-dealer services and our investment advisory services is available in our Form CRS, which is available at www.lfa-sagemark.com. You also may request a copy of our Form CRS from your financial professional or by contacting us at 1-800-237-3813. Additionally, free and simple tools are available for you to research firms and financial professionals, including us and our financial professionals, at Investor.gov/CRS, which also provides educational materials about broker-dealers, investment advisers, and investing.

1.1. Our Capacity

Broker-Dealer Capacity

All recommendations made by your financial professional regarding your commission-based broker-dealer accounts for which we are solely providing broker-dealer services (your "broker-dealer accounts") will be made in a broker-dealer capacity. If you have multiple account types with us (*i.e.*, both a broker-dealer account and an investment advisory account), your financial professional will tell you which of your accounts he or she is discussing when making recommendations to you. Additionally, before or at the time your financial professional makes a recommendation to you, your financial professional will tell you if he or she is limited to making recommendations to you in a broker-dealer capacity only. For instance, even though our firm offers both broker-dealer accounts and services and investment advisory accounts and services, some of our financial professionals are able to offer only broker-dealer accounts and services. If this situation is applicable to your financial professional, your financial professional will not be able to offer you investment advisory accounts or services; your financial professional will not be able to serve you in an investment advisory capacity; and, while your financial professional will be available to assist with your accounts and investments, your financial professional will not monitor your accounts, your investments therein (including investments they recommend), or their performance on an ongoing basis. You should discuss these material limitations and address any questions you may have with your financial professional. For additional information regarding material limitations on our and our financial professionals' services, please see Section 1.2.1 below.

In our capacity as an SEC-registered broker-dealer, we can offer you the broker-dealer services described in Section 1.2 below. When we act in our capacity as a broker-dealer, we are subject to the Securities Act of 1933 (the "Securities Act"), the Securities Exchange Act of 1934 (the "Exchange Act"), the rules of self-regulatory organizations, such as the Financial Industry Regulatory Authority, Inc. ("FINRA"), and applicable state laws. When we provide you with recommendations of securities or investment strategies involving securities (including account recommendations) as your broker-dealer, we have to act in your best interest and not put our interests ahead of yours.

Additionally, when your financial professional provides investment advice to you on a regular basis regarding your Employee Retirement Income Security Act of 1974, as amended ("ERISA"), retirement plan account or individual retirement account ("IRA"), we and your financial professional are fiduciaries within the meaning of Title I of ERISA and/or the Internal Revenue Code of 1986, as amended (the “Internal Revenue Code”), as applicable, which are laws governing retirement accounts. The way we make money creates some conflicts with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interest ahead of yours.

Before or at the time you enter into a broker-dealer relationship with us, you will receive our Form CRS, which provides information about the broker-dealer and investment advisory services we offer, the fees and costs you can expect to incur in connection with those services, specified conflicts of interest that we and our financial professionals have, the standards of conduct to which we and our financial professionals are subject, and our and our financial professionals’ disciplinary histories, among other matters. Our Form CRS is available at www.lfa-sagemark.com. You also may request a copy of our Form CRS from your financial professional or by contacting us at 1-800-237-3813.

Investment Adviser Capacity

All recommendations made by your financial professional regarding your fee-based investment advisory accounts established for the investment advisory programs and services we offer and for which we have agreed in writing to serve as your investment adviser (your “advisory accounts”) will be made in an investment advisory capacity. All recommendations made by your financial professional when providing you with financial planning, consulting, or seminar services will also be made in an investment advisory capacity.

In our capacity as an SEC-registered investment adviser, we can provide investment advisory services to you for a fee, including: ongoing investment advice in connection with our own sponsored investment advisory programs and investment advisory programs sponsored by third-party asset managers (“TAMPs”), which include both wrap-fee and non-wrap fee programs; investment advice in connection with the selection of TAMPs, separately managed account managers, investment model providers, and investment strategies for your advisory accounts; and investment advice in connection with our financial planning, consulting, and seminar services. We can also place orders for you as an investment adviser through a brokerage account with us or through accounts at other broker-dealers.

When we act in our capacity as an investment adviser, we will do so pursuant to a written agreement with you that sets forth the terms and conditions of our investment advisory relationship with you, including our obligations to you and your obligations to us. When we act as your investment adviser, we have a fiduciary duty to you under the Investment Advisers Act of 1940, as amended (the “Advisers Act”), which encompasses a duty of care and a duty of loyalty and requires us to act in your best interest and not put our interests ahead of yours.

Additionally, when your financial professional provides investment advice to you on a regular basis regarding your ERISA retirement plan account or IRA, we and your financial professional are fiduciaries within the meaning of Title I of ERISA and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts.

Before or at the time you enter into an investment advisory relationship with us, you will receive our Form CRS, which provides information about the broker-dealer and investment advisory services we offer, the fees and costs you can expect to incur in connection with those services, specified conflicts of interest that we and our financial professionals have, the standards of conduct to which we and our financial professionals are subject, and our and our financial professionals’ disciplinary histories, among other matters. You will also receive our applicable Form ADV, Part 2A disclosure brochures, which provide detailed information regarding our investment advisory programs and services, the fees and costs you can expect to incur in connection with those programs and services, conflicts of interest that we and our financial professionals have, and other important matters. In addition, before or at the time your financial professional begins to provide you with investment advisory services, your financial professional will provide you with his or her Form ADV, Part 2B brochure supplement, which details your financial professional’s educational background, business experience, disciplinary history, and other business activities, among other matters. Our Form CRS and Form ADV, Part 2A disclosure brochures are available at www.lfa-sagemark.com under My accounts—Disclosures and on the SEC’s website at www.adviserinfo.sec.gov. You also may request a copy of our Form CRS or any of our Form ADV, Part 2A disclosure brochures from your financial professional or by contacting us at 1-800-237-3813.

1.2. Type and Scope of Our Services

Broker-Dealer Services

In our capacity as an SEC-registered broker-dealer, we and our financial professionals can recommend and effect securities transactions for you with your consent, including buying and selling stocks, bonds, options, mutual funds, closed-end funds, exchange-traded funds (“ETFs”), unit investment trusts (“UITs”), variable annuities, variable life insurance policies, alternative investments, and other securities that can be held in your broker-dealer accounts. Your broker-dealer accounts may include any of the options or account types described under the heading "Account Types" below.

We provide a number of services related to your investments in securities, including, but not limited to, taking your transaction orders, facilitating the execution of your securities transactions, providing general investment information, and providing administrative and other services relating to your broker-dealer accounts and investments. Our financial professionals also provide recommendations concerning whether to buy, sell, or hold securities. Our services also entail recommendations of investment strategies involving securities, including recommendations of account types and rollovers or transfers of assets, such as rolling over workplace retirement plan assets into an IRA.

In addition, we offer the option to automatically invest cash held in accounts custodied by National Financial Services LLC ("NFS"), our custodian and clearing firm, in money market funds or taxable interest bearing cash options designated as cash sweep vehicles while awaiting reinvestment. We also offer access to securities-backed lines of credit ("SBLOCs") offered by various third-party lenders, which allow you to borrow cash secured by the securities held in your broker-dealer accounts, and margin account services, where NFS, our custodian and clearing firm, extends you credit (a loan) for the purpose of purchasing, carrying, or trading in securities.

We do not have any minimum requirements, such as minimum investment amounts, for you to access our broker-dealer accounts or services, but some of the investments we make available to you have minimum investment requirements set by the issuers of those investments. Additional information regarding minimum investment requirements for particular investments is available in each investment's prospectus or other offering document. You can request a copy of a particular investment's prospectus or other offering document from your financial professional at any time, and prospectuses will be delivered to you in connection with your purchases of investments as and when required by law.

Account Types

In order to receive any of our broker-dealer services described above, you must first open a broker-dealer account. We offer access to a variety of broker-dealer account types with different features and benefits that are intended to address the different needs and objectives of our retail customers. When opening a broker-dealer account, you may choose from various different options or account types, including brokerage accounts held with NFS, our custodian and clearing firm; accounts held directly with issuers of the securities you purchase; education accounts (*e.g.*, education savings plans); IRAs and other retirement accounts, where your investments will be held with the custodian of the retirement account; and certain specialty accounts (*e.g.*, margin accounts).

Additional information regarding available broker-dealer account options, including their key features and benefits, can be found at www.lfa-sagemark.com under Product solutions—Brokerage and My accounts. Before deciding whether to open any account with us, you should discuss all of your account options with your financial professional to decide which account type best fits your financial goals and circumstances.

Our Investment Philosophy

We are committed to long-term relationships, have access to a diverse spectrum of products and specialized support, and provide integrated, personalized services and recommendations that are designed to assist you in selecting investment products that are aligned with your unique needs, goals, and objectives. In assisting with the selection of investment products, we strive to help you evaluate securities in different asset classes. Our financial professionals evaluate each individual security recommended for you based on its performance, risk, style, and other characteristics. By doing so, our financial professionals can provide you with recommendations on specific investments with volatility, risk, and other characteristics that are aligned with your stated needs, goals, and objectives.

We require our financial professionals to have a reasonable basis to believe that each recommendation made to you is in your best interest, taking into account the potential risks, rewards, and costs associated with the recommendation, reasonably available alternative investment options, and your individual investment profile, among other factors. Factors that our financial professionals consider when reviewing your individual investment profile include your age, investments, financial situation and needs, tax status, investment objectives, investment experience, investment time horizon, liquidity needs, and risk tolerance, and other relevant information that you may disclose to us in connection with a recommendation. We also require our financial professionals to have a reasonable basis to believe that each recommendation made to you does not place our or our financial professional's financial or other interests ahead of your interest at the time the recommendation is made.

Certain of our financial professionals may have specific personal investment philosophies that differ in some respects from our general investment philosophy discussed above. If this is the case for your financial professional, before or at the time your financial professional makes a recommendation to you that is based upon his or her specific personal investment philosophy, your financial professional will communicate his or her personal investment philosophy to you, and you should discuss this investment philosophy and address any questions you may have with your financial professional.

1.2.1. Material Limitations on Our Services

Given the breadth of our broker-dealer services and the variety of investments we make available, we do not have many material limitations on the type and scope of our broker-dealer services. For instance, we do not limit our investment offerings to specific asset classes, a select group of issuers, or investments or products issued, sponsored, managed, or developed by us or our affiliates within Lincoln Financial Group (collectively, "proprietary products"). Additionally, we do not have any minimum requirements, such as minimum investment amounts, for you to access our broker-dealer accounts or services, though some of the investments we make available to you have minimum investment requirements set by the issuers of those investments.

Notwithstanding the wide range of broker-dealer services and investments we make available, there are certain material limitations on our and our financial professionals' services and the investments we make available to you, and these material limitations are set forth below.

- *Financial Professional Limitations*: Not all of our financial professionals can offer the full range of investments and services our firm offers.

    - <u>Non-Advisory Financial Professionals</u>: Even though our firm offers both broker-dealer services and investment advisory services, some of our financial professionals are licensed to recommend and offer broker-dealer services only, whereas some of our other financial professionals are licensed to recommend and offer both broker-dealer services and investment advisory services. If your financial professional is licensed to recommend and offer broker-dealer services only, he or she will not be able to recommend, offer, or provide you with any of the investment advisory services our firm offers.

    - <u>Financial Professionals with Limited Securities Licenses</u>: Even though our firm offers access to a wide range of investments, some of our financial professionals hold securities licenses that permit them to recommend, offer, and sell only certain types of investments, such as mutual funds, variable annuities, or certain other specific investments. As a result, these financial professionals are unable to recommend, offer, and sell the full range of investments our firm makes available. If your financial professional holds securities licenses that permit him or her to recommend, offer, and sell only certain types of investments, he or she will not be able to recommend, offer, or sell you any investments not covered by his or her securities licenses, even if our firm offers access to those investments.

    - <u>Financial Professionals Without Insurance Licenses</u>: Even though our firm offers access to a wide range of variable annuities and variable life insurance policies (together, "variable products"), some of our financial professionals do not hold the insurance licenses required to recommend, offer, and sell variable products. If your financial professional does not hold the insurance licenses required to recommend, offer, and sell variable products, he or she will not be able to recommend, offer, or sell you any variable products, even though our firm offers access to a wide range of variable products.

    - <u>Financial Professionals with Limited Roles and Responsibilities</u>: Even though our firm does not limit its offerings to proprietary products, some of our financial professionals are authorized to recommend and offer only proprietary products, or a single proprietary product, as a result of their roles and responsibilities with us and our affiliates:

        - Retirement Consultants: Certain of our financial professionals serve as retirement consultants with our affiliate, Lincoln Retirement Services Company, Inc. ("LRSC"), and work exclusively with retirement plans, retirement plan sponsors, and retirement plan participants ("retirement consultants"). Retirement consultants who are authorized to make point-in-time recommendations to retirement plan participants regarding rollover transactions are limited to recommending rollovers to a single proprietary product, The Lincoln Next Step IRA (the "Next Step IRA"). While retirement consultants will only recommend rollovers to the Next Step IRA in circumstances where they have a reasonable basis to believe that their recommendations are in a retirement plan participant's best interest, and do not place our or their financial or other interests ahead of the retirement plan participant's interest, retirement plan participants should understand that retirement consultants are not able to recommend or offer any rollover or other products other than the Next Step IRA, even though our firm offers access to other products and investment options. Additionally, retirement consultants are not able to recommend any individual securities or investments and do not provide any ongoing investment advice or recommendations or any account monitoring services.

- Recommendations to Retirement Plan Participants: Certain of our financial professionals (other than the retirement consultants described above) work with retirement plan sponsors that: (1) utilize a proprietary product as the sole retirement product available to their retirement plan participants or (2) make a proprietary product available to their retirement plan participants along with other third-party retirement products that we do not offer or service. In each of these circumstances, our financial professionals are limited to discussing the proprietary products made available and may only make recommendations to retirement plan participants regarding the proprietary products, the assets maintained by retirement plan participants within the proprietary products, and amounts retirement plan participants elect to defer to the proprietary products. While our financial professionals will only recommend proprietary products in circumstances where they have a reasonable basis to believe that their recommendations are in a retirement plan participant's best interest, and do not place our or their financial or other interests ahead of the retirement plan participant's interest, retirement plan participants should understand that, in these circumstances, our financial professionals are not able to recommend or offer any retirement or other products other than the proprietary products made available within the participant's retirement plan, even if their retirement plan offers access to other retirement products or investment options.

- Recommendations to Third-Party Registered Investment Advisers' Clients Regarding Proprietary Fee-Based Annuities: A limited number of our specially designated home office financial professionals help facilitate the sale of fee-based variable annuities issued by our affiliate, The Lincoln National Life Insurance Company ("LNL"), and its affiliates ("proprietary fee-based annuities") to clients of third-party registered investment advisers ("third-party RIAs"). These designated home office financial professionals are limited to discussing proprietary fee-based annuities and may only make recommendations to clients regarding proprietary fee-based annuities. While these designated home office financial professionals will only recommend proprietary fee-based annuities in circumstances where they have a reasonable basis to believe that their recommendations are in a client's best interest, and do not place our or their financial or other interests ahead of the client's interest, clients should understand that these designated home office financial professionals are not able to recommend or offer any products other than proprietary fee-based annuities, even though our firm and other financial professionals offer access to other products and investment options.

Each of the above circumstances are material limitations on the securities or investment strategies that your financial professional may recommend to you. If your financial professional is subject to any of these material limitations, he or she will communicate such limitations to you before or at the time of making a recommendation to you that is subject to, based upon, or a result of such limitation, and you should discuss these material limitations and address any questions you may have with your financial professional. In addition, you are encouraged to research your financial professional's experience and securities licenses on FINRA's BrokerCheck website at https://brokercheck.finra.org/.

