# Lesko Securities Inc. BROKERAGE COMPENSATION AND CONFLICTS DISCLOSURE

Our Website is: www.leskofinancial.com

The link to our Client Relationship Summary is here: https://leskofinancial.com/CRS/

We provide this regulation Best Interest Disclosure (the Reg BI Disclosure) to all our customers to inform them about the services we offer and our relationship with them. Among other things, this reg BI disclosure addresses the scope and terms of our relationship with you, the capacity in which we are acting, the type and range of our services, any material limitations to our services, the fees and costs and the conflicts of interest. Additional information is available via our website, or you can request a hard copy or any additional information by calling 607-724-2421.

## Introduction

**About Lesko Securities Inc.:** Lesko Securities Inc. ("LSI") is a broker-dealer registered with the Financial Industry Regulatory Authority (FINRA). Lesko Securities Inc. is also registered as an investment adviser with the Securities and Exchange Commission ("SEC"). Lesko Securities Inc. operates across the United States and also offers insurance products in many states.

LSI. boasts a network of individuals, referred to as "financial professionals", who offer brokerage services, investment advisory services, or both, depending on their licenses. Some of LSI's financial professionals are Investment Adviser Representatives (IARs) of LSI. LSI sometimes refers to these specific financial professionals as "financial advisors" or "advisors."

LSI's financial professionals are employees of Lesko Financial Services. Lesko Securities Inc. is a wholly owned subsidiary of Lesko Financial Services.

Some of the investment products offered may include securities products, including mutual funds, exchange-traded funds, variable annuities, variable life insurance, municipal fund securities, alternative investments and general securities such as stocks and bonds.

Additional information about Lesko Securities Inc. and its financial professionals is available on FINRA's website at https://brokercheck.finra.org . Information related to our advisory practices can be found in our Form ADV at https://adviserinfo.sec.gov/firm/summary/10091.

## Capacity and Restrictions on Recommendations

### Capacity: Brokerage and advisory services

As an LSI client, you will receive a broad scope of services whether we serve you as a broker-dealer, investment advisor or both. While there are similarities between the brokerage and advisory services we provide, there are important differences, including the pricing structures for these services and the provision of ongoing monitoring of accounts. For detailed information regarding these distinctions. You can access form CRS here: https://leskofinancial.com/CRS

LSI is an "Introducing Broker-Dealer", meaning we do not hold custody of your funds and securities. Instead, we have an agreement with a clearing firm that safeguards your assets and executes trades on our behalf. When you establish a brokerage account through us, you can buy, sell and hold investments within your account. We execute purchases and sales on your behalf, and as directed by you, through our Custodian, in which we earn revenue. The capacity in which we act is disclosed on your trade confirmation and on your New Account Form(s). We and the clearing firm share responsibilities with respect to your account. We offer a variety of different brokerage account types including:

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|---|---|
| **Individual** | **Estates** |
| **JTWROS** | **Trusts** |
| **Joint TIC** | **Custodial Qualified Plans** |
| **UTMA** | **Investment Clubs** |
| **IRA / Roth IRA / Sep IRA / SIMPLE IRA / Bene IRA** | **Sole Proprietorships** |
| **SARSEP** | **Partnerships** |

Please refer to our account agreement(s) for more information concerning available account types or speak with your Financial Professional.

**Brokerage relationships generate transaction-based compensation.** In brokerage relationships, investors pay transaction-based fees in connection with the products and services they receive, such as buying and selling stocks, bonds, mutual funds, annuity contracts and other investment products. These include commissions, transaction fees, loads and sales charges. Compensation to Lesko Securities Inc. includes these commissions, transaction fees, trail commissions, loads and sales charges that are embedded in the purchase price as well as compensation from third parties in some cases.

Commissions vary from product to product, which creates an incentive for our Financial Professionals to want to sell a higher commission security rather than a lower commission security. The maximum and typical commissions for common investment products are listed below for reference. For a more detailed description of specific product commissions and fees, you should refer to the product's prospectus.

- **Equities and Other Exchange Traded Securities**: The maximum commission charged by LSI in an agency capacity on an exchange traded security transaction, such as an equity or an ETF, is up to 5% of the transaction amount. The commission amount decreases as the size of the transaction amount increases according to a fee schedule. In addition, your Financial Professional can decide to discount the commission amount to a minimum of $43.00 per transaction.
- **Mutual Funds and 529s:** The maximum commission or sales charge permitted under applicable rules is 5.75%, and this amount is established by the mutual fund company.
- **Annuities:** The maximum upfront commission paid for new sales of annuities is typically 7%, but may vary depending on the time purchased, and type of annuity, such as fixed, fixed index, traditional and variable annuities.
- **Alternative Investments:** Alternative investments include hedge funds, private equity funds, non-traded business development companies (BDCs), private placements, or real estate investment trusts (REITs). The upfront sales load can be as high as 8%.