- *Investment Limitations*: While we offer access to a wide range of investments, including stocks, bonds, options, mutual funds, closed-end funds, ETFs, UITs, variable products, alternative investments, and other investment products, there are certain investments we do not offer. For instance, we do not offer all mutual funds from every single mutual fund company, all types of options, every type of ETF, every type of variable product, every education savings plan, or every security (or securities from every company) in any other category of securities. This means that our financial professionals are limited to recommending only those investments that we are authorized to offer and that we make available through our platform. Additionally, we only offer variable annuities and alternative investments (*e.g.*, non-traded real estate investment trusts ("REITs"), limited partnerships, oil and gas programs, managed futures funds, qualified opportunity zone funds, interval funds, private placements, 1031 exchange programs, and funds of hedge funds) from third-party product sponsors who support our marketing and distribution efforts, including by making marketing support payments to us that help to subsidize our marketing and distribution costs. Finally, while we do not restrict retail customers' access to mutual fund share classes in connection with "unsolicited transactions" (*i.e.*, where our financial professionals have not recommended the transaction to you), our financial professionals may only recommend that you purchase Class A, Class C, and Class R mutual fund shares or certain other mutual fund share classes that we may make available from time to time on a limited basis. Each of these are material limitations on the securities or investment strategies that we and our financial professionals may recommend to you. For additional information regarding the marketing and distribution support arrangements we have with investment product sponsors, including a list of the product sponsors with whom we have arrangements, a description of the revenue we receive, and a description of our related conflicts of interest, please see Section 1.3.2 and Section 2.2 below, as well as our Annuity and Insurance Product, Alternative Investment, and Mutual Fund Marketing Support Disclosures, each of which are available at www.lfa-sagemark.com under My accounts—Disclosures.

- *Account Monitoring*: When providing you with services in a broker-dealer capacity, our financial professionals are available to assist you with your broker-dealer accounts and investments; however, our financial professionals do not monitor your broker-dealer accounts, the investments in your broker-dealer accounts (including, but not limited to, those investments our financial professionals recommend for you), or their performance. This is a material limitation on our services and the services of our financial professionals.

- *Discretionary Investment Authority*: Our financial professionals do not make investment decisions for you or manage your broker-dealer accounts on a discretionary basis. Because our financial professionals do not have discretionary investment authority over your broker-dealer accounts, your financial professional cannot buy or sell investments in your broker-dealer accounts without first obtaining your consent. Our financial professionals may recommend investments to you, but you are responsible for making the ultimate decision regarding whether to purchase or sell investments, and our financial professionals will only purchase or sell investments for you when you specifically direct them to do so. This is a material limitation on our services and the services of our financial professionals.

- *Discounted Commissions; Self-Directed Brokerage*: We are a full-service broker-dealer, not a "discount" broker-dealer. Given the wide range of broker-dealer services we and our financial professionals offer you as a full-service broker-dealer, we generally do not offer discounted brokerage commissions; however, our financial professionals may provide discounts from our standard commission and other fee rates in certain circumstances. Additionally, we generally do not offer a self-directed brokerage account platform through which retail customers can trade in their own accounts. These are material limitations on our services.

1.3. Fees and Costs

This section provides information about the material fees and costs that apply to your broker-dealer account, transactions, and holdings. Because our fees vary depending on the specific transactions we facilitate for you and the specific services we provide to you, the information below first describes the fees and costs associated with your broker-dealer account, and then the fees and costs associated with transactions and holdings that our financial professionals may recommend to you or that you may otherwise pursue.

1.3.1. Fees and Costs Associated with Your Account

Depending on the type of broker-dealer account you open, you will pay certain fees and costs associated with your account. Unlike the fees related to your transactions and holdings described below, you will pay many of the fees associated with your broker-dealer account annually, although you will pay certain account-related fees on a more frequent recurring basis (*e.g.*, monthly or quarterly) or each time you take certain actions or give us certain instructions with respect to your account.

Because fees and costs vary among accounts, we have provided below an overview of fee and cost information for the types of accounts typically held by our retail customers. While the following overview is intended to provide you with an understanding of the material fees and costs that you can expect to pay in connection with your accounts, the specific fees and costs you will pay in connection with your accounts will vary as a result of the unique circumstances surrounding your accounts. To determine the specific fees and costs you will pay in connection with your accounts, you should refer to the applicable terms of our current Fee and Commission Schedule, which is available at www.lfa-sagemark.com under My accounts—Cost, and the account opening agreements and other documentation for your particular accounts, and you should discuss those materials and address any questions you may have with your financial professional.

Highlighted below are the material fees and costs associated with our broker-dealer accounts:

- *Select Access Cash Management Account Fee*: If you have a Select Access Cash Management Account with us that is custodied by NFS, we generally charge you an annual account fee for the cash management and other features available with a Select Access Cash Management Account, including, but not limited to, check writing and debit card access, and related services we provide. This fee is typically $50 and you will pay this fee annually.

- *Premier Access Cash Management Account Fee*: If you have a Premier Access Cash Management Account with us that is custodied by NFS, we generally charge you an annual account fee for the cash management and other features available with a Premier Access Cash Management Account, including, but not limited to, check writing and rewards debit card access, and related services we provide. This fee is typically $125 and you will pay this fee annually.

- *Inactive Brokerage Account Fee*: If you have a broker-dealer account with us that is custodied by NFS, we generally charge you an annual inactive account fee to compensate us for services we provide, and reimburse us for expenses we incur, in connection with maintaining your inactive account. This fee is typically $35 and you will pay this fee annually when there is no qualifying activity (*e.g.*, securities transactions) in your account during the twelve-month period ending with the fee assessment date, which typically occurs in June of each year.

- *Transfer of Assets Delivery for Non-Retirement Accounts*: If you have a non-retirement account with us that is custodied by NFS, we generally charge you a one-time account transfer fee to compensate us for services we provide, and reimburse us for expenses we incur, in connection with transferring all assets in your account to another firm. This fee is typically $75 and you will pay this fee when you transfer all assets in your account to another firm.

- *Retirement Account Annual Maintenance Fee*: If you have a retirement account with us that is custodied by NFS, we generally charge you an annual account maintenance fee to compensate us for services we provide, and reimburse us for expenses we incur, in connection with maintaining your retirement account. This fee is typically $35 and you will pay this fee annually.

- *Retirement Account Termination Fee*: If you have a retirement account with us that is custodied by NFS, we generally charge you a one-time account termination fee to compensate us for services we provide, and reimburse us for expenses we incur, in connection with terminating your account or transferring all assets in your account to another firm. This fee is typically $125 and you will pay this fee when you terminate your account with us or transfer all assets in your account to another firm. You will also pay the retirement account annual maintenance fee discussed above when you terminate your account with us or transfer all assets in your account to another firm if you have not previously paid that fee for the year in which the termination or transfer occurs.

- *Margin Loan Interest*: If you have a margin account with us that is custodied by NFS, where NFS extends credit (a loan) to you for the purpose of purchasing, carrying, or trading in securities, we generally charge you interest on the outstanding balance of all credit extended to you by NFS. A portion of these interest charges compensates NFS for the cost and risk of lending money to you. We retain a portion of these interest charges to compensate us for services we provide, and reimburse us for expenses we incur, in connection with your margin account. Annual margin interest rates typically range from 0.85% to 3.00% above the National Financial Base Lending Rate (the "NFBLR") depending on your average margin debit balance. The NFBLR is set at NFS's discretion with reference to commercially recognized interest rates, industry conditions regarding the extension of credit, and general credit conditions and the rates charged above the NFBLR are set at our discretion. The margin interest rate you will pay will change without notice to you as the NFBLR and your average margin debit balance change. You will pay margin interest monthly. For detailed information on margin trading, including interest rates, interest calculation methodologies, and other important matters, please review your Margin Account Application and Agreement, including the Margin Disclosure Statement and Disclosure of Credit Terms on Transactions included therewith, which you received or will receive in connection with your application for margin trading privileges. Additional information regarding margin trading, including NFS's Margin Borrowing Brochure and the current NFBLR, can be found at www.lfa-sagemark.com under My accounts—Cost.

- *Securities-Backed Line of Credit (SBLOC) Interest*: We offer access to SBLOCs offered by various third-party lenders. If you enter into an SBLOC contract with a third-party lender, the third-party lender will extend you a revolving line of credit (a loan), which will allow you to borrow cash secured by the securities in your account. If you enter into an SBLOC contract, the third-party lender will charge you interest on all cash you borrow under the SBLOC. Interest compensates the third-party lender for the cost and risk of lending money to you. Certain third-party lenders share a portion of the interest you pay with us, or otherwise make payments to us based upon the total amount of your outstanding loan balance, to compensate us for services we provide in connection with offering you access to the third-party lender's SBLOC. SBLOC interest rates vary by third-party lender, but typically are comprised of a surcharge above a base rate selected by the third-party lender and set forth in your SBLOC contract (*e.g.*, the Prime Rate or the Secured Overnight Financing Rate). The interest rate you will pay will change without notice to you as the applicable base rate selected by your lender changes. Additionally, if certain events specified in your SBLOC contract occur (*e.g.*, if you default on your repayment obligations), your interest rate typically will be increased, potentially significantly. You typically will pay interest on SBLOCs monthly. For detailed information on SBLOCs, including interest rates, interest calculation methodologies, and other important matters, please review the applicable third-party lender's SBLOC application and contract, including any disclosures regarding credit terms included therewith, as well as our Customer Disclosure for Securities Backed Line of Credit with a Lender, each of which you received or will receive in connection with your application for an SBLOC with a third-party lender.

- *Alternative Investment Annual Custody and Valuation Fee*: If you hold alternative investments in an account with us that is custodied by NFS, we generally charge you an alternative investment annual custody and valuation fee for each alternative investment position in your account. This fee compensates us for services we provide, and reimburses us for expenses we incur, in connection with having such alternative investments custodied and valued. This fee is typically $75 per alternative investment position in your account and you will pay this fee annually. This fee is typically subject to a maximum of $225 per account per year.

- *Cash Debit Balance Interest*: If you have a cash debit balance in an account with us that is custodied by NFS, we generally charge you interest on your cash debit balance at the annual rate of 3.00% above the NFBLR. The NFBLR is set at NFS's discretion with reference to commercially recognized interest rates, industry conditions regarding the extension of credit, and general credit conditions and the rate charged above the NFBLR is set at our discretion. The interest rate you will pay will change without notice to you as the NFBLR changes. You will pay interest on cash debit balances monthly. The current NFBLR can be found at www.lfa-sagemark.com under My accounts—Cost.

- *Direct Registration of Securities Transfer and Ship Fee*: If you choose to be directly registered as the owner of a security in an account with us that is custodied by NFS, rather than having such security held in "street name," we generally charge you a one-time fee to compensate us for services we provide, and reimburse us for expenses we incur, in connection with facilitating such direct registration. This fee is typically $25 for securities that are eligible for the Direct Registration System ("DRS") and $250 for securities that are not eligible for DRS. You will incur this fee each time you request that a security in your account be directly registered in your name.

- *Physical Certificates Securities Safekeeping Fee*: If you hold physical securities certificates in an account with us that is custodied by NFS, we generally charge you a monthly physical certificates securities safekeeping fee to compensate us for services we provide, and reimburse us for expenses we incur, in connection with having such physical securities certificates held. This fee is typically $15 per certificate and you will pay this fee monthly when you hold physical securities certificates in your account.

- *Legal Transfer of Stock Certificate Fee*: If a physical stock certificate sent for deposit into an account with us that is custodied by NFS does not match your account registration, or contains other errors that must be reviewed before the deposit can proceed, we generally charge you a one-time fee to compensate us for services we provide, and reimburse us for expenses we incur, in connection with facilitating the legal transfer or correction of such physical stock certificate. This fee is typically $90 and you will pay this fee each time a review for legal transfer or correction purposes is required.

- *Legal Return of Stock Certificate Fee*: If a physical stock certificate sent for deposit into an account with us that is custodied by NFS cannot be accepted for legal reasons discussed above, the physical stock certificate will be returned and we will generally charge you a one-time fee to compensate us for services we provide, and reimburse us for expenses we incur, in connection with the return process. This fee is typically $75 and you will pay this fee each time a physical stock certificate cannot be accepted and must be returned.

- *Physical Reorganization Fee*: If a physical stock certificate sent for deposit into an account with us that is custodied by NFS cannot be accepted due to a merger involving the issuer, a change in issuer name, or a similar circumstance, we generally charge you a one-time fee to compensate us for services we provide, and reimburse us for expenses we incur, in connection with facilitating the processing necessary to accommodate the issuer's reorganization. This fee is typically $50 and you will pay this fee each time a physical stock certificate must be processed to accommodate an issuer's reorganization.

- *Fed Wire Transfer Fee*: If you request a wire transfer of funds from an account with us that is custodied by NFS, we generally charge you a one-time wire transfer fee to compensate us for services we provide, and reimburse us for expenses we incur, in connection with facilitating your wire transfer request. This fee is typically $15 and you will pay this fee each time you request a wire transfer from your account.

- *Overnight Check Fee*: If you request a check from an account with us that is custodied by NFS on an overnight basis, we generally charge you a one-time overnight check fee to compensate us for services we provide, and reimburse us for expenses we incur, in connection with facilitating your overnight check request. This fee typically ranges from $12 to $24 and you will pay this fee each time you submit an overnight check request. Notwithstanding the foregoing typical range, the exact amount of this fee will vary depending upon the delivery timing you request and applicable shipping carrier charges.

- *Returned Check Fee*: If you have an account with us that is custodied by NFS and that provides a check writing feature, we generally charge you a one-time returned check fee when there are insufficient funds in your account to cover the amount of a check written from your account. This fee is typically $25 and you will pay this fee each time there are insufficient funds in your account to cover the amount of a check written from your account.

- *Stop Payment Fee*: If you have an account with us that is custodied by NFS and that provides a check writing feature, we generally charge you a one-time stop payment fee when you request that we arrange for payment to be stopped on a check written from your account. This fee is typically $15 and you will pay this fee each time that you request that we stop payment on a check written from your account.

- *Quarterly Paper Account Statement/Trade Confirmation Delivery Fee*: If you elect to receive paper account statements and/or trade confirmations for an account with us that is custodied by NFS, we generally charge you a quarterly paper account statement/trade confirmation delivery fee to compensate us for services we provide, and reimburse us for expenses we incur, in connection with the preparation and distribution of your paper account statements and/or trade confirmations. This fee is typically $3 per account and you will pay this fee quarterly for so long as you elect to receive paper account statements and/or trade confirmations for your account. You can avoid the quarterly paper account statement/trade confirmation delivery fee by registering for Wealthcape Investor and electing to have both account statements and trade confirmations for your accounts delivered electronically. Instructions on how to register for Wealthscape Investor and elect electronic delivery of both account statements and trade confirmations can be found at www.lfa-sagemark.com under My accounts—Access.

- *990-T Tax Return Filing Fee*: If you have a retirement account with us that is custodied by NFS and that holds a master limited partnership or limited partnership that generates unrealized business taxable income (UBTI) of $1,000 or more, we generally charge you a one-time fee for costs associated with Form 990-T Exempt Organization Business Income Tax Return filing. This fee is typically $75 and you will pay this fee each time Form 990-T is filed for your account; however, you will be notified prior to this fee being debited from your account.

If there is not enough cash in your account to pay for these or other applicable fees as and when they are charged to your account, your account will go into a debit position. To resolve a debit position in your account, you may work with your financial professional to deposit additional cash into your account or sell securities held in your account to generate cash. If you do not take prompt action to resolve any debit position in your account, we will take action to raise cash in your account to satisfy the total amount of your outstanding debit position (and any fees and expenses associated with the resolution of your outstanding debit position). An outline of the process that we follow to resolve outstanding debit positions in client accounts can be found at www.lfa-sagemark.com under My accounts—Cost.

The foregoing summary of the material fees and costs associated with your broker-dealer accounts is qualified by reference to the detailed terms of our Fee and Commission Schedule and the account opening agreements and other documentation for your particular accounts, which you received and completed or will receive and complete at account opening and are subject to change in accordance with their terms. Our current Fee and Commission Schedule and other disclosures regarding the material fees and costs associated with your broker-dealer account are available at www.lfa-sagemark.com under My accounts—Cost.

As the broker-dealer of record for your accounts with us that are custodied by NFS, we are responsible for and perform a number of broker-dealer functions and services with respect to your account and any securities transactions therein. Our responsibilities include, but are not limited to: collecting, verifying, and maintaining documentation about you and your account; approval and acceptance of your account; reviewing and supervising activities, including trading activities, within your account; reviewing and either accepting or rejecting any transactions within your account; transmission of all orders with respect to your account; supervision of all orders and accounts, including maintaining compliance with best interest standards and other regulatory requirements, as applicable; and ensuring that any mutual fund orders are in compliance with the terms of the applicable prospectus. We maintain substantial operational, compliance, and technology resources in support of our broker-dealer operations that are necessary to provide these and other services in connection with your account and any transactions effected in your account. As a result, the account fees we assess and that are described above and in our Fee and Commission Schedule are generally higher than the fees and expenses that we have and pay to NFS for related services and are a source of revenue to us. Please contact your financial professional with any questions you may have regarding the fees and charges applicable to your account.

1.3.2. Fees and Costs Associated with Your Transactions and Holdings

We and our financial professionals are paid each time you trade in your broker-dealer account or make a new investment. This type of payment is typically called a "commission," but may also be called a "sales charge," "sales load," or "markup." This type of payment presents a conflict of interest for us and our financial professionals because it creates an incentive for us and our financial professionals to recommend that you trade often and make additional investments. Commission rates and amounts vary depending upon the investment category, specific investment, share class, and size or amount of your transaction. These varying commission rates and amounts also present a conflict of interest for us and our financial professionals because they create an incentive for us and our financial professionals to recommend that you purchase investment categories, specific investments, and share classes that pay us the highest rate of compensation and increase the size or amount of your transactions.

In addition, investments that are interests in investment funds, including mutual funds, closed-end funds, ETFs, and UITs, or investment products, including education savings plans and variable products, bear ongoing fees and expenses that are embedded into the cost of the investment. You pay these ongoing fees and expenses indirectly because they are factored into the cost of the investment. More information about ongoing fees and expenses associated with investment funds and products is available in the investment fund's or product's prospectus or other offering document. You can request a copy of a particular investment's prospectus or other offering document from your financial professional at any time, and prospectuses will be delivered to you in connection with your purchases of investments as and when required by law.

Because fees and costs vary among investments, we have provided below a general overview of fee and cost information for the transactions typically conducted and investments typically held by our retail customers. Where applicable, we have included certain hypothetical transactions as examples. These examples assume that the hypothetical transactions are conducted in an account with us that is custodied by NFS. While the following overview and examples are intended to provide you with an understanding of the material fees and costs that you can expect to pay in connection with your transactions and holdings, the specific fees and costs you will pay in connection with your particular transactions and holdings will vary as a result of the unique circumstances surrounding your particular transactions and holdings. To determine the specific fees and costs you will pay in connection with your particular transactions and holdings, you should refer to the applicable terms of our current Fee and Commission Schedule, the account opening agreements and other documentation for your particular accounts, and the current prospectus or other offering document for the particular security involved in your transaction, and you should discuss those materials and address any questions you may have with your financial professional.

For additional information about commission rates and trading and execution fees, please see our current Fee and Commission Schedule and the other disclosures available at www.lfa-sagemark.com under My accounts—Cost. As described in Section 1.3.1 above, as the broker-dealer of record for your accounts with us that are custodied by NFS, we are responsible for and perform a number of broker-dealer functions and services with respect to the securities transactions in your accounts and we maintain substantial operational, compliance, and technology resources in support of our broker-dealer operations that are necessary to carry out those functions and provide those services. As a result, the commissions and other trading, transaction, brokerage service, and other fees we assess and that are described herein and in our Fee and Commission Schedule are generally higher than the fees and expenses that we have and pay to NFS for clearance and execution of transactions and related services and are a source of revenue to us. Please contact your financial professional with any questions you may have regarding the commissions or other trading and execution fees that are applicable to your transactions.

<u>Equities</u>

Characteristics

We offer you access to a wide range of equity securities, like stocks, which give holders a share of ownership in a company. Equity securities are often one part of an investor's holdings. Before deciding to buy or sell an equity security, such as a publicly traded company's stock, it is important for you to evaluate the risks associated with the company and its equity securities. As part of this evaluation, you should carefully review the company's public disclosure documents, including, but not limited to, its registration statement and prospectus in the case of an initial public offering or follow-on offering, or its periodic and current reports under the Exchange Act (*e.g.*, Forms 10-K, 10-Q, and 8-K and related financial statements) in the case of a secondary market transaction. Stocks in public companies are registered with the SEC and public companies generally are required to file reports with the SEC annually, quarterly, and as material events occur with respect to their businesses. You may access public companies' disclosure documents and reports by searching for the company's name in the SEC's Electronic Data Gathering, Analysis, and Retrieval (EDGAR) database, which can be accessed on the SEC's website at www.sec.gov.

Fees and Costs

Buying and selling equity securities, like stocks, entails fees. You will typically pay us a commission every time you buy or sell an equity security. You will pay this commission in addition to the price you pay for the equity securities you choose to buy, and your payment of this commission will reduce the price you receive for the equity securities you choose to sell. This commission is a one-time fee that varies based upon the dollar amount of your transaction and the number of shares you trade. The total commission charge you will pay equals a base commission dollar amount, which typically ranges from $36 to $318 and increases with the dollar amount of your transaction, plus a percentage of the dollar amount of your transaction, which typically ranges from 2.3% to 0.175% and decreases with the dollar amount of your transaction (the "total equity commission"). The total equity commission you will pay is typically subject to: (1) a minimum charge of the greater of $50 per transaction or $0.09 per share on the first 1,000 shares traded plus $0.05 per share thereafter, and (2) a maximum charge of $0.70 per share traded (which is only applicable once the minimum charge has been reached). Commissions on liquidations of penny stocks are typically limited to a maximum of $25 per transaction. We are not a "discount" broker-dealer. Discount broker-dealers generally offer lower commission rates.

In addition to the applicable commission on your equity transaction, we typically charge you a service and handling fee of $5 every time you buy or sell an equity security in an account with us that is custodied by NFS.

For example, if you purchase 100 shares in a public company at $50 per share for a total transaction amount of $5,000, you will typically pay a $70 commission and a $5 service and handling fee in addition to the $5,000 you pay for your shares.

More Information

You may obtain additional information about equity securities generally by visiting the SEC's website at Investor.gov.

For detailed information regarding commissions and other fees you will pay in connection with equity transactions in your accounts with us that are custodied by NFS, please speak with your financial professional and see our Fee and Commission Schedule and the account opening agreements and other documentation for your particular accounts, which you received or will receive at account opening and are subject to change in accordance with their terms. Our current Fee and Commission Schedule and other disclosures regarding the fees and costs applicable to your transactions and holdings are available at www.lfa-sagemark.com under My accounts—Cost.

Bonds

Characteristics

We offer you access to a wide range of bonds, such as corporate bonds, government bonds, and municipal bonds. Bonds are debt securities issued by corporations, governments, or other entities that pay fixed or variable interest rates to investors for a specific period of time. When a bond reaches maturity, the bond issuer generally returns the principal amount of the bond to investors. There are many types of bonds and the features, characteristics, and risks associated with bonds can vary significantly.

For most bonds, the bond's coupon rate is the rate of interest it pays annually and is expressed as a percentage of its face value. Usually, the coupon rate is calculated by dividing the sum of coupon payments by the face value of the bond.

Bonds generally are priced at an initial face value (sometimes called "par" value) of $1,000 per bond. However, once the bond is traded on the secondary market, the bond's price may be lower than its face value, which is referred to as a "discount," or higher than its face value, which is referred to as a "premium." If a bond is priced at a discount, the investor purchasing the bond will receive a higher interest yield (return) than the coupon rate as a result of paying less than the bond's face value. On the other hand, if the bond is priced at a premium, the investor purchasing the bond will receive a lower interest yield (return) than the coupon rate as a result of paying more than the bond's face value. Bond prices typically have an inverse relationship with bond interest yields (*e.g.*, as bond prices decrease, interest yields increase; as bond prices increase, interest yields decrease).

Unlike equities, where prices are usually evaluated based upon their daily closing prices, many bonds do not have a uniform closing price because they are traded in the over-the-counter ("OTC") markets or other negotiated markets. Bond prices are affected by many different factors, including, but not limited to, supply and demand for the bond, the issuer's credit rating, bond size, interest rates, and age-to-maturity. With regard to the age-to-maturity pricing factor, bonds are paid in full (at face value) when they mature, though there are options to call, or redeem, some bonds before they mature (and some bonds permit the issuer to call the bond prior to maturity). Since a bondholder is closer to receiving the full face value of a bond as the bond's maturity date approaches, the bond's price moves toward par as the bond ages. Many bonds are priced by discounting the expected future cash flow from the bond to the present value using a discount rate.

Fees and Costs

Buying and selling bonds entails fees. You will typically pay a "markup" as a transaction cost to the selling broker-dealer when you buy a bond, as most bonds are traded on a principal (dealer) basis in the OTC market (although some bonds may be bought on an agency (commission) basis). With most bonds, instead of charging you a commission to perform the transaction for you, the broker-dealer selling you the bond marks up the price of the bond above the bond's face value. When you buy bonds through a broker-dealer on the secondary market, the bonds will have price markups. The markup represents the difference between the price a broker-dealer pays for a bond and the price at which it is sold to you by the broker-dealer.

With new issues of bonds, the broker-dealer's markup generally is included in the par value, so you do not pay separate transaction costs. Everyone who buys a new issue pays the same price, known as the offering price. If you are interested in a new issue of a bond, you can get an offering document describing the bond's features and risks.

If you sell a bond before it matures, you may receive more or less than the par value of the bond. Either way, the purchasing broker-dealer will mark down the price of your bond, paying you less than its current value (and will then mark up the price upon resale to another investor). This is how broker-dealers are compensated for maintaining an active secondary market.

When you purchase or sell a bond through us, we generally will carry out your trade on a principal basis. When we sell you a bond as principal, the purchase price you pay for the bond will reflect a markup, a portion of which will be set by the broker-dealer from whom we purchased the bond and a portion of which will be set by your financial professional. When we purchase a bond from you as principal, the price you receive for the bond will reflect a markdown, a portion of which will be set by your financial professional and a portion of which will be set by the broker-dealer to whom we have arranged to resell the bond. The other broker-dealer with whom we deal in connection with your bond transactions shares a portion of its markup and markdown compensation with us. Markups and markdowns set by your financial professional are shared between us and your financial professional.

The markups and markdowns imposed by the other broker-dealer with whom we deal in connection with bond transactions are set at the discretion of the other broker-dealer and vary from transaction to transaction. The markups and markdowns imposed by your financial professional are set at the discretion of your financial professional within guidelines set by us and typically range from $50 to 2.5% of the principal value of the bonds traded (if higher than $50); however, the amount of the total markup or markdown you will incur on a bond transaction will depend on the particular circumstances of each transaction, including, but not limited to, the type of bond (*e.g.*, corporate, government, municipal, agency, etc.) and its maturity.

In addition to the applicable markup or markdown on your bond transaction, we typically charge you a service and handling fee of $5 every time you buy or sell a bond in an account with us that is custodied by NFS.

For example, if you purchase 10 corporate bonds with face values of $1,000 per bond and the applicable markup is 1.00% of the face value of each bond purchased, you would typically pay a $100 markup and a $5 service and handling fee, in addition to the market price of the bonds.

More Information

Information about bonds, including pricing and issuer credit ratings, is available on FINRA's Market Data Center website at http://finra-markets.morningstar.com/BondCenter/Default.jsp. In addition, information about government bonds is available on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access website at https://emma.msrb.org/. You may also obtain additional information about bonds generally by visiting the SEC's website at Investor.gov.

For detailed information regarding fees you will pay in connection with bond transactions in your accounts with us that are custodied by NFS, please speak with your financial professional and see our Fee and Commission Schedule and the account opening agreements and other documentation for your particular accounts, which you received or will receive at account opening and are subject to change in accordance with their terms. Our current Fee and Commission Schedule and other disclosures regarding the fees and costs applicable to your transactions and holdings are available at www.lfa-sagemark.com under My accounts—Cost.

Options

Characteristics

We offer you access to option contracts that you can buy or sell. Options are contracts that give you the right, but not the obligation, to buy or sell an underlying asset at a fixed price within a certain period of time. Various exchanges operating in the United States and regulated by the SEC offer public trading markets where different types of options are bought and sold, such as equity, index, and interest rate options.

An option contract that gives you the right to buy the underlying asset is referred to as a "call" option, and an option contract that gives you the right to sell the underlying asset is referred to as a "put" option. Most options have certain standardized terms that indicate the nature and amount of the underlying asset, the expiration date, the exercise price, and whether the option is a call or put. Many securities that are publicly traded in the United States have put or call option contracts, which are available for trading on an exchange in the United States. Equity options, for example, are designated by reference to the issuer of the underlying security, the expiration month or expiration date of the option, and the option's exercise price and type (put or call).

Prior to buying or selling options, you will receive a copy of the Characteristics & Risks of Standardized Options document, also known as the options disclosure document (the "ODD"). Investors should read the ODD prior to buying or selling an option. The ODD contains required disclosures regarding the characteristics and risks of standardized option contracts. The ODD is available on The Options Clearing Corporation's website at https://www.theocc.com/about/publications/character-risks.jsp.

No certificate is issued to show your ownership of an option. You must review the confirmations and statements that you receive in order to confirm your positions in options as of the date of the confirmation or statement. It is important for you to understand the process for exercising your rights as the holder of an option contract. You should discuss this process and address any questions you may have with your financial professional.

Fees and Costs

Buying, selling, and exercising options entails fees. You will typically pay us a commission every time you buy or sell an option contract. You will pay this commission in addition to the premium associated with the option contract, which you will pay regardless of whether you choose to exercise the option to buy or sell the underlying asset. This commission is a one-time fee that varies based upon the dollar amount of your transaction and the number of option contracts you trade. The total commission charge you will pay equals a base commission dollar amount, which typically ranges from $35 to $119 and increases with the dollar amount of your transaction, plus a percentage of the dollar amount of your transaction, which typically ranges from 1.9% to 0.4% and decreases with the dollar amount of your transaction (the "total options commission"). The total options commission you will pay is typically subject to: (1) a minimum charge of $50 per transaction, and (2) a maximum charge of $40 per option contract on the first two option contracts traded plus $5 per option contract thereafter (which is only applicable once the minimum charge has been reached). The premium is not a standardized term of the option contract. The premium does not constitute a "down payment." The premium is a non-refundable payment and is in addition to the commission.

In addition to the applicable commission on your options transaction, we typically charge you a service and handling fee of $5 every time you buy or sell an option contract in an account with us that is custodied by NFS. We also typically charge you a separate $25 options exercise and assignment fee when you exercise an option contract you hold, or if an option contract you have sold is assigned.

For example, if you purchase 50 option contracts with a total premium of $5,000, you will typically pay a $109 commission and a $5 service and handling fee in addition to the $5,000 options premium, regardless of whether you choose to exercise the options. You will also pay a $25 options exercise and assignment fee if and when you exercise the options.

More Information

You may obtain additional information about options generally by visiting the SEC's website at Investor.gov.

For detailed information regarding commissions and other fees you will pay in connection with options transactions in your accounts with us that are custodied by NFS, please speak with your financial professional and see our Fee and Commission Schedule and the account opening agreements and other documentation for your particular accounts, which you received or will receive at account opening and are subject to change in accordance with their terms. Our current Fee and Commission Schedule and other disclosures regarding the fees and costs applicable to your transactions and holdings are available at www.lfa-sagemark.com under My accounts—Cost.

Mutual Funds

Characteristics

We offer access to a wide range of mutual funds from many different mutual fund companies. Mutual funds are registered investment companies that issue redeemable securities. Mutual funds issue shares on a continual basis, and there is no secondary trading market for mutual fund shares. Mutual funds are required to sell their shares at net asset value ("NAV") per share plus any applicable sales charge or sales load, which is described below. A mutual fund's NAV is calculated by dividing the total value of all the mutual fund's assets, minus any liabilities such as ongoing fees and expenses (described below), by the number of shares outstanding.

It is extremely important for you to read a mutual fund's prospectus carefully before investing in that mutual fund. You can request a copy of a particular mutual fund's prospectus from your financial professional at any time, and prospectuses will be delivered to you in connection with your mutual fund purchases as and when required by law. Each mutual fund's prospectus contains important information that will help you make an informed decision about an investment in a mutual fund. In deciding whether to invest in a mutual fund, you should consider several different factors, including, but not limited to, the mutual fund's past performance, investment objective, investment strategies and risks, the investment adviser responsible for the management of the mutual fund's assets, and the fees and expenses associated with an investment in a particular mutual fund. While past performance of a mutual fund is not indicative of future results, a mutual fund's long-term performance record and portfolio manager's experience and qualifications may be important factors in deciding whether to invest in a mutual fund.

Fees and Costs – Generally

Buying, holding, and selling mutual funds entails fees. You will typically pay a sales charge or sales load when you buy shares in a mutual fund. We receive a portion of this sales charge or sales load for our efforts and the efforts of our financial professionals in selling shares of the mutual fund.