In a brokerage account, your total costs generally increase or decrease as a result of the frequency of transactions in the account and the type of securities you purchase. This presents a conflict in that the more you trade or invest, the more revenue we can generate from your account.

You will also pay fees for various operational services provided to you through your brokerage account. These fees are set at least annually and communicated to you through information included in your account statement and other notifications. These fees do not apply to all account types and may be waived under certain conditions. You should understand that the fees and costs charged to you may vary based on the brokerage service model you choose

When we act in our capacity as a broker-dealer, we are subject to the Securities Act of 1933, the Securities Exchange Act of 1934, as amended, the rules of self-regulatory organizations, such as the Financial Industry Regulatory Authority, Inc. (FINRA), and applicable state laws. Pursuant to the SEC's Regulation Best Interest, we must act in your best interest and we owe you a duty of care and loyalty. This means we must avoid conflicts of interest or, at a minimum, disclose them to you. When handling your brokerage account, we are obligated to ensure that our recommendations are in your best interest.

**No Ongoing Monitoring in Brokerage Accounts:** In brokerage accounts, our financial professionals do not provide ongoing monitoring of your account after the recommendation. From time to time, we may provide you with additional information and resources to assist you with managing your brokerage account. This may include but is not limited to educational resources, sales and marketing materials, performance reports, asset allocation guidance, and/or periodic brokerage account reviews. When we offer these services and information, we do so as a courtesy to you. These activities are not designed to monitor specific investment holdings in your brokerage account, they do not contain specific investment recommendations about investment holdings, and you should not consider them a recommendation to trade or hold any particular securities in your brokerage account. Upon your request, we will review such information and reports with you and may provide you with investment recommendations, but we are not under a specific obligation to do so.

Our best interest obligation to you applies only at the time of the recommendation. If you desire to have your account monitored on an ongoing basis, ask your financial professional about establishing an advisory account relationship.

**Cash Sweep Features on Brokerage Accounts**. Our brokerage services include a Cash Sweep Program feature. This program permits you to earn a return on uninvested cash balances in your brokerage account by allowing cash balances to be automatically "swept" into a "Cash Sweep Vehicle," until such balances are otherwise required to satisfy obligations arising in your account. These Cash Sweep Vehicles include interest-bearing deposit accounts, and if permissible, money market mutual funds or such other sweep arrangements made available to you. We have a financial incentive to encourage you to use the Cash Sweep program because we earn compensation in the form of interest.

For more information concerning the Cash Sweep Program, please refer to your account agreement(s) with the Custodian.

**Advisory relationships have fee-based compensation.** In advisory relationships, clients pay a set fee, or a fee based on a percentage of the assets in the account according to an investment advisory program agreement. Lesko Securities Inc. and our Financial Advisors do not receive additional compensation from third parties in connection with the assets in clients' advisory accounts. However, they may receive additional compensation from transactions they recommend to you such as insurance and brokerage-based business.

**Ongoing Monitoring in Advisory Accounts**: When handling an investment advisory account, your financial professional will act as a fiduciary to you. Advisory services are provided pursuant to a written agreement with you. In an advisory relationship, we do provide ongoing monitoring of your account in accordance with the terms of the written agreement with you.

**Limitations on Investment Recommendations**

Although many financial professionals offer both brokerage and investment advisory services, some offer only brokerage services and others offer only investment advisory services. When you are discussing services with a financial professional, you should ask what capacity the financial professional is acting or will be acting – as a broker-dealer registered representative and/or an IAR – when providing services to you. You should also ask if there are limitations on the products or services a financial professional may offer by virtue of any of the following:

**Limited Product Shelf**: There are literally thousands of recommended investment products on the market and Lesko Securities Inc. does not offer all of them for sale to clients. Moreover, the scope of products and services we offer may be more limited than what is available through other financial service firms. Lesko Securities Inc. and financial professionals offer and recommend investment products only from investment sponsors with whom LSI has entered into selling and distribution agreements. Other firms may offer products and services not available through LSI, which presents a conflict since you are not able to purchase those products or services through LSI. We disclose this conflict to you and mitigate it by maintaining a robust offering of products and services.