Most mutual funds utilize multiple share classes, which represent the same underlying investments but have differing fees and expenses for distribution and shareholder services. Though there are many different types of mutual fund share classes, the most common share classes available to you are Class A, Class C, and Class R. Each share class typically has different fees and costs, and therefore fund performance results will differ as those fees and expenses reduce performance across share classes. You should also note that the size of your investment and the amount of time you expect to hold your investment in a mutual fund may play an important role in determining which share class is most appropriate for you, and you should discuss these considerations and address any questions you may have with your financial professional.

Fees and Costs – Share Class Distinctions

While there are no standard definitions for mutual fund share classes, and each mutual fund defines its share classes (and their characteristics and fees) in its prospectus, set forth below are some basic descriptions of the most common share classes available to you:

- Class A Shares – This share class usually carries a front-end sales charge, which is typically assessed as a percentage of your investment. This means that a front-end sales charge is deducted from your investment each time you purchase shares in the mutual fund. Class A shares also typically have ongoing fees and expenses, which sometimes include distribution and/or service fees commonly referred to as 12b-1 fees, and these 12b-1 fees are intended to finance distribution activities intended primarily to result in the sale of additional shares of the mutual fund. Despite these ongoing fees and expenses, Class A shares may have lower operating expenses compared to other share classes of the same mutual fund that may be available to you. This means that ongoing costs may be lower than ongoing costs associated with other share classes of the same mutual fund that may be available to you. Many mutual funds offer "breakpoint" discounts for large investments in Class A shares, which means that the front-end sales charge you will pay decreases as your investment amount increases. These breakpoints are described in detail in the mutual fund's prospectus. Class A shares for the mutual funds we make available to you typically have front-end sales charges ranging from 0.00% (for so called "no load funds") to 5.75% of your investment amount and annual 12b-1 fees of 0.25% of the value of your investment; however, there is significant variability in the front-end sales charges and annual 12b-1 fees carried by Class A mutual fund shares, and certain mutual funds' Class A shares have front-end sales charges and/or annual 12b-1 fees that vary from these typical rates. Given this variability, it is extremely important for you to read a mutual fund's prospectus carefully before investing to ensure that you completely understand the fees and costs you will incur in connection with your investment.

For example, if you purchase $5,000 of Class A shares of a mutual fund that assesses a 5.75% front-end sales charge on your investment, you will typically pay a $287.50 front-end sales charge and the remaining $4,712.50 of your investment will be used to purchase Class A shares of the mutual fund. Additionally, your investment will be subject to ongoing fees and expenses each year, including any applicable 12b-1 fees.

- Class C Shares – This share class is characterized by a level 12b-1 fee that you pay annually as a percentage of the value of your investment. Class C shares do not have a front-end sales charge like Class A shares, but do have a contingent deferred sales charge ("CDSC"). With a CDSC, you pay a sales charge when you sell your mutual fund shares. The amount of the CDSC is typically assessed as a percentage of the value of your investment, and it declines over time and eventually is eliminated the longer you hold your shares. Some mutual funds offer Class C shares that convert to Class A shares after a specified period of time. Class C share conversion features, if any, are described in the specific mutual fund's prospectus, and you should discuss any potential conversion features and address any questions you may have regarding these features with your financial professional. Class C shares for the mutual funds we make available to you typically have an annual 12b-1 fee of 1.00% of the value of your investment and typically impose a CDSC of 1.00% of the value of your investment if you sell your shares within the first year after purchase; however, there is variability in the annual 12b-1 fees and CDSCs carried by Class C mutual fund shares, and certain mutual funds' Class C shares have annual 12b-1 fees and/or CDSCs that vary from these typical rates and application periods. Given this variability, it is extremely important for you to read a mutual fund's prospectus carefully before investing to ensure that you completely understand the fees and costs you will incur in connection with your investment.

For example, if you purchase $5,000 of Class C shares of a mutual fund that assesses a 1.00% annual 12b-1 fee, you will not pay a front-end sales charge in connection with your purchase, so your entire $5,000 investment will be used to purchase Class C shares of the mutual fund. However, your investment will be charged a 1.00% 12b-1 fee each year, so your initial $5,000 investment will be reduced to $4,950 after the first year as a result of the 12b-1 fee, assuming no other ongoing fees and expenses and no appreciation or depreciation of the shares in that one-year period. You typically will have also paid higher ongoing expenses for owning Class C shares as compared to if you had purchased Class A shares.

- Class R Shares – This share class is available to retirement investors purchasing shares in a mutual fund through employer-sponsored retirement plans, such as 401(k) plans. Class R shares do not have a front-end sales charge like Class A shares or a CDSC like Class C shares, but Class R shares do have ongoing fees and expenses such as 12b-1 fees intended to finance the distribution activities related to sales of the mutual fund's shares. These fees and expenses are deducted from your assets on an ongoing basis. Given the potential variability in annual 12b-1 fees carried by Class R mutual fund shares, it is extremely important for you to read a mutual fund's prospectus carefully before investing to ensure that you completely understand the fees and costs you will incur in connection with your investment.

For example, if you purchase $5,000 of Class R shares of a mutual fund through your employer-sponsored retirement plan, you will not pay a front-end sales charge in connection with your purchase, so your entire $5,000 investment will be used to purchase Class R shares of the mutual fund. However, certain ongoing fees and expenses, such as 12b-1 fees, will be deducted from your investment. If the ongoing fees and expenses are 1.5% annually, your $5,000 investment will be reduced to $4,925 after the first year as a result of the ongoing fees and expenses, assuming no appreciation or depreciation of the shares in that one-year period.

Fees and Costs – Breakpoints

While it may make sense to own mutual funds from different mutual fund companies, it also may increase the total sales charges that you pay to purchase those mutual funds. Mutual fund companies often offer discounts or reduced sales charges based upon the total amount you choose to invest with the mutual fund company. The investment levels needed to receive these discounts or reduced sales charges are known as "breakpoints." Mutual fund companies typically allow you to combine your holdings with those of your immediate family members to reach these breakpoints.

Set forth below are some common ways you can receive the benefits of breakpoints:

- *Rights of Accumulation*: "Rights of accumulation" allow you to combine a mutual fund purchase with your existing investments in the mutual fund company to reach a breakpoint.

- *Letter of Intent*: You can take advantage of breakpoints by agreeing to purchase a certain dollar amount in a mutual fund over a specified period of time. In most instances, this requires signing a "letter of intent," or "LOI."

Every mutual fund's prospectus describes its breakpoint policies, including how you can reach breakpoints. You can request a copy of a mutual fund's prospectus from your financial professional at any time, and prospectuses will be delivered to you in connection with your mutual fund purchases as and when required by law.

Fees and Costs – Ongoing Fees and Expenses

In addition to the 12b-1 fees mentioned above, mutual funds typically also deduct other ongoing fees and expenses, such as management fees or servicing fees, from fund assets. These ongoing fees and expenses are typically used to pay for the mutual fund's annual operating expenses (these ongoing fees are sometimes referred to as the mutual fund's "expense ratio"), such as paying the mutual fund's investment manager, accounting and auditing expenses, legal expenses, recordkeeping expenses, and other expenses. In addition, as noted above, the ongoing fees and expenses include fees commonly referred to as 12b-1 fees, and these 12b-1 fees are intended to finance distribution activities intended primarily to result in the sale of additional shares of the mutual fund, and include marketing and advertising expenses. These ongoing fees and expenses are typically charged daily as a percentage of your assets in the mutual fund. You pay these fees and expenses indirectly because they are deducted from your assets on an ongoing basis. These payments, as well as the conflicts of interest associated with them, are described more fully in Section 2.1 below.

Fees and Costs – Additional Fees for Mutual Fund Transactions in Accounts Custodied by NFS

In addition to applicable sales charges and product-level fees and costs related to your mutual fund transactions and holdings, we typically charge you a service and handling fee of $5 every time you buy or sell a mutual fund in an account with us that is custodied by NFS, unless your trade is conducted pursuant to a systematic investment plan. Additionally, although we typically waive brokerage trading and execution fees for mutual fund transactions beyond the service and handling fee discussed above, we reserve the right to charge a mutual fund transaction fee, typically ranging from $15 to $35, and a transaction surcharge, which typically is $10, in connection with certain mutual fund transactions as described in our Fee and Commission Schedule, which is available at www.lfa-sagemark.com under My accounts—Cost. If your mutual fund trades will be subject to mutual fund transaction fees or transaction surcharges, your financial professional will inform you of that fact prior to trade execution, and you should discuss these fees and address any questions you may have with your financial professional.

Marketing and Distribution Support Arrangements

We receive additional compensation, sometimes called "marketing support," directly from certain mutual fund families available on our investment platform. Mutual fund families make these payments to us out of their or their affiliates' assets, not from the assets of any mutual fund available on our investment platform. These payments therefore will not appear as a fee or expense deducted from your account, or as an item in the expense table disclosure for any mutual fund available on our investment platform. Depending on the mutual fund family, these payments can be flat annual payments, made on the basis of total sales, made on the basis of the amount of our client assets held with the mutual fund family, or made on a combination of those methods. These payments vary from mutual fund family to mutual fund family, but, as of the date of this Reg BI Disclosure Document, each mutual fund family generally pays us a flat annual payment that does not exceed $100,000 annually, up to 0.20% of the gross amount of each sale, and/or up to 0.15% annually of our total client assets held with the mutual fund family. Accordingly, with respect to the arrangements where payments are based on a percentage of each sale or total client assets held with the mutual fund family, the payments we can receive will increase with the amount of our client assets placed with the mutual fund family. Certain mutual fund families make marketing support payments in connection with only certain share classes that are available on our investment platform (and not others), and certain mutual fund families pay us more or less depending on the particular mutual fund's asset class or investment strategy. Moreover, not all mutual fund families available on our investment platform make these payments to us and, among those that do, some mutual fund families pay us more than others.

These payments subsidize the cost of educational programs and marketing activities that are designed to help facilitate the distribution of these mutual fund families' mutual funds and make our financial professionals more knowledgeable about their mutual funds. In addition, these payments allow mutual fund families' representatives to attend and participate in our conferences where financial professionals are present, one-on-one marketing meetings, and due diligence presentations.

In addition to the marketing support payments that we receive through formal marketing support arrangements, mutual fund families, including, but not limited to, those that have formal marketing support arrangements with us, make flat dollar payments to us from time to time. These payments are not made as part of any formalized agreement, but rather for specific activities, including, but not limited to, exhibit booth space, presentation opportunities at our meetings or similar events, attendance at conferences, educational events for our financial professionals, and participation in other training and educational events. Some mutual fund families also reimburse us and, indirectly, our financial professionals for certain expenses in connection with due diligence meetings, training and educational events, seminars that offer educational opportunities for clients, and similar events. Some mutual fund families also provide us and our financial professionals with nominal gifts and gratuities, including, but not limited to, merchandise bearing the brand or logo of the mutual fund family.

You should be aware that there are mutual funds and share classes available on our investment platform that do not pay us any marketing support payments and therefore may be less expensive for you to hold than mutual funds and share classes that do make such payments to us.

For the most up-to-date information regarding the marketing and distribution support arrangements we have with mutual fund sponsors, including a list of the mutual fund sponsors with whom we have arrangements, a description of the revenue we receive, and a description of our related conflicts of interest, see our Mutual Fund Marketing Support Disclosure, which is available at www.lfa-sagemark.com under My accounts—Disclosures. For information on our conflicts of interest in connection with the marketing and distribution support arrangements we have with mutual fund sponsors, see Section 2.2 below.

Revenue Sharing Arrangements With NFS

Our custodian and clearing firm, NFS, offers a no transaction fee ("NTF") mutual fund program that includes a broad selection of NTF mutual funds. Certain participating mutual fund families pay NFS a fee to have their NTF mutual funds included in NFS's NTF mutual fund program, and NFS shares a portion of these fees with us. As of the date of this Reg BI Disclosure Document, we receive up to 0.25% annually of our total client assets invested in NTF mutual funds participating in NFS's NTF mutual fund program through brokerage accounts held with NFS. NFS also offers a transaction fee ("TF") mutual fund program. Certain participating mutual fund families pay NFS a fee to have their TF mutual funds included in NFS's TF mutual fund program, and NFS also shares a portion of these fees with us. As of the date of this Reg BI Disclosure Document, we receive up to $3.00 per position per year for each client position in a TF mutual fund participating in NFS's TF mutual fund program held through a brokerage account with NFS.

You should be aware that there are mutual funds and share classes available on our investment platform that do not generate these revenue sharing payments to us (e.g., Fidelity Funds) and therefore may be less expensive for you to purchase and hold than mutual funds and share classes that do generate such revenue sharing payments to us.

For information on our conflicts of interest in connection with the revenue sharing arrangements we have with NFS, see Section 2.2 below.

More Information

Information regarding a specific mutual fund's and share class's features, risks, sales charges, ongoing fees and expenses, and overall expense ratio and other important matters is available in the mutual fund's prospectus. You can request a copy of a particular mutual fund's prospectus from your financial professional at any time, and prospectuses will be delivered to you in connection with your mutual fund purchases as and when required by law. You may also obtain additional information about mutual funds generally by visiting the SEC's website at [Investor.gov](https://www.investor.gov).

For detailed information regarding fees you will pay in connection with mutual fund transactions in your accounts with us that are custodied by NFS, please speak with your financial professional and see our Fee and Commission Schedule and the account opening agreements and other documentation for your particular accounts, which you received or will receive at account opening and are subject to change in accordance with their terms. Our current Fee and Commission Schedule and other disclosures regarding the fees and costs applicable to your transactions and holdings are available at www.lfa-sagemark.com under My accounts—Cost.

Closed-End Funds

Characteristics

We offer access to closed-end funds from a variety of fund companies, including several interval funds. It is extremely important for you to read a closed-end fund's prospectus carefully before investing in that closed-end fund. Each closed-end fund's prospectus contains important information that will help you make an informed decision about an investment in the closed-end fund. In deciding whether to invest in a closed-end fund, you should consider several different factors, including, but not limited to, the closed-end fund's past performance, investment objective, investment strategies and risks, the investment adviser responsible for the management of the closed-end fund's assets, and the fees and expenses associated with an investment in a particular closed-end fund. While past performance of a closed-end fund is not indicative of future results, a closed-end fund's long-term performance record and portfolio manager's experience and qualifications may be important factors in deciding whether to invest in a closed-end fund.

Similar to mutual funds, closed-end funds are pooled investment vehicles. However, there are important differences between closed-end funds and mutual funds.

Unlike mutual funds, most traditional closed-end funds do not continuously offer their shares for sale. Instead, such closed-end funds typically sell a fixed number of shares through an initial public offering, after which their shares typically trade on a secondary trading market. The price of shares in a closed-end fund that trade on a secondary market after their initial public offering is determined by the market and may be higher or lower than the shares' NAV. In addition, there are certain non-traded closed-end funds that do sell their shares on an ongoing basis, and do not trade on a secondary trading market.

Many closed-end funds have no "maturity" or termination date, and shareholders may exit their investments only by selling shares on the secondary trading market. Nonetheless, these closed-end funds without termination dates may still be terminated based upon the investment manager's decision. Certain other closed-end funds, however, have a specified or targeted termination date, at which time the shareholders receive an amount equivalent to the shares' NAV at the termination date. Non-traded closed-end funds typically contemplate having a "liquidity" event at some point once the closed-end fund's offering has ceased. Liquidity events include listing the closed-end fund's shares on a secondary trading market and liquidation.

Unlike mutual funds, closed-end fund shares are not redeemable, which means that the closed-end fund is not required to buy shares back from investors upon request. Non-traded closed-end funds typically offer to repurchase their shares from investors in periodic tender offers. In addition, some closed-end funds, commonly referred to as "interval funds," offer to repurchase their shares from investors at specified intervals. The shares of an interval fund typically do not trade on a secondary market and interval funds generally offer their shares on a continuous basis at a price based upon the closed-end fund's NAV. In order to operate as an interval fund, the closed-end fund must offer to repurchase its shares at regular intervals every three, six, or twelve months, as disclosed in the closed-end fund's prospectus. The price that interval fund shareholders receive on a repurchase will be based upon the per share NAV determined as of a specified date, minus any redemption fees or charges that may apply to the transaction.

Fees and Costs

Buying, holding, and selling closed-end funds entails fees. You will typically pay a sales charge every time you buy shares in a closed-end fund's public offering and a commission every time you buy or sell shares in a closed-end fund in a secondary trading market. You will pay this sales charge or commission in addition to the amount of the closed-end fund you choose to buy or sell.