**Proprietary Products:** LSI does not offer any proprietary products.

**Restrictions Based on Licensing**: A financial professional's ability to offer individual products and services depends on his/her licensing. A financial professional holding a Series 6 license is limited to providing mutual funds, 529 plans, Unit Investment Trusts ("UITs") and variable annuity contracts. A financial professional holding a Series 7 license can offer all of the investment products a Series 6 representative can offer as well as individual stocks, bonds, exchange traded funds ("ETFs"), and alternative investments (real estate investment trusts (REITs), limited partnerships (LPs), 1031 exchanges, Business Development Companies (BDCs), and private equity. A financial professional may also hold either the Series 65 or 66 licenses, or have attained a certification such as the Certified Financial Professional certificate, which enables them to offer advisory services.

You should ask your financial professional about the investment products or services he/she is licensed or qualified to sell, and his/her ability to service investments that you transfer to Lesko Securities Inc. from another firm. You should also review the licenses held by your financial professional by visiting the FINRA Broker Check system at http://brokercheck.finra.org.

Licensing presents a conflict in that individuals have an incentive to offer you products or services that correspond to their licensing. We disclose this conflict to you and mitigate it by reviewing recommendations made to you by our financial professionals to ensure these recommendations are in your best interest.

**Minimum Investment Amounts:** Some products may impose minimum investment amounts, which precludes purchases under that amount. Purchase minimums can vary by issuer, but they are common in mutual funds (typically between $250 - $1000), annuities (typically $5,000 – 10,000), and alternative investments (typically between $2,500 - $5,000). Ask your financial professional or refer to the official product offering document if there are minimum purchase amounts applicable to the investment product you are considering.

**Distinction Between Holding Products Directly with Sponsor or in a Brokerage Account**: Exchange traded securities (i.e., stocks, bonds, options, ETFs) are only available for purchase in a brokerage account maintained at our custodian National Financial Services, LLC., which sends you confirmations and account statements. Other securities, including mutual funds and alternative investments, may be owned in either a brokerage account or directly held with the product sponsor ("directly held"). Variable annuities are held directly with the product sponsor.

With a directly held account, Lesko Securities Inc. purchases the investment directly with the product sponsor, which is responsible for sending you confirmations and account statements. In a brokerage account, you can hold several different types of securities, which can be more efficient because all the securities are included on one statement and you receive one Form 1099. With a directly held account, you may only hold products issued by that product sponsor. Brokerage accounts typically have annual maintenance fees and fees for transactions and other services while directly held accounts typically do not charge such fees, which makes directly held accounts less expensive.

While there are important differences between brokerage and directly held accounts, we do not require your financial professional to open a particular type nor do we incent the financial professional to open one type over the other. Talk to your financial professional about which type of account is best for you.

## Firm Revenue: Commissions, Fees, and Third-Party Compensation

We earn revenue primarily from clients. We also earn revenue from product sponsors and money managers ("third parties") who assist us in providing the investments and services that we offer you.

### A. Revenue from Clients

Our brokerage revenue from clients includes:

1. **Commissions:** We receive Commissions you pay when you buy or sell equities and fixed-income investments (this applies when we act as agent or broker). We share this revenue with your financial professional.

2. **Markups and markdowns:** We receive revenue from markups and markdowns on your price when you buy or sell securities (this applies when we act as principal buying and selling from our own inventory, primarily for bonds). We share this revenue with your financial professional.

3. **Sales loads:** Sales loads (sales charges), commissions or concessions derived from the offering and sale of various managed investments such as mutual funds, unit investment trusts, insurance and annuities. A commission, or sales load, is typically paid at the time of the sale and can reduce the amount available to invest. For more information about other commissions that apply to a particular transaction, please refer to the applicable product disclosure form, investment prospectus, or offering document. We share this revenue with your financial professional.

### B. Revenue from Third Parties

Our revenue from third parties includes:

1. **Trail Compensation and/or 12b-1 Fees:** Payments from mutual fund and insurance companies in the form of distribution and/or service fees (12b-1 fees), trail commissions or renewal commissions, which are fully described in the applicable prospectus or offering document. Trails are typically paid from the assets of the investment product and the amount is calculated as an annual percentage of assets invested by Lesko Securities Inc. customers. The more assets you invest in the product, the more

trails we earn. Therefore, we have an incentive to encourage you to increase the size of your investment. The percentage of assets received varies by product, which creates an incentive to recommend products paying higher trails. We share this revenue with your financial professional. This creates a conflict for your financial professional to recommend funds paying higher trail compensation. We manage this conflict by disclosing it to you.