For a public offering purchase, the fund's sales charge is a one-time fixed fee, which is typically a percentage of your investment amount. Class A shares for the interval funds we make available to you typically have front-end sales charges of 5.75% of your investment amount and annual shareholder servicing expenses of 0.25% of the value of your investment. Class C shares for the interval funds we make available to you typically do not have a front-end sales charge, but typically have annual shareholder servicing expenses and distribution fees of 1.00% of the value of your investment and impose a CDSC of up to 1.00% of the value of your investment if you sell your shares within the first year after purchase. Notwithstanding the foregoing, there is significant variability in the front-end sales charges, shareholder servicing expenses, distributions fees, and CDSCs carried by closed-end fund shares, and certain closed-end fund shares have front-end sales charges, shareholder servicing expenses, distributions fees, and/or CDSCs that vary from these typical rates and related application periods.

For purchases and sales of closed-end fund shares in the secondary trading market, you will pay commissions in accordance with the terms of our Fee and Commission Schedule that are applicable to equity transactions generally. The commissions applicable to equity transactions generally are described in the section entitled “Equities—Fees and Costs” above.

In addition to applicable sales charges, commissions, and other fees and costs related to your closed-end fund transactions and holdings, we typically charge you a service and handling fee of $5 every time you buy or sell a closed-end fund in an account with us that is custodied by NFS. Additionally, although we typically waive brokerage trading and execution fees for interval fund transactions beyond the service and handling fee discussed above, we reserve the right to charge a transaction fee, typically ranging from $15 to $35, and a transaction surcharge, which typically is $10, in connection with certain interval fund transactions. If your interval fund trades will be subject to transaction fees or transaction surcharges, your financial professional will inform you of that fact prior to trade execution, and you should discuss these fees and address any questions you may have with your financial professional.

For example, if you purchase $5,000 of shares in a closed-end fund that assesses a 5.75% front-end sales charge on your investment in its public offering, you will typically pay a $287.50 front-end sales charge and the remaining $4,712.50 of your investment will be used to purchase shares of the closed-end fund. You will also typically pay a $5 service and handling fee.

Some interval funds also charge you a redemption charge when you accept an interval fund’s offer to repurchase your shares. This redemption charge is a one-time fixed fee that cannot exceed 2.00% of the redemption proceeds. Unlike the sales charges and commissions, the redemption charge is not paid to us, but is paid to the fund to compensate it for expenses associated with the repurchase.

For example, if you own $5,000 of shares in an interval fund that assesses a 2.00% redemption charge, and you accept the interval fund’s offer to repurchase all of your shares, a $100 redemption charge will be deducted by the fund and you will receive the remaining $4,900 as your redemption proceeds.

Closed-end funds, including interval funds, also deduct other ongoing fees and expenses, such as management fees, from fund assets. In addition, the ongoing fees and expenses of many interval funds include 12b-1 fees, and these 12b-1 fees are intended to finance distribution activities intended primarily to result in the sale of additional shares of the closed-end fund, and include marketing and advertising expenses. These ongoing fees and expenses, which are reflected in the closed-end fund’s overall expense ratio, are typically used to pay for the closed-end fund’s continued operations, such as paying the closed-end fund’s investment manager, accounting and auditing expenses, legal expenses, recordkeeping expenses, and other expenses. These ongoing fees and expenses are typically charged daily as a percentage of your assets. You pay these fees and expenses indirectly because they are deducted from your assets on an ongoing basis. These payments, as well as the conflicts of interest associated with them, are described more fully in Section 2.1 below.

Marketing and Distribution Support Arrangements

We receive marketing and distribution support payments from all of the interval fund sponsors whose products are available on our platform. For additional information regarding the marketing and distribution support arrangements we have with interval fund sponsors, see the section entitled “Alternative Investments—Marketing and Distribution Support Arrangements” below.

More Information

Information regarding a specific closed-end fund’s features, risks, sales charges, ongoing fees and expenses, and overall expense ratio and other important matters is available in the closed-end fund’s prospectus. You can request a copy of a closed-end fund’s prospectus from your financial professional at any time, and prospectuses will be delivered to you in connection with your closed-end fund purchases as and when required by law. You may also obtain additional information about closed-end funds generally by visiting the SEC’s website at Investor.gov.

For detailed information regarding commissions and other fees you will pay in connection with closed-end fund transactions in your accounts with us that are custodied by NFS, please speak with your financial professional and see our Fee and Commission Schedule and the account opening agreements and other documentation for your particular accounts, which you received or will receive at account opening and are subject to change in accordance with their terms. Our current Fee and Commission Schedule and other disclosures regarding the fees and costs applicable to your transactions and holdings are available at www.lfa-sagemark.com under My accounts—Cost.

Exchange-Traded Funds

Characteristics

We offer access to a wide range of ETFs. ETFs are investment funds that are listed for trading on a national securities exchange and can be bought and sold in the equity trading markets. Shares in the ETF represent an interest in a portfolio of securities.

ETFs possess characteristics of both mutual funds and closed-end funds. Similar to mutual funds, an ETF pools assets of multiple investors and invests those pooled assets according to its investment objective and investment strategy. ETFs also continuously offer their shares for sale like mutual funds. In addition, ETFs share certain characteristics with closed-end funds, namely that an ETF's shares trade on a secondary market and may trade at prices higher or lower than the ETF's NAV.

However, ETFs do not sell or redeem individual shares. Instead, certain "authorized participants" have contractual arrangements with the ETF to purchase and redeem ETF shares directly from the ETF in blocks called "creation units" and "redemption units," respectively, where each creation or redemption unit typically represents 50,000 shares of the ETF. After purchasing a "creation unit," the authorized participants generally sell the ETF shares in the secondary trading market.

This creation and redemption process for ETF shares provides arbitrage opportunities designed to help keep the market price of ETF shares at or close to the NAV per share of the ETF. For example, if ETF shares are trading at a price below the NAV (generally referred to as a "discount"), an authorized participant can purchase ETF shares in secondary market transactions, and, after accumulating enough shares to compose a "redemption unit," redeem them from the ETF for the more valuable underlying securities. The authorized participant's purchase of ETF shares in the secondary market would create upward pressure on ETF share prices, which would bring them closer to the NAV per share of the ETF.

Fees and Costs

Buying, holding, and selling ETFs entails fees. You will typically pay a commission every time you buy or sell shares in an ETF. You will pay this commission in addition to the market price of the ETF you choose to buy or sell. This commission is a one-time fixed fee that is calculated in accordance with the terms of our Fee and Commission Schedule that are applicable to equity transactions generally. The commissions applicable to equity transactions generally are described in the section entitled "Equities—Fees and Costs" above.

In addition to the applicable commission on your ETF transaction, we typically charge you a service and handling fee of $5 every time you buy or sell an ETF in an account with us that is custodied by NFS.

For example, if you purchase 100 shares in an ETF at $50 per share for a total transaction amount of $5,000, you will typically pay a $70 commission and a $5 service and handling fee.

ETFs also deduct ongoing fees and expenses, such as management fees, from ETF assets. These ongoing fees and expenses are typically used to pay for the ETF's continuing operations, such as paying the ETF's investment manager, accounting and auditing expenses, legal expenses, recordkeeping expenses, and other expenses. However, ETFs generally have lower expense ratios than mutual funds because most ETFs are not actively managed and, therefore, do not incur the internal costs of buying and selling the underlying portfolio securities. These ongoing fees and expenses are typically charged annually as a percentage of your assets. You pay these fees and expenses indirectly because they are deducted from your assets on an ongoing basis.

More Information

Information regarding a specific ETF's features, risks, ongoing fees and expenses, and overall expense ratio and other important matters is available in the ETF's prospectus. You can request a copy of an ETF's prospectus from your financial professional at any time. You may also obtain additional information about ETFs generally by visiting the SEC's website at Investor.gov.

For detailed information regarding commissions and other fees you will pay in connection with ETF transactions in your accounts with us that are custodied by NFS, please speak with your financial professional and see our Fee and Commission Schedule and the account opening agreements and other documentation for your particular accounts, which you received or will receive at account opening and are subject to change in accordance with their terms. Our current Fee and Commission Schedule and other disclosures regarding the fees and costs applicable to your transactions and holdings are available at www.lfa-sagemark.com under My accounts—Cost.

Unit Investment Trusts

Characteristics

We offer access to a wide range of UITs. UITs are pooled investment vehicles in which a portfolio of securities is selected by the trust's sponsor and deposited into the trust for a specified period of time. The UIT's portfolio of securities is not actively traded, as the trust generally follows a "buy and hold" investment strategy. The portfolio will generally remain fixed until the termination of the trust. UIT term lengths vary, but they generally have a maturity date between 15 to 24 months from the initial offering date.

At the UIT's maturity, an investor typically has three options: (1) receive the proceeds based upon the value of the investment; (2) roll over into a newly issued UIT; or (3) in limited circumstances, an investor may be able to receive proportionate shares of the securities held in the UIT's portfolio.

The UIT's portfolio is generally designed to follow an investment objective over a specified period of time. A UIT is formed by the trust sponsor, who enters into an agreement with the trustee. When the trust is formed, several investment terms and conditions are set forth in the trust agreement, such as the trust objective, what securities will be placed in the trust, when the trust will terminate, and what fees and expenses will be charged to the trust's assets. These terms and conditions of the trust will be listed in the UIT's prospectus.

Fees and Costs

Buying, holding, and selling UITs entails fees. You will typically pay a sales charge when you buy units in a UIT's initial offering, or a commission when you buy or sell units in a UIT on a secondary trading market. You will pay this sales charge or commission in addition to the amount of the UIT you choose to buy or sell.

Sales charges for initial offerings of equity UITs typically range from 1.85% to 3.95% of your investment, while sales charges for initial offerings of fixed-income UITs typically range from 1.95% to 3.50% of your investment. You can expect to pay higher sales charges for UITs with longer durations, and lower sales charges for UITs with shorter durations.

In addition to applicable sales charges on your UIT transaction, we typically charge you a service and handling fee of $5 every time you buy or sell a UIT in an account with us that is custodied by NFS.

For example, if you invest $5,000 in a UIT's initial offering that assesses a 1.85% sales charge, then a $92.50 sales charge will be deducted and the remaining $4,907.50 of your investment will be used to purchase units in the UIT's initial offering. You will also typically pay a $5 service and handling fee.

In some instances, collection of all or part of a sales charge is deferred over a period subsequent to the settlement date for the purchase of UIT units. Typically, the deferred sales charge is deducted from the unitholder's distributions on the units during the collection period until the total amount of the sales charge is paid. Repeatedly selling UITs before their maturity date followed by the purchase of a newly issued UIT will cause you to incur sales charges with greater frequency.

UITs also deduct other fees and expenses from trust assets, such as organizational and operating expenses. These fees and expenses include portfolio supervision, recordkeeping, administrative fees, and trustee fees. UITs also charge creation and development fees, which compensate the sponsors for creating and developing the trusts. However, UITs generally do not deduct a separate management fee because the portfolio is not actively managed.

More Information

Information regarding a specific UIT's features, risks, sales charges, ongoing fees and expenses, and overall expense ratio and other important matters is available in the UIT's prospectus. You can request a copy of a UIT's prospectus from your financial professional at any time, and prospectuses will be delivered to you in connection with your UIT purchases as and when required by law. You may also obtain additional information about UITs generally by visiting the SEC's website at Investor.gov.

For detailed information regarding fees you will pay in connection with UIT transactions in your accounts with us that are custodied by NFS, please speak with your financial professional and see our Fee and Commission Schedule and the account opening agreements and other documentation for your particular accounts, which you received or will receive at account opening and are subject to change in accordance with their terms. Our current Fee and Commission Schedule and other disclosures regarding the fees and costs applicable to your transactions and holdings are available at www.lfa-sagemark.com under My accounts—Cost.

Real Estate Investment Trusts

Characteristics

We offer access to a wide range of REITs, which own and typically operate income-producing real estate assets, such as office buildings, shopping malls, apartments, hotels, resorts, self-storage facilities, warehouses, and real estate mortgages or loans. Unlike other real estate companies, REITs do not develop real estate properties to resell them, but rather buy and develop properties primarily to operate them as part of their own investment portfolio. As an investment for a retail customer, REITs provide exposure to the investment performance of commercial real estate. REITs are required to pay out most of their taxable income to their shareholders. Some REITs can offer higher dividend yields than some other investments.

We offer both publicly traded REITs ("traded REITs"), which are typically listed for trading on a national securities exchange, and REITs that are not listed for trading on public exchanges ("non-traded REITs"). While traded REITs can be bought and sold on a secondary trading market, non-traded REITs cannot be bought or sold readily in a secondary trading market and are typically only available for purchase when the non-traded REIT is conducting an offering of its shares. While the market price for shares of traded REITs is readily available, that is not the case for shares of non-traded REITs. Shares of non-traded REITs are considered to be illiquid investments because you may not be able to sell your shares readily. Also, in the case of non-traded REITs, which generally purchase real estate assets as they conduct their offerings, dividend payments may come from offering proceeds or borrowings rather than from operating cash flow, reducing the amount available to invest in real estate assets. Non-traded REITs also typically have an external manager whereas traded REITs typically have internal employees. The interests of external managers, who receive fees from the REIT for managing the REIT and assisting with acquisitions, can conflict with the interests of the shareholders of non-traded REITs.

Fees and Costs

Buying, holding, and selling REITs entails fees. You will typically pay a commission every time you buy shares in a REIT's public offering and every time you buy or sell REIT shares on a secondary trading market.

For purchases and sales of traded REITs, you will pay commissions in accordance with the terms of our Fee and Commission Schedule that are applicable to equity transactions generally. The commissions applicable to equity transactions generally are described in the section entitled "Equities—Fees and Costs" above. In addition to the applicable commission on your traded REIT transaction, we typically charge you a service and handling fee of $5 each time you buy or sell a traded REIT in an account with us that is custodied by NFS.

For the non-traded REITs we make available, up-front commissions (which can be described as commissions and dealer manager fees in non-traded REIT prospectuses) typically range from 3.00% to 6.00% of your investment amount; however, there is significant variability in the up-front commissions carried by non-traded REITs, and certain non-traded REITs have up-front commissions that vary from these typical rates. Given this variability, it is extremely important for you to read a non-traded REIT's prospectus or other offering document carefully before investing to ensure that you completely understand the fees and costs you will incur in connection with your investment. Commissions, along with additional offering expenses, are deducted from the amount you invest. In addition to the applicable commission on your non-traded REIT purchase, we typically charge you an alternative investment purchase fee of $50 and a service and handling fee of $5 each time you buy a non-traded REIT in an account with us that is custodied by NFS.

For example, if you purchase $5,000 of shares in an initial offering of a non-traded REIT that assesses a 5.00% sales charge on your investment, then you will pay a $250 sales charge and the remaining $4,750 of your investment will be used by the non-traded REIT to invest in real estate. You will also typically pay a $50 alternative investment purchase fee and a $5 service and handling fee.

REITs bear the fees and expenses associated with acquiring, operating, and disposing of their assets. You pay these fees and expenses indirectly because they impact the profitability of the REIT and the value of your shares. Additionally, non-traded REITs often charge ongoing distribution and stockholder servicing fees. The non-traded REITs we make available typically have ongoing distribution and stockholder servicing fees ranging from 0.85% to 1.00% annually, subject to caps specified in the applicable non-traded REIT's prospectus; however, there is significant variability in the ongoing distribution fees carried by non-traded REITs, and certain non-traded REITs have ongoing distribution fees that vary from these typical rates. Given this variability, it is extremely important for you to read a non-traded REIT's prospectus carefully before investing to ensure that you completely understand the fees and costs you will incur in connection with your investment.

Marketing and Distribution Support Arrangements

We receive marketing and distribution support payments from all of the non-traded REIT sponsors whose products are available on our platform. For additional information regarding the marketing and distribution support arrangements we have with non-traded REIT sponsors, see the section entitled "Alternative Investments—Marketing and Distribution Support Arrangements" below.

More Information

Information regarding a specific non-traded REIT's features, risks, commissions, and ongoing fees and expenses and other important matters is available in the non-traded REIT's prospectus or other offering document. You can request a copy of a non-traded REIT's prospectus or other offering document from your financial professional at any time, and prospectuses will be delivered to you in connection with your non-traded REIT purchases as and when required by law. You may also obtain additional information about REITs generally by visiting the SEC's website at Investor.gov.