- **Mutual Funds and 529s:** The ongoing 12b-1 trail payment depends on the class of shares but is typically between 0.25% and 1% of assets annually.
- **Annuities:** The amount and timing of trail payments varies depending on the issuer and type of policy purchased. The maximum trail payment for annuities is typically 1.5%.

2. **Revenue Sharing Payments:** We receive payments known as revenue sharing from certain mutual fund companies, 529 plan program managers and insurance companies (collectively referred to as "product partners"). Our receipt of revenue sharing payments creates a potential conflict of interest in that we have an incentive to offer products from product partners that pay us revenue sharing. There is also a conflict in that LSI receives more revenue for certain product types than others. We address these conflicts by disclosing them to you and by not sharing any of the payments with our financial professionals, who are free to offer various product types, as well as products from firms that do, or do not, pay revenue sharing to LSI.

- Mutual Fund Sponsors. LSI receives compensation of up to 0.25% on an annual basis of customer assets invested with certain mutual fund families. LSI also receives flat annual payments at the discretion of certain fund sponsors as support for LSI' product marketing and the education and training efforts for financial professionals in connection with the sale of their products.
- Insurance Carriers: LSI receives compensation from insurance carriers that ranges from .05% to.50% annually of insurance product sales.
- UIT Sponsors. LSI receives fees, often referred to as volume concessions, from UIT sponsors that are based on a percentage of sales volume. These fees are set by the UIT sponsor and vary. The UIT prospectus contains detailed descriptions of these additional payments.
- LSI receives compensation from NFS on the cash and cash equivalents deposited into your brokerage account.

3. **LSI also receives a monthly payment from NFS for Non-Fidelity mutual fund companies that are no transaction fee on the Fidelity platform. Revenue from National Financial Services, LLC**:

**A. Miscellaneous Fee Revenue:** For accounts held at NFS, customers pay miscellaneous fees directly for account services, including but not limited to, transaction fees for purchases of products on the NFS platform, wire transfers, returned checks, transfer on death services, outgoing account transfers, account inactivity, margin extension fees, margin interest fees, IRA annual maintenance fees, and IRA termination fee. These charges are assessed against the customer's account and may include additional charges, or markups, that Lesko Securities Inc. assesses for these account services. In some instances when a new financial professional joins LSI, former customers may determine to follow the financial professional to LSI by moving their accounts from the prior firm, often incurring account closing fees in the process. In some instances, LSI will reimburse clients for this account closing or termination fees and then receives reimbursement from NFS. We do not share this revenue with your financial professional.

**B. Money Market Funds Revenue:** LSI offers a cash sweep option through NFS and receives commission for assets that are held within the MONEY MARKET Deposit program that are shared with the account's assigned registered representative.

## Financial Professional Compensation

LSI generally compensates financial professionals as employees. Described below are the compensation and other benefits that financial professionals receive from LSI.

**1. Cash Compensation:** When you buy or sell certain investments, such as stocks, bonds, exchange-traded funds, and other investment products, you pay to LSI a commission or a sales charge. The amounts differ depending on the investment and the amount of the transaction. LSI also receives payment from the mutual fund or insurance company if you buy mutual funds, annuities, or insurance policies. LSI pays your financial advisor a portion of these charges and payments. The payout level may vary based on the financial professional's agreement with LSI. Some investments provide more compensation to your financial professional than others, which creates a conflict in that it can influence the investment product recommendation. For information on the amount of the sales charge or commission applicable to your investment, please refer to either the product offering document (or prospectus) or the trade confirmation, as applicable.

**2. Benefits**: Financial professionals are eligible to receive other benefits based on the revenue generated from sales of products and services. These benefits present a conflict of interest because the financial professional has an incentive to remain a registered representative of LSI in order to maintain these benefits. These benefits include:

- eligibility for LSI' practice management support and enhanced service support levels that confer a variety of benefits, conferences (e.g., for education, networking, training, and personal and professional development), and other non-cash compensation.
- Deferred compensation contribution from LSI
- Contributions to defray cost of attendance to LSI' sponsored conferences

**3. Trail Compensation and/or 12b-1 Fees:** As discussed above under the Firm Compensation section, the firm receives, and shares with financial professionals, payments from mutual fund and insurance companies in the form of distribution and/or service fees (12b-1 fees), trail commissions or renewal commissions, which are fully described in the applicable prospectus or offering document. Trails are typically paid from the assets of the investment product and the amount is calculated as an annual percentage of assets invested by LSI customers. The more assets you invest in the product, the more trails we earn. Therefore, we have an incentive to encourage you to increase the size of your investment. The dollar amount of trails received varies by product, which creates an incentive to recommend products paying higher trails. This creates a conflict for your financial professional to recommend funds paying higher trail compensation. We manage this conflict by disclosing it to you.

**4. Recruitment Compensation:** In many cases, LSI provides financial professionals financial incentives when they join our firm from another firm. In general, if your financial professional is joining LSI from another firm, you should discuss the reasons your Financial Professional decided to change firms and any costs or changes in services you would incur by transferring your accounts to LSI.

Financial Professionals joining from other firms are eligible to receive incentives, including loans, bonuses and/or other compensation, if they reach certain asset and/or production levels or other targets. The amount paid to Financial Professionals under these arrangements is largely based on the amount of the business serviced by the Financial Professional at their prior firm and the Financial Professional achieving a minimum percentage of their prior firm production and asset levels within a specific time period after joining LSI.

These payments are often substantial and take various forms, including loans, transition bonus payments and various forms of compensation to encourage Financial Professionals to join LSI, and are contingent on your Financial Professional's continued affiliation with LSI. Therefore, even if the fees you pay at LSI remain the same or are less, the transfer of your assets to LSI contributes to your Financial Professional's ability to meet such targets and to receive additional loans and/or compensation even if not directly related to your account or the fees you pay to us.

These practices create an incentive and a conflict of interest for your Financial Professional to recommend the transfer of your account assets to LSI because a significant part of the Financial Professional's compensation is often contingent on the Financial Professional achieving a pre-determined level of revenue and/or assets at LSI.

**5. Noncash Compensation:** Third-party providers may also give financial professionals gifts up to a total value of $100 per provider per year, consistent with industry regulations. Third parties may occasionally provide financial professionals with meals and entertainment of reasonable value. We want you to understand that this creates a potential conflict of interest to the extent that this may cause financial professionals to prefer those Product Partners that provide these noncash incentives. We address these conflicts of interest by maintaining policies and procedures regarding the sale and supervision of the products and services we offer to you, and by disclosing our practices to ensure you make a fully informed decision.

**6. Recognition and Awards:** We strive to recognize the success of our financial professionals with bonus award system. This bonus system is based on the total commissions generated by each individual financial professional. These payments create a conflict of interest in that financial professionals could have an incentive to recommend various products that generate more revenue.

**7. Compensation to Supervisory Principals:** We currently have one branch; however, the supervisory principal receives compensation based on total profitability of the company.

**8. Revenue from a Financial Professional's Outside Business Activities (OBAs)**: Financial professionals are permitted to engage in certain LSI-approved business activities other than the provision of brokerage and advisory services through LSI. Financial professionals receive compensation and benefits from these activities and in certain cases they may earn more compensation from their OBAs than they earn through LSI. Examples of common OBAs in which our financial professionals participate:

- Insurance product sales (e.g., fixed life insurance, property & casualty, health/dental)
- Tax preparation and/or accounting
- Employee benefits services

A financial professional's OBAs are separate and distinct from their LSI activities. Your financial professional may own the company through which the OBA is conducted. By engaging in OBAs, your financial professional may have an incentive to recommend you purchase products or services through the OBA and away from LSI. If you engage with a financial professional for services separate from LSI, you may wish to discuss with him/her any questions you have about the compensation he/she receives from the engagement. Additional information about your financial professionals outside business activities is available on FINRA's website at http://brokercheck.finra.org.

## Products: Fees, Costs, and Compensation

### A. Mutual Funds, Closed-end Funds, and Exchange Traded Funds

#### 1. Mutual Funds

Mutual funds are professionally managed portfolios of securities that pool the assets of individuals and organizations to invest toward a common objective, such as current income or long-term growth. All mutual funds are offered for sale through a prospectus, which you should read prior to investing in a fund. The prospectus describes the sales charges and expenses applicable to the fun and it describes the fund's investment objective.

All mutual funds charge investment management fees and ongoing expenses for operating the fund and these expenses can vary by the share class purchased. The most common types of mutual funds are Class A and Class C shares and LSI only offers these two types in commissionable brokerage accounts. Some funds offer no-load share classes available in advisory programs. Funds may also offer special share classes for qualified retirement plans. The key distinctions between share classes relate to costs: the sales charge and operating expenses. Your financial professional's compensation is determined by the type of share class purchased.