For detailed information regarding commissions and other fees you will pay in connection with REIT transactions in your accounts with us that are custodied by NFS, please speak with your financial professional and see our Fee and Commission Schedule and the account opening agreements and other documentation for your particular accounts, which you received or will receive at account opening and are subject to change in accordance with their terms. Our current Fee and Commission Schedule and other disclosures regarding the fees and costs applicable to your transactions and holdings are available at www.lfa-sagemark.com under My accounts—Cost.

<u>Education Savings Plans</u>

Characteristics

We offer access to various education savings plans, which are a type of "529 plan." 529 plans are tax-advantaged and state-sponsored investment programs designed specifically for education savings and named after the section of the Internal Revenue Code that authorized them.

There are two general types of 529 plans: education savings plans and prepaid tuition plans. Education savings plans are securities that allow investment earnings to grow tax-deferred, and withdrawals are exempt from federal taxation when used for qualified educational expenses. Education savings plans generally operate through state-sponsored trusts and permit investors to allocate contributions to one or more trust portfolios or "investment options" offered in the plan. Prepaid tuition plans allow investors to "lock in" tuition rates at certain specified educational institutions. Every state offers at least one type of these 529 plans, and some states offer both types of 529 plan. The remainder of this disclosure discusses education savings plans.

Education savings plan contributions are generally invested in certain underlying investment options, such as mutual funds, that support the plan. The contributions will fluctuate in value as the underlying investment options increase or decrease, and there is no guarantee that the amount contributed to the education savings plan will equal the amount necessary for future education expenses. Although similar to mutual funds in certain ways, education savings plans are issued by state governments, and are not directly regulated or registered under the federal securities laws.

It is extremely important for you to read an education savings plan's offering document (often called a program description or "official statement") carefully before investing in that education savings plan. Each education savings plan's offering document contains important information that will help you make an informed decision about an investment in an education savings plan. In deciding whether to invest in an education savings plan, you should consider several different factors, including, but not limited to, each investment option's past performance, investment objective, investment strategies and risks, the investment adviser responsible for advising the state issuer, and the fees and expenses associated with an investment in a particular investment option. While past performance of an investment option is not indicative of future results, an investment option's long-term performance record may be an important factor in deciding to invest in the investment option.

Fees and Costs

Investing in an education savings plan entails fees. You typically will pay a sales charge when you purchase an education savings plan. We receive a portion of this sales charge for the sales and related services we provide to the primary distributor of the education savings plan.

Most education savings plans offer multiple units (often called share classes) similar to the share class structure offered by many mutual funds. Though there are several types of education savings plan share classes, the most common share classes available to you are Class A, Class B, and Class C. Each class typically has different fees and expenses, and therefore investment option performance results will differ as those fees and expenses reduce performance across share classes. You should also note that the size of your investment and the amount of time you expect to hold your investment in an education savings plan may play an important role in determining which share class is most appropriate for you, and you should discuss these considerations with your financial professional.

While there are no standard definitions for education savings plan share classes, and each education savings plan defines its share classes (and their characteristics and fees) in its offering document, set forth below are some basic descriptions of the most common share classes available to you:

- Class A – This share class usually carries a front-end sales charge, which is assessed as a percentage of each contribution and typically ranges from 1.00% to 5.75% of the amount you invest. The net amount of your contribution after the deduction of the sales charge is invested in shares of the education savings plan investment option(s) that you select. Class A shares may have lower operating expenses compared to the other share classes of the same investment option. This means that ongoing costs may be lower than ongoing costs associated with other share classes of the same investment option. Many education savings plans also offer "breakpoint" discounts for large investments in Class A shares of investment options, which means that the front-end sales charge decreases as your investment amount increases. These breakpoints are described in the education savings plan's offering document.

For example, if you purchase $5,000 of Class A shares of an investment option of an education savings plan that assesses a 5.75% front-end sales charge on your investment, you will pay a $287.50 front-end sales charge and the remaining $4,712.50 of your contribution will be used to purchase Class A shares of the investment option.

- Class B – This share class is characterized by a back-end sales charge or CDSC, but has no front-end sales charge like Class A shares. This CDSC means that you pay a sales charge when you redeem shares from your investment option. The amount of the CDSC is typically assessed as a percentage of your assets in the investment option, and it declines over time the longer you hold your investment option shares and eventually is eliminated. The period of decline typically lasts anywhere from five to eight years depending on the particular education savings plan and investment option. Once the CDSC is eliminated (typically at the end of that five-to-eight-year period), Class B shares usually convert to Class A shares. Until this conversion takes place, Class B shares will typically have higher ongoing operating expenses than Class A shares.

For example, if you purchase $5,000 of Class B shares of an investment option of an education savings plan that assesses a 4.00% CDSC, you will not pay a front-end sales charge and your entire $5,000 contribution will be used to purchase Class B shares of the investment option. However, if you decide to redeem those same Class B shares two years later, you will pay a CDSC that may be as much as $200, and receive the remaining value of the investment option assets. You typically will have also paid higher ongoing expenses for owning Class B shares as compared to if you had purchased Class A shares.

- Class C – This share class is characterized by a level asset-based sales charge that you pay annually as a percentage of your assets in an investment option. It does not have a front-end sales charge like Class A shares, but does have a CDSC like Class B shares. However, unlike Class B shares, the CDSC for Class C shares is generally eliminated after a short period of time (usually one year).

For example, if you purchase $5,000 of Class C shares of an investment option of an education savings plan that assesses a 1.00% asset-based sales charge, you will not pay a front-end sales charge in connection with your contribution, so your entire $5,000 contribution will be used to purchase Class C shares of the investment option. However, your contribution will be charged a 1.00% asset-based sales charge each year, so your initial $5,000 contribution will be reduced to $4,950 after the first year, assuming no other ongoing fees and expenses and no appreciation or depreciation of the shares in that one-year period. You typically will have also paid higher ongoing expenses for owning Class C shares as compared to if you had purchased Class A shares.

In addition to these sales charges, education savings plans typically deduct certain ongoing fees and expenses from each investment option, such as program management fees, from assets in the investment options. Although these ongoing fees and expenses may vary based upon your education savings plan, some of the more common ones are set forth below:

- Program Management Fee: Education savings plans generally deduct a program management fee to pay the program manager for providing investment advisory, accounting, and other services to the plan. This fee is typically charged annually as a percentage of your assets, and is reflected in the NAV of the plan's investment options.

- Maintenance Fee: Most education savings plans charge an annual maintenance fee. This fee, which compensates the plan sponsor for costs of maintaining the plan, may be waived in certain circumstances, such as when your plan assets exceed certain thresholds.

- Underlying Mutual Fund Expenses: Most education savings plan investment options invest in one or more mutual funds and therefore bear a portion of the fees and expenses of these underlying mutual funds. The underlying mutual fund expenses are deducted from fund assets and reflected in the NAVs of the underlying mutual funds, which means they are also reflected in the NAV of the education savings plan's investment options. More information on the mutual funds utilized in a plan's investment options is available in the education savings plan's offering document. In addition, more information on the underlying mutual funds, including their ongoing fees and expenses and overall expense ratio, is available in the funds' prospectuses.

You pay these fees and expenses indirectly as they are deducted from your investment option assets, or the assets of underlying mutual funds, on an ongoing basis.

More Information

Information regarding a specific education savings plan's features, risks, sales charges, and ongoing fees and expenses and other important matters is available in the education savings plan's offering document. You can request a copy of an education savings plan's offering document from your financial professional at any time. You may also obtain additional information about education savings plans generally by visiting the SEC's website at Investor.gov.

Variable Products

Characteristics

We offer access to variable annuities and variable life insurance policies. Variable products are issued by different insurance companies and will be in the form of a contract or policy between you and the insurance company. There are differences from one variable product to the next in the features, benefits, fees, and costs of the product and in minimum and maximum premium amounts. Below is general information about variable products. Information about the particular features, benefits, fees, and costs for a specific variable product can be found in the prospectus for that specific product. You will receive a copy of the prospectus for the variable product that your financial professional recommends to you.

Variable annuities can help with saving for retirement. Funds invested in variable annuities can grow tax-deferred. This means you will pay no federal taxes on the income and investment gains on the funds you invest in your variable annuity until you make a withdrawal, receive income payments, or a death benefit is paid. When you withdraw your funds, however, you will pay tax on the gains at ordinary federal income tax rates rather than at lower capital gains rates. When you start taking income payments, you can select payment options that will guarantee you payments for as long as you live. Some variable annuities offer additional features and guarantees, available as options or riders.

Variable life insurance provides life insurance protection (*i.e.*, a death benefit) and also allows you to accumulate a cash value that can grow tax-deferred. Most variable life insurance policies allow you to take out loans against your cash value and make withdrawals as long as the remaining cash value is sufficient to keep the policy in force. You can also terminate your policy by surrendering it and receiving the remaining cash value. Terminating your policy will terminate your death benefit protection. Most insurance companies offer riders and other options with their variable life insurance policies, such as disability insurance, income benefits, or accelerated death benefits.

When you purchase a variable product, your insurance premium contributions (net of any fees and charges deducted from premiums) are invested in the investment options—typically underlying mutual funds—that you select. The value of your investment, which usually is referred to as your "cash value," "accumulation value," or "account value" will fluctuate as the values of the underlying mutual funds you have selected increase or decrease.

Most insurance companies impose a minimum requirement on the initial premium. In the case of variable life insurance policies, you likely will be required to make premium payments periodically to keep the policy in force. While you may have some flexibility in the amount or timing of these periodic premium payments, you should consider whether you can afford to continue making premium payments when deciding to purchase a variable life insurance policy. If you fail to make sufficient payments to keep the policy in force, the policy will lapse (that is, terminate without value) and you will no longer have any death benefit protection.

Variable products are not short-term savings vehicles. Withdrawing funds or surrendering a variable product in the short term after purchase will likely trigger surrender fees and charges, and may also trigger tax penalties. You can lose the money you invest in variable products, including your initial investment, due to poor performance of the investment options you select and/or the cumulative impact of fees and charges on your cash value.

Fees and Costs – Variable Annuity Share Class Distinctions

Insurance companies offer different share classes of variable annuities. While there are no standard definitions for variable annuity share classes, and each variable annuity defines its share classes (and their characteristics and fees) in its prospectus, set forth below are some basic descriptions of the most common variable annuity share classes we make available to you:

- Class B Shares – If you purchase a Class B share variable annuity, you will not pay a front-end sales charge in most cases. However, you will be required to pay a CDSC (also known as a “surrender charge”) if you make a partial or full surrender of the variable annuity within the surrender period. The variable annuity’s prospectus will identify the terms of the surrender schedule, but generally the surrender period for Class B shares average from six to eight years, with the typical surrender charge initially ranging from 6.00% to 8.00% of the variable annuity’s value. The surrender charge typically decreases each contract year until it reaches zero at the end of the surrender period.

- Class C Shares – Class C share variable annuities generally do not carry surrender charges. However, because of their added liquidity, these variable annuities will typically carry higher ongoing mortality and expense (“M&E”) risk charges and associated fees and can therefore be more expensive over time than other share classes with lower ongoing expenses. Class C share variable annuities may be better suited for customers who are willing to pay higher fees in exchange for greater flexibility in their variable annuity investment.

- Class L Shares – Class L share variable annuities are similar to Class B share variable annuities in that they carry a surrender charge for early withdrawals. However, Class L share variable annuities typically have a shorter surrender charge period than Class B share variable annuities (*i.e.*, generally three to four years). Class L share variable annuities also typically carry higher charges and fees, and unless those ongoing fees are reduced at some point, such as at the expiration of the surrender charge period, Class L share variable annuities can be more expensive over time than share classes with lower ongoing expenses.

- Fee-Based Class – Fee-based variable annuities generally do not carry surrender charges and have reduced M&E risk charges and associated fees. Although these variable annuities generally have greater liquidity and lower ongoing fees, they are generally tied to a related investment advisory account and you will be billed on a periodic schedule for the ongoing advice being provided to you by your RIA or other financial advisor. Fee-based variable annuities may be best suited for investors who desire ongoing advice with respect to their variable annuity and underlying investments. With a fee-based variable annuity, you pay your RIA or other financial advisor directly for his or her work. This payment may be part of an annual cost for investment advice and services, and it may be based on the money your RIA or other financial advisor manages for you. Alternatively, you may pay a one-time cost related to the fee-based variable annuity. In either case, you are paying your RIA or other financial advisor directly, and the amount is not determined by the insurance company that created the fee-based variable annuity.

Fees and Costs – Premium Payment Deductions

With some variable products, the insurance company deducts a fee from your premium payments, with the effect that only the net premium amount is invested or allocated. In the case of variable annuities, the fee deduction is usually to cover a state insurance premium tax. In the case of variable life insurance policies, the fee deduction can also cover the insurer’s sales expenses.

Fees and Costs – Surrender and Withdrawal Charges

Most variable products impose a surrender charge if you surrender your variable product or make a withdrawal of your cash value during the surrender charge period. The specific surrender charge and surrender period are described in detail in the specific variable product's prospectus. Surrender charge periods vary by variable product, but typically range from six to eight years for variable annuities, though they may range up to 15 years for some variable life insurance policies.

Surrender charges also vary by variable product. Typically, surrender charges decrease over the duration of the surrender charge period, with higher surrender charges applying to surrenders and withdrawals made at the beginning of the surrender charge period, and lower surrender charges applying to surrenders and withdrawals made toward the end of the surrender charge period. Tax penalties can also apply to variable annuity surrenders and withdrawals made before age 59½.

For the Class B share variable annuities we make available, surrender charges generally begin around 6.00% to 8.00% of the purchase payment in year one and end at 1.00% to 2.00% of the cash value in the final year of the surrender charge period. For the Class L share variable annuities we make available, surrender charges generally begin around 7.00% of the purchase payment in year one and end at 5.00% of the cash value in the final year of the surrender charge period. As noted above, Class C share variable annuities generally do not carry surrender charges. Surrender charges for variable life insurance policies we make available vary widely from product to product, and you should refer to the prospectus for a particular variable life insurance policy for specific details regarding surrender charges and surrender charge periods. There is significant variability in the surrender charges and surrender charge periods for variable products, and certain variable products have surrender charges and surrender periods that vary from the typical surrender charges and surrender charge periods discussed above.

Fees and Costs – Ongoing Fees and Expenses

Insurance companies deduct fees and expenses from your cash value to cover fees and expenses. These ongoing fees and expenses commonly include M&E risk fees, cost of insurance fees (assessed under variable life insurance policies), administration fees, transaction fees, and fees associated with certain optional riders. M&E risk fees are calculated as a percentage of your insurance coverage or account value and are described as an annualized rate charged against assets. However, some fees, such as administration or transaction fees, are fixed fees charged annually or when specific transactions occur and are deducted from your cash value. The cost of insurance fees charged on variable life insurance policies are typically calculated by applying a rate based upon your underwriting classification to the "net amount at risk" (the difference between your variable life insurance policy's death benefit and cash value). These fees typically are deducted from your cash value on an ongoing basis. If you add riders to your variable annuity or variable life insurance policy, the fees for those additional riders will be deducted from your cash value as well.

In addition, you will indirectly pay the ongoing fees and expenses for the mutual funds that are the underlying investment options for the variable product in which you invest. These fees and expenses are separate from the fees charged by the insurance company and will be reflected in the performance of the underlying investment options. These ongoing fees and expenses include, among others, the mutual fund's management fees, servicing fees, and 12b-1 fees, and are typically charged as an annualized rate against fund assets.

The commissions, surrender charges, and ongoing fees and expenses associated with variable products vary by insurance company and the type of variable product selected. Information regarding a specific variable product's features, risks, commissions, surrender charges, and ongoing fees and expenses and other important matters is available in the variable product's prospectus. You can request a copy of a variable product's prospectus from your financial professional at any time, and you will receive a copy of the prospectus for any variable product that your financial professional recommends to you.

Fees and Costs – Our Commissions

When you purchase a variable product (other than a fee-based variable annuity), the issuing insurance company will pay us a commission. While you do not pay this commission directly, the insurer factors this commission into the product's fees and costs in the case of variable products. In this way, you indirectly pay the commission. We receive this commission for our sales efforts and for assisting you with the insurance application and the underwriting and delivery processes related to your purchase of a variable product. We share a portion of this commission with your financial professional.

Commissions we receive vary based upon the variable product and insurance company, and by the type of variable product you purchase. In addition, your financial professional may have choices as to the manner in which commissions are paid, such as higher deposit-based commissions with lower ongoing asset-based commissions, or lower deposit-based commissions and higher ongoing asset-based commissions. For a particular variable annuity contract, the choice of compensation methodology selected by the financial professional does not affect the fees and expenses of the product.

For variable life insurance products, commissions are typically structured in such a way that provides higher compensation in the year of purchase up to a specified amount of premium, referred to as the “target premium,” with lower commissions on payments in excess of the target premium and in subsequent policy years. Commission payments may also include asset-based commissions after the first policy year, based on the cash value of the policy. We and our financial professionals receive higher commissions for variable life insurance products issued by our affiliate, LNL, and its affiliates than we do for variable life insurance products issued by other companies with which we are not affiliated. This creates a conflict of interest for us and our financial professionals and this conflict is described more fully in Section 2.1 below. Although variable product commissions vary, we typically receive a commission of 5.00% to 7.00% for a variable annuity sale, with additional compensation options that provide for ongoing asset-based commissions of up to 1.0% annually. For a variable life insurance policy sale, we typically receive a commission that ranges up to 100% or more of the first year target premium, and 2.00% to 5.00% of premiums paid in subsequent policy years.

For example, if you purchase a $10,000 variable annuity from an insurance company that pays us a 7.00% commission, we will receive, and you will indirectly pay, an initial commission of $700. If you contribute another $10,000 to your variable annuity contract as an additional payment, we will receive, and you will indirectly pay, a subsequent commission of $700. While you would not pay a sales charge in either case, you would be subject to a CDSC that would be applied in the event you surrendered your contract. For example, if you invested $10,000 in a variable annuity and surrendered your contract after three years, you would be subject to a CDSC, which would be deduced from your accumulation value before you receive the net proceeds.

Marketing and Distribution Support Arrangements

We receive additional compensation, sometimes called “marketing support,” directly from certain insurance companies that have variable products available through us, including, but not limited to, all insurance companies that have variable annuities available through us. We limit the variable annuities that are available through us to those offered by insurance companies that make marketing support payments to us. Insurance companies make these payments to us out of their or their affiliates’ assets, not from the insurance product. These payments therefore will not appear as a fee or expense deducted from your account, or as part of the M&E risk fees for the insurance product. Depending on the insurance company, these payments can be made on the basis of total sales or on the basis of the amount of our client assets held with the insurance company. These payments vary from insurance company to insurance company, but, as of the date of this Reg BI Disclosure Document, each insurance company generally pays us up to 0.25% of the gross amount of each sale or up to 0.05% annually of our total client assets held with the insurance company. Accordingly, the payments we can receive will increase with the amount of our client assets placed with the insurance company. Certain insurance companies make marketing support payments in connection with only certain insurance products (and not others), and certain insurance companies pay us more or less depending on the particular insurance product. Moreover, not all insurance companies available through us make these payments to us and, among those that do, some insurance companies pay us more than others.

These payments subsidize the cost of educational programs and marketing activities that are designed to help facilitate the distribution of these insurance companies’ insurance products and make our financial professionals more knowledgeable about their insurance products. In addition, these payments allow insurance companies’ representatives to attend and participate in our conferences where financial professionals are present, one-on-one marketing meetings, and due diligence presentations.

In addition to the marketing support payments that we receive through formal marketing support arrangements, insurance companies, including, but not limited to, those that have formal marketing support arrangements with us, make flat dollar payments to us from time to time. These payments are not made as part of any formalized agreement, but rather for specific activities, including, but not limited to, exhibit booth space, presentation opportunities at our meetings or similar events, attendance at conferences, educational events for our financial professionals, and participation in other training and educational events. Some insurance companies also reimburse us and, indirectly, our financial professionals for certain expenses in connection with due diligence meetings, training and educational events, seminars that offer educational opportunities for clients, and similar events. Some insurance companies also provide us and our financial professionals with nominal gifts and gratuities, including, but not limited to, merchandise bearing the brand or logo of the insurance company.

You should be aware that there are insurance products available through us that do not pay any marketing support payments to us and therefore may be less expensive for you than insurance products that do make such payments to us.

For the most up-to-date information regarding the marketing and distribution support arrangements we have with insurance companies, including a list of the insurance companies with whom we have arrangements, a description of the revenue we receive, and a description of our related conflicts of interest, see our Annuity and Insurance Product Marketing Support Disclosure, which is available at www.lfa-sagemark.com under My accounts—Disclosures. For information on our conflicts of interest in connection with the marketing and distribution support arrangements we have with insurance companies, see Section 2.2 below.

More Information

Information regarding a specific variable product's features, risks, commissions, surrender charges, and ongoing fees and expenses and other important matters is available in the variable product's prospectus. You can request a copy of a variable product's prospectus from your financial professional at any time, and you will receive a copy of the prospectus for any variable product that your financial professional recommends to you. You may also obtain additional information about variable products generally by visiting the SEC's website at Investor.gov.

Alternative Investments

In addition to interval funds and non-traded REITs, which are discussed separately above, we also from time to time offer access to a variety of other alternative investments, including limited partnerships, oil and gas programs, managed futures funds, qualified opportunity zone funds, private placements, 1031 exchange programs, funds of hedge funds, and other non-traded investment programs. These alternative investments typically are offered in private offerings and typically are available only to retail customers who qualify as "accredited investors," as such term is defined in Rule 501 of Regulation D under the Securities Act.

As a general matter, these offerings are classified as "alternative" because they are unlike traditional securities held in a broker-dealer account, such as stocks and bonds, and are generally not traded on an exchange. In some cases, these alternative investments have a negative correlation to traditional investments and are used to further diversify portfolios beyond traditional asset classes in an attempt to manage risk. These alternative investments are typically subject to illiquidity and other special risks and some may be speculative and involve substantial risk. In some cases, it may be difficult to determine the current value of the asset. There can be no assurance that the stated investment objectives of an alternative investment will be met. Units or shares of these types of investments may fluctuate in value. Therefore, at the time of redemption, they may be worth more or less in value than the original amount invested.

Fees and Costs – Alternative Investments Other Than Interval Funds and Non-Traded REITs

Buying, holding, and selling alternative investments entails fees. You will typically pay us a commission every time you buy an alternative investment through a primary offering. You will pay this commission as a percentage of the investment amount or the share or unit price of the alternative investment offering. This commission is usually a one-time payment made at the time of your initial investment, although some alternative investments assess an ongoing sales charge after your initial investment. Commission rates vary among the various alternative investments we make available, and may vary based on other factors such as the size of your investment. While commissions vary, you will typically pay a commission ranging between 2.00% and 6.00% of the amount you invest in the alternative investments we make available. In addition to commissions, your investment in an alternative investment will typically entail additional deposit-based fees and charges, including fees paid to underwriters and other organizational and offering expenses. The net investment amount, after deducting initial commissions and other up front expenses, is available for the manager, general partner, or advisor of the alternative investment program to invest pursuant to the investment objectives of the program.

In addition to the applicable commissions and other sales charges on your alternative investment purchase, we typically charge you an alternative investment purchase fee of $50 and a service and handling fee of $5 each time you buy an alternative investment in an account with us that is custodied by NFS.

Marketing and Distribution Support Arrangements

We receive additional compensation, sometimes called "marketing support," directly from alternative investment sponsors available through us. Alternative investment sponsors or their affiliates make these payments to us out of the gross proceeds of the alternative investment offering, as described in the prospectus, private placement memorandum, or other offering document for the alternative investment offering. In the case of interval funds, alternative investment sponsors make these payments to us out of their or their affiliates' assets, not from the assets of any interval funds available on our investment platform. In these cases, these payments will not appear as a fee or expense deducted from your account, or as an item in the expense table disclosure for any interval fund available on our investment platform. Depending on the alternative investment sponsor, these payments can be flat payments per sales transaction, made on the basis of total sales, made on the basis of the amount of our client assets held with the alternative investment sponsor, or made on a combination of those methods. These payments vary from alternative investment sponsor to alternative investment sponsor, but, as of the date of this Reg BI Disclosure Document, each alternative investment sponsor generally pays us a flat payment per sales transaction of up to $250, up to 1.5% of the gross amount of each sale, and/or up to 0.10% annually of our total client assets held with the alternative investment sponsor. Accordingly, the payments we can receive will increase with the amount of our client assets placed with the alternative investment sponsor. Certain alternative investment sponsors pay us more or less depending on the particular alternative investment or share class sold, certain alternative investment sponsors subject their flat payments per sales transaction to minimum sale thresholds, and certain alternative investment sponsors place caps on the aggregate payments we can receive. Moreover, some alternative investment sponsors pay us more marketing support than others. In general, the marketing support rates we receive in connection with alternative investments exceed the marketing support rates we receive in connection with other product types, such as mutual funds and variable products.

These payments subsidize the cost of educational programs and marketing activities that are designed to help facilitate the distribution of these sponsors' alternative investments and make our financial professionals more knowledgeable about their alternative investments. In addition, these payments allow alternative investment sponsors' representatives to attend and participate in our conferences where financial professionals are present, one-on-one marketing meetings, and due diligence presentations. In some cases, these payments also compensate us for administrative services we provide in connection with alternative investment sponsors' offerings.

All of the alternative investment sponsors available through us have entered into a direct marketing support arrangement with us. As a result, we limit the alternative investment sponsors available to our clients to only those alternative investment sponsors that make these payments to us.

In addition to the marketing support payments that we receive through formal marketing support arrangements, alternative investment sponsors make flat dollar payments to us from time to time. These payments are not made as part of any formalized agreement, but rather for specific activities, including, but not limited to, exhibit booth space, presentation opportunities at our meetings or similar events, attendance at conferences, educational events for our financial professionals, and participation in other training and educational events. Some alternative investment sponsors also reimburse us and, indirectly, our financial professionals for certain expenses in connection with due diligence meetings, training and educational events, seminars that offer educational opportunities for clients, and similar events. Some alternative investment sponsors also provide us and our financial professionals with nominal gifts and gratuities, including, but not limited to, merchandise bearing the brand or logo of the alternative investment sponsor.

For the most up-to-date information regarding the marketing and distribution support arrangements we have with alternative investment sponsors, including a list of the alternative investment sponsors with whom we have arrangements, a description of the revenue we receive, and a description of our related conflicts of interest, see our Alternative Investment Marketing Support Disclosure, which is available at www.lfa-sagemark.com under My accounts—Disclosures. For information on our conflicts of interest in connection with the marketing and distribution support arrangements we have with alternative investment sponsors, see Section 2.2 below.

More Information

Information regarding a specific alternative investment's features, risks, commissions, surrender charges, and ongoing fees and expenses and other important matters is available in the alternative investment's prospectus or other offering document. You can request a copy of an alternative investment's prospectus or other offering document from your financial professional at any time.

For detailed information regarding fees you will pay in connection with alternative investment transactions in your accounts with us that are custodied by NFS, please speak with your financial professional and see our Fee and Commission Schedule and the account opening agreements and other documentation for your particular accounts, which you received or will receive at account opening and are subject to change in accordance with their terms. Our current Fee and Commission Schedule and other disclosures regarding the fees and costs applicable to your transactions and holdings are available at www.lfa-sagemark.com under My accounts—Cost.

2. Conflicts of Interest

We have identified conflicts of interest ("conflicts") that relate to the recommendations of securities and investment strategies involving securities (including account recommendations) that we and our financial professionals make. A conflict arises when an economic or other benefit incentivizes either us or our financial professional to put our interests and/or the interests of the financial professional ahead of the interests of a retail customer. Some of these conflicts exist between retail customers and both us and our financial professionals, while others exist between retail customers and us alone or between retail customers and our financial professionals alone. This section discloses material facts relating to these conflicts so that you are able to make an informed decision regarding any recommendation your financial professional provides you.

2.1. Conflicts for Both Our Firm and Our Financial Professionals

When acting in a broker-dealer capacity, we are committed to ensuring that we and our financial professionals always act in the best interest of our retail customers and do not place our or their financial or other interests ahead of retail customers' interests when making recommendations; however, conflicts between retail customers and both us and our financial professionals are caused by a variety of arrangements, including, but not limited to, the role we play in a transaction, compensation arrangements, and trading arrangements. The material facts relating to conflicts between retail customers and both us and our financial professionals are as follows:

- *We and our financial professionals get paid more when you trade more, purchase additional investments, engage in larger transactions, and engage in other fee-generating activities.* You are charged and we are paid a variety of fees each time you trade in your brokerage account, each time you make a new investment, and each time you engage in other fee-generating activities. We pay our financial professionals a portion of the transaction-based commission, sales charge, sales load, and markup payments that you are charged and that we receive. Our and our financial professionals' receipt of these transaction-based payments, including, but not limited to, commissions, sales charges, sales loads, and markups, incentivizes us and our financial professionals to recommend that you trade more frequently, purchase additional investments, engage in larger transactions, and engage in other fee-generating activities that result in you being charged more and us and your financial professional receiving more compensation. Our and our financial professionals' receipt of these transaction-based payments also incentivizes us to recommend that you trade in investments that pay us the highest rate of compensation, rather than investments that pay us lesser or no compensation. You should be aware of the fact that the transaction-based payments we receive are typically higher than the fees and expenses that we have and pay to our service providers for related services and are a source of revenue for us. For additional information on fees and costs applicable to your accounts, transactions, and holdings, see the section entitled "Fees and Costs" above.

- *For some investments you purchase, we receive payments from a third-party that are in addition to the transaction-based payments described immediately above.* This is typically the case when you purchase mutual funds (including, but not limited to, money market mutual funds designated as cash sweep vehicles), interval funds, education savings plans, alternative investments, variable products, and certain other investment products. For example, certain issuers make ongoing payments to us based upon invested assets (not just new investments), such as 12b-1 fees, shareholder servicing fees, distribution fees, trail compensation, or other ongoing commissions or compensation. An overview of these third-party payments is provided in the section entitled "Fees and Costs Associated with Your Transactions and Holdings" above. Detailed information regarding third-party payments we receive in connection with particular investments is provided in the prospectus or other offering document for the particular investment, which you can request from your financial professional at any time and will be made available to you in connection with any purchase. We pay our financial professionals a portion of these fees that we receive. Our and our financial professionals' receipt of these third-party payments incentivizes us and our financial professionals to sell you and recommend that you hold investments that generate the highest rate of these payments to us, rather than investments that do not generate these payments to us or that generate comparatively lower payments to us.

- *For investments with multi-share class structures, we and our financial professionals generally receive comparatively more compensation when we recommend that you purchase or hold a share class that is more costly for you*. Some investments, including mutual funds, interval funds, education savings plans, certain alternative investments, and variable annuities, offer multiple share classes, and we and our financial professionals will earn higher commissions, ongoing payments, and other compensation if you invest in certain share classes than we would if you invest in others. Our receipt of these comparatively higher commissions, ongoing payments, and other compensation incentivizes us and our financial professionals to sell you and recommend that you hold the share class in a multi-share class structure that results in the most compensation for us and is likely to be more costly for you. Please note, however, that where investments have multi-share class structures, the lowest-cost share classes may not be available to retail customers, like you, as a result of high minimum investment amounts or account type requirements (*e.g.*, a retirement account or an advisory account). You can find more information about the compensation paid to us, and the expenses you will incur, in connection with different share classes of the same investment in the prospectus or other offering document for the investment, or by asking your financial professional. You should not assume that you are always recommended or invested in the share class with the lowest possible internal expenses or costs.

- *We and our financial professionals get paid when you engage in a rollover transaction and purchase investments in your rollover account.* We and our financial professionals can recommend that you roll over assets from your workplace retirement plan into an IRA. When you engage in a rollover to an IRA, we and our financial professionals generally will receive direct or indirect compensation in connection with your rollover and the investments you purchase and hold in your IRA. Our and our financial professionals' receipt of this compensation incentivizes us and our financial professionals to recommend that you roll over assets from your workplace retirement plan into an IRA and purchase and hold investments within your IRA that result in additional compensation for us and our financial professionals.

- *We and our financial professionals have an incentive to recommend that you open and utilize the account type that pays us the most compensation.* We and our financial professionals can recommend that you invest through different account types and arrangements, such as through a broker-dealer account, an account directly held with the issuer of the investment (or its transfer agent), or an investment advisory account. Depending on factors including, but not limited to, the type and level of services you require as well as the frequency of trading in your account, one of these account types may be more cost-effective for you than the others and we and our financial professionals will earn more compensation in connection with certain of these account types than others. The availability of different account types incentivizes us and our financial professionals to recommend that you open and utilize the account type that results in the most compensation for us and our financial professionals.