**Class A Shares**: For class A share mutual funds, you typically pay a front-end sales charge, called a sales load, which is deducted from the initial investment. Mutual funds with front-end loads generally reduce the sales charge as the amount of your investment increases above certain levels, according to a breakpoint schedule. Sales charges for mutual funds investing predominantly in equities generally are higher than those of mutual funds investing primarily in bonds. Your front-end charges may be reduced or eliminated as the amount of your investment with the mutual fund company increases above certain levels. Such reduced charges are known as breakpoint discounts. At a certain level, typically $1 million, you may stop paying sales charges. Annual operating expenses for class A shares are generally lower than for class C shares. Please refer to the prospectus for the specific sales charges and expenses.

**Class C Shares**: For class C share mutual funds, you are normally not charged a front-end sales charge or a contingent deferred sales charge (CDSC) unless you sell shares within a short period of time, usually one year. The operating expenses are usually higher than those of class A shares. Class C shares do not offer breakpoint discounts. Class C shares typically are more appropriate for investors with a shorter investment time frame.

The mutual fund company pays LSI a commission at the time you make your investment with the amount varying depending on the share class purchased and any applicable break point discounts.

LSI pays a portion of this commission to your financial professional.

The product sponsor also pays us an ongoing distribution and/or service fee (12b-1 fees) that are paid out of fund assets for as long as you own your shares and we are the broker of record. Your financial professional receives a portion of these trail payments. Please ask your financial professional how they are paid for mutual fund transactions.

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 on the total amount you choose to invest with the mutual fund company. The investment levels needed to receive these discounts are known as breakpoints. Mutual fund companies typically allow you to combine holdings with those of 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 your mutual fund purchase with your existing investment 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" (LOI).

Fees and Costs – Ongoing Fees and Expenses: In addition to the 12b-1 fees described above, mutual funds typically also deduct other ongoing fees and expenses, such as management fees or servicing fees, from fund assets. These are ongoing fees and expenses that are typically used to pay for the mutual fund's continued 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, and recordkeeping expenses as well as to finance distribution activities. 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.

**Money Market Mutual Funds:** A money market mutual fund contains short term debt and monetary investments and has an objective of maintaining a stable net asset value of $1 per share. There are no sales charges when you buy a money market fund. There typically is no fee to redeem money fund shares unless the fund's board has determined to impose liquidity fees in certain circumstances. The fund's prospectus contains information regarding the fund's objectives, risks, investments, fees and expenses.

LSI does not charge commissions or fees for the purchase or liquidation of money market funds. We do receive 12b-1 fees for distribution services we provide and share these with your financial professional.

**Conflicts of Interest Related to Revenue Sharing Payments.** Under the terms of our clearing agreement with NFS, LSI receives a portion of compensation that is based on the amount invested by brokerage accounts. LSI receives a monthly rebate based on LSI's monthly average daily balance in the participating Sweep Accounts.

Certain mutual funds and NFS may pay LSI additional amounts known as revenue sharing payments, which are based on overall sales and/or assets on behalf of the fund or its fund family.

## 2. Exchange Traded Funds (ETFs)

An ETF is an exchange-traded security combining attributes of conventional stocks with mutual funds. ETFs are pooled investment funds that offer investors an interest in a professionally managed portfolio of securities that track an index, a commodity or a basket of assets. ETFs may be actively managed or passively-managed and they trade on stock exchanges where they may experience price changes throughout the day as they are bought and sold. Certain types of ETFs, namely leveraged ETFs and inverse ETFs are significantly riskier than basic ETFs. For this reason, LSI does not allow financial professionals to solicit the purchase of these types of ETFs.

We act as an agent for your ETF transactions, which means we send your order to an external venue to buy or sell shares of the ETF. You pay a commission based on the amount of the transaction, which we share with your financial professional. ETFs also carry built-in operating expenses that affect the ETF's return. For more information, please refer to the applicable offering document.

### 3. Closed-end Funds

A closed-end fund is a type of investment company that is typically actively managed in an effort to outperform market indexes. Close-end funds have a fixed number of shares that are publicly traded on an exchange. The share prices fluctuate based on investor supply and demand and there is no requirement that the share price match the Net Asset Value (NAV). Many closed-end funds trade at a discount to NAV. Open end mutual funds, on the other hand, are priced each day at NAV. Closed-end funds are not required to redeem shares.

We act as an agent for your closed-end fund transactions. This means we send your order to an exchange to buy or sell shares of the closed-end fund. You pay a commission based on the amount of the transaction. Closed-end funds also carry built-in operating expenses that affect the fund's return. Your financial advisor receives a percentage of the commissions from closed-end fund trades.

## B. Unit Investment Trusts (UITs)

A UIT is an SEC-registered investment company that invests in a fixed, diversified group of professionally selected securities according to a specific investment strategy. Unlike open end mutual funds, the securities within the UITs portfolio generally are not actively traded and instead maintains more of a buy and hold approach to investing. As a holder of a UIT you own a portion of the securities in the trust.

UITs have a set termination date where the portfolio securities are sold and the proceeds are paid to investors. Prior to the UIT's termination, a holder may redeem shares by tendering back to the sponsor. The amount received will be based on the current value at the date of redemption, which may be less than the original amount invested. UIT sponsors continuously offer new series of UITs, which makes it possible for investors to purchase a new series of the UIT upon expiration of the current UIT.

In brokerage accounts, you typically pay either a front-end sales charge or a combination of front-end and deferred sales charges. The deferred sales charge is usually deducted from your account in periodic installments. We receive a portion of that sales charge from the provider sponsoring the UIT. The trust sponsor may also charge a "creation and development" fee (C&D) to compensate for the costs of organizing and offering the portfolio.

UITs have built-in operating expenses that affect their return. Details on the operating expenses and organizational fees are included in each UIT's prospectus. We may receive additional compensation based on our overall sales, or volume concessions, which are received from the unit trust sponsor. The potential volume concession amounts are detailed in each UIT's prospectus. For information about volume concession, please see the corresponding prospectus.

Your financial professional receives a percentage of the overall dealer concessions the product sponsor pays to LSI as outlined in the prospectus. For fixed-income trusts, the dealer concession may vary based on the number of units underwritten. For information about underwriting concession, please see the corresponding prospectus. Your financial professional does not receive commissions from the sale or liquidation of UITs. Also, your financial professional does not receive direct compensation or any portion of volume concession payments we may receive from UIT sponsor.

### C. Variable Annuities

Variable annuities are contracts issued by insurance companies into which the buyer makes a lump-sum payment or series of payments. In return, the insurer agrees to provide either a regular stream of payments beginning immediately (or at some future date) or a lump sum payout at a future time. The client pays premiums to the issuing insurance company. At the client's direction, the insurer allocates the payments to investment options, or sub-accounts (which are similar to mutual funds) comprised of stocks, bonds, or other investments. When you invest in a variable annuity, any growth credited to your account is credited to your account but is not taxed until you take distributions, at which point you pay taxes on any gains. Withdrawals before the age of 59 ½ may also incur a federal tax penalty. Please refer to the prospectus for information specific to the variable annuity you purchase.

**Fees and charges:** Because variable annuities possess insurance features, they have fees and/or expenses that are not found in other investment products. The fees or expenses that you pay vary depending on the terms and share class of the annuity purchased. The most common fees are as follows:

- **Surrender charge.** Most variable annuities do not have an initial sales charge. However, insurance companies usually assess a surrender charge — often called a contingent deferred sales charge (CDSC) — to an annuity owner who liquidates a contract or makes a withdrawal in excess of the free withdrawal provision (typically 10%) during the surrender charge period specified in the prospectus. The CDSC typically decreases over several years. Please read the prospectus carefully with regard to the applicable surrender charges.
- **Mortality & Expense Risk charge (M&E).** The insurance company charges you this fee for the insurance risks it assumes by providing you guaranteed[1] future payments and basic death benefits. In addition, this fee helps offset the cost of commissions paid.
- **Administrative fees.** These fees cover administrative costs associated with servicing the annuity, including the cost of transferring funds, tracking purchase payments, issuing confirmations and statements, recordkeeping, and customer service.
- **Contract maintenance fee.** This is an annual flat fee — approximately $25 or $30 a year — to keep the contract active. This fee may be waived on variable annuity contracts with account values over a certain dollar amount (for example, $50,000). See the prospectus for details.
- **Underlying fund expenses on subaccounts.** These fees cover the cost of managing the investments within the subaccounts.
- **Optional Rider costs.** Additional riders that provide protection for death and/or provide income may cost extra.

**Commissions and Compensation:** In brokerage accounts, we primarily offer shares of variable annuities, which are characterized by deferred sales charges that typically range from 5% - 7% in the first year and subsequently decline to zero after five to nine years. The commission payable to LSI, which we share with your Financial Professional, ranges from between 3-6% of your initial investment, with an annual trail commission of up to 1.5% of the total value of the annuity. Your financial professional has the option to choose from a higher upfront commission with a lower trail payment or, conversely, a lower upfront commission with a higher trail payment. The total compensation paid with each of these options is generally comparable over time.

### E. Fixed Indexed Annuities and Buffered Annuities

Fixed indexed annuities are contracts issued by insurance companies where the returns are based upon the performance of a market index, such as the S&P 500. The index annuity provides a guaranteed minimum accumulation value, subject to the solvency of the issuer. The performance is subject to predetermined rate caps and floors, meaning the performance of your fixed indexed annuity will not exceed or fall below the specified return levels as described in the prospectus, regardless of market conditions.