- *We and our financial professionals have an incentive to recommend that you purchase investments that pay us the highest rate of compensation.* We offer access to a variety of different investment categories and investment products and the compensation that we and our financial professionals receive in connection with your transactions varies among investment categories, particular investments within those categories, and share classes of those particular investments. As our and our financial professionals' compensation varies depending on the investment category, particular investment, and share class you select, we and our financial professionals have an incentive to recommend that you make purchases in investment categories, particular investments, and particular share classes that pay us the highest rate of compensation, rather than in investment categories, investments, and share classes that pay us lesser or no compensation. Additionally, in certain circumstances, we and our financial professionals receive higher rates of compensation in connection with sales of proprietary products than we do for similar products issued or offered by unaffiliated third parties. For example, we and our financial professionals receive higher commissions for variable life insurance products issued by our affiliate, LNL, and its affiliates than we do for variable life insurance products issued by other companies with which we are not affiliated. As a result, we and our financial professionals have an incentive to recommend that you purchase variable life insurance products issued by our affiliate, LNL, and its affiliates rather than similar variable life insurance products issued by companies with which we are not affiliated.

2.2. Conflicts for Our Firm Alone

When acting in a broker-dealer capacity, we are committed to ensuring that we always act in the best interest of our retail customers and do not place our financial or other interests ahead of retail customers' interests when making recommendations; however, conflicts between retail customers and our firm are caused by a variety of arrangements, including, but not limited to, the role we play in a transaction, compensation arrangements, trading arrangements, and customer-specific arrangements. The material facts relating to conflicts between retail customers and our firm are as follows:

- *Sponsors of the mutual funds, variable products, and alternative investments our financial professionals recommend make flat annual payments to us, make flat payments to us per sales transaction, periodically pay us based upon the total amount of their investments we sell, periodically pay us based upon the total amount of our client assets invested in their products, or make payments to us based on a combination of those methods, and we only offer variable annuities and alternative investments from third-party sponsors who make these types of payments to us*. These payments are sometimes called "marketing support" or "revenue sharing" payments and our receipt of these payments incentivizes us to include these sponsors' products on our investment platform and to recommend that you purchase and hold investments issued by product sponsors that make these payments to us, rather than investments issued by product sponsors that do not make these payments to us or that make comparatively lower payments to us. Certain sponsors make marketing support payments to us in connection with only certain products and share classes that are available on our investment platform (and not others), and certain sponsors pay us more or less depending on the particular product, asset class, or investment strategy. As a result, we have an incentive to recommend that you purchase and hold the products, share classes, asset classes, and investment strategies that make these payments to us, rather than products, share classes, asset classes, and investment strategies that do not make these payments to us or that make comparatively lower payments to us. Moreover, not all product sponsors available on our investment platform make these payments to us and, among those that do, some product sponsors pay us more than others. Many product sponsors or their affiliates also make payments to us to cover the costs associated with educational conferences, training seminars, and other events we host for our financial professionals. These payments are flat and are not tied to total sales of, or customer assets invested in, the sponsors' products; however, our receipt of these flat payments incentivizes us to include these sponsors' products on our investment platform and to recommend that you purchase and hold investments issued by product sponsors that make these flat payments to us, rather than investments issued by product sponsors that do not make these payments to us or that make comparatively lower payments to us. You should be aware that there are products and share classes available on our investment platform that do not generate any marketing support payments to us and therefore may be less expensive for you to purchase and hold than products and share classes that do generate such payments to us. Additionally, because we limit the variable annuities and alternative investments that are available through us to those offered by sponsors that make marketing support payments to us, our financial professionals cannot recommend a variable annuity or alternative investment from a sponsor that does not make these payments to us and that could potentially cost you less overall and otherwise be in your best interest. For the most up-to-date information regarding our marketing and distribution support arrangements, including a list of the product sponsors with whom we have such arrangements, a description of the revenue we receive, and a description of our related conflicts of interest, please see our Annuity and Insurance Product, Alternative Investment, and Mutual Fund Marketing Support Disclosures, each of which are available at www.lfa-sagemark.com under My accounts—Disclosures. Additional information regarding our marketing and distribution support arrangements is also included under the heading "Fees and Costs Associated with Your Transactions and Holdings" above.

- *NFS, our custodian and clearing firm, makes revenue sharing payments to us.* NFS makes periodic asset-based revenue sharing payments to us based upon a percentage of our total customer assets invested in NTF mutual funds participating in NFS's NTF mutual fund program through broker-dealer accounts with NFS. NFS also pays us an annual fixed dollar amount for each customer position in a TF mutual fund participating in NFS's TF mutual fund program that is held in a broker-dealer account with NFS. Our receipt of these revenue sharing payments from NFS incentivizes us to recommend that you purchase and hold investments in NTF mutual funds and TF mutual funds in your broker-dealer accounts with NFS, which generate these revenue sharing payments to us, rather than investments that do not generate these payments to us (*e.g.*, Fidelity Funds) or that generate comparatively lower payments to us. Additionally, our receipt of these revenue sharing payments from NFS incentivizes us to utilize NFS as our custodian and clearing firm. You should be aware that there are mutual funds and share classes available on our investment platform that do not generate these revenue sharing payments to us and therefore may be less expensive for you to purchase and hold than mutual funds and share classes that do generate such revenue sharing payments to us. For additional information on these revenue sharing arrangements, please see our Mutual Fund Marketing Support Disclosure, which is available at www.lfa-sagemark.com under My accounts—Disclosures. Additionally, we are eligible to receive revenue sharing payments from NFS based upon our customers' cash sweep balances held in NFS's taxable interest bearing cash option, FCASH. Our ability to receive these revenue sharing payments from NFS incentivizes us to recommend that you utilize FCASH as your cash sweep vehicle, rather than other available cash sweep vehicles that do not generate such revenue sharing payments to us or that generate comparatively lower payments to us. Further, we are eligible to receive revenue sharing payments from NFS based upon the amount of uninvested cash held in the accounts of our customers who have not elected a cash sweep vehicle. Finally, we are eligible to receive interest payments from NFS based on a portion of the aggregate short market value of our clients' accounts, less interest payments made directly to client accounts and certain other deductions specified by NFS.

- *NFS, our custodian and clearing firm, makes business development credit payments to us.* Under our clearing agreement with NFS, we are entitled to receive annual business development credit payments from NFS, we have received non-recurring business development credit payments from NFS, and we would be required to make certain payments to NFS if our relationship with NFS were terminated for specified reasons or if we failed to maintain specified levels of customer assets with NFS. Our receipt of these business development credit payments and the related repayment obligations incentivize us to maintain our clearing agreement with NFS, recommend that you utilize a brokerage account custodied by NFS (as opposed to, for example, accounts held directly with the issuers of the securities you purchase or with another custodian), and recommend that you increase or maintain the amount of assets held in your accounts that are custodied by NFS.

- *We are eligible to receive transfer cost credits from NFS, our custodian and clearing firm*. Under our clearing agreement with NFS, we are entitled to receive asset-based payments from NFS based upon the amount of new customer assets transferred from other custodian and clearing firms to NFS. Our receipt of these transfer cost credits incentives us to maintain our clearing agreement with NFS and to recommend that you open and utilize a brokerage account custodied by NFS (as opposed to, for example, accounts held directly with the issuers of the securities you purchase or with another custodian).

- *We have an incentive to minimize the costs we incur in connection with your accounts and the securities transactions therein*. We incur costs in connection with the maintenance of your accounts and when you engage in securities transactions in your accounts. Some securities transactions and investment strategies are less costly for us than others. As a result, we have an incentive to recommend that you purchase and hold securities and pursue investment strategies that result in the least amount of cost for us.

- *We get paid when you have an outstanding margin loan*. When you have an outstanding margin loan, where NFS extends credit (a loan) to you for the purpose of purchasing, carrying, or trading in securities, we charge you interest on all credit extended to you by NFS and we set and retain a portion of any interest you pay. Our retention of a portion of the margin interest payments you make incentivizes us to recommend that you apply for margin trading privileges, engage in margin trading, and increase the amount of credit extended to you by NFS because we will receive more compensation when you do so.

- *We get paid when you borrow utilizing securities-backed lines of credit (SBLOCs) from certain third-party lenders.* When you borrow cash secured by the securities in your brokerage account utilizing an SBLOC, you will pay interest on all cash you borrow under the SBLOC to the third-party lender with whom you've entered into an SBLOC contract. Certain third-party lenders share a portion of the interest you pay with us, or otherwise make payments to us based upon the total amount of your outstanding loan balance, to compensate us for services we provide in connection with offering you access to the third-party lender's SBLOC. Our receipt of a portion of the interest payments you make to certain third-party lenders or other compensation from these third-party lenders incentivizes us to recommend that you apply for an SBLOC with such lenders, enter into an SBLOC contract with such lenders, and increase the amount of cash you borrow under your SBLOC with such lenders because we will receive more compensation when you do so. It also incentivizes us to recommend that you apply for an SBLOC with a third-party lender that shares a portion of the interest payments you make with us, or otherwise makes payments to us based upon the total amount of your outstanding loan balance, rather than a lender that doesn't. It further incentivizes us to recommend that you apply for an SBLOC with the third-party lenders that make the highest or relatively higher payments to us.

- *We and our affiliates collectively receive additional compensation when you purchase or utilize proprietary products.* We offer variable products, retirement products, and certain other products developed by our affiliates, including LNL, LRSC, and their affiliates, and we and our affiliates collectively receive more compensation when you purchase or utilize those proprietary products than if you purchase or utilize a product issued, sponsored, or managed by an unaffiliated third party. Our and our affiliates' receipt of this additional compensation incentivizes us to recommend that you purchase and utilize proprietary products developed by our affiliates because our overall organization will receive more compensation when you do.

- *We engage in principal transactions with you in certain circumstances.* When we sell a bond or other security to you or purchase a bond or other security from you in a principal capacity, we have the ability to mark the price of the bond or other security you intend to purchase or sell up or down. In principal transactions, we have an incentive to mark bond and other security prices up or down in order to generate the most possible compensation for us, which will cause you to pay more for your purchase or receive less for your sale.

2.3. Conflicts for Our Financial Professionals Alone

When acting in a broker-dealer capacity, we are committed to ensuring that our financial professionals always act in the best interest of our retail customers and do not place our or their financial or other interests ahead of retail customers' interests; however, conflicts between retail customers and our financial professionals are caused by a variety of arrangements, including, but not limited to, compensation arrangements, retail customer-specific arrangements, and outside business activities. The material facts relating to conflicts between retail customers and our financial professionals are as follows:

- *Your financial professional's compensation is dependent upon their sales.* Your financial professional's cash and non-cash compensation (including, but not limited to, recognition trips, nominal gifts, entertainment, marketing expense reimbursements, business expense reimbursements or discounts, firm-sponsored benefits, and other benefits) are tied to factors including asset accumulation, total sales, total compensation, or proprietary product sales. These arrangements incentivize your financial professional to recommend that you trade more frequently, purchase additional investments, engage in larger transactions, purchase products that generate higher compensation, and purchase proprietary products offered by our affiliates so that he or she will make progress toward or meet the thresholds required to receive these various benefits. This conflict is heightened as your financial professional approaches the deadlines for meeting the qualification targets for these various benefits, many of which are typically at the end of the calendar year.

- *The amount of compensation we share with your financial professional depends on the investment category recommended to you and your financial professional's sales volume.* The amount of commissions, sales charges, sales loads, markups, ongoing payments, and certain other forms of compensation we share with our financial professionals is dictated by a compensation grid. Your financial professional's compensation grid varies based upon the investment category your financial professional's recommendation falls within. Because our compensation grid is not investment category neutral, your financial professional has an incentive to recommend that you invest in investment categories that result in the highest percentage payout for your financial professional. For example, our financial professionals generally receive a lower percentage of the compensation generated by publicly-traded stock and other general securities transactions than they do for transactions in other investment categories (*e.g.*, variable product transactions), and they therefore have an incentive to recommend that you invest in investment categories other than publicly-traded stocks and other general securities. In addition, our compensation grid has thresholds or bands that enable your financial professional to increase his or her compensation through an incremental increase in sales. Moreover, your financial professional's payout percentage can be adjusted periodically depending on your financial professional's total sales and overall performance. These thresholds, bands, and payout percentage adjustments incentivize your financial professional to recommend that you trade more frequently, purchase additional investments, engage in larger transactions, and purchase investments that generate higher compensation so that he or she will make progress toward or meet the thresholds required to receive additional compensation. This conflict is heightened as your financial professional approaches the thresholds for meeting the qualification targets for these benefits.

- *Some financial professionals receive forgivable loans when they join our firm and have outstanding loan balances forgiven over time as they meet total production targets each year during the term of their forgivable loan.* If your financial professional received a forgivable loan and has an outstanding loan balance, your financial professional has an incentive to recommend that you trade often, purchase additional investments, engage in larger transactions, purchase investments that result in higher compensation, and engage in other fee-generating activities that will assist your financial professional in meeting the total production targets that will cause all or a portion of his or her outstanding loan balance to be forgiven by us. This conflict is heightened as your financial professional approaches the deadline for meeting the qualification targets for loan forgiveness, which are typically at the anniversary of the issuance date of their forgivable loan.

- *Some of our financial professionals receive additional training and support from certain issuers.* Certain issuers and their affiliates provide some of our financial professionals with more training and administrative support services than others. If your financial professional receives this additional training and support, his or her use of these issuers' higher level of training and administrative support services incentivizes your financial professional to recommend investments issued by issuers that provide such training and services over issuers that do not or issuers that provide lesser training and services.

- *Some of our financial professionals' marketing efforts are subsidized by marketing representatives of product sponsors or their affiliated distributors, who are often referred to as "wholesalers."* Some of our financial professionals receive reimbursements or direct payments from the wholesalers of certain investments for marketing and distribution expenses they incur in connection with the distribution of wholesalers' investments. If your financial professional receives these wholesaler reimbursements or direct payments, they incentivize your financial professional to recommend investments that entail these wholesaler reimbursements or payments over investments that do not or that provide lesser reimbursements and payments.

- *Some of our financial professionals conduct business activities outside of the scope of their relationship with us ("outside business activities") that compete for their time and could potentially influence the recommendations they make to you.* If your financial professional engages in any outside business activities, these outside business activities can incentivize your financial professional to spend more time on the outside business activity rather than on his or her broker-dealer relationship with you. Additionally, depending on the nature of your financial professional's outside business activities, your financial professional's outside business activities and related professional and personal interests can have the potential to influence the recommendations that he or she makes to you. You may research any outside business activities your financial professional may have on FINRA's BrokerCheck website at https://brokercheck.finra.org/.

- *Our financial professionals serving as retirement consultants are eligible to receive certain financial benefits if you engage in a rollover transaction to a proprietary rollover product*. Our financial professionals who serve as retirement consultants with our affiliate, LRSC, are eligible to receive certain financial benefits, including, but not limited to, recognition trips and other cash and non-cash compensation, if you engage in a rollover transaction to a proprietary rollover product developed by our affiliate, including the Next Step IRA. Our financial professionals' receipt of this additional compensation incentivizes them to recommend that you roll over assets from your workplace retirement plan into the proprietary rollover products that generate this compensation to them.

- *Some of our financial professionals working with workplace retirement plans get paid when you deposit assets into your workplace retirement plan*. Some of our financial professionals who work with workplace retirement plan sponsors receive compensation based on the amount of assets you deposit into your workplace retirement plan. Our financial professionals' receipt of this deposit-based compensation incentivizes them to recommend that you deposit assets into your workplace retirement plan rather than other account options that would not generate this compensation to them or that would generate comparatively lower compensation to them.

- *Some of our financial professionals are subject to material limitations*. As described in Section 1.2.1 above, some of our financial professionals are limited in the investments, services, and account types they can recommend to you as a result of their not being licensed to provide investment advisory services, the securities and insurance licenses they hold, and their limited roles and responsibilities with us and our affiliates. If your financial professional is subject to a material limitation on the investments, services, or account types he or she can recommend to you, your financial professional has an incentive to recommend that you invest in and utilize the investments, services, and account types that he or she is authorized to recommend because he or she will only be compensated if you do so.

- *Our financial professionals have an incentive to minimize the costs they incur as a result of your securities transactions.* Our financial professionals incur costs when you engage in securities transactions. Some securities transactions and investment strategies are less costly for our financial professionals than others. As a result, our financial professionals have an incentive to recommend that you purchase and hold securities and pursue investment strategies that result in the least amount of cost for them.