A buffered annuity is similar to a fixed indexed annuity except that there is a potential to lose principal if the index falls farther than the level of protection offered by the annuity. For example, a buffered annuity might offer protection against the first 10% of a market decline; if the market declines beyond 10%, you would be responsible for any loss beyond 10%

Typically, index annuities do not have a front-end sales charge when you purchase them but you may pay a CDSC to the insurance company if you liquidate the contract before the end of a certain period of time. The percentage amount of the CDSC usually declines over time. Typically, you do not pay any sales charges or annual operating expenses when you purchase a fixed indeed or buffered annuity. The insurance company considers all its costs, including commissions, when determining the interest rate, caps, participation rates, and CDSC.

The insurance company pays LSI a commission at the time you pay your premium and, for some contracts, at the time of any subsequent renewal. The commission is not deducted from your initial premium or renewal amount. We share this commission with your financial professional.

### F. General Securities (Stocks and Bonds and Certificates of Deposit)

1. **Common and preferred stocks:** when you buy or sell stock, we will act as your agent and route your order to an exchange to buy or sell shares. You pay a commission based on the amount of the transaction, which we share with your financial professional. In the event of trade errors and corrections, we can either earn a profit or loss.

2. **Bonds (Corporate, Municipal, Government):** When you purchase bonds, we act as either principal or agent. If we act as agent, we will charge you a commission, expressed as a percentage of the dollar amount you buy and sell. If you buy a bond from our inventory or sell a bond that we purchase directly from you, we act as a principal and will either markup the price (for a purchase) or markdown the price (for a sale). The amount of the commission or markup or markdown will be reflected on the trade confirmation. We share this compensation with your financial professional.

3. **Certificates of Deposit (CDs) and Structured CDs:**

CDs issued by banks or S&Ls and have fixed interest rates and set maturity dates. We also offer market-linked CDs, which are CDs with a return based on a collection of stocks or a market index, such as the Dow Jones Index or a basket of equities. CDs and market linked CDs are FDIC insured.

For CDs purchased in the secondary market, clients pay a markup (in the case of a purchase) or a markdown (in the case of a sale), which generally consists of (1) the sales credit (effectively a commission) that varies based on the time to maturity and (2) the markup or markdown that the trading desk has included as part of the transaction. We share the markup/markdown with your financial professional.

## G. Rollovers

In the event you choose to roll assets out of a retirement plan, such as a 401(k) plan, and into an individual retirement account (IRA), we have a financial incentive to recommend that a client invests those assets with us because we will be paid on those assets. A client should be aware that such fees and commissions likely will be higher than those the client pays through the plan, and there can be custodial and other maintenance fees. As securities held in a retirement plan are generally not transferred to an IRA, commissions and sales charges may be charged when liquidating such securities prior to the transfer, in addition to commissions and sales charges previously paid on transactions in the plan.

## H. Investment Risks

Any investment or investment strategy involves the risk of loss, which you should be prepared to bear. Examples of risks you could face are:

- Interest rate risk: Fluctuations in interest rates generally cause investment values to fluctuate. For example, market values of bonds typically decline when interest rates rise, because the rising rate makes the existing bond yields less attractive.
- Market risk: External factors independent of a security's particular underlying circumstances may impact its value. The value of a security, bond or mutual fund may drop in reaction to tangible and intangible events and conditions, such as a political or social event or an economic condition.
- Inflation risk: Inflation means a dollar today buys more than a dollar next year. When inflation is present, your purchasing power typically decreases at the rate of inflation.
- Currency risk: Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. Also known as exchange rate risk, these risks may be present in international mutual funds for example.
- Reinvestment risk: The risk that future proceeds from investments may be reinvested at a potentially lower rate of return is reinvestment risk. This risk primarily relates to fixed income securities.
- Business risk: Risks associated with a particular industry or a specific company may impact the value of investments. For example, oil-drilling companies typically have more business risk than electric companies since they depend on finding oil and then refining it efficiently before they generate a profit. An electric company generates income from customers who buy electricity regardless of economic conditions.
- Liquidity risk: Liquidity means the ability to readily convert an investment into cash. Assets with many purchasers are generally more liquid. For example, Treasury Bills are highly liquid, while real estate properties are less so.
- Financial risk: A company with excessive borrowing or that takes significant business risks to generate profit is typically at a greater risk of financial difficulty or failure.